

**Form ADV Part 2A: FIRM BROCHURE**



1601 Dodge Street, Suite 3800  
Omaha, NE 68102

Contact: Teri L. Mercer  
Tel: (402) 932-8600  
Email: [info@mccarthycapital.com](mailto:info@mccarthycapital.com)  
[www.mccarthycapital.com](http://www.mccarthycapital.com)

**March 27, 2024**

This brochure (“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 [info@mccarthycapital.com](mailto:info@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](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Since MPM's last annual Brochure filing on March 27, 2023, the Firm has closed on new investment vehicles as identified in the Form ADV Part 1, Schedule D, Section 7.B.1.

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 best practices 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, 2023;
- Item 5: updated to reflect certain expenses in connection with the new fund; and
- Item 8: updated to reflect additional risk factors and potential conflicts of interest in connection with the new fund.

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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 and 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, MPM and its affiliates provide discretionary investment advisory services to their clients, which consist of private investment funds. MPM also acts as 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, management buyouts and real estate investments. 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 as they seek to create long-term growth and value.

MPM serves as the investment adviser for, and provides discretionary investment advisory services to, private funds (the “Funds”) which are exempt from registration under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “Investment Company Act”). MPM also provides discretionary investment advisory services to co-investment special purpose funds established to invest alongside a fund in a single portfolio company (each, a “Co-Investment Fund” and collectively with the Funds, the “Funds” unless the context otherwise requires). In addition, in certain circumstances, as more fully described in Item 7 below, the Firm permits certain investors and third parties to co-invest alongside a Fund directly into a portfolio company. Unlike the Co-Investment Funds mentioned above, such direct co-investments are not considered Funds or clients of MPM. In addition, MPM has established certain investment vehicles through which certain current and former employees, members, officers, advisors, portfolio company executives, independent contractors or persons close to the Firm invest alongside one or more main Fund in an investment opportunity. For more information about the MPM Funds, please see the Firm’s Form ADV Part 1, Schedule D, Section 7.B.(1), Private Fund Reporting.

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 registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) pursuant to MPM’s registration in accordance with SEC guidance. The applicable General Partner of each Fund retains investment discretion and investors in the Funds do not participate in the control or management of the Funds. 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 General Partners and affiliates, please see the Firm's Form ADV Part 1, Schedule D, Section 7.A., Financial Industry Affiliations.

### **Principal Owners/Ownership Structure**

MPM is owned by MCP Management Corporation, which is fully owned by members of the investment team. 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. Certain Funds invest through privately negotiated transactions in operating companies, generally referred to as "portfolio companies." Each portfolio company has its own independent management team responsible for managing its day-to-day operations, although 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. In addition, in some cases, MPM will more directly influence the day-to-day management of the company by assisting with the hiring of certain individuals in various leadership roles, such as chief executive officer, chief operating officer, chief financial officer or in other roles. MPM's investment advisory services for the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investment, managing and monitoring investments and achieving dispositions of such investments. Investments are made predominantly in non-public companies, although in infrequent circumstances, a Fund is permitted to invest in public companies. Specifically, on occasion, MPM has invested in public companies, an MPM portfolio company has gone public through an initial public offering or a MPM portfolio company has gone public through a merger with a special purpose acquisition company.

Other Funds invest in real estate or real estate related assets across various asset classes. Real estate investments are frequently made with a joint partner, operator and/or developer. For purposes of this Brochure, references to "portfolio company" refers to all investments, unless the context otherwise requires.

**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 investment objectives are described in and governed by the offering memorandum, limited partnership agreement or operating agreement, subscription documents, side letter agreements and other governing documents of the relevant Fund, including without limitation, management or advisory agreements (collectively, "Governing Documents") and investors determine the suitability of an investment in a Fund based on, among other things, the 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. In accordance with industry common practice, 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. Examples of side letter rights entered into include notification provisions, advisory board representation, reporting requirements and "most favored nations" provisions, among others. These rights, benefits or privileges are not always made available to all investors, consistent with the Governing Documents and general market practice. Commencing in September 2024, MPM will make required disclosure of certain side letters to all investors (and in certain cases, to prospective investors) in accordance with the new Private Fund Rule. 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. There can be no assurance that the side letter rights granted to one or more investors will not in certain cases disadvantage other investors,

**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, 2023, MPM managed regulatory assets under management of approximately \$4.030 billion, all 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 and its affiliates and General Partners receive fees and compensation in exchange for advisory services provided to the Funds, including management fees, carried interest, additional compensation in connection with management services performed for the portfolio companies of the Funds and reimbursements from portfolio companies for certain expenses advanced on their behalf. Differences exist from Fund to Fund, and certain Funds do not charge certain fees, compensation or expenses that other Funds charge or charge them in different amounts. The following is a general description of fees, compensation and expenses of the Funds. Investors should refer to the Governing Documents of the applicable Fund for an understanding of how MPM is compensated for its advisory services; the information contained herein is a summary only and is qualified in its entirety by such documents.

### **Management Fees**

MPM charges each Fund a management fee (the “Management Fee”), generally ranging from 1.5% to 2% per annum of non-affiliated investor capital (either committed or invested, depending on the life-stage of the applicable Fund), which amount varies by 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 is equal to a percentage of each investor’s invested capital with respect to investments that have not been disposed of or completely written-off. For other Funds, Management Fees are initially based on the total capital commitments made to the Fund and thereafter based on the net asset value of the remaining assets in the Fund determined as of the previous quarter end. For yet other Funds, Management Fees are calculated solely based on net asset value. 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 amount of Management Fees generally will not correspond with fluctuations in a Fund’s net asset value, including following the stepdown date, and will not be reduced in connection with any write-downs, except in the case of investments that have been permanently written down. Permanent write-down determinations are made in the discretion of the valuation committee in accordance with the relevant Governing Documents and the Firm’s valuation policy. Except where the Governing Documents expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial distributions or partial sales of investments. In addition,

Management Fees generally will not be reimbursed or refunded under the Governing Documents in the event of realizations, dispositions or partial write-downs that occur partway through the relevant calculation period. Further, where there has been a partial disposition or permanent write-down of a Fund's investment and the fair market value of the investment following such event exceeds the total amount of the Fund's investment contributions relating to the investment, the Governing Documents do not require Management Fees after the stepdown date to be reduced.

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. Fees are generally waived for MPM employees, affiliated investors and their families investing in a Fund (although such investors generally pay their pro rata share of certain Fund expenses). Similarly, Co-Investment Funds generally do not pay a Management Fee on the co-investment portion of their investment, as applicable (but again, such investors generally pay their pro rata share of certain Fund expenses as described more fully below).

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 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 (i) reimbursements made by a portfolio company and (ii) 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.

### **Management Fee Offset**

For certain Funds, Management Fees will generally be reduced by, as applicable: (i) the amount of fees paid by a Fund to entities or persons acting as a placement agent in connection with the offer and sale of interests in such Fund; (ii) costs incurred by MPM in connection with the organization of a Fund that exceed a limit as specified in such Fund's Governing Documents; and (iii) certain supplemental fees and compensation with respect to portfolio companies, including closing fees, investment banking fees, placement fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors' fees and other similar fees, the amount of which are paid by the Funds (directly, or indirectly by the portfolio companies). In the event MPM were to charge such fees, 100% of all net supplemental fees paid by a Fund's portfolio companies that exceed unreimbursed costs and expenses (including for consummated and unconsummated transactions) during any calendar year (in the case of Funds formed prior to Fund VII) or against the Management Fee payable in the following quarter (in the case of Fund VII and subsequent Funds) will be treated as an offset against the Management Fee payable in the following year (in the case of Funds formed prior to Fund VII) or against the Management Fee payable in the following quarter (in the case of Fund VII and subsequent Funds).

For clarity, the following fees and expenses do not offset Management Fees, in each case as applicable: (i) any directors' fees earned by a third party appointed by MPM to serve as a director for a Fund



portfolio company; (ii) portfolio company directors' or board fees paid by a portfolio company to a former MPM employee who remains on the portfolio company's board of directors following his or her departure from MPM; (iii) reimbursements from a portfolio company; (iv) fees or expenses borne by a Fund; (v) broken deal expenses; and (vi) profits interests or compensation to an affiliate that was entered into prior to such person becoming an affiliate of MPM, regardless of when the interests, compensation or amounts crystallize or vest. Further information regarding permissible fees and expenses, as well as the amount and manner of any Management Fee reduction associated therewith, is set forth in the relevant Governing Documents.

In the case of Funds formed prior to Fund VII, if offsets exceed the Management Fee for a given annual period, the Management Fee will not be reduced below zero and, therefore, such offsets will not be carried forward to the subsequent period. However, for Fund VII and subsequent Funds, to the extent that such an offset credit would reduce a Fund's Management Fee for a given quarter below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon dissolution, a payment will be made to investors that have not elected to waive such amount for tax or other reasons.

### **Carried Interest**

As described more fully in Item 6 below, for most of the Funds, the 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. Some Funds charge a lower Carried Interest allocation and do not have a preferred return hurdle. For certain Funds, Carried Interest is calculated based on the financial interest of the main investor.

### **Administrative Fee**

For one Fund, MPM charges a quarterly administrative fee based on the amount of assets under management, as described in the management agreement with such Fund. The administrative fee is paid at beginning of the quarter and trued up quarterly for any fair market value adjustments.

**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 advance and 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, Fund Expenses (as defined below), 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.**

### **Fund Expenses**

Each Fund is governed by its own Governing Documents, which details a description of expenses for such Fund. While differences exist among Funds, the following is a description of expenses generally charged to each Fund. The Funds will generally pay all fees, costs, expenses, liabilities and obligations relating to the Funds' and/or their subsidiaries' and intermediate entities' activities, business, portfolio companies or actual or potential investments, including with respect to any entity formed to effect the acquisition and/or holding of a portfolio company (to the extent not borne or reimbursed by a portfolio company or potential portfolio company, and whether or not incurred by a General Partner, MPM or any of their respective affiliates), including all fees, costs, expenses, liabilities and obligations relating or attributable to:

- activities with respect to originating, identifying and sourcing of investment opportunities for the Funds, including attending and sponsoring industry conferences and events, buy-side and sell-side finders' fees and other similar deal sourcing payments, meeting with consultants, broker-dealers, investment banks and other sources of investments and developing and maintaining an investment pipeline;
- activities with respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases and/or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding-up, liquidating, dissolving or otherwise disposing of, as applicable, portfolio companies and any Fund's actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party due diligence and deal-sourcing, software (including deal-sourcing software) and service providers, consultants and similar professionals in connection therewith, closing dinners, social and entertainment costs, and any fees and expenses related to transactions that have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful;
- indebtedness of, or guarantees made by, the Funds, the Firm, a General Partner or any affiliated partner on behalf of the Funds (including any credit facility, letter of credit or similar credit support), or any indebtedness entered into pending participation by a co-investor in an investment, including the repayment of principal and interest with respect thereto, or evaluating, negotiating

or conducting any other activities related to seeking to put in place or amend any such indebtedness or guarantee;

- financing, commitment, origination and similar activities;
- broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder (including with respect to the retention of potential and current portfolio company executives) and similar services;
- brokerage, sale, custodial, depository, local paying agent, trustee, record keeping, account, registered office (including any costs associated with a General Partner) and similar service (including any depository appointed pursuant to the AIFMD or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), and any Swiss representative, paying agent or ombudsman appointed pursuant to the CISA or the FinSA, as well as any similar law, rule or regulation relating to the implementation thereof;
- reporting, filings and other ongoing compliance requirements contemplated by the AIFMD, the CISA, the FinSA, the SFDR and the EU Taxonomy Regulation (as required), or any similar law, rule or regulation (excluding, for the avoidance of doubt, the initial and/or preliminary registrations, filings and compliance obligations related thereto), including secondary legislation, regulation, rules and/or associated guidance, and any related requirements;
- developing, structuring, maintaining, operating and winding up administrative structures in Luxembourg, other European countries and their territories and other jurisdictions that are put in place to establish required residence and/or operate the investment activities of a Fund (including the salary and benefits of any personnel reasonably necessary for the maintenance of such structures, other overhead, rent and similar costs in connection therewith and a Fund's share of any such costs of any such structure involving other persons managed by, or affiliated with, MPM, a General Partner or any of their respective affiliates);
- legal, accounting, research (including expert consultants, research reports, subscriptions to any periodicals, databases and/or research services, research calls and meetings and research or industry conferences), auditing, technology, administration (including fees and expenses associated with compliance with any anti-money laundering laws and regulations and any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services as well as costs related to the establishment or maintenance of such other services), consulting (including costs relating to hiring consultants (*e.g.*, headhunter fees, background checks and relocation costs), consulting, retainer and other fees, salaries, bonuses and guaranteed minimums), incentive equity, stock awards, salary and other compensation or reimbursements paid to and benefits or personnel costs (including employee benefits, payroll taxes, insurance, paid

time off and other office space) provided to or on behalf of any consultants performing investment initiatives, due diligence and/or finding or evaluating potential investments or attractive market segments and other similar consultants and other consultants), tax and other professional services, including costs related to the establishment or maintenance of any such activities or services;

- reverse breakup, termination and other similar arrangements, including a co-investor's or potential co-investor's share of such costs;
- insurance (including directors and officers liability, management liability, fidelity bond, cybersecurity, portfolio company management liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles and broker fees, costs and commissions) and the costs of any consultants or other advisors utilized in the procurement, review, maintenance and analysis of insurance policies;
- filing, title, transfer, survey, registration and other similar activities;
- printing, communications, mailing, courier, marketing and publicity;
- the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms or other communications with investors, any other administrative, compliance or regulatory filings or reports (including Form PF and Bureau of Economic Analysis Reports) or other information, including fees, costs and expenses of any third-party service providers and professionals related to the foregoing;
- costs associated with the reporting, filings or other ongoing compliance requirements contemplated by the AIFMD (excluding, for the avoidance of doubt, the initial and/or preliminary registrations, filings and compliance obligations related thereto), or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction, or any similar law, rule or regulation and including any secondary legislation, regulations, rules and/or associated guidance, and any related requirements;
- compliance with any tax or financial account reporting regime applicable to the Funds, any alternative investment vehicle and/or the relevant General Partner, including FATCA, the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard and any similar laws, rules and regulations, and any fees, costs and expenses of any third-party service providers and professionals related to the foregoing;
- developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor tracking, investor reporting, customer relationship management, ledger systems, financial management and cybersecurity) or other

administrative, valuation, information gathering or reporting tools (including subscription-based services);

- any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information (including any costs and expenses incurred in connection with the EU Data Protection Law (or other data protection laws implemented in other jurisdictions) or the Freedom of Information Act);
- to the extent provided in the relevant Governing Documents, or otherwise approved by the applicable General Partner in its sole discretion, activities or proceedings of the relevant advisory board (including any costs and expenses incurred by representatives of the applicable General Partner, the advisory board members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory board);
- indemnification obligations (including legal and any other fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to the Governing Documents or otherwise and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that is subject to a right of indemnification pursuant to the applicable Governing Documents), except as otherwise set forth in such Governing Documents;
- actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith;
- any annual, periodic or special investor meeting of the investors and any other conference, meeting or webcast or other video conference with any investor(s), and any periodic executive forum of portfolio company management and other persons, regardless of whether all of the individuals attending or otherwise participating in any such meeting are Fund investors or representatives thereof (in each case, including any costs associated with venue, set-up, room and board, dining, entertainment, gifts and mementos, honorarium, events or speakers and other meeting or conference-related costs);
- the Management Fee;
- except as otherwise determined by the relevant General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund Expense (as defined below) if it were incurred in connection with the Funds, and any expenses incurred in connection with the formation, management, operation, termination, winding-up and dissolution of any feeder vehicles related to the Funds to the extent not paid by the investors

investing in such entities and any other costs and expenses related to any structuring or restructuring of any Fund and/or its affiliated entities;

- the termination, liquidation, winding-up or dissolution of the Funds and any legal entities owned directly or indirectly by such Funds, including portfolio companies and related entities;
- defaults by investors in the payment of any capital contributions;
- amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Funds, any parallel fund, the relevant General Partner(s) or parallel fund general partner(s), the Firm, any entities owned directly or indirectly by the Funds (including portfolio companies) and any alternative investment vehicle of the Funds or a parallel fund, including the preparation, distribution and implementation thereof;
- (A) compliance with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, anti-corruption, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider fees, costs and expenses related thereto, any regulatory expenses of a General Partner or any of its affiliates incurred in connection with the operation of the applicable Fund and any costs and expenses related to compliance with any policies of a General Partner and/or a Fund and/or any of their respective affiliates, and/or (B) any costs and expenses related to the validation of any payments made to a Fund or a General Partner (including as a result of any anti-money laundering laws, rules or regulations);
- any litigation or governmental inquiry, investigation or proceeding, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the Governing Documents;
- any experts, consultants or advisors engaged, including independent appraisers, engaged by a General Partner in connection with the relevant Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same person or transferring an investment from or to, one or more Other McCarthy Vehicle (as defined in Item 8 below);
- unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer contemplated in the relevant the Governing Documents or any investor's name change, internal restructuring or change in trust, registered agent or custodian;
- any taxes, fees and other governmental charges levied against or otherwise borne by the Funds and/or any alternative investment vehicle and all expenses incurred in connection with any tax audit, inquiry, investigation settlement or review of the Funds and/or any alternative investment

vehicle or intermediate entity (except to the extent that such Fund is reimbursed therefor by a reimbursing partner) and any costs and expenses of or related to the tax representative;

- distributions to investors and other expenses associated with the acquisition, holding and disposition of investments, including extraordinary expenses (including break up or topping fees or other liabilities or obligations incurred for transactions not consummated);
- compliance or regulatory matters, except as otherwise set forth in the applicable Governing Documents, including compliance with such Governing Documents and/or any side letter or similar agreement, including any amendments to, restatements, supplements, waivers, consents or approvals pursuant thereto;
- any travel (including, where appropriate as determined by the relevant General Partner, the cost of using or chartering private aircraft or other private air travel (at a cost not to exceed the cost of corresponding first class commercial airfare), other air travel, car or ride sharing services, rail, other modes of transportation, lodging, meals or entertainment) and other meals and entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities;
- attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the applicable General Partner, the Firm or any of their respective affiliates at any trade conference, including any applicable registration fees and exhibition, sponsorship or other presentation fees, costs and expenses;
- the costs of hosting or attending training programs, meetings or other events for portfolio companies, their executives and/or their personnel;
- any of the items listed above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful, whether undertaken prior to the initial closing date or otherwise and/or that may have been offered to co-investors or joint venture partners (including co-investors' or joint venture partners' proportionate share of any expenses related to an investment or other opportunity not consummated);
- any Organizational Expenses (as defined below);
- any placement fees;
- any costs of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships related to the foregoing items;

- for the real estate Fund only, property management, leasing, construction management, development, environmental, brokerage, sales agents and other services; and
- any other fees, costs, expenses, liabilities or obligations approved by the advisory board (together the “Fund Expenses”).

Out-of-pocket expenses associated with completed transactions are either billed directly to a Fund, reimbursed by a portfolio company or capitalized as part of the acquisition price of a consummated transaction. Out-of-pocket expenses associated with unconsummated transactions (*i.e.*, broken deal expenses) are paid by the relevant Fund(s) selected as proposed investors in such transaction.

More information about MPM’s brokerage practices is available in Item 12.

### **Expense Reimbursement**

Certain expenses related to MPM’s oversight of portfolio companies incurred on behalf of the Funds are reimbursed by a portfolio company pursuant to a management services agreement with the portfolio company. These expenses are paid by MPM and reimbursed by a portfolio company or paid directly by a portfolio company. Such expenses can include, without limitation: (i) travel expenses, which can include expenses for chartered or first-class travel and meals and entertainment expenses (such expenses including, as applicable, those relating to (a) use of premium black car and other car services, which from time to time include waiting time and (b) social and entertainment events, including closing dinners and mementos, with portfolio company management, customers, clients, borrowers, brokers and service providers); (ii) expenses relating to training programs, meetings, conferences or other events (to the extent such programs, meetings or events are attended by portfolio company personnel); (iii) premium meals (including outside normal business hours); (iv) expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses); (v) indemnification expenses; (vi) insurance; (vii) corporate filings; (viii) certain legal expenses; (ix) similar out-of-pocket expenses; (x) consulting fees; and (xi) other consideration and expenses.

In addition, to the extent a Fund or MPM initially bears the cost of certain fees or expenses but the benefit of the related services or expense is also received by another Fund, portfolio company or future fund or portfolio company, MPM will determine, subject to its ultimate discretion, whether to cause such other Fund or portfolio company to reimburse the initial Fund or MPM for such fees or expenses. Reimbursement by a portfolio company of out-of-pocket expenses incurred by MPM, a General Partner or their respective affiliates will not be offset against the Management Fee payable by the Funds.

### **Offering and Organizational Expenses**

Each investor will bear its pro rata share of the applicable Fund’s, the General Partner’s and their affiliate’s organizational expenses attributable to the organization of the Fund and the sale of interests



(“Organizational Expenses”). The amount and type 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 (which will generally take the form of an offset to Management Fees) and not the relevant Fund or its investors.

### **Co-Investment Expenses**

In certain circumstances, MPM permits certain investors to co-invest in investments alongside one or more Funds, subject to MPM’s related policies and procedures, the relevant Governing Documents and/or side letter(s) or similar arrangements. In such circumstances, co-investors will pay their own separate expenses or fees with respect to any due diligence, legal or accounting review, fees of other professionals and other fees associated with 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.

In the event a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any fees and expenses generated in the course of evaluating such investments, including out of pocket fees associated with due diligence, attorney fees, fees of other professionals and various other fees relating to such proposed but not consummated transaction (“broken deal expenses”) therefore will generally be borne by the Fund(s) selected as proposed investors for such proposed transaction and not by any prospective co-investors that were to have participated in such transaction. As a result, the Fund(s) selected as proposed investors for such proposed transaction will bear more than what would otherwise have been its share of such broken deal expenses. Conversely, co-investors who commit to a transaction after a Fund signs a definitive purchase agreement will lower the risk of broken deal or similar expenses incurred by such Fund (and indirectly, by such Fund’s investors) in connection with such transaction based on the timing of when a co-investor becomes contractually obligated to invest. However, to the extent that such co-investors have already invested in a portfolio company through a co-investment vehicle or other special purpose vehicle in connection with such transaction (such as for a follow-on investment for the portfolio company for which the Co-Investment Fund was originally created) such vehicle and/or co-investor is expected to bear its share of such broken deal expenses (which will generally be recorded at such portfolio company).

### **Fee Receipt Allocation**

From time to time, MPM, a Fund or portfolio company agrees to pay all or a portion of a transaction fee, Management Fee, Carried Interest, equity grant or other fee to a third party, such as a consultant, adviser, finder, placement agent, broker and/or investment banker. Similarly, on occasion certain members of a portfolio company management team receive additional cash and equity compensation, including bonus payments based on the applicable portfolio company meeting certain success hurdles. Such compensation, whether in the form of a profits or equity interest in a portfolio company or

immediate holding company, generally has a dilutive impact on a Fund's investment and indirectly reduces the proceeds available for distribution to the relevant Fund at the time of such portfolio company's sale. None of these fees or compensation offset Management Fees payable by a Fund.

### **Allocation of Fees and Expenses**

In good faith and in its fair and reasonable discretion, MPM determines on a case-by-case basis whether an expense should be borne by the Firm, a Fund, multiple Funds or a portfolio company. Some expenses are incurred on an aggregate basis for the benefit of multiple Funds and/or MPM. To the extent that the Governing Documents do not expressly provide for a method of allocation or to the extent that an invoice does not relate to a specific Fund, MPM will typically allocate common expenses among multiple Funds on a pro rata basis and in accordance with its policies and procedures on expense allocation, unless another method is more equitable. The aggregate cost of such expenses are allocated in what MPM believes to be a fair and reasonable manner. Where one or more Funds to which an expense would otherwise be allocable are not permitted to receive an allocation based on the applicable Governing Documents, the portion of the expense attributable to such Fund(s) will be borne by MPM.

**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 Management Fees are 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. The relevant General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) is entitled to receive 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 capital called to pay relevant Fund Expenses, including Management Fees. Some Funds pay lower Carried Interest and do not have a preferred return hurdle. For two Funds, Carried Interest is calculated based on the financial interest of the main investor.

Calculated based on cumulative realized gains and income only, Carried Interest is allocated to a General Partner (or affiliate) as portfolio holdings are liquidated or otherwise monetized and is subject to a potential after-tax giveback if the respective General Partner (or affiliate) has received excess cumulative distributions. Each Fund maintains for each of its investors a capital account that is adjusted to reflect the Carried Interest allocation, Management Fee, 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 received by all investors prior to investment in such Fund.

MPM's Carried Interest allocations 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 a Fund and for an investor in a Fund. Specifically, certain Funds charge a lower Carried Interest and Carried Interest is generally waived for MPM employees, affiliated investors and their families investing in a Fund. Moreover, the General Partners of the Funds are all affiliates of MPM, and some of MPM's affiliates and employees are members of the General Partner entities that receive Carried Interest distributions from the Funds.

The fact that the Carried Interest allocations are based on the performance of each Fund can create an incentive for MPM to make investments that are more speculative than would be the case in the absence of such distributions or to allocate an investment to a Fund that earns a higher Carried Interest, if applicable. The Firm believes this incentive is sufficiently mitigated, however, due to the fact that: (i) the applicable Governing Documents create limitations on the ability of MPM to establish new investment funds; (ii) any losses a Fund sustains will reduce the General Partner's or affiliate's Carried Interest distribution; (iii) Carried Interest is generally calculated only after investors have received as distributions 100% of their capital contributions plus a preferred return; (iv) a General Partner often makes a commitment to a Fund to invest its own capital alongside the investors; and (v) MPM's ability to attract future investors is tied to the performance of its investments. MPM generally considers performance-based compensation to better align its interests with those of its investors, particularly in instances where the Governing Documents include terms requiring clawback or

giveback of performance-based compensation amounts at the end of the relevant Fund's life or at certain interim intervals.

MPM manages multiple Funds and other investment vehicles on a side-by-side basis. Management of multiple vehicles on a side-by-side basis has the potential to create conflicts of interest with regard to MPM's allocation of investment opportunities, expenses, time and attention of advisory personnel and consideration for certain transactions. These conflicts of interest can create an incentive for the Firm or its personnel to favor a Fund or other investment vehicles in which MPM or an affiliate has a greater financial interest. To the extent that MPM manages Funds with varying Carried Interest terms (including amount, timing waterfall conditions or other terms) and/or MPM personnel are assigned different percentages of Carried Interest in different Funds, MPM and such personnel are subject to potential conflicts of interest to the extent they are involved in identifying investment opportunities as appropriate for a Fund from which they are entitled to receive a higher Carried Interest percentage.

To help minimize such conflicts of interest, MPM allocates investment opportunities which satisfy the investment parameters of more than one Fund in accordance with MPM's policies and procedures regarding investment allocation, applicable Governing Documents and taking into consideration certain factors, as determined in the Firm's sole discretion, which can include, but are not limited to: the amount of available capital commitments of the applicable Fund(s); anticipated future capital requirements of an investment opportunity; life-cycle of the applicable Fund(s); expected time to obtain liquidity; legal, tax and regulatory considerations; and any other factors deemed relevant by MPM. In practice, this conflict 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. MPM's policies and procedures regarding investment allocation are designed to ensure that all investment decisions are made in accordance with MPM's fiduciary duties to its Funds and without consideration of MPM's (or its affiliates' or employees') pecuniary interest. Further, MPM will not allocate investment opportunities based in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund. Investment allocation decisions are determined by the investment committee.

## **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 their investors to (i) "accredited investors" as defined in the Securities Act of 1933, as amended (the "Securities Act"), (ii) "qualified clients" as defined in the Advisers Act, and (iii) "qualified purchasers" or "knowledgeable employees,"

each as defined in the Investment Company Act of 1940, as amended (the “Investment 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, are not made available to the general public, their securities are not registered or required to be registered under the Securities Act and Fund interests are privately placed to qualified investors. Qualified investors include individuals or entities to which Fund interests are permitted to be sold, which generally includes (i) in the United States, people or organizations who meet certain net worth, income and/or financial sophistication requirements as described above or (ii) in other countries, as permitted by the relevant securities laws in such jurisdiction and in compliance with any foreign offering provisions applicable to MPM and/or the Funds. The Funds have required minimum capital commitments from each investor, which generally range from \$1.0 million to \$5.0 million, depending on the Fund and the type of investor being admitted, 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 engaged by MPM.

On occasion, MPM offers co-investment opportunities for certain investors to invest alongside a Fund in certain Fund portfolio companies. While MPM will generally pursue all appropriate investment opportunities through its Fund vehicles, from time to time (and as further described immediately below), an investment requires additional capital and MPM will reach out to select investors in order to complete the portfolio company transaction. As referenced in Item 4 above, co-investments have been structured either as (i) a separate Co-Investment Fund or (ii) a direct investment by certain investors into a portfolio company or its holding or operating company. When structured as a Co-Investment Fund, MPM considers the investment to be a Fund client, identifies the Fund in its Form ADV Part 1, Schedule D, Section 7.B.(1), obtains an audit for the Fund, reserves the option to assess a Management Fee and Carried Interest on such Fund and includes the amount of assets of such Fund in the Firm’s regulatory assets under management. In the case of direct co-investments, MPM does not consider the investment to be a Fund or a client, does not act as the investment manager to the co-investment portion of the investment, does not charge a Management Fee or Carried Interest to the investment, does not have custody of the investment or include the amount of assets of the co-investment in the Firm’s regulatory assets under management. In such direct co-investment opportunities, MPM will perform management, advisory and other services for the portfolio companies in which these co-investment vehicles invest alongside the Funds, generally at no additional cost to such vehicles except portfolio company fees and expenses (which such expenses are recorded at the portfolio company).

Co-investment opportunities are made available to select Fund investors and third parties, including, without limitation, management or founders of the applicable portfolio company, strategic investors,

lenders, deal sources, other private equity or venture capital firms, or other persons or entities affiliated, associated or otherwise known to MPM or its personnel and unrelated third parties. These co-investment opportunities arise when MPM has the opportunity for an investment in an existing or prospective portfolio company and MPM determines that (i) an investment requires additional capital, (ii) all or a portion of the applicable opportunity is not required to be offered to a Fund, (iii) the full investment opportunity is not appropriate for a Fund, whether due to concentration restrictions contained in the Fund's Governing Documents or otherwise or (iv) MPM believes the Fund will benefit from the participation of the co-investor(s). Such determinations are based on the provisions of the applicable Governing Documents, side letter agreements, agreements with lenders and such other factors as MPM will consider in its sole discretion, including those specified in its policies on investment allocation and co-investments. Subject to any restrictions contained in the Governing Documents of the relevant Fund or any side letter or other terms negotiated with respect to such Fund, in general no investor has a right to participate in any co-investment opportunity. Additionally, certain individuals who source transactions or provide financing have in the past and are expected in the future to negotiate co-investment rights or co-investment priority rights as a component of their compensation or other arrangements with the relevant Fund(s). MPM's exercise of discretion in allocating co-investment opportunities often will not always result in proportional allocations among such co-investors and such allocations can be more or less advantageous to some co-investors relative to other co-investors. When co-investment is permitted, it is possible that the size of the investment opportunity otherwise available to MPM's Fund(s) will be less than it would otherwise have been without the inclusion of such co-investors.

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 are on occasion invited to co-invest in a Fund's portfolio companies, MPM is authorized in its sole discretion to offer any or all of a co-investment opportunity 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 in its discretion will 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 certain cases, co-investment opportunities can 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.

It is possible that some co-investors will be provided a board seat or observer rights at an MPM portfolio company. Such positions generally 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.

Co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as a Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or Co-Investment Fund purchases a portion of an investment from a Fund after such Fund has consummated its investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or Co-Investment Fund generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment; however, in certain instances, a post-closing sell-down or transfer could occur well after the Fund's initial purchase. When co-investors purchase their interest from a Fund after the Fund has consummated the investment, the price paid by co-investors is typically determined by the Fund's General Partner in its sole discretion. Where appropriate, and in MPM's sole discretion, MPM reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund. The price may not reflect the full cost incurred by the Fund in connection with the investment, any interest charge on the co-investment amount, the cost of establishing the credit facility utilized to acquire the portfolio company (if applicable) or the risk borne by the Fund in connection with purchasing and warehousing the investment.

In either case, potential co-investors typically do not bear any transaction costs of investments that are not consummated and are not subject generally to the same risks to which a Fund is throughout the investment process. The Funds will bear the risk that any co-investors acquiring an interest in an investment after the closing of such investment may acquire such interest on terms that do not reflect the then-current value of such investment. MPM seeks to address any such potential conflict of interest by investing in accordance with its policies and procedures governing investment allocation and co-investments. In addition, to the extent that MPM engages in a secondary liquidity transaction in connection with an investment, co-investors will not necessarily receive the same liquidity options as investors in a Fund and may therefore be compelled to receive cash or continue to hold an interest in the investment, depending on the particular facts of the transaction.

In the event MPM is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, a Fund will often consequently hold a greater concentration and have greater exposure in the related investment opportunity than was originally intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto and would result in a greater concentration of risk as a result. To mitigate such risk, each investment is subject to concentration limits as described in the relevant Fund Governing Documents. Despite these concentration limits, it is possible an investment that is not syndicated to co-investors as originally anticipated could result in a significant impact to a Fund's overall investment returns.

## 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 and in real estate or real-estate related assets. 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 is possible.

### Buyout Investments

The Equity Funds make both control and non-control investments, and in both cases, require there to be material ownership from company management. In implementing its strategy, MPM focuses on the key tenants of its investment philosophy:

*Source Privately Negotiated Deals from an Established Industry Network.* MPM's record in deal sourcing is rooted in the Firm's privately developed network of attorneys, accountants, management consultants, regional boutique investment bankers and management teams. MPM seeks to source potential investments through this intermediary network in select regional markets rather than relying on national investment banks to "shop" investment opportunities through widely marketed auctions. The Firm believes its ability to directly source privately negotiated deals through this network is a vital part of the Firm's investment strategy. The Firm believes it has developed a reputation as an organization that can offer both greater certainty of close and follow-through on its commitments to management.

The Firm believes these relationships have enabled MPM to preempt sale processes, develop off-market deal flow and identify latent value in acquisition candidates. Rather than participate in competitive auctions, the Firm prefers to work directly with management teams and owners. The Firm believes this process improves information flow, reduces pricing competition and can foster a more effective and well-aligned partnership with management, often at attractive valuations.

*Source Un-Marketed Opportunities through Thesis-Driven Outreach.* To complement the Firm's geographic outreach efforts, the investment team periodically develops and refines investment theses that focus on what the Firm believes to be opportune industries, sectors, technologies or markets, which have favorable market dynamics or competitive characteristics and attractive growth prospects. Investment team members identify and present the merit of each thesis to the Firm's full investment team for assessment, feedback, critique and refinement. During this process, the Firm's lead with respect to each thesis is expected to identify prospective companies relevant to the thesis, as well as strategic



operating partners, industry leaders, trade groups, conventions and referral sources. Resources identified in this process are leveraged to support outreach efforts once the investment committee has approved an investment thesis. Thereafter, direct outreach and pursuit of prospects commences through emails, phone calls, correspondence and in-person meetings. Prospects identified and qualified through these efforts are added to the Firm's funnel of investment opportunities, and the theses themselves are re-evaluated periodically to determine whether to continue active outreach efforts.

*Alignment of Interests with Growth-Oriented Management Teams Having Material Capital at Risk.* At the core of MPM's investment philosophy is its desire to align its interests with experienced management teams willing to maintain material capital at risk. The Firm prefers to partner with incumbent teams who are seeking guidance to grow the company and effect ownership change through a partial buyout or recapitalization.

*Strong Business Models with Sound Fundamentals.* MPM seeks to invest in companies with strong business models that have positive cash flows or what the Firm believes to be a clear path to profitability, have an established customer base and have what the Firm believes to be an attractive market position. The Firm believes these enterprises often require the expertise, capital and guidance that MPM can provide to scale the business to a higher level of efficiency and profitability.

*Maintenance of Conservative Capital Structures with Low Leverage Ratios.* MPM believes that a conservatively valued entry price is necessary to achieve return objectives and to allow for a broader range of exit and liquidity options and that portfolio companies with these characteristics make it possible for the Funds to receive periodic distribution or dividend payments and to gain substantial equity appreciation opportunities.

*Identifiable Value Creation Initiatives.* MPM employs a well-defined process for seeking to create value throughout the life of each investment. This process begins from the outset with setting the vision and goals of the portfolio company in partnership with existing management and identifying and prioritizing key initiatives. The Firm's goal is to capitalize on existing strengths of a company, to recognize and address weaknesses and to identify risk-appropriate opportunities for growth. Throughout the course of every investment, the Firm prides itself on providing financial and operational advice to management to help guide the portfolio company during crucial stages of business growth, all while respecting the unique nature and culture of the company and its management team.

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.

As the value creation plan for each portfolio company begins to take shape, MPM's investment professionals take an active role in the company through the development of investment

opportunities, execution of transactions and financings and implementation of growth and efficiency initiatives and maximization of investment returns.

*Well-Defined Exit Strategies.* MPM follows a disciplined approach in an effort to periodically assess opportunities to realize its investments by evaluating whether the risk of a longer hold exceeds the potential return. Prior to making an investment, MPM and the portfolio company's management team will determine their mutual expectations for an investment horizon and exit process. In most cases, this investment horizon will be five years or more. This Firm views this long-term approach as a cornerstone of MPM's partnership philosophy and believes this patient methodology has attractive features to management teams and business owners. MPM's preference is to exit investments when its management partners exit, avoiding the circumstance of having to negotiate price with a partner.

Investments can be realized through numerous means, including divestitures, recapitalizations and sales of securities privately and in registered offerings. MPM's experience indicates that well-run companies with strong management teams are attractive to a multitude of buyers throughout market cycles. In most cases, the Firm makes its investments through a non-competitive process and exits its investments by orchestrating a competitive sales process.

#### Real Estate Investments

For certain Funds, MPM makes real estate investments in existing properties and development projects across various asset classes, including industrial, multifamily, office, retail and other specialty assets. MPM looks for assets that can be acquired or developed at an attractive basis with value creation opportunities through repositioning, stabilization, redevelopment or recapitalization.

**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. While the below risk factors are applicable to most Funds, some risk factors are specific to different strategies. Investors should also refer to a Fund's Governing Documents for a description of the risk factors specific to their Fund. Different or new risks not addressed below can arise in the future and, therefore, the following list is not intended to be exhaustive. Risks and potential conflicts of interest include, but are not limited to, the following:

*Investment in Junior Securities.* The securities in which a Fund invests are expected to 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.

*Concentration of Investments; Lack of Diversification.* The Funds will in some cases seek to make investments in a single industry segment, in a limited geographic area, in a single asset type and/or within a short period of time, which can cause the investments to exhibit a very high degree of correlated returns. 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 or the timing of the investments. Because each Fund will only make a limited number of investments and such investments generally will involve a high degree of risk, poor performance by even a single investment has the potential to severely affect total returns. Furthermore, to the extent that the capital raised is less than the targeted amount for a given Fund, such Fund will likely invest in fewer portfolio companies and thus be less diversified. When the Funds co-invest with each other, investors in multiple Funds will be exposed to a single portfolio company through more than one Fund, potentially increasing overall losses.

*Bridge Financing.* The Funds will, in their discretion, provide bridge financing to facilitate portfolio company investments. It is possible that all or a portion of a bridge financing will not be recouped within the time period specified in the Governing Documents, in which case the investment would be treated as a permanent investment of the Fund. As a result, a Fund's portfolio has the potential to become more concentrated with respect to such investment than initially expected or otherwise provided for under such Fund's investment limitations, certain of which exclude bridge financing investments.

*Unspecified Investments.* Investors will be relying on the ability of the Firm to locate and evaluate the investments to be made by the Funds using the proceeds of the Fund offerings. The activity of identifying, structuring, completing and realizing private equity investments involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that the Firm will be able to identify, or the Funds will be able to complete, portfolio company investments that satisfy the applicable Fund's rate of return objectives or, if completed, realize such investments for fair or attractive values or that a Fund will be able to fully invest its committed capital.

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified or consummated. Regardless of the extent to which the commitments of the investors are invested, the investors will be required to bear Management Fees during the investment period based on the entire amount of the investors' commitments and other expenses as set forth in the Governing Documents.

*Dynamic Investment Strategy.* The Funds are not restricted in terms of the percentage of capital that can be invested in a particular industry. Many factors contribute to changes in emphasis in the construction of the portfolios, including changes in market or economic conditions or regulation applicable to particular industries and changes in the political or social situations in particular countries. While the Firm generally intends to seek attractive returns for the Funds primarily through making private equity investments as described herein, MPM, at times, will pursue additional investment strategies and modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. MPM will potentially pursue investments outside of the industries and sectors.

*Growth Equity Transactions.* Certain Funds target growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies can operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position and/or to expand or develop management resources. Growth-equity portfolio companies can face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which the Funds invest are (or will become) (i) highly regulated at both the federal and state levels in the U.S. and internationally and (ii) subject to frequent regulatory change. Certain segments will be highly dependent upon various government (or private) reimbursement programs. While the Funds intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex or ambiguous or lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, would be expected to have a material adverse effect on the operations and/or financial performance of the companies in which the Funds invest.

*Illiquidity; Lack of Current Distributions.* An investment in the Funds should be viewed as an illiquid investment. 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 Funds' ability to dispose of investments can be limited for several reasons. Illiquidity can result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Funds. Dispositions of investments are subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that can be obtained upon any disposition thereof. The ability to exit an investment through the public markets will depend upon favorable market conditions, including receptiveness to initial or secondary public offerings for the companies in which the Funds

invest and an active mergers and acquisitions (or recapitalizations and reorganizations) market. Public offering, merger and acquisition and recapitalization and reorganization opportunities can sometimes be limited or non-existent for extended periods of time, whether due to economic, regulatory or other factors. In view of these limitations on liquidity, the Funds generally will not be able to return capital or realize gains, if at all, on an investment in a privately-held entity until the partial or complete disposition of such entity. While such an investment can be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, it is possible that there will be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable to the General Partner (or its designated affiliate)) will, in some cases, exceed such Fund's income, thereby requiring that the difference be paid from the Fund's capital, including unfunded commitments.

*Leveraged Investments.* Some of the Funds make use of leverage by incurring debt to finance a portion of its investment in a given portfolio company or intermediate entity, 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, and the magnification of loss has the potential to be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which is impacted by regulatory restrictions and guidelines and which state is difficult to accurately forecast. As a result, at times it is difficult for portfolio companies to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

Leverage imposes restrictive financial and operating covenants on a portfolio company, in addition to the burden of debt service, and constrains its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Funds' investments to any deterioration in a portfolio company's condition or its industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Funds' investments in a leveraged portfolio company in a market downturn. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher rates than are available to the Funds. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Funds are likely to suffer a partial or total loss of capital invested in the portfolio company, which is likely to adversely affect the returns of the Funds. Additionally, in such a situation, lenders would typically have a claim that has priority over any claim by the Funds to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time the Funds determine that it is desirable to sell all or a portion of a portfolio company, the Funds would likely not achieve an exit multiple or enterprise valuation consistent with its forecasts for such portfolio company. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain

a desired or optimal level of financial leverage, the Funds would hold a larger than expected equity investment in such portfolio company and realize lower than expected returns from such portfolio company that would adversely affect the Funds' ability to generate attractive returns for the Funds as a whole. Any failure by lenders to provide previously committed financing has the ability to expose the Funds to potential claims by sellers of prospective portfolio companies that the Funds have been contracted to purchase. Further, the companies in which the Funds will invest will not necessarily be rated by a credit rating agency. The Funds will not be obligated to borrow on behalf of a portfolio company, even in circumstances where a Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

The Funds are permitted to borrow money pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate commitments available to be called, or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or are otherwise liable therefore, and in such situations, it is not expected that the Funds would be compensated for providing such guarantee or exposure to such liability. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such leverage remains outstanding. The Funds are permitted to incur leverage on a joint and several basis and, in connection with incurring such indebtedness, the Firm will, in its sole discretion, to cause the Funds to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when the Funds were to seek to enforce any such right, any such entity could default on its obligation and/or such right would otherwise be unenforceable. In addition, to the extent the Funds incur leverage or provide any guaranty, such amounts would be secured by the commitments or other Fund assets. The inability of the Funds to repay any leverage secured by the commitments will, in some circumstances, enable a lender to issue a capital call directly to the Funds' investors, which will require such investors' contributions to be made directly to the applicable lenders instead of the Funds. Borrowing activity by the Funds can also generate UBTI to certain tax-exempt investors. Fund-level borrowing also subjects investors to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of MPM's right to call capital from the investors, investors will be obligated to contribute capital on an accelerated basis if the Funds fail to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any investor claim against the Funds would likely be subordinate to the Funds' obligations to a subscription line's creditors.

With respect to any asset-backed facility entered into by a Fund (or an affiliate thereof), a decrease in the market value of a Fund's investments would increase the effective amount of leverage and can result in the possibility of a violation of certain financial covenants pursuant to which the Fund must either repay the borrowed funds to the lender, which will require investors to make additional capital contributions in respect of such borrowings, or suffer foreclosure or forced liquidation of the pledged assets. Liquidation of a Fund's investments at an inopportune time in order to satisfy such financial covenants can adversely impact the performance of the Fund and can, if the value of its investments has declined significantly, cause the Fund to lose all or a substantial amount of its capital. Moreover,

if additional capital contributions were required to satisfy such financial covenants, this would effectively reduce the amount of capital available for other investments and can adversely affect the diversification of the Fund's portfolio. In the event of a sudden, precipitous drop in the value of a Fund's assets, the Fund will not necessarily be able to dispose of assets quickly enough to pay off its debt resulting in a foreclosure or other total loss of some or all of the pledged assets. Related risks are sensitive to the nature of the Funds' underlying portfolio investments, concentration, expected volatility and other factors. For example, because a Fund's portfolio investments sometimes include publicly traded securities, the value of such investments can be more volatile in times of market disruptions or other unpredictable events, which has the effect of potentially magnifying these risks.

In addition, Fund-level borrowing will result in additional Fund expenses that will be borne by the investors and have the potential to not be covered by distributions made by the Funds or appreciation of their investments. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or termination of the facility. Because a subscription line's interest rate is typically based in part on the creditworthiness of the investors and the terms of its Governing Documents, it can be higher than the interest rate an investor could obtain individually. Conflicts of interest have the potential to arise in that the use of such facilities would delay the need for investors to make certain contributions to the Funds, which generally would increase the Funds' internal rate of return calculations and thereby benefit the marketing efforts of MPM and its affiliates. Drawing down on a subscription line allows MPM to fund investments and pay Fund expenses without calling capital, potentially for extended periods of time. Any such borrowing is permitted to remain outstanding for such time as MPM deems appropriate, potentially including through disposition of such investment, and the interest expense and other costs of any such borrowings will be Fund expenses that decrease net returns of the Funds. To the extent a particular investor's cost of capital is lower than a Fund's cost of borrowing, Fund-level borrowing would negatively impact an investor's overall individual financial returns even if it increases that Fund's reported net returns in certain methods of calculation. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing funds). To the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the Funds nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of the Funds and the investors or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on MPM's ability to consent to the direct or indirect transfer of an investor's interest in a Fund or impose concentration or other limits on the Fund's investments and/or financial or other covenants, that can affect the implementation of a Fund's

investment strategies. In addition, in order to secure a subscription line, MPM can request certain financial information and other documentation from investors to share with lenders. MPM will have significant discretion in negotiating the terms of any subscription line and reserves the right to agree to terms that are not the most favorable to one or more investors.

Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for investors that would not arise had the Firm called smaller amounts of capital incrementally over time as needed by the Funds. This risk would be heightened for an investor with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the investor to meet the accumulated, larger capital calls at the same time.

The Funds are also permitted to utilize Fund-level borrowing when the Firm expects to repay the amount outstanding through means other than investor capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings through those other means, investors would end up with increased exposure to the underlying investment, which can result in greater losses.

If an investment appreciates in value and is disposed of prior to repayment of the borrowing, the disposition proceeds would generally be applied to repay the borrowing (and related interest and expenses), and the net proceeds would be distributed to the investors. Accordingly, borrowings by a Fund or portfolio companies might support the distribution of proceeds to investors and increase the potential Carried Interest for the Firm; however, the interest incurred due to such borrowing would reduce the Carried Interest received by the Firm. This conflict of interest incentivizes the Firm to permanently fund the acquisition and ongoing capital needs of investments of the Funds and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis and, accordingly, capital contributions to repay such borrowings would be required only at the time of the disposition of an investment (or never if principal and interest on such borrowings are always repaid out of disposition proceeds).

*No Market for Interests; Restrictions on Transfer; No Right of Withdrawal.* Investor interests in the Funds generally are not permitted to be, directly or indirectly, transferred, sold, assigned, pledged, encumbered, mortgaged, granted a security interest in or otherwise disposed of without the prior written consent of the relevant General Partner, which can be withheld pursuant to the Governing Documents, and the relevant General Partner has the right to restrict the volume of transfers permitted in any calendar year in order to comply with certain safe harbors under the tax regulations promulgated under the U.S. Internal Revenue Code of 1986, as amended. Voluntary withdrawals from the Funds generally will not be permitted except in very limited circumstances generally involving situations where retaining an interest in the Funds would violate certain laws or regulations or otherwise have a detrimental effect on the Funds. One of the prerequisites of the General Partner's consent to a transfer will, on occasion, be an opinion of the Fund's counsel that such a transfer would



not subject the relevant Fund or MPM to any regulatory or tax requirements or result in the violations or detrimental effect above mentioned. The transferor and transferee shall generally be required to bear the cost of such legal opinion, as well as any transfer fee imposed by that Fund's administrator. In addition, interests in the Funds are not redeemable. There will be no public market for interests in the Funds, and none is expected to develop. Interests in the Funds have not been registered under the Securities Act, the securities laws of any U.S. state or the securities laws of any non-U.S. jurisdiction and therefore cannot be re-sold unless they are subsequently registered under the Securities Act and any other applicable securities laws, or unless an exemption from registration is available. It is not contemplated that registration of the interests in the Fund will ever be affected. Investors will not necessarily be able to liquidate their investments prior to the end of a Fund's term and must be prepared to bear the risks of an investment in such Fund for an indefinite period of time.

*Investments Longer than Term.* The Funds will, in some instances, make investments which will not necessarily be capable of being 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 would have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. To the extent that such investments are held in trust, the trust would incur operating and formation expenses. In addition, there can be no assurances with respect to the timeframe in which the winding-up and the final distribution of proceeds to the investors will occur.

*Syndication.* To facilitate the acquisition of a portfolio company, each Fund reserves the right to make (or commit to make) an investment in such portfolio company with a view to selling a portion of such investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment has the potential not be sold or the potential to only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the Firm believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the Firm's interest in limiting a Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger than expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. When and to the extent that employees and related persons of MPM and its affiliates make capital investments in or alongside the Funds, MPM and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that a Fund's return from a transaction would be equal to and not less than another Fund participating

in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

*Restricted Nature of Investment Positions; Distributions in Kind.* Generally, there will be no readily available market for the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Although under normal circumstances, prior to the termination of a Fund, such Fund intends to make distributions in cash or marketable securities, certain investments could be distributed in kind to the investors. It can be difficult for investors to liquidate the investments received at a price or within a time period that is determined to be ideal by such investors. Significant administrative burden can also be involved in such distribution and/or liquidation. After a distribution of securities is made to the investors, many of the investors can, in their discretion, decide to liquidate such securities within a short period of time, which has the potential to have an adverse impact on the price of such securities. Investors in receipt of a distributed investment will have no guidance from the Funds or the Firm with respect to the disposition of such investment (including timing of such disposition). The price at which such securities are sold by such investors can be lower than the value of such securities determined pursuant to the Governing Documents, including the value used to determine the amount of Carried Interest accruing to the General Partners with respect to such investment. Directly holding certain investments subjects the holder to suit or taxes in jurisdictions in which such investments are located.

Additionally, each Fund's General Partner generally is permitted to receive a distribution in kind from the relevant Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the Firm as Carried Interest (which generally will be made using the value of the relevant securities on the date of contribution). In such circumstances, there is a potential conflict of interest between MPM (and its beneficial owners) and the investors. For example, when MPM and its beneficial owners intend to hold the investment for a different time period than the Firm deems suitable for the relevant Fund. Although MPM and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the relevant Fund's disposition thereof, neither that Fund nor its investors will benefit from the increase, and over time the economic benefit to MPM and its beneficial owners have the potential to exceed the value of the Firm's pro rata interest in that Fund and the amount of Carried Interest owed. To the extent the beneficial owners of the Firm contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the relevant Fund or its investors.

*Reliance on the General Partners, Affiliates and Portfolio Company Management.* Control over the operation of each Fund, including decisions with respect to structuring, negotiating and purchasing, financing and eventually divesting Fund investments will be vested 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. Investors are

reminded that the composition of the professionals making up particular industry sector investment teams change over time, and there can be no guarantee that the professionals included in such teams and who have contributed to the past performance of any prior MPM Funds continue to be members of the particular team or serve in the same or similar roles thereon (and in some cases, are no longer with MPM, or will leave such team or MPM during the life of the Fund). The loss or reduction of service of one or more of MPM's investment professionals has the potential to have an adverse impact on a Fund's ability to realize its investment objectives. In addition, the principals currently, and expect in the future to, manage or advise other investments, investment products and/or investment funds other than the current Funds and the principals expect that they will need to devote substantial amounts of their time and attention to the investment activities of such other investments, investment products and/or funds, which pose conflicts of interest in the allocation of the time of the principals. In addition, certain changes in the General Partners or circumstances relating to the General Partners can have an adverse effect on the Funds or one or more of their portfolio companies (including potential acceleration of debt facilities).

Although MPM will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Funds' objectives. It is generally expected that portfolio companies need to attract, retain and develop executives and members of their management teams. The Firm expects that the market for executive talent is likely to be extremely competitive. There can be no assurance that the management team of a portfolio company in place on the date a Fund's investment in such portfolio company will remain the same or continue to be affiliated with such portfolio company throughout the period in which such portfolio company is held by the applicable Fund. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team, and, as a result, the relevant Fund would be adversely affected thereby.

*Projections.* The Funds use financial projections to inform the analysis of potential investments, future capital raises and financing for portfolio companies, investor reporting or other transactions. 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 team, with adjustments to such projections made by the relevant General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values. There can be no assurance that the results set forth in any projections will be attained, and actual results have the potential to differ significantly from projections. General economic factors, which are not predictable, can also have a material impact on the reliability of projections.

*Operation in Highly Competitive Markets.* The Funds will encounter competition from other entities having similar investment objectives. Potential competitors include a broad spectrum of sources of capital, including other investment partnerships and corporations, strategic industry acquirers and other financial investors, including hedge funds, publicly-traded special purpose acquisition companies (“SPACs”) and other private equity funds, investing directly or through affiliates. Over the past several years, an ever-increasing number of investment funds have been or are being formed, and many fund sponsors have increased the size of successor funds as compared to their corresponding prior funds. Other investment funds with similar investment objectives to the Funds likely will be formed in the future by other unrelated parties. Some of the Funds’ competitors for investment opportunities sometimes have significantly more relevant experience, greater financial resources, a greater willingness to take on risk and/or more personnel than the Firm, the Funds and their respective affiliates and/or access to capital that can be committed for longer periods of time or can have different return thresholds than the Funds, and thus these competitors would have certain advantages not shared by the Funds, including synergies with other assets or portfolio companies. In addition, competitors could have incurred, or could in the future incur, leverage to finance their investments at levels or on terms more favorable than those available to the Funds and/or could have longer operating histories, greater financial resources and lower costs of capital than the Funds, and consequently, would be able to compete more effectively. The Firm expects that competition for appropriate investment opportunities will increase, which carries the potential to also require the Funds to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to the Funds and/or adversely affecting the terms or pricing upon which portfolio investments can be made. The Funds will not always be able to compete successfully with its competitors and competitive pressures or other factors can also result in significant price competition, particularly during industry downturns, which will potentially have a material adverse effect on the Funds’ business, prospects, financial condition, results of operations and cash flows. To the extent that the Funds encounter significant competition for investments, returns to investors have the possibility to decrease.

*Risks in Effecting Operating Improvements.* In some cases, the success of the Funds’ investment strategies will depend, in part, on the ability to restructure and effect improvements in the operations of a portfolio company, including, to the extent applicable, with help of the members of third-party consultants and advisors. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. Executing operational improvements diverts the attention of a portfolio company’s key personnel and disrupts normal business operations of such company. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements or that any such successfully implemented improvements will result in a return on invested capital with respect to such portfolio company.

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions.* Before making investments, MPM will typically conduct such due diligence as it deems reasonable and appropriate based on the known facts and circumstances applicable to each potential investment. Due diligence

entails evaluation of important and complex business, financial, tax, accounting, technical, environmental, regulatory and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties are expected, from time to time, to be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the Firm will likely rely on the advice received from such third parties. Such involvement of third-party advisors or consultants presents a number of risks primarily relating to the Firm's reduced control of the functions that are outsourced. In addition, if the Firm is unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets will potentially be adversely affected. Investment analyses and decisions by MPM will often be expedited in order for the Funds to compete for investment opportunities and/or consummate investments. In such cases, the information available to the Firm at the time of an investment decision will likely be limited, and MPM would not have access to the detailed information necessary for a full evaluation of an investment opportunity. It is possible the due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that would be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.

*Conflicting Investor Interests.* Investors are expected, from time to time, to have conflicting investment, tax and other interests with respect to their investments in the Funds, including conflicts relating to the structuring and timing of investment acquisitions and dispositions. As a consequence, potential conflicts of interest will arise in connection with decisions made by MPM regarding an investment that is more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the Firm generally will consider the investment, tax and other relevant objectives of the Funds and their investors as a whole, not the investment, tax or other objectives of any investors individually.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* Certain media, regulatory and political discourse has been and continues to be focused on enhancing governmental scrutiny and/or increasing regulation of the private equity industry. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds. Any such changes are expected to materially impact MPM, the Funds and/or the investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve their investment objectives.

There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. In particular, the SEC has increased emphasis on investment adviser and private fund regulation and has both adopted and proposed a number of new rules that impose significant changes on private fund advisers and their management of private funds. Such

changes are expected to materially impact MPM, the Funds and/or the investments, as well as increasing their expenses. Significant time and resources are expected to be required to comply with new regulations. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategy or achieve their investment objectives.

In perhaps the most sweeping of rulemaking changes, on August 23, 2023, the SEC adopted new rules and amendments (collectively, the "Private Fund Rule") to existing rules under the Advisers Act specifically related to advisers to private funds. In particular, the Private Fund Rule (i) requires quarterly reporting by registered private fund advisers to investors concerning performance, fees and expenses; (ii) requires registered investment advisers to obtain an annual audit for private funds; (iii) requires registered investment advisers to obtain a fairness opinion or a valuation opinion and make certain disclosures in connection with adviser-led secondary transactions; (iv) imposes limitations and new disclosure requirements regarding preferential treatment of investors in private funds in side letters or other arrangements with the adviser; and (v) prohibits advisers to private funds from taking certain actions without providing disclosures to investors and, in some cases, without obtaining investor consent. The Private Fund Rule is expected to have a significant effect on MPM, the Funds and their operations, including increased compliance burdens and associated regulatory costs, increased investor reporting and disclosures to investors, enhanced risk of regulatory action and additional regulatory uncertainty. Significant time and resources are expected to be required to comply with the Private Fund Rule, which potentially will detract from the time and resources dedicated to the Funds.

In addition, in recent years, the Antitrust Division of the Department of Justice and the Federal Trade Commission have been more aggressive in evaluating potential anti-competition concerns with respect to certain strategies of private equity sponsors, including "roll-up" strategies where a sponsor ultimately acquires a significant share of an industry through a series of smaller transactions. Such regulatory focus (including enforcement activity) could result in additional costs in connection with acquisitions and dispositions and other adverse impacts to a Fund's investments.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund will typically decide to provide additional funds to such portfolio company and/or its subsidiaries or have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, to effectuate the investment thesis, as an equity cure under applicable debt documents or for other reasons). There can be 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, result in a lost opportunity for such Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party or co-investor is permitted to invest in such portfolio company.

*Additional Capital.* Certain of each Fund's portfolio companies, especially those in a development phase, are expected to require additional financing to satisfy their working capital requirements or business development strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each such round of financing (whether from the relevant Fund or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided to a portfolio company are not sufficient, a portfolio company will potentially have to raise additional capital at a price unfavorable to the existing investors, including the relevant Fund. The Funds reserve the right to make additional investments or exercise warrants, options, or convertible securities that were acquired in the initial investment in such company in order to preserve the relevant Fund's proportionate ownership when a subsequent financing is planned, or to protect that Fund's investment when such portfolio company's performance does not meet expectations. To the extent a portfolio company in which the relevant Fund has invested receives additional funding in subsequent financings and that Fund does not participate in such additional financing rounds, the interests of that Fund in such portfolio company would be diluted. The availability of capital is generally a function of market conditions that are beyond the control of the Funds or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

*Public Company Holdings.* The Funds are permitted to invest in debt and/or equity securities issued by publicly held companies. Such investments have the potential to subject the Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including, in those cases where the Funds have a board representative, the principals, and increased costs associated with each of the aforementioned risks.

*Distressed Investments.* The Funds are permitted to invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and/or material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the Firm will correctly evaluate the value of the assets securing the debt and other obligations of a distressed company or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. The market prices of such investments are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and ask prices of such investments can be greater than those prevailing in other markets. It can take a number of years for the market price of such investments to reflect their intrinsic value. Such investments also can be adversely affected by U.S. state and federal laws relating to, among

other things, fraudulent transfers and other voidable transfers or payments, lender liability and the U.S. bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the relevant Fund has the potential to lose some or all of its investment or be required to accept illiquid securities with rights that are materially different than the original securities in which that Fund invested.

*Recycling; Reinvestment.* In accordance with the Governing Documents, the General Partners generally have the right to recall certain capital returned or distributed by the Funds to investors, including to make additional investments. Accordingly, during the term of the relevant Fund, an investor can potentially be required to make capital contributions in excess of its commitment (with certain limitations), and to the extent such recalled or retained amounts are reinvested in investments, an investor will remain subject to investment and other risks associated with such investments.

*Non-Controlling Investments.* The Funds will, in some cases, invest in minority positions of portfolio companies alongside other private equity funds and other third parties and in companies over which the Funds have no right to exert significant influence. In addition, during the process of exiting investments, the Funds at times will hold minority equity stakes of any size such as would be expected to occur if portfolio companies are taken public. As is the case with minority holdings in general, any such minority stakes that the Funds hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. In such cases, the Funds will significantly rely on the existing management teams and boards of directors of such companies, which can include representatives of other investors with whom the Funds are not affiliated and whose interests have the potential to conflict with the interests of the Fund. Where a Fund holds a minority stake, it can be more difficult for that Fund to liquidate its interests than it would be had that Fund owned a controlling interest in such company. Even if that Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it can be very difficult to sell such interests or seek a sale of such company upon terms acceptable to that Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

In addition, there can be no assurance that, if a Fund completes a minority transaction, that there will be any minority rights granted to that Fund or that such rights will provide sufficient protection of the Fund's interests. To the extent the Funds invest alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or make a minority investment, the relevant portfolio companies can be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their investors. Such third parties will sometimes be in a position to take action contrary to the Funds' business, tax or other interests, and the Funds would not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, the Funds generally will seek to negotiate certain 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.

*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. A board representative would have duties to persons other than the Funds and portfolio companies. Serving on the board of directors of a portfolio company will expose the Fund's representatives (typically MPM employees), and ultimately the Fund, to potential liability. Portfolio companies might not have insurance to protect directors and officers from such liability, and insurance that portfolio companies obtain could, in some cases, prove to be insufficient. In addition, involvement in any litigation related to such liability can be time consuming for such persons and can divert the attention of such persons from the Funds' investment activities.

*Reserves.* The Firm reserves the right to establish reserves for investments by the Funds, operating expenses of the Funds, Funds' liabilities and other matters. Estimating the appropriate amount of such reserves is difficult. Inadequate or excessive reserves can impair the investment returns to the investors. If reserves are inadequate, the Funds will potentially be unable to take advantage of attractive investment opportunities or unable to pay its liabilities or expenses as they come due. If reserves for liabilities or expenses are excessive, a Fund may decline attractive investment opportunities.

*Early Dissolution of the Fund.* Pursuant to and in accordance with the Governing Documents, the Funds are permitted to be dissolved earlier than anticipated. In such case, a Fund's ability to consummate, manage and/or dispose of investments or otherwise achieve its investment objectives is likely to be adversely affected and that Fund will, in certain circumstances, be required to dispose of investments at a disadvantageous time and/or make in-kind distributions, resulting in investor not having their capital invested and/or deployed in the manner originally contemplated.

*Advisory Board.* The General Partners will appoint one or more investor representatives to the advisory board, which has the ability to review and waive compliance with certain provisions of the relevant Governing Documents, including resolving potential conflicts of interest situations, and whose approval is required or can be requested in certain circumstances, including certain approvals or consents required by the Advisers Act. All investors are bound by the determinations of the relevant advisory board, regardless of whether an investor is directly represented by a member of such advisory board. Members of the advisory board can have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the advisory board for consideration or review. In addition, representatives of the advisory board have various business and other relationships with MPM and its partners, officers, directors, employees and affiliates. These relationships can influence their decisions as members of the advisory board. To the extent that an investor is not directly represented by a member of the advisory board, such investor will have no influence over matters submitted to the advisory board for review or approval. On any issue involving actual conflicts of interest, MPM will be guided by its good faith discretion.

In addition, it is possible that members of one Fund's advisory board will also be members of another Fund's advisory board. In such instances, a conflict of interest could be deemed to exist if an advisory board is requested to provide consent with respect to transactions which involve a conflict of interest between two or more Funds on which such advisory board members serve, and such members would be unlikely to recuse themselves from any such vote.

*Uncertain Economic, Social and Political Environment.* It is possible that consumer, corporate and financial confidence will be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, virus or disease epidemics or other sources of political, social or economic unrest. Such erosion of confidence can lead to or extend a localized or global economic downturn. It is possible that a climate of uncertainty will be compounded by local, regional or global health crises, including, but not limited to, the rapid and/or pandemic spread of novel viruses (e.g., SARS, MERS, COVID-19 (Coronavirus) and/or other similar epidemics). Such health crises can exacerbate the political, social and economic risks previously mentioned, and result in significant breakdowns, delays and other disruptions to important global, local and regional supply chains, with potential corresponding results on the operating performance of affected portfolio companies. The United States has experienced social and political unrest and polarization recently, which has further intensified as a result of the COVID-19 related economic shutdowns and civil unrest following protests against police brutality. This environment can be exacerbated by future events, including the results of U.S. federal elections that take place during the life of the Funds. A climate of uncertainty and unrest can reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. It also has the potential to hinder the Funds and their portfolio companies and prospective portfolio companies from operating in the ordinary course of business. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn can have an adverse effect on the economy generally and on the ability of the Funds and their portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This has the potential to slow the rate of future investments by the Funds and result in longer holding periods for investments. Furthermore, such uncertainty, including the uncertainty stemming from the contagion of infectious viruses or diseases, or general economic downturn can have an adverse effect upon the Funds' portfolio companies.

*Economic Disruptions Due to Public Health Emergencies.* Pandemics and other widespread public health emergencies, such as, and including but not limited to the recent global spread of COVID-19 (the "coronavirus") have shown an ability to result in a broad-based economic decline and significant market volatility. Pandemics represent economic threats that are subject to frequent and rapid change and therefore present material uncertainty and risk with respect to the Funds' performance and financial results.

*Force Majeure Events.* The Funds or portfolio investments can be affected by force majeure events such as events beyond the control of the party claiming that the event has occurred including, without

limitation, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes. Some force majeure events may adversely affect the ability of a party, including a Fund, portfolio company or a counterparty to a Fund or a portfolio company, to perform its obligations until it is able to remedy the force majeure event. In certain circumstances, a Fund or a portfolio company may be a party to a contract which does not provide a remedy in favor of the Fund or such portfolio company if a force majeure event occurs. In this event, the Fund or such portfolio company may be required to continue to comply with its obligations (including, but not limited to, payment or performance of its obligations) under the contract even though it may not receive some or all of the benefits to which it is entitled under such contract. Such a circumstance can cause the Fund or such portfolio company to suffer economic loss, and such loss has the potential to be exaggerated if a force majeure event subsists for an extended period of time.

Certain force majeure events, such as war or an outbreak of an infectious disease, could have broader negative impact on the world economy and international business activity generally or in any of the countries in which a Fund has invested. A resulting negative impact on economic fundamentals and consumer confidence can increase the risk of default with respect to particular investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, each of which could have an adverse effect on the performance of portfolio investments, the Funds' returns and the ability of a Fund to make and/or dispose of portfolio investments. No assurance can be given as to the effect of these events on the value of, or markets for, portfolio investments, or a Fund's or a portfolio investment's ability to recover therefrom.

*Risk Management; Operational Controls.* The operational controls and risk management techniques used by the Funds involve third parties over whom MPM does not exercise control, including outsourced providers of legal, information technology and custody services. The proper operation of a Fund and safekeeping of its assets depend on the performance and financial wherewithal of these third parties, as well as the continued operation and security of their systems. The operational controls and risk management techniques MPM uses also necessarily include subjective elements, making the judgment and discretion of the Firm's professionals fundamental to the risk management process. The greater the importance of subjective factors, the more challenging it becomes for the Firm to control for risk, which in turn increases the likelihood of unpredictable results with respect to a portfolio company and a Fund's overall performance.

Additional operational risks arise from such factors as processing errors, human errors, inadequate or failed internal or external processes, failures in systems and technology (including those highlighted below under "Cybersecurity Risk and Identity Theft"), changes in personnel, errors caused by third parties or other disruptive events. While MPM has adopted a business continuity program designed to minimize the disruption these events could otherwise cause to normal business operations, business continuity programs are inherently limited. For example, the Firm could experience unanticipated contingencies or the planned controls and oversight may not function as intended. In addition, certain circumstances, including natural disasters, war, terrorism, public health crises, power or utility

shortages and other system failures and malfunctions could prevent the Firm and its service providers from performing certain tasks, potentially for extended periods of time, including funding an investment, finalizing valuations, making a distribution or reporting to investors. Disruption to third parties, especially critical service providers, such as the Funds' auditors, external counsel, financial institutions, administrator, and custodian, can result in disruptions in the Funds' operations. Any such failure could cause losses to a Fund.

*Limited Access to Information.* The investors' rights to information regarding the Funds or MPM generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that MPM and its affiliates will obtain certain types of material information from or relating to Funds' investments that will not be disclosed to the investors because such disclosure is prohibited, among other reasons, including as a result of contractual, legal or similar obligations outside of the MPM's control. Decisions by MPM or its affiliates to withhold information could potentially have adverse consequences for the investors in a variety of circumstances. For example, an investor that seeks to transfer its interest in a Fund could have difficulty in determining an appropriate price for such interest. Decisions to withhold information also have the potential to make it difficult for an investor to monitor the relevant Fund and its performance. Additionally, it is anticipated that investors that designate representatives to participate on an advisory board generally are expected, by virtue of such participation, to have more or earlier information about the relevant Fund and its portfolio companies in certain circumstances than other investors generally and could be disseminated information in advance of communication to other investors generally. Investors generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and MPM reserves the right to withhold certain information from investors subject to such laws for reasons relating to MPM's public reputation, business strategy or other reasons.

*Cybersecurity Risk and Identity Theft.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. The Funds and their portfolio companies' information and technology systems can be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, ransomware attacks, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquake. To the extent that a portfolio company, a Fund, MPM or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses are likely to occur in the form of stolen, lost or corrupted (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information, data or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm, the Funds and/or portfolio companies are likely to incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause

significant interruptions in MPM's, the Funds', a portfolio company's and/or a service provider's operations, including the ability to make distributions to investors, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm MPM's, the Funds' and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims and/or regulatory actions or otherwise affect their business and financial performance. In certain events, a failure or deemed failure to address and mitigate cybersecurity risks has the potential to be the subject of civil litigation or regulatory or other action. The use of internet or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company or the Funds to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, could also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at MPM or one of its affiliates or service providers holding its financial or investor data, MPM, its affiliates or the Funds would also be at risk of loss despite efforts to prevent and mitigate such risks under the Firm's related policies and practices.

*Agreements with Certain Investors.* The Funds and/or MPM have entered into one or more side letters or other similar agreements with certain investors in connection with such investors' admission to the Funds without the approval of any other investor, which would have the effect of establishing different or preferential rights under, altering or supplementing the terms (including economic terms) of, or confirming the interpretation of an applicable Governing Document with respect to such investor in a manner more favorable to such investor than those applicable to other investors, and such rights have the potential to be significant. Such rights, terms or confirmations in any such side letter or other similar agreement will possibly include, without limitation, (i) excuse, exclusion or withdrawal rights applicable to particular investments or investors (which has the potential to increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, certain investments); (ii) information rights or specialized reporting obligations of MPM; (iii) certain disclosure rights or waiver of certain confidentiality obligations; (iv) consent of MPM to certain transfers by such investor; or (v) priority co-invest rights or targeted co-investment amounts; (vi) different fee structures (included discounted or rebated compensation terms); or (vii) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such investor, many of which will not be subject to the "most-favored nation" provisions of the Governing Documents.

MPM is likely to have its own economic and/or other business incentives to provide certain terms to certain investors (e.g., based on commitment amount to a Fund or the timing thereof, the ability of an investor to provide sourcing or other services to the Firm, its affiliates and personnel, or the potential

to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to MPM, its affiliates and personnel, or other funds sponsored by the Firm). Further, side letters may also relate to strategic relationships under which an investor agrees to make commitments to multiple Funds. Except where required by the Governing Documents other investors have no recourse against the Funds, MPM or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. Side letters subject MPM to potential conflicts of interest, including in circumstances where an investor's right to serve on an advisory board results in an investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors have the potential to be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other side letter rights are likely to confer benefits on the relevant investor at the expense of the relevant Fund or of investors as a whole, including in the event that a side letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Fund.

As a consequence of one or more investors being excused or excluded from, or for regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating investors could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event an investor defaults on a drawdown in respect of an investment. Although MPM believes it to be unlikely, excuse or other rights requested or received by one or more investors (or such regulatory, tax or other factors applicable to such investors) representing a substantial percentage of the relevant Fund have the potential to create significant variations in investor investment returns or exposure to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by MPM on behalf of a Fund as a whole. An investor's voting rights for regulatory or other reasons can be limited in circumstances specified in the Governing Documents; conversely, a limitation on one or more investors' voting rights generally will increase the voting rights percentage of other investors in a Fund. Further, investors with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, *e.g.*, based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Fund.

*Disclosure of Confidential Fund and Investor Information.* The investors in the Funds include entities that are subject to public disclosure requirements, including state public records or similar freedom of information laws which compel public disclosure of confidential information regarding the Funds, their investments and their investors. There has been a recent increase in the number of requests under such laws for contracts (including partnership agreements, subscription agreements and side letters) that investors in private equity funds that are subject to such laws have in place with private equity funds. The Funds will incur expenses in connection with responding to any such disclosure requests, even if the Funds ultimately succeed in asserting confidentiality for any requested

documentation. Moreover, notwithstanding the obligation that investors have pursuant to the Governing Documents to maintain the confidentiality of the Funds' information, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement or otherwise. MPM also reserves the right, in certain circumstances, in an effort to protect any such potential disclosure, withhold all or any part of the information otherwise to be provided to such an investor, as more fully described in the Governing Documents. There can be no assurance that such information will not be disclosed by the Funds, MPM, their affiliates and personnel, portfolio companies or services providers to any of them including, without limitation, to comply with laws, regulations or policies to which they are or will become subject. In addition, under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC has the authority to require private equity fund advisers, such as MPM, to file additional reports with the SEC regarding their funds and investment activities. Any public disclosure of the Funds' information has the potential to have an adverse effect on the Funds and their investors, for example, by affecting the Funds' competitive advantage in finding attractive investment opportunities.

*Long-Term Investments; Continuation Vehicles.* MPM reserves the right to propose that one or more of a Fund's investments be held for longer than the then-current term of the relevant Fund either by that Fund or using one or more special purpose vehicles formed outside of that Fund. Certain risks that are generally associated with an investment in a private equity fund may be heightened and magnified. For instance, portfolio companies that are held for a longer period of time may be more likely to experience employee and/or management turnover during the holding period with respect thereto as compared to many other private equity funds. MPM may be more incentivized to make investments with the view of holding such investment for a longer period of time and accordingly, may make investments that it believes may not meet the target returns of the relevant Fund if it did not have the flexibility to hold such portfolio companies for a longer period of time. While investors will likely have the option to elect to have their interests in such investments disposed of by MPM, the value of such investments at the time of disposition may be materially less than if MPM had not made and/or held such investment with the view of such investment having a longer holding period. Additionally, investors that elect to continue to hold a direct or indirect interest in such investments will have their interest attributable thereto adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant General Partner to the extent of its right to receive Carried Interest, if any), thereby diluting their interests in such investments. Such investors that elect to continue to hold an interest in such investments may also be subject to Management Fees and Carried Interest for a longer period and/or in a greater aggregate amount than if such investments were not held for such longer period of time.

In addition, although the valuation of any such investment will generally be based on a third-party valuation, valuations are inherently subjective in certain respects and rely on a variety of assumptions. Furthermore, valuations are based in large part on information as of the applicable period, and market conditions may change materially after that date. Accurate valuations are more difficult to obtain in times of low transaction volume because there are fewer market transactions that can be considered in the context of the appraisal. In addition, the process of valuing portfolio investments for which

reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such investments and may differ from the prices at which such investments ultimately may be sold. As such, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. Accordingly, such values may not accurately reflect the actual market values of the investment, and, thus, investors may make decisions as to whether to continue to hold an interest in an investment without complete and accurate valuation information. As a result, the valuation of such an investment and the distributions to each of a Fund's partners, including the General Partner, may not accurately reflect the fair value of the interests.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a "Financial Institution") of some or all of a Fund's (or a portfolio company's) assets fails to timely perform or otherwise default on its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, MPM, the Funds and/or their portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, and the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that any intervention will occur, be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of MPM to manage the Funds and their investments, and on the ability of MPM, the Funds and any portfolio company to maintain operations, which in each case could result in operational burdens, significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include: (i) a loss of funds; (ii) an obligation to pay fees and expenses in the event the Fund is unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of a Fund to access capital contributions or otherwise); (iii) the inability of a Fund to acquire or dispose of investments, including at prices that the relevant General Partner believes reflect the fair value of such investments; and/or (iv) the inability of MPM and/or the portfolio companies to make payroll, fulfill obligations and/or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also



possible that MPM will experience operational burdens and expenses, and the Funds or a portfolio company will incur additional expenses and/or delays in putting in place alternative arrangements and/or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital, or otherwise). There can be no assurance that MPM will be able to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, or that such remedies will be successful or avoid losses or delays or other negative impacts. The Funds and their portfolio companies are subject to additional risks in the event a Financial Institution utilized by investors in a Fund or by suppliers, vendors, service providers or other counterparties of a Fund or a portfolio company becomes subject to a Distress Event, which could have a material adverse effect on the relevant Fund, its investors or such portfolio companies, including the risk of investor defaults. In addition, in the event MPM determines to change Financial Institutions, there is a risk that the transfer of cash or other assets, especially if done in an expedited manner, will result in a technical violation of Advisers Act Rule 206(4)-2 (the “Custody Rule”), even if performed in the Firm’s best judgment of its efforts to fulfill its obligations and maintain operations, including its ability to close transactions, make payroll or otherwise.

Many Financial Institutions require, as a condition to using their services (including lending services), that MPM and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with such Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although MPM seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, MPM is under no obligation to use a minimum number of financial institutions with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

*Inflation.* The U.S. economy is currently in a period of high inflation. Investments could have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, an investment could earn more revenue but could incur higher expenses. As inflation declines, an investment might not be able to reduce expenses commensurate with any resulting reduction in revenue. Furthermore, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. Accordingly, there can be no assurance that a higher rate of inflation will not have a material adverse effect on the Funds’ investments.

## **Risk Factors Specific to the Real Estate Strategy**

*General Real Estate Risks.* Real estate investments will be subject to the risks incident to the ownership and operation of real estate and real estate-related businesses and assets, including changes in the general economic climate, local, national or international conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties and changes in the relative popularity of property types and locations, changes in the financial condition of tenants, buyers and sellers of properties, changes in operating costs and expenses, uninsured losses or delays from casualties or

condemnation, changes in applicable laws, government regulations (including those governing usage, improvement and zoning) and fiscal policies, the availability of financing, interest rate levels, environmental liabilities, contingent liabilities, successor liability for investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property), acts of God, acts of war (declared or undeclared), terrorist acts, work stoppages, shortages of labor, strikes, union relations and contracts, fluctuating prices and supply of labor and/or other labor-related factors and other factors beyond the control of MPM and its respective affiliates.

*Third Party Involvement.* Given appropriate circumstances, certain of MPM's real estate investments will be made as a co-venturer or partner with the seller of the property, an affiliate of the seller, an investor or other third parties (including other investment funds, accounts and clients managed or advised by MPM or its affiliates). Such investments involve risks not present in investments where a third party is not involved, including the possibility that: (i) MPM and such co-venturer reach an impasse on a major decision that requires the approval of both parties; (ii) a co-venturer or partner will at any time have economic or business interests or goals that are inconsistent with those of MPM; (iii) the co-venturer or partner will encounter liquidity or insolvency issues or have the potential to become bankrupt; (iv) the co-venturer or partner will be in a position to take action contrary to MPM's investment objective; (v) the co-venturer or partner will take actions that subject the property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances MPM will be liable for actions of its co-venturers or partners. In addition, MPM will often rely upon the abilities and management expertise of a co-venturer or partner. It will generally also be more difficult for MPM to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. MPM will, in some cases, grant co-venturers or partners joint approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock would likely delay the execution of the business plan for the investment or require MPM to engage in a buy-sell of the venture with the co-venturer or partner or conduct the forced sale of such investment. As a result of these risks, there can be no guarantee that MPM will be able to fully realize its expected return on any such investment. Further, to the extent MPM offers any co-investment opportunity to any investors or third parties, some or all of the risks described above are expected to also apply to such co-investments.

*Reliance on Third-Party Developers and Joint Venture Partners.* MPM sometimes relies on third parties (some of which have the potential to also become joint venture partners with MPM) to act as developers or joint venture partners in connection with the development, construction or renovation of its properties. This reliance on third-party developers or joint venture partners often increases the costs to MPM through the payment of development fees, incentive fees and other amounts and will increase the risks of development to MPM if, and to the extent, such a developer fails or is unable to comply with agreed-upon plans, budgets or timetables.

*Increase in Market Interest Rates.* If interest rates increase, so would MPM's interest costs for new debt, including variable rate debt obligations under any credit facility or other financing. This increased cost

is likely to make the financing of any development or acquisition more costly. Rising interest rates also would potentially limit MPM's ability to refinance existing debt when it matures or cause it to pay higher interest rates upon refinancing, which would negatively impact liquidity and profitability. In addition, an increase in interest rates would decrease the access third parties have to credit or the amount they are willing to pay for MPM's assets.

*Development and Construction or Renovation Risks.* MPM's investments can include acquisition of direct or indirect interests in undeveloped land or underdeveloped real property (which can be non-income producing), real estate developments or redevelopments and/or businesses that engage in real estate development or redevelopment. To the extent that MPM invests in such assets or activities, it will be subject to the risks normally associated with such assets and development activities, including the possibility of development cost overruns and delays due to various factors (including inclement weather, labor or material shortages, the unavailability of construction and permanent financing and timely receipt of zoning and other regulatory approvals), the availability of both construction and permanent financing on favorable terms and market or site deterioration after acquisition. Any unanticipated delays or expenses would raise the likelihood of having an adverse effect on the results of operations and financial condition of MPM. Properties under development or properties acquired for development often receive little or no cash flow from the date of acquisition through the date of completion of development and it is possible that such properties will continue to experience operating deficits after the date of completion. In addition, market conditions frequently change during the course of development and such changes could make such development less attractive than at the time the development was commenced.

*Industrial Properties.* Although owners of industrial properties are not generally required to expend substantial amounts for general capital improvements, tenant improvements or re-leasing costs and various other factors can affect the returns from this type of property in addition to the risks generally applicable to real estate, including, among other things, the design and adaptability of the property and the degree to which it is generally functional for industrial purposes, the proximity to highways and other means for the transportation of goods, the number and diversity of tenants among businesses or industries and the cost of converting a previously adapted space to general use. An industrial property is often more likely to have one or only a few tenants, which increases the risk that a decline in their operations or their particular business or industry segments can adversely affect the returns from the property. Industrial properties typically have short-term leases, which can increase the risk of vacancies. Additionally, a property designed for a particular use or function can be difficult to re-lease to another tenant or can become functionally obsolete compared to other properties. In addition, because of unique construction requirements of many industrial properties, many vacant industrial property spaces cannot be easily converted to other uses. Thus, if the operations of any industrial property become unprofitable, the liquidation value of that industrial property can be substantially less than would be the case if the industrial property were readily adaptable to other uses. Properties historically used for industrial, manufacturing and commercial purposes are more likely to contain, or have in the past contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. Investing in these properties will cause the Fund

and MPM to be subject to increased risk of liabilities under environmental laws and regulations. Furthermore, the presence of hazardous or toxic substances, or the failure to properly remediate these substances, can adversely affect MPM's ability to sell or rent an industrial property.

*Multifamily Residential Real Estate.* Certain jurisdictions regulate the relationship of an owner and its tenants. Commonly, these laws require a written lease, good cause for eviction, disclosure of fees and notification to residents of changed land use, while prohibiting unreasonable rules, retaliatory evictions and restrictions on a resident's choice of unit vendors. Apartment building owners have been the subject of lawsuits under various "Landlord and Tenant Acts" and other general consumer protection statutes for coercive, abusive or unconscionable leasing and sales practices. There can be provisions that limit the bases on which a landlord is authorized to terminate a tenancy or increase its rent or prohibit a landlord from terminating a tenancy solely by reason of the sale of the owner's building. In addition to state regulation of the landlord-tenant relationship, numerous towns and municipalities impose rent control on apartment buildings. These ordinances can limit rent increases to certain set percentages, to increases set or approved by a governmental agency, or to increases determined through mediation or binding arbitration. In addition, low-income areas can have a higher concentration of tenants that receive rent subsidies pursuant to governmental assistance programs. These programs can influence tenant mobility and the amount of rent a tenant can pay. It is also possible that certain multifamily properties could be subject to existing regulatory agreements or restrictive covenants that impose limits on the income of the tenants that can lease a unit in the property and/or the rent that is permitted to be charged to tenants.

*Possible Inability to Renew Leases or Relet Space as Leases Expire.* The Fund will derive some of its income from rent received from the tenants of the properties. Substantially all of the leases for multifamily units are expected to be short-term leases (generally, one year or less in duration). Multifamily residents can leave after the end of their lease term without any penalty. As a result, the Fund's rental revenues can be impacted by declines in market conditions more quickly than if the leases for multifamily units were for longer terms. Accordingly, the Fund's financial condition, results of operations, cash flow and its ability to make distributions to investors could be adversely affected if they are unable to promptly relet or renew expiring leases, or if the rental rates upon renewal or reletting are significantly lower than expected. There can be no assurance that the Fund will be able to lease its vacant space, renew its expiring leases, increase its occupancy or generally realize the potential of low-yielding assets (including the completion and leasing of its renovation projects and leasing of its vacant and under-leased buildings). Further, the Fund's ability to rent space and the rents that it can charge are impacted, not only by customer demand, but by the number of other properties it has to compete with to appeal to customers.

*Commercial Properties.* Commercial properties can be especially affected by: an economic decline in the business operated by the tenants; the physical attributes of the property and the adaptability of the property with respect to the technological needs of the tenants; the strength and nature of the local economy, including labor costs and quality, tax environment and quality of life for employees; and patterns of telecommuting or sharing of office space, and employment growth (which creates demand

for office space). Moreover, the cost of refitting office space for a new tenant is often higher than the cost of refitting other types of properties for new tenants.

*Retail Properties.* In many cases, the tenants of retail properties can negotiate leases containing certain exclusive rights to sell particular types of merchandise or services within a particular retail center. When leasing other space after vacancy by another tenant, these provisions can limit the number and types of prospective tenants for the vacant space. In addition, certain retail properties are anchored by department stores and other large nationally recognized tenants. The value of investments could be materially and adversely affected if these “anchor” tenants fail to comply with their contractual obligations or cease their operations. As pressure on these department stores and national retailers increases, their ability to meet their obligations as a tenant is likely to be impaired and result in closures of their stores or their seeking of lease modifications. Any lease modification could be unfavorable and could decrease rents or expense recovery charges. Other tenants in turn will in some cases be entitled to modify the economic or other terms of, or terminate, their existing leases in the event of closures by the “anchor” tenants.

*Potential Environmental Liabilities.* Under various federal, state and local laws, ordinances and regulations, an owner of real property is often liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner’s liability therefore as to any property are generally not limited under such laws and have the potential to exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, can adversely affect the owner’s ability to sell the real estate or to borrow funds using such property as collateral, which would be expected to have an adverse effect on the Funds return from such investment.

*Harmful Mold and Other Air Quality Issues.* When excessive moisture accumulates in buildings or on building materials, mold can grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of the Fund’s properties is likely to require the Fund to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants has the potential to expose the Fund to liability from its tenants, employees of its tenants and others if property damage or health concerns arise.

*Americans with Disabilities Act and Similar Laws.* Under the Americans with Disabilities Act of 1990 (the “ADA”), all public accommodations must meet federal requirements related to access and use by

disabled persons. If one or more of the properties in the Fund's portfolio does not comply with the ADA, then the Fund will typically be required to incur costs to bring the property into compliance, and there can be no guarantee that such costs were foreseen at the time of acquisition. Future changes to federal, state and local laws also have the potential to require modifications to the Fund's properties or restrict the Fund's ability to renovate its properties. The Fund cannot predict the ultimate cost of compliance with the ADA or other legislation. If the Fund incurs substantial costs to comply with the ADA and any other similar legislation, the Fund's financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy its debt service obligations are more likely to be materially adversely affected.

*Costs of Operating Real Estate Investments.* The cost of operating a property, including providing for capital improvements, can exceed the property's rental income and operating resources, and it is possible that the Funds will have to advance funds to protect an equity investment or will be required to dispose of investments on disadvantageous terms if necessary to raise needed funds. Certain expenditures associated with real estate equity investment, such as property taxes, utility costs, debt service, maintenance costs and insurance, tend to increase and generally do not decrease as a result of events adversely affecting rental revenues. Moreover, while MPM generally intends to purchase insurance to cover casualty losses and general liability, it is possible that such insurance will not be available, will be available only at prohibitive costs or will be insufficient to cover losses from ongoing operations and other risks such as earthquake, flood or environmental contamination.

*Possible Need to Make Significant Expenditures to Retain and Attract Tenants.* The Fund could, upon expiration of leases at its properties, be required to make rent or other concessions to customers, accommodate requests for renovations, and other improvements or provide additional services to customers. As a result, it is possible that the Fund will be required to make significant capital and other expenditures in order to retain customers whose leases expire and to attract new customers in sufficient numbers. Additionally, it is possible that the Fund will need to raise additional capital to make such expenditures. If the Fund is unable to do so or capital is otherwise unavailable, the investment will be unable to make the required expenditures. This could result in non-renewals by customers upon expiration of their leases, or an inability to attract new customers, which could materially and adversely affect the applicable Fund's financial performance.

## **Conflicts of Interest**

The material conflicts of interest that a Fund encounters include those discussed below and elsewhere in this Brochure. The following summary is not intended to be an exhaustive list of all conflicts or their potential consequences. Identifying potential conflicts of interest is complex and fact intensive and it is not possible to foresee every conflict of interest that will arise during a Fund's life. Investors should be aware that MPM, its personnel, and its affiliates will likely in the future engage in further activities that can result in additional conflicts of interest not addressed below. There can be no assurance that MPM will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to the Funds. In particular, MPM expects in the future

to identify additional conflicts of interest that currently are not apparent to the Firm or to the broader alternative investments industry, as well as conflicts of interest that arise or increase in materiality as the Firm develops new investment platforms or business lines and otherwise adapts to dynamic markets and an evolving regulatory environment. To the extent that MPM identifies conflicts of interest in the future, the Firm may, but is under no obligation, to disclose these conflicts and their implications to investors through a variety of channels, including in subsequent Brochures or in other written or oral communications to the advisory boards or to investors more generally. However, investors are not entitled to receive notice or disclosure of the actual occurrence of conflicts nor do investors have any right to consent to conflicts as they arise except as otherwise required by law or in the Governing Documents.

If any matter arises that MPM determines in its good faith judgment constitutes an actual or potential conflict of interest, MPM reserves the right to take such actions as it believes are necessary or appropriate to seek to ameliorate such potential conflict. These actions include, by way of example: (i) disposing of the security giving rise to the potential conflict of interest; (ii) appointing an independent fiduciary to act with respect to the matter giving rise to the potential conflict of interest; or (iii) consulting with the relevant advisory board regarding the potential conflict of interest and either obtaining a waiver from the advisory board of the potential conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the advisory board with respect to such potential conflict of interest.

*Time and Attention of Principals.* The principals expect to spend a portion of their business time and attention pursuing investment opportunities for multiple Funds or accounts rather than on behalf of a single Fund. MPM also sponsors investment vehicles that principally invest in interests in real estate properties (and other real-estate related investments), including with respect to real estate owned or leased (or re-leased) by portfolio companies of the Funds (such funds, the “Real Estate Funds”). The principals and the Firm’s investment staff will continue to manage and monitor multiple Funds, accounts and investments. In the future, MPM reserves the right to expand its investment management services beyond the Funds and the Real Estate Funds potentially including through some or all of the following: single investor funds, managed accounts, overage funds, funds with different operational strategies, target investment sizes, target investment securities (including debt instruments), geographic focuses or expected hold periods, and/or other specialized investment vehicles (collectively, “Other McCarthy Capital Products”). In some cases, these Other McCarthy Capital Products are expected to have overlapping investment strategies with the Funds. As a result of the activities of the Funds (including any Other McCarthy Capital Products) and the other matters described herein, there can be no assurance that all investment opportunities identified by MPM and its affiliates will be made available to a Fund. Additionally, MPM reserves the right to allocate a portion of any investment opportunity to co-investors.

MPM believes that the significant investment of the principals in each Fund, as well as the principals’ interest in the Carried Interest, operate to align, to some extent, the interest of the principals with the interest of the partners, although the principals generally have or expect in the future to have economic

interests in such other investment funds, accounts and investments as well and receive Management Fees and Carried Interest relating to those interests. Other Funds, accounts and investments that the principals expect from time to time to control or manage will, in some cases, compete with an individual Fund or a portfolio company acquired by such Fund or, as detailed further below, expect under certain conditions to invest in different parts of the capital structure of portfolio companies acquired by such Fund. At such time as MPM is permitted to raise successor investment funds to the currently investing Funds, the principals will continue to manage such prior Funds' investments, but also likely will focus investment activities on other opportunities and areas unrelated to the Funds' investments. Certain investments can, and in some cases will be, allocated between a Fund and any successor or predecessor fund in a manner as set forth in the Governing Documents. MPM personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. Unless restricted by the Governing Documents or MPM's policies, MPM personnel are permitted to serve on boards or act in other roles unaffiliated with MPM, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles. Such companies are not portfolio companies of a Fund and, as a result, any compensation received by an employee is not subject to the Management Fee offset described above, or otherwise shared with the Funds and/or investors.

*Allocation of Investment Opportunities.* Until such time as MPM is permitted under the Governing Documents to raise a successor investment fund, the principals generally will pursue substantially all appropriate investment opportunities that meet the investment criteria of the currently investing Funds principally for the benefit of such Funds, subject to certain exceptions set forth in the relevant Governing Documents. However, the principals currently, and expect in the future to, manage other Funds, accounts and estate or wealth planning vehicles and, in such circumstances, will direct certain relevant investment opportunities or resources among those Funds, accounts, vehicles and investments. Over time, certain investment opportunities suitable for one Fund are likely also to be suitable for other Funds, vehicles, investments or accounts sponsored by MPM, the principals or their respective affiliates. In determining which Funds and/or accounts should participate in such investment opportunities, subject to the Governing Documents, the Firm, the principals and their affiliates are subject to potential conflicts of interest among the investors in the Funds and accounts managed by MPM and the principals. To determine which Fund(s) or accounts managed by MPM or its affiliates will participate in the relevant investment opportunity, MPM generally assesses whether an investment opportunity is appropriate for each relevant Fund or account based on the terms of such Fund's or account's Governing Documents, as well as factors, including, but not limited to, each Fund's or account's available capital, each Fund's or account's investment restrictions and objectives (including those set forth in the Fund's or account's Governing Documents), as well as factors including, but not limited to: each Fund's or account's investment restrictions and objectives (including those set forth in the relevant Fund's or account's Governing Documents, where applicable), strategy, capital structure, risk profile, time horizon, investment size, tax sensitivity,



tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure. A Fund will potentially invest together with other Funds or accounts advised by the Firm in the manner set forth in the relevant Governing Document(s). MPM will determine the allocation of investment opportunities among Funds and accounts in a manner that it believes is fair and equitable to the Funds under circumstances over time and consistent with MPM's obligations and, in connection with such determination, MPM reserves the right to take into consideration factors such as those set forth above. Except as required by the Governing Documents, MPM is not obligated to recommend any investment to any particular investment vehicle. In the event that the available amount of an investment opportunity in which a Fund will invest exceeds an amount MPM determines to be appropriate for such Fund, MPM reserves the right to offer such excess to one or more potential co-investors.

MPM's allocation of investment opportunities among a Fund and any other Funds or accounts managed by MPM or an affiliate thereof is anticipated to not always, and often will not, be proportional. Therefore, such allocations generally will be more advantageous to one Fund relative to another Fund. While MPM will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to the Funds under the circumstances over time, there can be no assurance that each Fund's actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which the Firm is subject did not exist.

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.

*Secondary Transfers of Interest.* To the extent that MPM has discretion to consent to a transfer of a limited partner interest in a Fund pursuant to the Governing Documents, and subject to any restrictions therein, MPM reserves the right to identify one or more persons to potentially acquire such interest, and reserves the right to take into consideration a variety of factors as it deems necessary in exercising its discretion with respect to such a transfer. In certain circumstances, a Fund General Partner has purchased the interest of an investor seeking liquidity.

*Certain Affiliate Transactions.* Potential conflicts of interest are expected to arise when and to the extent a Fund makes an investment in conjunction with an investment being made by another Fund or account managed by MPM or an affiliate, or if it were to invest in the securities of a company in which Fund or account managed by MPM or an affiliate already made an investment. For instance, it is possible that a Fund will not invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as such other Fund or account. This has the potential to result in differences in price, investment terms, leverage and associated costs between one Fund and another investing Fund or account managed by MPM or an affiliate. Where Funds or

accounts managed by MPM or an affiliate invest in the same company at different times, the first such vehicle to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later such vehicles; similarly, to the extent a transaction does not proceed, the first such vehicle to invest typically will bear the full amount of broken deal expenses relating to the transaction, regardless of whether other Funds or accounts managed by MPM or an affiliate could or would have invested in the company in potential future transactions. Further, there can be no assurance that each Fund or other account(s) with which it co-invests will exit such investment at the same time or on the same terms. If additional capital is necessary for a portfolio company as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds or accounts reserve the right to provide or not provide such additional capital, and each generally will supply such additional capital in such amounts, if any, as determined in the discretion of the General Partner of the relevant Funds or account(s), respectively, subject to the terms of the relevant Governing Documents. MPM and its affiliates reserve the right from time to time to express inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio managers or personnel express different views of the same investment. There can be no assurance that a Fund's return on such investment will be the same as the returns achieved by any other Fund or account participating in a given transaction. Given the nature of these conflicts, there can be no assurance that any such conflict can be resolved in a manner that is beneficial to any given Fund or account managed by MPM or an affiliate. In that regard, actions taken for one or more Funds or account(s) managed by MPM or an affiliate may adversely affect a Fund.

It is expected that, in accordance with the Governing Documents, McCarthy Group, an entity managed by the Firm or its affiliates, will, directly or indirectly through its subsidiaries, make preferred equity and/or debt investments in certain portfolio companies acquired by the Funds (collectively, "McCarthy Group Investments"). As a result of McCarthy Group Investments, the interests of McCarthy Group will, from time to time, be adverse to those of any such portfolio company and the Funds and, thus, the existence and concurrent operation of McCarthy Group and the Funds will give rise to a range of potential conflicts of interest. For example, in connection with drafting, negotiating, renegotiating and/or modifying the terms of McCarthy Group Investments, the Firm or its respective affiliates will, in certain instances, have an incentive to cause a Fund portfolio company to enter into or otherwise agree to McCarthy Group Investment terms and conditions that are less favorable to such portfolio company than it otherwise would be if such McCarthy Group Investment was made by an unaffiliated third party. Questions will potentially arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether McCarthy Group Investments should be refinanced or restructured. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, will raise conflicts of interest. In the event of a breach, default, failure to perform or any other circumstance that arises in connection with certain McCarthy Group Investments which affords McCarthy Group or a Fund portfolio company the opportunity for legal or other recourse against the other party, the Firm or its respective affiliates will, in certain instances, have an incentive to take certain actions (or choose not to act) that favor McCarthy Group over a Fund portfolio company and the Fund. In the

event that a portfolio company in which a Fund and McCarthy Group have made investments defaults on a payment obligation to McCarthy Group or otherwise proposes to restructure all or a portion of the securities of such portfolio company, the Firm or its respective affiliates will potentially be required to take actions consistent with those of McCarthy Group with respect to such portfolio company and shall not be deemed to have violated any duty to the Funds in such scenario. Because of the different legal rights associated with owning debt and equity of the same portfolio company, the Firm and its respective affiliates can face a conflict of interest in respect of the advice given to, and the actions taken (or not taken) on behalf of the Fund versus McCarthy Group (*e.g.*, the terms of McCarthy Group Investments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies), and the action taken for McCarthy Group will, at times, be adverse to the Funds, particularly in the case of financial distress of a Fund portfolio company. Given the nature of such conflicts, there can be no assurance that any such conflict will be resolved in a manner that is beneficial to each of the Funds and McCarthy Group. In a bankruptcy proceeding, the Funds' interests will potentially be subordinated or otherwise adversely affected by virtue of McCarthy Group's involvement and actions relating to its McCarthy Group Investment. This can result in loss or substantial dilution of a Fund's investment, while McCarthy Group recovers all or part of amounts due to it. In addition, where McCarthy Group is a creditor or preferred equity holder of a portfolio company in which a Fund holds more junior securities, McCarthy Group will typically take actions in its own interest with respect to its rights as a creditor (*e.g.*, with respect to breaches of covenants) or preferred equity holder that are adverse to the interests of the Fund as an equity (or more junior equity) holder.

McCarthy Group will typically be granted general voting rights and/or certain approval and/or voting rights with respect to major decisions concerning the management and disposition of the equity and/or assets of a Fund portfolio company, which would increase the risk of deadlocks. A deadlock is likely to delay and/or prevent the execution of the business plan for such portfolio company or require the Fund to engage in a buy-sell of such portfolio company with McCarthy Group or conduct the forced sale of such portfolio company. As a result of these risks, a Fund would be unable to fully realize its expected return on any such investment. In addition, McCarthy Group and certain members thereof, which are sometimes affiliates of MPM, regularly provide services to, or in connection with, one or more portfolio companies. Pursuant to the Governing Documents, fees and expenses associated with such services are typically paid and/or reimbursed by applicable portfolio companies and do not offset the Management Fee.

In the event that a follow-on investment opportunity arises in respect of a portfolio company in which both a Fund and McCarthy Group are invested, McCarthy Group will not be prohibited from participating in such follow-on opportunity. Investments by McCarthy Group in Fund portfolio companies sometimes involve the allocation between such Fund and McCarthy Group of expenses incurred and fees generated in the course of evaluating and making such investments.

*Portfolio Company Board Service.* The Funds will typically make controlling investments in portfolio companies or otherwise obtain control rights or significant influence with respect to such portfolio

companies. As a result of controlling interests, MPM typically has the right to appoint portfolio company board members (including current or former MPM personnel or persons serving at their request) or to influence their appointment and to determine or influence the determination of their compensation. Additionally, on occasion a portfolio company board members approve compensation and other amounts payable to MPM in connection with services provided by MPM and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the relevant Governing Document's offset provision, are in addition to the Management Fee or Carried Interest discussed herein. MPM's authority to appoint or influence the appointment of portfolio company board members who are involved in approving compensation payable to the Firm subjects the Firm and any such portfolio company board appointees to potential conflicts of interest.

Additionally, a portfolio company typically will reimburse MPM or service providers retained at MPM's discretion for expenses (including, travel expenses) incurred by MPM or such service providers in connection with the performance of services for such portfolio company. This subjects MPM to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Governing Documents and its internal reimbursement policies and practices, MPM determines the amount of these reimbursements for such services in its own discretion.

*Relationships with Portfolio Companies.* On occasion, certain portfolio companies held by the Funds provide good or services to MPM, its affiliates, employees, employee's families or others affiliated with the Firm. In the case of goods, because portfolio companies offer such discounts to customers other than MPM as part of their standard commercial practices in an effort to expand their respective customer bases, MPM believes that the potential for conflicts of interest relating to such discounts is mitigated. In the case of services obtained from a portfolio company, appropriate measures have been taken to ensure that the terms of such services are provided at arm's length and are fair to all parties.

*Relationship with Third Parties.* MPM and/or its affiliates also reserve the right to employ or engage personnel with pre-existing ownership interests in or who were employed by portfolio companies owned by the Funds or investment vehicles advised by MPM or an affiliate; conversely, current or former personnel or executives of MPM and/or its affiliates are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by the Firm. Similarly, MPM, its affiliates and/or its personnel maintain relationships with (or are permitted to invest in) financial institutions, service providers and other market participants, including managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Firm, its affiliates and/or the Funds or other investment vehicles that they advise. An MPM executive serves as director of a bank holding company that provides certain Funds' subscription-backed credit facility. In other circumstances, such bank holding

company and such other vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through MPM entities, whether or not related to financing MPM personnel obligations to fund the MPM commitment obligations) to MPM personnel and their estate planning vehicles. It is also expected that certain investors in the Funds will be clients of a registered investment advisor that is 80% owned and controlled by MPM and its affiliates. MPM expects to be subject to a potential conflict of interest with the Funds in recommending the retention or continuation of a third-party service provider to the Funds or a portfolio company owned by the Funds if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds that MPM and/or its affiliates advise, will provide the Firm with information about markets and industries in which the Firm operates (or is contemplating operations) or will provide other services that are beneficial to MPM or the Funds. The Firm expects to be subject to a potential conflict of interest in making such recommendations, in that the Firm has an incentive to maintain goodwill between itself and the existing and prospective portfolio companies for the Funds and investment vehicles that MPM or its affiliates advise, while the products or services recommended will not necessarily be the best available to the Funds or their portfolio companies.

Over the life of the Funds, the Firm generally expects to exercise its discretion to recommend to the Funds or to a portfolio company thereof that they contract for services with certain service providers, and from time to time such service providers are expected to include: (i) the MPM or a related person of MPM (which is permitted to include a portfolio company of the Funds or accounts managed by MPM and/or its affiliates) and at rates determined or substantively influenced by the Firm; (ii) an entity with which the Firm or its affiliates or current or former members of their personnel has a relationship or from which MPM or its affiliates or their personnel otherwise derives a financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where MPM personnel are seconded, or from which MPM receives secondees; or (iii) certain investors or their affiliates. This discretion subjects the Firm to potential conflicts of interest, because although it intends to select service providers that it believes are aligned with its operational strategies and that will enhance portfolio company performance, and, relatedly, returns of the Funds, MPM has a potential incentive to recommend the related or other person because of its financial or business interest. Additionally, there is a possibility that the Firm, because of such belief or for other reasons (including whether the use of such persons will establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Firm, the Funds or other investment funds or accounts managed by the Firm or its affiliates), will favor such retention or continuation even if a better price and/or quality of service can be obtained from another person. MPM will not necessarily seek out the lowest cost options when incurring (or causing the Funds or their portfolio companies to incur) such expenses. Although MPM generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, from time to time, MPM expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, a Fund, and due to the nature of the service provider relationships these persons have the potential to have information advantages relative to other

investors or co-investors. In certain circumstances where MPM commits or has committed to seek “market” or “arms-length” rates or terms, MPM will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. MPM reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arms-length.” Consequently, MPM undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable or relate specifically to the assets, services, geographies or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, MPM reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. Whether or not the Firm has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

*Affiliate Transactions Involving Real Estate Funds.* MPM currently sponsors and manages, and expects in the future to sponsor and manage, one or more Real Estate Funds. The Funds are generally expected to hold interests in portfolio companies that are of a different class or type than the class or type of interests expected to be held by any Real Estate Funds. It is expected that a Real Estate Fund will from time to time be adverse to the interests of a Fund and its portfolio companies, and the existence and concurrent operation of a Real Estate Fund will give rise to a range of potential conflicts of interest, including, but not limited to, those described herein.

To the extent that a Real Estate Fund invests in real estate properties and real estate assets affiliated with a Fund or a portfolio company in which a Fund holds equity securities, MPM and its affiliates expect to be subject to conflicts of interest (potentially including conflicting fiduciary duties) in determining the terms of such investment and in managing the relevant Fund’s and such Real Estate Fund’s investments on a going-forward basis. It is expected that the Funds, their portfolio companies or an affiliate will (a) sell real estate and real estate-related assets, including equity and debt investments in real estate, to a Real Estate Fund and (b) lease assets owned by a Real Estate Fund and engage in other transactions with a Real Estate Fund, including, for the avoidance of any doubt, the lease of real estate and real estate-related assets to the Funds on terms (including annual rent amount) determined by a Real Estate Fund, in its sole discretion, which terms may be more or less favorable than the Funds could obtain from a third-party lessor. Upon acquiring real estate and real estate-related assets, a Real Estate Fund expects to renew existing leases or enter into new leases or comparable rental agreements with the Funds’ portfolio companies under which such portfolio companies will be lessees, tenants and/or a comparable legal status relative to such Real Estate Fund. Any such transaction may be subject to any advisory board consultation or approval as set forth under the Governing Documents of the relevant Fund and such Real Estate Fund or in any conflict policy applicable thereto.

Conflicts also may arise between a Fund and a Real Estate Fund in negotiating the price of the real estate properties and real estate businesses, the nature of the covenants running in favor of lessors

and the other terms and conditions of the investment or any lease terms or amounts related thereto or in addressing subsequent amendments or waivers. Further, because of the different legal rights associated with real estate properties and real estate businesses, MPM and its affiliates expect to face a conflict of interest in respect of the advice given to, and the actions taken on behalf of, a Fund as compared to a Real Estate Fund.

In addition, the interests of a Fund and a Real Estate Fund may diverge significantly in the case of financial distress of a portfolio company. If a Real Estate Fund had the potential to incur a loss on its investment as a result of such difficulties, MPM's ability to recommend actions in the best interests of the Funds might be impaired. In troubled situations, certain decisions, including whether to enforce claims or whether to advocate or initiate an eviction, are expected to raise conflicts of interest with respect to the Funds and any relevant Real Estate Fund, the interests of which are likely to diverge in such situations.

*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 the Firm in its sole discretion deems relevant. In exercising such discretion, MPM will often 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 will, in certain circumstances, 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.

Some expenses are incurred on behalf of one Fund which have the potential to benefit other Funds. For example, information MPM obtains in connection with a Fund's research, due diligence and

investment activities is expected to be valuable to other Funds. Additionally, tools and resources developed at MPM's expense will be the intellectual property of MPM and not the Funds.

A conflict of interest is likely to 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. Because the allocation process can be subjective, from time to time, it is possible that subsequent review of allocations will 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 can 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 to ensure allocations are equitable on an overall basis in MPM's good faith judgment.

*Other Benefits.* In connection with its services to the Funds and their investments, MPM, its affiliates and their respective personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of MPM's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, MPM and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "the MPM Information"). In many cases, MPM Information will include tools, procedures and resources developed by MPM to organize or systematize MPM Information for ongoing or future use. Although MPM expects its Funds and their portfolio companies generally to benefit from MPM's possession of MPM Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by MPM and its personnel) and not by the Fund or portfolio company from which MPM Information was originally received or derived. MPM Information will be the sole intellectual property of MPM and solely for the use of MPM. MPM reserves the right to use, share, license, sell or monetize MPM Information, without offset to Management Fees, and the Funds and/or their portfolio companies will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or their portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their investors; no such rewards will offset or otherwise reduce the Management Fee.

To seek to enhance the value of any portfolio company, the Funds, MPM and its affiliates may seek to cause a portfolio company to (i) do business with another portfolio company of the Funds (an "Affiliate



Company”), (ii) lend or borrow from an Affiliate Company, (iii) enter into joint ventures with an Affiliate Company, or (iv) buy or sell an assets or interest (including a controlling interest) in, or to, an Affiliate Company. The relevant Fund may have no interest in the Affiliate Company with which its portfolio company is doing business or engaging in any of the transactions described above. Alternatively, the relevant Fund may have divergent interests in various portfolio companies doing business or engaging in any of the transactions described above. MPM, to the extent applicable, and its affiliates will seek to enter into transactions among portfolio companies of the Funds where they believe that such transactions enhance the value of all such portfolio companies to the benefit of the investors in the Funds. However, there can be no assurance that such transactions will benefit the Funds’ portfolio companies, and such transactions may result in benefits solely to a portfolio company in which a Fund has no interest (*e.g.*, to the extent consistent with the investment program of a Fund, purchasing securities or other assets from, selling securities or other assets to, or entering into servicing, administration, back office, financing or other transactions with, such portfolio companies (both on an agency and principal basis)).

*Valuation of Assets.* There is not expected to be an actively traded market for most of the investments owned by the Funds. When estimating fair market 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. Valuations are subject to multiple levels of review for approval. However, the process of valuing investments 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 investments and can significantly differ from the prices at which such investments ultimately are able to be sold. The Firm has established a valuation policy, which it will follow when performing portfolio company valuations. Each General Partner will determine the value of the relevant Fund’s investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by the relevant General Partner may cause it to ineffectively manage a Fund’s investment portfolios and risks, and may also affect the diversification and management of a Fund’s portfolio of investments.

The Governing Documents provide the relevant General Partner with wide-ranging authority to make determinations, including those related to investment purchases and dispositions (and their timing), valuation and other matters that have the potential to affect the compensation of MPM and its affiliates. In making such determinations, MPM is subject to potential conflicts of interest. For

example, the potential to earn additional compensation can create an incentive for MPM to make investments and to hold investments longer than otherwise would be the case in the absence of a Fund's Management Fee and Carried Interest compensation arrangements. MPM expects to be incentivized to cause the Funds to make investments and hold on to investments (and to delay or forego a determination that the investments are written off in the manner described in the Governing Documents (such investments, "Impaired Value Investments")) in order to generate greater ongoing Management Fees and, potentially, larger Carried Interest distributions than would otherwise be the case if such investments had not been made or held (or if such determination had not been made), including because of the possibility that the investments' values will appreciate in the future.

Where the Management Fee is calculated taking into account the valuation of an investment, including a determination of whether an investment has become an Impaired Value Investment, MPM will have incentives to make determinations that result in the continued payment of, or a higher, Management Fee. Where the Governing Documents do not require Management Fees to be reduced in connection with investment reorganizations, restructurings, extraordinary dividends or similar transactions, MPM expects to be incentivized to pursue such transactions. Additionally, the amount of Carried Interest owed to the relevant General Partner is dependent in part on the amount and timing of investment dispositions, as well as in certain instances determinations that investments are Impaired Value Investments, and MPM expects to be subject to related conflicts of interest in determining whether and when to dispose of investments, make distributions, and/or determine that an investment is an Impaired Value Investment, within the requirements of the Governing Documents.

The Governing Documents provide the General Partners with wide-ranging authority on the determination of Impaired Value Investments, and the criteria used by MPM or its affiliates in valuing an investment, or determining whether an investment is an Impaired Value Investment, have the potential to be subjective, to be influenced by market information and other factors, and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of the relevant General Partner's determination that an investment is an Impaired Value Investment, and, except as set forth in the Governing Documents, neither MPM nor its affiliates is obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during a Fund's holding period. In making its determination, MPM is entitled to make its own determination taking into account all facts and circumstances it deems relevant, subject to the provisions of the Governing Documents. As a general matter, the standards for determining Impaired Value Investments are intended to be high, and are not intended to apply to investments experiencing partial or temporary declines in value. Because the amount of compensation to MPM and its affiliates is dependent in part on an investment's status as an Impaired Value Investment, MPM faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although MPM and its affiliates intend to operate in accordance with the Governing Documents, as well as valuation and other policies, practices and procedures, in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policies, practices and procedures

will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

*Co-Investments.* The Firm will, in its sole discretion, provide or commit to provide co-investment opportunities to one or more investors and/or other persons, in each case on terms to be determined by the Firm in its sole discretion. Conflicts of interest will arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which will be made to one or more persons for any number of reasons as determined by the Firm in its sole discretion, have the potential to not necessarily be in the best interests of the Funds or any individual investor. In exercising its sole discretion in connection with such co-investment opportunities, including with respect to allocating a particular investment to and among potential co-investors and determining the terms thereof, the Firm will consider some or all of a wide range of factors (some or all of which will benefit the Firm or its affiliates), including, but not limited to: (i) the ability of a potential co-investor to react promptly to a co-investment opportunity; (ii) any strategic advantages that can result from a potential co-investor's participation in a co-investment opportunity; (iii) a potential co-investor's commitment to one or more Funds; (iv) the likelihood that a potential co-investor may invest in a Fund and/or a future Fund; (provided that such willingness generally will not be the sole determining factors considered by MPM in identifying co-investors); (v) the potential co-investor's investable assets relative to the size of the co-investment opportunity; (vi) tax, regulatory and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); (vii) confidentiality concerns that may arise in connection with providing the potential co-investor with specific information relating to the co-investment opportunity; (viii) whether the potential co-investor's participation in an investment opportunity has the potential to subject the relevant Fund to legal, regulatory, reporting or other burdens or could impair the ability of MPM to execute the relevant transaction in the desired time or on desired terms; (ix) the size of the investment allocation available to MPM and practicality of dividing it among multiple potential co-investors; (x) lender requirements; and/or (xi) whether MPM believes that allocating investment opportunities to the potential co-investor will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Funds.

The Funds are permitted to co-invest with third parties through partnerships, joint ventures or other entities or arrangements. MPM reserves the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Funds' portfolio companies or otherwise to have a priority in co-investment opportunities. Such investments involve risks and potential conflicts of interest not present in investments where a third party is not involved, including the possibility that a third-party co-venturer or partner will at any time have economic or business interests or goals that are inconsistent with those of the Funds, have financial difficulties (which may increase the possibility of default) or be in a position to take or block action in a manner that is contrary to the investment objectives of the Funds. In addition, the Funds will in certain circumstances be liable for actions of its third-party co-venturer or partner. In those cases in which co-investments with third parties involve a management group, third-party co-investors may receive compensation arrangements relating to such co-investments, including incentive compensation arrangements. There can be no

assurance that the Funds' return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

As a general matter, Fund expenses typically will be allocated among the relevant Fund and co-investors (including co-investing MPM Funds eligible to reimburse expenses of that kind). In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by MPM or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of MPM Funds or co-investors receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or MPM or its affiliates. The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment. Although MPM and its affiliates will endeavor to allocate such fees, costs and expenses on a fair and equitable basis, there can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. Any such determinations are expected to involve inherent matters of discretion and potential conflicts of interest. Notwithstanding the foregoing, MPM and its affiliates reserve the right in the future to change or develop policies and procedures to address the allocation of expenses that differ from its current practice.

MPM reserves the right, from time to time, to form a co-investment vehicle in connection with the consummation of a transaction and such entity generally will bear expenses related to its formation and operation. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial to the transaction, ultimately is not consummated, the full amount of any broken deal expenses and fees and expenses generated in the course of evaluating any such proposed transaction generally would be borne by the relevant Fund and not by any potential co-investors that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such expenses where permitted by such vehicle's Governing Documents.

Furthermore, MPM reserves the right to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Additionally, from time to time, certain service providers (*e.g.*, lenders) are expected to seek to negotiate co-investment rights as a component of their compensation or in exchange for granting better terms to MPM, a Fund or portfolio company in connection with the services provided. Co-investment opportunities will typically be offered to some and not to other investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have

the potential to receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by a Fund, and MPM expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to a Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons in a manner not subject to the “most-favored nation” provisions of the Governing Documents and (iii) co-investors’ proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of the Governing Documents. In order to facilitate the acquisition of a portfolio company, the Funds reserve the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, a Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at a reduced cost, at cost, or at a lower amount at a time when MPM believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, MPM’s interest in limiting a Fund’s exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. When and to the extent that employees and related persons of MPM make capital investments in or alongside the Funds, MPM is subject to conflicting interests in connection with these investments. MPM’s allocation of co-investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations generally will be more or less advantageous to some. Additionally, conflicts of interest are expected to arise in the allocation of co-investment opportunities to the extent that such allocation benefits the MPM instead of, or more than, a Fund or is not in the best interests of a Fund or any individual investor.

To the extent that another MPM Fund co-invests or commits to co-invest alongside a Fund, any fees of the type included in the definition of “Transaction Fees” with respect to such co-investment or potential co-investment will be allocated among the relevant Funds pro rata (based on the ownership or proposed ownership of such co-investment on a fully diluted basis), or in such other manner as the Funds’ general partners mutually agree. Accordingly, a Fund will, in most cases, only benefit from a Management Fee reduction with respect to its allocable portion of any such Transaction Fee and not the portion of any fee allocable to any other Fund or any co-investor in a portfolio company.

*Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements.* The Governing Documents of each Fund and related documents are detailed agreements that establish complex arrangements among MPM, the investors, the Fund, the General Partner and other entities and individuals. Questions can arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, can be broad, general, ambiguous or conflicting, and permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While MPM will construe the relevant agreements in good faith and in a manner consistent with its legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations MPM adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the Funds or their investors.

*Cross Fund Transactions.* In infrequent circumstances, MPM effects a cross transaction between Funds. Such cross fund transactions create conflicts of interest because by not exposing such buy and sell transactions to market forces, it is possible that (i) a Fund will not receive the best price possible or (ii) MPM will have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. In effecting a cross transaction, the Firm will seek to ensure that the purchase or sale is effected at a price that is comparable to what price could be obtained through an arm's-length transaction with a third party and that is otherwise fair to both parties, which in some cases can include receiving a fairness opinion, receiving a legal opinion, engaging a placement agent and/or investment banker, each as appropriate. In certain circumstances, MPM reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. The Firm will maintain documentation to memorialize the basis for determining fairness in pricing.

*Minority Investors.* It is possible that a third-party could acquire a minority ownership interest in the MPM and/or an affiliate thereof. The existence of a minority investor could raise certain potential conflicts of interest. Specifically, a minority investor could be an investor, or subsequently invest, in a Fund advised by the Firm and have minority economic interests in MPM and, in such capacity, would be entitled to receive a portion of the Carried Interest and/or a portion of the net income to which MPM would otherwise be entitled. The Firm does not expect that any minority investor would be involved in the management of a Fund or MPM. The existence of these minority economic interests could diminish the alignment of a minority investor's interests with other Fund investors. Additionally, a minority investor could have relationships with other investment vehicles and accounts that could give rise to potential conflicts of interest. For example, a minority investor and/or its affiliates could sponsor, advise, underwrite, manage or invest in other investment vehicles and accounts that pursue investment strategies similar to those of a Fund. Such activities have the potential to adversely affect the Funds; for example, a minority investor and/or its affiliates could compete with the Funds for investment opportunities, and MPM expects that a minority investor would be under no obligation to share any investment opportunity, idea or strategy with the Funds or MPM.

*Third-Party Involvement.* The Funds are permitted to co-invest with third parties through partnerships, joint ventures, overage funds, other specialized investment vehicles for other entities or arrangements, thereby acquiring less than 100% of the ownership interests in certain investments. Such investments have the potential to involve risks not present in investments where a third party is not involved, including the possibility that: (i) a Fund and such co-venturers could reach an impasse on a major decision that requires the approval of multiple parties; (ii) the co-venturers or partners may at any time have economic or business interests or goals that are inconsistent with those of a Fund; (iii) the co-venturers or partners could encounter liquidity or insolvency issues or become bankrupt; (iv) the co-venturers or partners could be in a position to take action contrary to a Fund's investment objective; (v) the co-venturers or partners could be permitted to take actions that subject the investment to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances a Fund has the potential to be liable for actions of its co-venturers or partners. There can be no assurance that a Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

*Employee Investors.* It is expected that certain of MPM's employees and personnel will invest in a Fund directly or as part of a General Partner's commitment to a Fund. Subject to applicable law, the terms of an investment by an employee differ from, and are more favorable than, those of an investment by an external Fund investor. For example, employee investors generally will not be subject to a Management Fee and/or Carried Interest with respect to their investment, generally will receive information regarding investments at different times than other investors and some on occasions may benefit from different credit facility arrangements than a Fund.

*Secondaries and Other General Partner-Led Transactions.* There continues to be a significant market in the private fund sector for secondary sales, General Partner-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments, and MPM reserves the right to dispose of (or seek additional capital for) Fund investments through such means. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by MPM following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where MPM believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple funds sponsored by MPM and its affiliates), often on different terms than the original investment. However, certain of such transactions are expected to require: (i) a limited partner to invest additional capital in a Fund and/or other investment vehicles; (ii) a greater exposure to one or more particular portfolio companies; and/or (iii) a delay in the full liquidation of its investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (*i.e.*, a portion of such interest will be

allocated to the relevant General Partner to the extent of its right to receive Carried Interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of the Funds or limited partner and those of MPM or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where MPM or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance-based compensation earned by the relevant General Partner on the sale of an asset from a Fund in such transaction), their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the Funds, MPM and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. To the extent MPM requires existing limited partners and/or new buyers to commit capital to a continuation fund or another fund managed by MPM in addition to the purchase amount paid in a transaction, such requirement is expected to have a dilutive effect on the purchase price for that Fund and its limited partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the Fund investment(s) being sold. Further, MPM is expected to be incentivized to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in a Fund, and in such circumstances MPM reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory board prior to the closing of the transaction, there can be no assurance that MPM will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of a Fund or any individual limited partner or group of limited partners. However, MPM reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the Governing Documents. MPM is permitted to seek the consent of the relevant advisory board to waive conflicts associated with such transactions and accordingly not all limited partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of Fund investments, to the extent such transactions are not consummated, the Funds are expected to bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.



**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 advisor, 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 advisor, 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 advisor**
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 advisor, 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, information technology, compliance and other services. Some of these professionals provide services to the principals, employees, the Funds or their portfolio companies. Additionally, some of these professionals are investors in MPM Funds, either personally or through their company.

MPM has a relationship with two registered investment advisers and two trust companies, 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: Tran Capital Management, L.P. and Bridges Investment Management, Inc. Trust companies Bridges Trust Company and Bridges Trust Company of South Dakota are affiliated with Bridges Investment Management, Inc. and thus are also affiliated with MPM. Because each of these affiliated entities performs services which are distinct from those performed by MPM, the Firm does not believe such relationships create a conflict of interest. In the event there were a material conflict of interest, MPM would determine whether the conflict warranted review by the Fund advisory board.

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, entertainment, gifts 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, entertainment, gifts or other arrangements that are conditioned on directing business to a specific vendor. Similarly, MPM employees have in the past spoken, and expect in the future, to speak at or attend conferences and programs for potential investors interested in investing in private funds and other industry events that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction and other industry 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 other than registration, sponsorship, membership or other similar fees paid to attend 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. With respect to third parties that are not subject to the trading restrictions under MPM’s Code of Ethics and that may otherwise obtain sensitive and nonpublic information relating to a Fund deal (*e.g.*, co-investors, legal, financial, diligence, public relations and other similar service providers), such persons typically are subject to contractual provisions in confidentiality agreements or professional obligations that prohibit the misuse of any such information.

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 may be subject to remedial actions, including, but not limited to, censure, fines, 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 [info@mccarthycapital.com](mailto:info@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 have invested in the Funds through such Funds' General Partners, affiliates and/or as investors. McCarthy Partners, LLC is an employee-owned vehicle which invests side-by-side with certain MPM Funds in portfolio companies. 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. MPM does not believe this arrangement presents any material conflict of interest since the General Partners' interests are aligned with the interests of investors in the Funds.

Section 206(3) of the Advisers Act generally prohibits investment advisers from engaging in principal, cross and agency cross transactions without the appropriate disclosure and consent. MPM will only enter into a principal, cross or agency cross transaction with the appropriate disclosure and consent. 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, such as a Fund General Partner). Cross trades between funds can also be deemed 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. In the context of MPM's business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future fund or MPM or a Fund General Partner purchasing the interest of an existing investor.

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. 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 a cross transaction under Section 206(3). In the context of MPM's business, a cross transaction would occur when selling a portfolio company, investment or other asset from one Fund to another. Agency cross transactions

occur where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, which is not applicable to MPM.

In the event MPM were to recommend a principal transaction or cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating Funds; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the relevant General Partner, advisory board or investors, as appropriate; (iv) 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 the Funds 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, such conflicts can either be resolved internally, disclosed to a Fund's General Partner or in the event further action is required, submitted to an advisory board for review and resolution. The Governing Documents of each Fund include a description of what MPM believes to be the most significant conflicts of interest associated with an investment in that Fund. Some of these conflicts are summarized in Item 8 above.

**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 and their covered family members 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. Supervised persons are permitted to make securities transactions in

their personal accounts, subject to certain limitations. Pre-clearance is required by supervised persons and their covered family members for certain personal securities transactions, including trading in restricted list securities, initial public offerings and 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, 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, even if their investment objectives are the same or similar. In addition, principals and employees are permitted to buy securities in transactions offered to, but rejected by, the Funds or that are outside of the investment mandate of the Funds. For example, in an effort to build relationships with founders and companies, supervised persons at times are expected to make personal investments that are not at that time appropriate for a Fund, such as those that are too small and/or too early stage, in order to form deeper connections with such companies, get insight into their industries and ecosystems over time, and further develop their networks and relationships with the founders, CEOs and boards of such endeavors. All such employee private investments are subject to pre-approval and/or review by the Chief Compliance Officer.

**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 the Fund's 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. A supervised person wishing to purchase or sell an interest in an MPM portfolio company is 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).**

While MPM generally focuses on securities transactions in private companies and purchases and sells such companies through privately negotiated transactions, the Funds on occasion engage broker-dealers and investment bankers to perform various services for the Funds and portfolio companies, such as assisting in the purchase or sale of a private portfolio company, assisting in the purchase or sale of shares of securities of a public portfolio company or purchasing or selling publicly traded securities. MPM has sole discretion over the purchase and sale of investments (including the size of

such transactions) and the broker-dealer or investment banker, if any, to be used to effect transactions for the Funds. In executing transactions, MPM will seek best execution of the transaction. Best execution is a qualitative assessment that takes into account the full range and quality of a broker-dealer or investment banker's services and is satisfied by obtaining the most advantageous overall terms for the Fund(s) when weighing all factors relevant to the transaction. Best execution is therefore not necessarily determined by lowest possible commission rates.

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, 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; (v) the type and size of the transaction involved; and (vi) 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. However, MPM believes the commissions or mark-ups charged are competitive with those that other broker-dealers or investment bankers charge.

### **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. MPM holds board seats for most of the investments it makes or otherwise acts to influence control of the management of the investments. It is not uncommon for the relevant investment professionals for an investment to be in regular, as often as weekly, contact with the portfolio company's senior management team. A Fund's portfolio is reviewed by a team of investment professionals on an on-going basis which includes those investment professionals assigned to individual portfolio companies. These reviews include, without limitation, sales trends, margins, profitability, debt to equity ratios, material business developments, competitive landscape and management. Moreover, partners of MPM monitor portfolio company performance through regular management meetings, as well as detailed reviews of specific portfolio companies that occur as needed.

**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 (or earlier as agreed to in each Fund's Governing Documents); (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 delivered electronically through the Firm's investor portal, unless otherwise requested in writing. The Firm also has contact with investors (personal visits, video conference, telephone and email) throughout the year as request and/or conditions warrant.

In the course of conducting due diligence or otherwise, Fund investors periodically request information pertaining to MPM's investments and track record. 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. Additionally, as it pertains to existing investors, upon request or pursuant to contractual obligations, certain investors receive additional information and reporting that other investors do not receive. As a result, certain investors will have more information about a Fund than other investors, and MPM has no duty, and does not intend, to ensure that all investors seek, obtain or possess the same information regarding a Fund and its investments and/or portfolio companies. MPM will ensure that the disclosure of preferential information rights complies with the Private Fund Rule commencing with its effective date in September 2024.

#### **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 is entitled to receive transaction fees, monitoring fees and reimbursements from the portfolio companies held by the Funds. In the event that MPM receives any fees or other remuneration directly from a 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 year or quarter, as applicable, based on the provisions of the relevant Fund's Governing Documents.

These types of fee arrangements present potential conflicts of interest and provide MPM with an incentive to recommend investments based on compensation received rather than the best interests of the Funds. To help mitigate this potential conflict of interest, an allocable portion of such benefits received by MPM or its employees (but not third-party advisers) in connection with services rendered to portfolio companies or in connection with transactions of the Funds are offset in part or in whole against Management Fees payable by the Funds, to the extent described above in Item 5 and as detailed in each Fund's Governing Documents.

Other than as described above, MPM does not receive any monetary compensation or any other economic benefit from a non-client for MPM's provision of investment advisory services to a client.

**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.**

When raising capital for a new Fund, MPM typically engages the service of a placement agent for the sale of Fund units. Placement agent fees are borne by MPM, either directly or as an offset to management fees, 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 the General Partners (or an affiliate in the case where a Fund does not have a General Partner) are not operationally independent from MPM: each Fund's General Partner (or an affiliate) generally has full discretion and control over Fund investments and cash, including the ability to deduct fees from investor accounts. In order to comply with Advisers Act Rule 206(4)-2 (the "Custody Rule"), 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 (or earlier as agreed to in each Fund's Governing Documents). In addition, upon the final liquidation of a Fund, MPM will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all underlying investors promptly upon completion of the audit. Investors in the Funds should carefully review such financial statements.

MPM does not accept physical custody of any Fund assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly deposited or wired into the relevant Fund's qualified custodial account and public securities are held with the broker-dealer or transfer agent who acts as custodian for such securities. MPM receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about the Funds' 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. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement with a 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 Fund. 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 invests, 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 upon MPM's investment authority with respect to an investor's investment must be presented to MPM in writing and agreed to by MPM and such investor.

## **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, for the majority of its Funds, MPM has the authority to vote proxy statements on behalf of such Fund. Given the nature of MPM's advisory business, the Funds seldom hold public securities; the majority of "proxies" received by MPM are written shareholder consents or similar instruments for private companies owned by such Funds. Specifically, from time to time, portfolio companies request MPM (usually through the General Partner or affiliate of the applicable Fund) to consent to certain issues pertaining to the portfolio company's business and requiring equity owner approval. In these cases, MPM considers factors that

could affect the value of the investment and will act in the manner that it believes maximizes the value of its long-term investment in portfolio companies.

MPM has adopted proxy voting policies and procedures pursuant to Advisers Act Rule 206(4)-6. MPM's proxy voting policy seeks to ensure that it votes proxies in the best interest of the Funds with a goal towards maximizing overall value. MPM generally believes 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 board 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.

For those Funds where MPM does not have authority to vote proxies, in the event there is a proxy to vote, such proxy will be forwarded to each of these Funds' respective authorized representative who will vote the proxy on behalf of the relevant Fund.

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 [info@mccarthycapital.com](mailto:info@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 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.