

Item 1 – Cover Page

Form ADV Part 2 Brochure

March 2024



M O R G E N T H A L E R

Morgenthaler Management Corporation

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This brochure provides information about the qualifications and business practices of Morgenthaler Management Corporation and its advisory affiliates described herein (collectively “Morgenthaler”). If you have any questions about the contents of this brochure, please contact Travis J. Boettner at (650) 388-7600. 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. Morgenthaler is registered as an investment adviser with the SEC. This registration does not, however, imply a certain level of skill or training of any Morgenthaler personnel.

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

Item 2 – Material Changes

There have been no material changes to this brochure since we filed our annual amendment on March 31, 2023.

Pursuant to Morgenthaler’s policy, Morgenthaler will ensure that its investors receive a summary of any material changes to this brochure within 120 days of the close of Morgenthaler’s fiscal year. You may request the most recent version of Morgenthaler’s brochure by contacting Travis Boettner, Chief Financial Officer & Chief Compliance Officer (“CCO”) at (650) 388-7600 or tboettner@morgenthaler.com.

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Item 4 – Advisory Business

Morgenthaler Management Corporation (“MMC” or “the firm”) is an Ohio corporation that was established in 1981. MMC is owned by the following individual investment professionals of the firm: Robert C. Bellas, Ralph E. Christoffersen, Gary R. Little, John D. Lutsi, Rebecca A. Lynn, Gary J. Morgenthaler, Robert D. Pavey, Henry A. Plain and Peter G. Taft. MMC’s principal place of business is in Portola Valley, California. MMC and its advisory affiliates provide investment advisory and management services to private investment funds that are U.S. limited partnerships (“Client Funds”). For purposes of this brochure, the term “**Morgenthaler**” will include MMC, Morgenthaler Advisors IX, LLC, and the General Partners collectively.

All descriptions pertaining to the Client Funds outlined in this brochure, including their investments, management strategies, associated fees, and potential conflicts of interest faced by Morgenthaler, are entirely contingent upon the respective confidential offering memorandum and governing documents (referred to collectively as the “Fund Documents”) of each Client Fund. It should be noted that there are currently no funds open for investment, nor are there any considerations to open such funds. Therefore, nothing contained herein should be construed as an offer of any of the Client Funds discussed, as any such offerings will solely occur upon the provision of a confidential offering memorandum to prospective investors.

Morgenthaler generally offers advice on portfolio investments that are within each Client Fund’s investment strategy and objective. The multi-disciplinary advice provided by Morgenthaler generally focuses on the following investment areas: venture capital (information technology and life sciences) and/or private equity. The venture capital focus involves investments in early-stage businesses in both the information technology and life sciences markets. The private equity focus involves management buyouts, leverage recapitalizations, and industry build-ups in middle market companies that focus in communications, health care or industrial productivity markets. Please refer to Item 8 for a more detailed description of the Client Funds’ investment strategies as well as the securities, and other instruments, purchased by Client Funds under the management of Morgenthaler.

Morgenthaler has full discretionary authority with respect to the investment decisions of the Client Funds; however, its investment decisions and advice are subject to each Client Fund’s investment objective and guidelines, as set forth in each Client Fund’s respective Fund Documents.

Morgenthaler has the right to enter and has entered into agreements, such as side letters, with certain underlying investors of the Client Funds which may impose further restrictions for legal, tax, regulatory or other reasons with respect to participation by such underlying investors in certain investments made by the Client Funds. See Item 10 for additional information.

Morgenthaler does not participate in wrap fee programs.

As of December 31, 2023, Morgenthaler managed \$106,742,707 on a discretionary basis. Morgenthaler does not manage assets on a non-discretionary basis.

Item 5 – Fees and Compensation

Morgenthaler and its related persons receive fees as outlined below and as described in the relevant Fund Documents.

Management Fee

Morgenthaler Partners VII, L.P. does not pay management fees, as of 2014.

As of December 2023, the Limited Partners of Morgenthaler Partners VIII, L.P. (MP VIII) and Morgenthaler Venture Partners IX, L.P. (MVP IX) approved an amendment to revise the management fee payable to MP VIII and MVP IX. According to the amendment, the General Partner is required to propose an annual budget for review and approval by the majority of Limited Partner Advisory Committee (LPAC). The LPAC has approved the budget for 2023.

Carried Interest

The General Partners are allocated a carried interest distribution based on cash generated from the sale of Client Fund portfolio investments. The carried interest distribution will generally be an amount equal to 20% of the profits from each portfolio investment made by a Client Fund after the return of invested capital to the applicable Client Fund investors. Carried interest allocations are subject to a clawback based on the aggregate performance of all portfolio investments of such Client Fund. Carried interest distributions are generally allocated to the applicable General Partner's capital account based on cash generated from the sale of a Client Fund portfolio investment. All performance-based fees (carried interest) payable to the Client Fund's General Partner and related persons in connection with all private equity funds sponsored by Morgenthaler or its related persons will be affected consistent with the requirements of Section 205 of the Investment Advisers Act of 1940 (the "Advisers Act") and Rule 205-3.

Fee Waivers/Reductions

In accordance with the Fund Documents, in their sole discretion, the General Partners have in certain circumstances elected to waive all or part of the management fee that it is otherwise payable pursuant to the terms of the Fund Documents (including the General Partner's ability to elect to fund a portion of its capital contributions by waiving a portion of the management fee).

Other Fees

The General Partners or related persons receive certain other fees from persons other than the Client Funds in connection with their respective investment activities. For example, transaction, monitoring, advisory, director's, break-up or other similar fees ("Fee Income") may be payable to the General Partners and their related persons by a portfolio company or prospective portfolio company or other third parties in connection with the acquisition, holding or refinancing of, or add-on acquisition related to, these entities. All of the Fee Income received by the General Partners, or their related persons is treated as an offset, net of direct expenses, against the management fees next payable. Offsets are carried forward if necessary.

Indemnification

The Client Funds are generally obligated to indemnify MMC, their respective General Partners and their affiliates and personnel under certain circumstances; provided, however, that investors will not be responsible for any amounts beyond the amount of any uncalled capital commitment plus, in the case of Client Fund VIII and Client Fund IX, the lesser of either the distributions made to such investor in the prior two years or 25% of an investor's capital commitment.

Reserves

The General Partners may, in their discretion, retain any amount (which would otherwise be distributed to the investors in accordance with the Fund Documents) which it deems prudent as reserves to meet future Client Funds expenses or liabilities.

Fund Expenses

The General Partners are responsible for all usual overhead expenses of managing the Client Funds, including compensation for MMC's employees, plus the cost of adequate office space and utilities.

The Client Funds bear their organizational costs (generally including the out-of-pocket expenses of the respective General Partner, MMC and their agents) up to an amount specified in the Fund Documents. Organizational expenses in excess of that amount generally will be paid by the respective General Partner.

Expenses that are attributable to MMC and one or more Clients will be allocated in a manner that is demonstrably fair and that is consistent with disclosures to all affected Clients. The CFO is responsible for establishing such allocation methodologies.

The Client Funds pay all expenses related to their operations that are not reimbursed by portfolio companies including:

- fees, costs and expenses related to the purchase and sale of investments;
- fees and expenses of counsel and accountants;
- any costs and expense incurred in connection with unconsummated transactions including fees and expenses of deal-specific outside professional services such as brokers, engineers, agents and other experts in an amount up to \$50,000 per year;
- advisory committee expenses;
- any taxes levied against the applicable Client Fund;
- insurance; and
- litigation costs.

Directors' Fees

Typically, some partners of Morgenthaler ("Partners") become board members of the portfolio companies invested in by the Client Funds. Although rare, directors' fees for such services have in the past and may in the future be paid either in cash or as a director stock option to such Partners or the General Partners of the Client Funds that invest in such portfolio companies. The management fee charged by the Client Funds is reduced by a portion of such directors' fees as discussed in more detail above under the "Management Fee" section in this Item 5.

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

All Client Funds provide in the applicable Fund Documents that Morgenthaler may earn a performance-based fee (carried interest). The receipt of performance-based compensation may provide an incentive for Morgenthaler to make investment decisions that are more risky than what they would otherwise make. Morgenthaler does not manage any other accounts with the same investment strategy for which a performance-based fee is not charged.

Item 7 – Types of Clients

As noted in Item 4 above, Morgenthaler provides discretionary investment advisory and management services to the Client Funds (which are organized as U.S. limited partnerships). Interests in the Client Funds and the Client Funds themselves are not registered under the U.S. Securities Act of 1933, as amended or the U.S. Investment Company Act of 1940, as amended ("Investment Company Act"), respectively. Accordingly, interests in the Client Funds are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions, and the Client Funds are excepted from the definition of an "investment company" under Section 3(c)(7) of the 1940 Act.

Investors in the Client Funds are required to complete and submit a subscription agreement binding them to the terms of the relevant Client Fund's respective Fund Documents. Client Funds VII - IX generally have a minimum capital commitment requirement of either \$5,000,000 or \$10,000,000, which is subject to reduction or waiver at the discretion of the General Partner of each respective Client Fund and in accordance with each Client Fund's Fund Documents.

Investors in the Client Funds are "accredited investors" within the meaning of Rule 501(a) under the Securities Act of 1933 or "qualified purchasers" within the meaning of Section 2(a)(51) under the Investment Company Act.

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

Investment Strategies, Instruments and Certain Related Risks

The following is a summary of (i) the current strategies and methods of analysis that Morgenthaler uses in formulating advice or managing assets (and their material risks) for the Client Funds and (ii) certain material risks associated with the types of securities that Morgenthaler primarily recommends to the Client Funds.

The information included in this brochure does not include every potential risk associated with each investment strategy or security. Investors and prospective investors in the Client Funds are urged to ask questions regarding risk factors applicable to a particular investment strategy or security, read all product-specific risk disclosures (for example, the relevant Fund Documents) and determine whether a particular strategy or type of security is suitable for his/her/its own account in light of his/her/its circumstances, investment objectives and financial situation. Investing in securities involves risk of loss that investors should be prepared to bear.

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The objective for the Client Funds is to produce superior returns by building industry leaders. The Client Funds focus on making venture capital investments in life science (medical device and biopharmaceutical) and information technology companies (“Venture Capital Investments”). The Client Funds (other than Client Fund IX who solely focuses on making venture capital investments) also focused on acquiring middle-market companies that focus on communications, health care or industrial productivity markets (“Private Equity Investments”). Venture Capital Investments are generally made through early-stage investments or second stage financings but may also include investments in seed financings of incubated projects where key management is not yet in place. Private Equity Investments in middle-market companies are generally made through management-led buyouts, leveraged recapitalizations and industry build-ups.

Morgenthaler’s general investment objectives include: (i) to be the first institutional investor in most of the companies in which the Client Funds invest, (ii) to acquire a substantial ownership interest in each company in which the Client Funds invest as set forth in the Fund Documents, and (iii) to serve on the board of directors of every company in which the Client Funds invest.

Morgenthaler’s investment strategy in all Venture Capital Investments is to focus on the following:

- **Market:** the Client Funds invest in companies that target technology and life science investments that disrupt existing large markets or target emerging new markets;
- **Management:** each portfolio company’s management team will be supported by assisting founders and companies in building out their management teams, developing their product, marketing, distribution and pricing strategies, assist with strategic corporate partnering, assist with follow-on financings and help companies to exit through sale or IPO;
- **Product or Service:** portfolio companies have the capability to generate high gross margins in order to support aggressive marketing and product development expenses; or invest in lower gross margin businesses, like ad networks (typically max out at 40% gross margins) and consumer semiconductors (high volume lower margin);
- **Market Leadership:** the Client Funds strive to invest in portfolio companies that can develop into market leaders;
- **Investment Size:** seek large ownership positions (target 20-30% but may be lower or higher) through early stage investments (typically Series A or B investments as well as some seed and later stage investments), but in general the expected range is \$2 to \$10 million, or \$1 million in a seed investment. The total investment at cost in any single company will not exceed 10% of a Client Fund’s total capital;

- Number of Portfolio Companies: each Client Fund limits the number of companies in which investments are made to enable frequent and detailed management interaction; and
- Syndications: the Client Funds primarily seek and develop investment opportunities in which they may be the sole investor or in which it may offer investment participation to others.

The Client Funds' investment strategy for Private Equity Investments is based on four key elements: (i) an effective balance of transaction and operating expertise, (ii) tight sector focus to leverage Morgenthaler's domain experience; (iii) pro-active deal origination and (iv) a disciplined and formalized approach to company building. Targeted businesses include profitable, stand-alone middle-market companies and divisions or subsidiaries of larger corporations. In all cases, the Client Funds seek to invest in companies where a sustainable competitive advantage, combined with strong management execution, will enable the portfolio company to achieve sustainable improvements in growth rates, profitability, and ultimately shareholder value. Typically, the Client Funds make a Private Equity Investment in a strong platform company, then seek to aggressively build the business through improved operating performance, new product development, and add-on acquisitions.

Morgenthaler generally holds its portfolio companies for a four-to-eight-year period as it seeks to enhance the portfolio company's value and financial performance. In conjunction with senior management, Morgenthaler formulates an exit plan for each portfolio company considering factors such as future growth prospects for the business, the condition of capital markets and purchase price multiples for the relevant industry.

CERTAIN RELATED RISKS

For a description of the specific risks relating to any particular Client Fund, please refer to the applicable Fund Documents for such Client Fund. However, the following risks are generally applicable to the Client Funds.

Past Performance May Not be Indicative of Future Results. The performance of Morgenthaler's past investments cannot be relied upon as an indicator of the Client Funds' future performance or success. Notwithstanding the prior experience that the Morgenthaler personnel may have in making investments of the type made by the Client Funds, any such prior experience was obtained under different market conditions and with different technologies at the forefront of development. There can be no assurance that the Client Funds will be able to duplicate prior levels of success.

No Assurance of Investment Return. The General Partners' task of identifying opportunities in private operating companies, managing such investments and realizing a significant return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage, and realize such investments successfully. There is no assurance that the Client Funds will be able to invest their capital on attractive terms or generate returns for its investors. There is no assurance that the Client Funds' investments will be profitable and there is a risk that the Client Funds' losses and expenses will exceed its income and gains. As such, there is no assurance of any distribution to the investors prior to, or upon, liquidation of the Client Funds.

Unspecified Investments. The capital commitments received from investors go into a blind pool. Each Client Fund generally does not identify the particular investments it will make prior to an investor capital commitment. Accordingly, an investor in a Client Fund must rely upon the ability of the applicable General Partner in making investments consistent with such Client Fund's investment objective and policies. The investor will not have the opportunity to individually evaluate the relevant economic, financial and other information that will be utilized by the General Partner in its selection of investments or otherwise approve of such investments.

Competition for Investments. The Client Funds will compete with other entities for the acquisition of investments. Such competition may come from groups such as institutional investors, investment managers, industrial groups, and merchant banks, which have greater resources than the Client Funds and are owned by large and well-capitalized investors. There may be intense competition for investments of the type in which the Client Funds intend to invest, and such competition may result in less favorable investment terms than would otherwise be the case. The Client Funds may be unable to find a sufficient number of attractive opportunities to meet their investment objectives. There can be no assurance that investments of the Client Funds will meet all the investment objectives of the Client Funds, or that the Client Funds will be able to invest all of their available capital. However, investors are required to pay annual management fees based on the entire amount of their capital commitments.

Lack of Diversification. The Client Funds are not subject to any diversification requirements and may invest in a limited number of companies, sectors, or regions. To the extent a Client Fund concentrates its investments in a particular company, sector, or region; its investments will become more susceptible to fluctuations in value resulting from adverse business or economic conditions affecting that particular company or region. As a consequence, the aggregate return of a Client Fund may be adversely affected by the unfavorable performance of one or a small number of companies, sectors or regions in which such Client Fund has invested. In certain cases, a Client Fund may acquire majority or 100% interests in portfolio companies subject to the Fund Documents, which could further increase the vulnerability of the Client Fund's portfolio.

Nature of Investments. Portfolio companies in which the Client Funds invest are confronted with a high degree of financial and operating risk, including risks associated with companies with little or no operating history, companies operating at a loss or with substantial inter-period variations, companies which incur a high level of debt as a result of a leverage buyout, companies where some members of the management team are inexperienced, and companies with a need for substantial contributions to capital to support expansion or to achieve or maintain a competitive position. Losses of principal are possible with any particular investment.

Availability of Investment Capital. Early-stage investments often require several rounds of capital infusions before the portfolio company reaches maturity. If a venture capital investor does not have funds available to participate in subsequent rounds of financing, that shortfall may have a significant negative impact on both the portfolio company and the face value of the venture investor's original investment. Although it will be each Client Fund's policy to maintain sufficient liquidity to allow it to participate in follow-on rounds of financing, each Client Fund does not intend to provide all necessary follow-on financing. Accordingly, third-party sources of financing will be required. There is no assurance that such additional sources of financing will be available, or, if available, will be in terms beneficial to the Client Funds. Furthermore, each Client Fund's capital is limited and may not be adequate to protect a Client Fund from dilution in multiple rounds of portfolio-company financing.

Non-controlling Investments. A Client Fund may hold a non-controlling interest in certain portfolio companies and, therefore, may have a limited ability to protect its position in such portfolio companies. However, as a condition to an investment in a portfolio company, it is expected that appropriate rights generally will be sought to protect the Client Fund's interests to the extent possible. There can be no assurance that such minority shareholder rights will be available.

Lack of Liquidity Within Investment Portfolio. Generally, the investments made by the Client Funds are illiquid and difficult to value, and there is little or no collateral to protect an investment once made. The securities in which a Client Fund invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. At the time of a Client Fund's investment, a portfolio company may lack one or more key attributes (e.g., proven technology, marketable product, complete management team, or strategic alliances) necessary for success. There may be no readily available market for the Client Funds' investments and the disposal of a portfolio investment by a Client Fund may be prohibited or delayed many years from the date of initial investment for legal and/or regulatory reasons. The public market for high technology and other emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Client Funds to dispose of investments, and the value of investment securities on the date of sale or distribution by the Client Funds.

Leveraged Investments. A Client Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both a Client Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to a Client Fund that may not be covered by distributions made to such Client Fund or appreciation of its investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Client Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of a Client Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company

cannot generate adequate cash flow to meet debt service, the applicable Client Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of that Client Fund. Furthermore, should the credit markets be tight at the time a Client Fund determines that it is desirable to sell all or a part of a portfolio company, such Client Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Client Fund invests generally will not be rated by a credit rating agency.

Risks of Certain Dispositions. In connection with the disposition of an investment in a portfolio company or otherwise, a Client Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the investors to the extent of their capital commitment to a Client Fund or previous distributions made to them.

Reliance on the General Partners. The investors do not have the right or power to participate in the management of the Client Funds. The General Partners have sole discretion over the investment of the funds committed to the Client Funds as well as the ultimate realization of any profits. Therefore, the Client Funds and their investors will rely on the General Partners and the management expertise of the key Morgenthaler personnel in identifying, acquiring, administering and disposing of the Client Funds' investments. If for any reason one or more of the key Morgenthaler personnel should cease to be involved in a Client Fund, such a loss could have a significant adverse impact on the performance of such Client Fund. No assurances can be given that the key Morgenthaler personnel will continue to be affiliated with the Client Funds throughout their respective terms.

Director Liability. A Client Fund often receives the right to appoint a representative to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes the Client Funds to potential liability. Although portfolio companies may have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may be insufficient if obtained.

Cybersecurity Risk. The information and technology systems of Morgenthaler and of its service providers may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events. Although Morgenthaler has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, it may be necessary for Morgenthaler to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans could cause significant interruptions in the operations of Morgenthaler and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information.

Enhanced Scrutiny and Potential Regulation of the Private Investment Fund Industry and the Financial Services Industry. The SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of Morgenthaler and the Funds. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has adopted a number of new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. The new SEC rules limit circumstances in which a fund manager can be indemnified by a private fund; increase reporting requirements by private funds to investors concerning performance, fees and expenses; require registered advisers to obtain an annual audit for private funds and also require such fund's auditor to notify the SEC upon the occurrence of certain material events; enhanced requirements, including the need to obtain a fairness opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); prohibit advisers from engaging in certain practices, such as, without limitation, charging accelerated fees for unperformed services or fees and expenses associated with an examination to private fund clients and seeking reimbursement, indemnification, exculpation or otherwise limiting an adviser's liability for certain activities; and impose limitations and new disclosure requirements regarding preferential treatment of investors in private funds in side letters or other arrangements with an adviser.

Such changes are expected to materially impact Morgenthaler and its affiliates, the Funds and/or their investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Funds.

Item 9 – Disciplinary Information

Form ADV Part 2 requires investment advisers such as Morgenthaler to disclose legal or disciplinary events involving the firm or its partners, officers, or principals that are material to the evaluation of its advisory business or the integrity of its management. Morgenthaler has no information to report that is applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

MMC is a related person of MPE Mgt Co, LLC, a Private Equity firm who is an SEC Registered Investment Advisor, and Canvas Management Company, LLC, a Venture Capital firm who is an SEC Exempt Reporting Advisor and the General Partners of the Client Funds in that they are commonly controlled. A few shareholders of MMC also hold equity interests in MPE Mgt Co, LLC, and Canvas Management Company, LLC, and/or the General Partners that have an equity interest in the respective Client Funds. MMC has a separate arrangement with Canvas Management Company, LLC, LSV Capital Management, LLC, and the General Partners in which MMC is reimbursed to pay, among other things, employee compensation, as well as other operating expenses.

As explained in Item 5 above, the General Partners or related persons may receive other fees from persons other than the Client Funds in connection with their respective investment activities. For example, Fee Income may be payable to the General Partners and their related persons by a portfolio company or prospective portfolio company or other third parties in connection with the acquisition, holding or refinancing of, or add-on acquisition related to, these entities. All of the Fee Income received by the General Partners, or their related persons is treated as an offset, net of direct expenses, against the management fees next payable. Offsets are carried forward if necessary.

Partners of Morgenthaler may serve on the boards of directors of portfolio companies in which the Client Funds invest. Serving in such a capacity may give rise to conflicts to the extent that a Partner's fiduciary duties to a portfolio company as a director may conflict with the interests of Client Funds. Disclosure to potential and current Client Fund investors is intended to mitigate this potential conflict of interest.

Morgenthaler may also present potential conflicts of interest to the advisory committee of each Client Fund as set forth in the Fund Documents. Each advisory committee consists of certain limited partners in each Client Fund.

Letters of Understanding a/k/a “Side Letters”

Morgenthaler has the right to enter and has entered into agreements, such as side letters, with certain investors of the Client Funds. Such rights or terms in any such side letter or other similar agreement may include, without limitation: (i) reporting obligations, (ii) waiver of certain confidentiality obligations, (iii) “most favored nation” provisions or (iv) rights or terms requested or necessary in light of particular investment, legal, regulatory or public policy characteristics of a Limited Partner. Side letters entered into with investors and required to be disclosed in accordance with the Fund Documents, are provided to all investors also investing in such Client Fund if not previously provided. To the extent that a right is granted in any side letter in relation to such Client Fund that is unrelated to the regulatory or other particular status of the recipient of such side letter or to the recipient's right to participate on the advisory committee, then any other investors in such Client Fund will be entitled to receive substantially such right as granted in such side letter, on a pro rata basis with other electing investors and the investor receiving such side letter benefits. To the extent that a right is granted in any side letter in a Client Fund that is related to the regulatory or other particular status of the recipient of such side letter, then only an investor in such Client Fund that has a regulatory or other particular status that is the same or substantially similar to the status of the recipient of such side letter shall be entitled to receive substantially such right as granted in such side letter, on a pro rata basis with other electing investors in such Client Fund. The foregoing activities with respect to the side letters will only be performed in accordance with the Fund Documents.

The SEC has enacted changes to numerous areas of law and regulations that impact the business of Morgenthaler and the Funds. In particular, the SEC has imposed limitations and new disclosure requirements regarding preferential

treatment of investors in private funds in side letters or other arrangements with an adviser. Further, because the new SEC rules have imposed limitations regarding preferential treatment of investors in private funds, the general partners of the Investment Vehicles and their affiliates could potentially be prohibited from complying with certain side letter provisions and thereby deprive investors of the previously negotiated benefits of such agreements. Please see Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss “Enhanced Scrutiny and Potential Regulation of the Private Investment Fund Industry and the Financial Services Industry” for more information on the new private funds rules.

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

Code of Ethics

Morgenthaler’s Code of Ethics provides a standard of conduct for, among other things, the personal trading of Morgenthaler’s investment professionals. The standard of conduct is based upon fundamental principles of openness, integrity, honesty and trust. Under the Code of Ethics, Morgenthaler’s investment professionals must provide Morgenthaler with initial and annual holdings reports (excluding accounts holding certain securities or discretionary accounts) and quarterly transactions reports. Pre-clearance of non-exempt and reportable personal investment transactions of employees is required. To prevent conflicts of interest, all personal trades made by investment professionals of Morgenthaler are reviewed by supervisory personnel (except transactions in investment company securities and/or other exempt transactions including, for example, government securities, money market instruments, money market funds, open-end mutual funds and unit investment trusts). Additionally, employees are prohibited from trading in securities of any company while in possession of material and non-public information regarding the company. Morgenthaler will review violations of its Code of Ethics to determine appropriate internal sanctions. The Code of Ethics also recognizes that as an investment adviser registered under the Advisers Act, Morgenthaler and its personnel are obligated to comply with the provisions of the Advisers Act as well as the other U.S. federal securities laws.

Morgenthaler Advisors IX, LLC serves as an additional investment advisor to Morgenthaler Venture Partners IX, L.P. and is currently subject to the same compliance policies and procedures, including the Code of Ethics, as Morgenthaler.

Prospective and current investors in the Client Funds may obtain a complete copy of Morgenthaler’s Code of Ethics free of charge by submitting a written request to Travis J. Boettner, Chief Financial Officer & CCO, at (650) 388-7600 or tboettner@morgenthaler.com.

Participation or Interest in Client Transactions and Personal Trading

Morgenthaler and its related persons receive certain fees from the portfolio companies (see Item 10 above). This may create a conflict of interest between Morgenthaler’s obligation to act in the best interests of the Client Funds and the economic interest of Morgenthaler and/or its related persons. These fees are generally disclosed in the Fund Documents and the footnotes of the applicable Client Funds’ audited financial statements and are offset against the management fee as described in Item 5.

As described in more detail below, Morgenthaler and its related persons engage in a broad spectrum of investment activities, including personal investments for their own accounts and investment advisory activities that, with respect to any particular Client Fund, are independent from, and may from time to time conflict with, overlap with or compete with, the investment activities of other Client Funds. As a result, Morgenthaler and its related persons are subject to various potential conflicts of interest.

As indicated previously, Partners of MMC hold equity interests in the General Partners that have an equity interest in the respective Client Funds. Morgenthaler and its related persons generally do not invest in the portfolio companies that are also invested in by the Client Funds except as described in this Item 11 or as set forth in the Fund Documents. Although investors in the Client Funds may choose to directly invest in a portfolio company, Morgenthaler and its

related persons do not involve themselves in any such co-investments that may be made by such investors other than introducing such investors, without compensation, to the management team of the portfolio company.

The Fund Documents allow Partners to make small investments (less than \$100,000) in portfolio companies in which Morgenthaler has discharged its duties to the respective Client Fund. Individuals may be hired (*e.g.*, Partners involved in Venture Capital Investments) who make larger investments in such portfolio companies (and could even have competing investments). Individuals may be hired as Morgenthaler employees and Partners that could have pre-existing investments in portfolio companies that the Client Funds may and will invest in. Such activities are subject to the pre-clearance requirements of Morgenthaler's Code of Ethics.

Morgenthaler has put in place Personal Trading Policies and Procedures, as set forth in the Code of Ethics and as discussed more fully above in this Item 11, designed, among other things, to address the conflicts of interest that arise in connection with personal trading. Disclosure to potential and current investors is intended to mitigate this potential conflict of interest. Additionally, as indicated previously, Morgenthaler may also present potential conflicts of interest to the advisory committee of the Client Fund as set forth in the Fund Documents.

In addition to the above disclosure, certain Partners of Morgenthaler engage directly or indirectly in additional business or other activities, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities for their own accounts or for the accounts of family entities and members. There is no fee charged by such Partners for such services. Investments made as a result of such activities are not in the portfolio companies that are invested in by the Client Funds and determined by Morgenthaler to not be appropriate for Client Funds.

Morgenthaler does not engage in principal or cross transactions. However, in accordance with the anti-fraud provisions of the Advisers Act and with Morgenthaler's internal compliance policies and procedures, if Morgenthaler were to engage in principal or cross transactions, Morgenthaler will not without obtaining the consent of such Client Fund prior to the settlement of such transaction: (i) as principal, sell a security to, or buy a security from, any Client Fund; or (ii) cause the Client Funds to participate in cross transactions in which Morgenthaler arranges for a Client Fund to buy a security from, or sell a security to, another Client Fund. In particular, Morgenthaler will not engage in such transactions without providing appropriate disclosure and obtaining prior informed consent from the advisory committee of the relevant Client Funds.

Item 12 – Brokerage Practices

Selection of Broker-Dealers

Morgenthaler has the authority to select or recommend broker-dealers, investment bankers and related intermediaries (collectively, "broker-dealers") for Client Funds' transactions. Morgenthaler generally does not engage in investment management activities that require broker-dealers in connection with its business. However, from time to time, Morgenthaler may assist a portfolio company invested in by a Client Fund in selecting an investment banker when such portfolio company contemplates an equity or debt financing including becoming a public company.

If Morgenthaler selects a broker-dealer in the future, Morgenthaler will seek best execution on an overall basis —*i.e.*, completing Client Fund transactions at the most favorable net price considering all relevant circumstances. In connection with its determination of whether the best execution has been obtained, in addition to net price, Morgenthaler will consider the full range of services available from and the characteristics of each broker-dealer or investment banker. Such services and characteristics may include, but are not limited to the following:

- execution capabilities including execution of in-kind security distributions,
- responsiveness,
- experience including in the resale of restricted securities,
- reputation and integrity,
- overall reliability,
- ability to provide useful ideas and market analysis,
- value of "research" (in whole or in part), either provided by the broker-dealer, or paid for by the broker-dealer,
- ability to provide access to issuers and issuers' counsel,

- willingness and ability to commit capital,
- access to underwritten offerings and secondary market trades,
- ability to facilitate analyst visits, and
- brokerage and research products and services.

Transactions involving broker-dealers, when used for completing transactions on behalf of the Client Funds, will generate expenses which are borne by the relevant Client Fund involved in the transaction and not Morgenthaler.

When retaining broker-dealers for portfolio transactions, Morgenthaler is not required to (i) obtain the lowest brokerage commission rates or (ii) combine or arrange transactions to obtain the lowest brokerage commission rates. Morgenthaler is also not required to solicit competitive bids. Morgenthaler does not negotiate “execution only” commission rates. Thus, if Morgenthaler determines in good faith that the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the brokerage and research products or services provided by such broker-dealer, Client Funds may pay commissions to such broker-dealer in an amount greater than the amount another broker-dealer might charge for similar services.

Research and Other Soft Dollar Benefits

Various broker-dealers may provide Morgenthaler or its related persons certain research and services at no charge as an incidental benefit of doing business with such broker-dealers, but only where (i) there is no arrangement to direct a specific amount of Morgenthaler’s business to such broker-dealers in exchange for such items and (ii) Morgenthaler does not “pay up” for such items in the form of higher fees or commissions on Client Funds’ transactions. Such research may include, but is not limited to proprietary and third-party research, which may be written, oral or online. Services may include, but are not limited to: research services (which may be in written or oral form or on-line) concerning market, economic and financial data; statistical information; financial publications; performance measurement data and services; analyses concerning specific portfolio companies, other companies or sectors; market, economic and financial studies and forecasts; on-line pricing and financial information; access to computerized data regarding clients’ accounts; valuations and related information; computers or terminals, computer databases and quotation equipment, in each case, to access research or which provide research directly; attendance fees and accommodations for attending professional conferences; registration fees for attendance to research seminars; networking and related recreational events; accommodations at conferences; and other services to the extent related in any way to any of the foregoing.

The provision by a broker-dealer of research and other products or services to Morgenthaler creates an incentive for Morgenthaler or its related persons to select such broker-dealer since Morgenthaler and its related persons would not have to pay for such research and other services as opposed to solely seeking the most favorable execution for the Client Funds. Any research or services provided by a broker-dealer may benefit any Client Fund (regardless of which Client Fund generated was associated with such research or services) and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

Brokerage for Client Referrals

Morgenthaler does not consider whether it has received an investor referral from broker-dealers in selecting or recommending broker-dealers to the Client Funds.

Directed Brokerage

Morgenthaler does not enter into directed brokerage arrangements.

Allocations of Investment Opportunities

Morgenthaler generally does not have more than one Client Fund with an investment period open at the same time as another Client Fund that has the same investment objective and strategies. However, Morgenthaler has adopted policies and procedures such that in the event there is an investment opportunity of limited availability that is appropriate for more than one Client Fund with an open investment period, Morgenthaler will affect an allocation of the investment to the relevant Client Funds. An allocation between Client Funds is made once Morgenthaler has

determined that the Client Fund that made the initial investment is allocated as much of the subsequent follow-on investment that is appropriate for that Client Fund. The balance of the investment will be allocated to other eligible Client Funds. Expenses incurred in the transaction will also be allocated in proportion to the investment made by such Client Funds. To the extent an investment is allocated to more than one Client Fund, the advisory committee for each Client Fund must approve the investment.

Transaction Aggregation and Allocation

As the funds are in the process of winding up and are fully invested, Morgenthaler generally does not have more than one Client Fund with an investment period open at the same time as another Client Fund that has the same investment objective and strategies. Each transaction is typically entered into one deal at a time. Thus typically, there is no transaction aggregation or allocation needed.

Item 13 – Review of Accounts

Frequency and Nature of Review of Client Funds' Accounts

The Chief Financial Officer, other finance personnel and investment professionals are responsible for monitoring and reviewing the investments of the Client Funds. Such investments are monitored at least quarterly; however, individual Morgenthaler teams hold weekly meetings to discuss investments, portfolio companies and new investment opportunities. Morgenthaler may periodically review and at least quarterly review the basis of the assets of the Client Funds following a unique occurrence in the portfolio companies in which the Client Funds invest or financial industry generally. Occurrences where a review of a portfolio company will take place include the completion of a follow-on investment made by a Client Fund, a significant change, either positive or negative, in the underlying business of the portfolio company, or a decision by the portfolio company management team or Morgenthaler to sell or liquidate the portfolio company.

Reports to Investors in the Client Funds

After the end of each fiscal year, the Client Funds will furnish (or cause to be furnished) annual financial statements audited by an independent public accounting firm to every person who was an investor in the relevant Client Fund at any time during that fiscal year and reasonable tax reporting information to the extent applicable in the Fund Documents or by side letters. Quarterly unaudited financial statements are also sent to the investors as well as an account statement of an investor's interest in a Client Fund showing the net asset value as determined. The unaudited financial statements for each Client Fund include generally a statement of assets, liabilities and investors' capital. The audited financial statements and unaudited financial statements are prepared in accordance with U.S. generally accepted accounting principles except for the absence of footnotes and Statement of Cash Flows in the unaudited financial statements. The reports provided to investors in the Client Funds are written and the dates of delivery are specified in the Fund Documents.

Item 14 – Client Referrals and Other Compensation

Morgenthaler currently does not receive economic benefits from a person other than a Client Fund for providing advice or other advisory services to the Client Funds. Neither Morgenthaler nor its related persons directly or indirectly compensate any person who is not a supervised person for investor or client referrals. However, Morgenthaler has the ability to enter into arrangements with third parties (including affiliated third parties) whereby such third parties receive fees for referring investors to the Client Funds. If Morgenthaler chooses to enter into such arrangements, all fees for such arrangements will be ultimately borne through an offset in the management fee and none of the investors in the Client Funds will be subject to any increased or additional fees or charges related to such arrangements. Any such compensation will only be paid by Morgenthaler if the investor is aware of the fee arrangement (through disclosures in a Client Fund's Fund Documents) and the arrangement otherwise complies with applicable rules and regulations.

Item 15 – Custody

To the extent required by law, the Client Funds' securities and funds are held by qualified custodians. As described in Item 13, the Client Funds are subject to an annual audit performed by an independent public accounting firm and the audited financial statements are distributed by Morgenthaler to each investor in a Client Fund. Additionally, investors in the Client Funds receive from Morgenthaler quarterly unaudited financial statements and a statement of an investor's interest in a Client Fund showing the net asset value as determined. The audited financial statements and unaudited financial statements are prepared in accordance with U.S. generally accepted accounting principles except for the absence of footnotes and Statement of Cash Flows in the unaudited financial statements. Investors in the Client Funds are urged to carefully review such statements.

Item 16 – Investment Discretion

Morgenthaler has discretionary authority based on the investment objective, policies and strategies in the relevant Client Fund's respective Fund Documents that, among other things, govern Morgenthaler's ability to buy and sell securities or other investments on behalf of the Client Funds. Morgenthaler typically assumes this authority through the Fund Documents. The terms vary among each Client Fund and potentially restrict Morgenthaler's advice concerning investment in certain securities or types of securities.

Item 17 – Voting Client Securities

Generally, Morgenthaler does not acquire securities that require it to vote proxies on behalf of the Client Funds. Morgenthaler has adopted proxy voting policies and procedures designed to ensure that where the Client Funds have delegated proxy voting authority to Morgenthaler, all proxies are voted in the best interests of the Client Funds without regard to the interests of Morgenthaler or its related persons. Client Funds and investors may not direct Morgenthaler's vote in a particular solicitation.

From time to time, conflicts may arise between the interests of the investors in the Client Funds, on the one hand, and the interests of Morgenthaler or its related persons, on the other hand. If Morgenthaler determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, Morgenthaler will address matters involving such conflicts of interest on a case-by-case basis in the best interests of the Client Funds, which may include disclosure of the facts surrounding any such material conflict to the advisory committees of the Client Funds for consent before voting.

Investors in the Client Funds may obtain a complete copy of Morgenthaler's Proxy Voting Policy and Procedures or, to the extent a proxy was voted by Morgenthaler for a Client Fund, information on how Morgenthaler voted proxies for the relevant Client Fund free of charge by submitting a written request to Travis J. Boettner Chief Financial Officer & CCO at (650) 388-7600 or tboettner@morgenthaler.com.

Item 18 – Financial Information

Morgenthaler is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to the Client Funds and has not been the subject of a bankruptcy petition at any time during the past ten years.