

Part 2A of Form ADV: Firm Brochure

Madison River Capital LLC

780 Third Avenue, 30th Floor
New York, NY 10017
Telephone: (212) 805-8111

March 27, 2024

This brochure provides information about the qualifications and business practices of Madison River Capital LLC (the "Company"). If you have any questions about the contents of this brochure, please contact us at (212) 805-8111 or contact our Chief Compliance Officer, Derek Irwin, at dirwin@mrivercapital.com. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

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

The Company is an investment adviser that is registered with the United States Securities and Exchange Commission (the "SEC"). Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

Item 2: Material Changes

Since the initial version of this disclosure brochure on Form ADV, Part 2A, was filed with the SEC on June 30, 2023, changes have been made to this Brochure, some of which enhance or update existing disclosure, but the Company does not consider these changes to be material.

Item 3: Table of Contents

Item 2:	Material Changes	ii
Item 4:	Advisory Business	1
Item 5:	Fees and Compensation	1
Item 6:	Performance-Based Fees and Side-By-Side Management	7
Item 7:	Types of Clients.....	7
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9:	Disciplinary Information	20
Item 10:	Other Financial Industry Activities and Affiliations	20
Item 11:	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...	21
Item 12:	Brokerage Practices.....	22
Item 13:	Review of Accounts	23
Item 14:	Client Referrals and Other Compensation.....	23
Item 15:	Custody	23
Item 16:	Investment Discretion	23
Item 17:	Voting Client Securities	24
Item 18:	Financial Information.....	24

Item 4: Advisory Business

Madison River Capital LLC (“MRC”) is an investment advisory firm headquartered in New York, New York, that was founded in 2016 to manage private equity investments in the lower middle market. Originally known as “DMW Capital Management LLC”, MRC’s investment professionals are the former corporate private equity investment team of Jefferson River Capital LLC (“JRC”), the family office of Hamilton “Tony” James. MRC is principally owned by David M. Wittels.

MRC provides discretionary investment advice to private funds (each, a “Fund” and, collectively, the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended, and whose offerings of securities are exempt from registration under the Securities Act of 1933, as amended. MRC currently manages a single Fund, but may sponsor and manage additional Funds in the future. In addition, MRC continues to manage a portfolio of private investments on behalf of JRC (each, a “Legacy Investment” and collectively the “Legacy Portfolio”). MRC also provides consulting services and investment management services to Scopia Capital Management LP with respect to three private funds sponsored by Scopia (each, a “Sub-Advised Fund” and collectively the “Sub-Advised Funds”). JRC, the Funds and the Sub-Advised Funds are collectively referred to as the “Clients.”

As the investment adviser to each Client, MRC invests each Client’s assets pursuant to an investment advisory agreement that such Client has entered into with MRC, and in accordance with such Client’s limited partnership agreement and other governing documents, as the same may be amended from time to time (the “Governing Documents”).

For the Fund, MRC tailors its investment advisory activities to comply with the investment objectives, guidelines and restrictions set forth in the Fund’s Governing Documents, but does not tailor its investment advisory activities on behalf of the Fund to the needs of any individual investors in the Fund. However, in accordance with common industry practice, the Fund or its general partner may from time to time enter into a “side letter” or similar agreement with an investor pursuant to which the Fund or its general partner grants the investor specific rights, benefits or privileges that are not generally made available to all investors. The terms of such “side letters” or similar agreements are generally not disclosed to other investors in a Fund, except to investors that have separately negotiated for the right to review such agreements. See “*Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*” for additional details.

MRC manages the Legacy Portfolio in accordance with the needs and directions of JRC.

As of December 31, 2023, MRC had approximately \$1,291,646,313 in regulatory assets under management, of which \$176,550,000 are managed on a discretionary basis and \$1,115,096,313 are managed on a non-discretionary basis.

Item 5: Fees and Compensation

Management Fees and Carried Interest

Each Client generally pays MRC an annual management fee (a “Management Fee”) in exchange for investment advisory services as set forth in more detail in such Client’s Governing Documents.

- The Fund pays MRC a management fee equal to a fixed percentage of the Fund’s total capital commitments until the earlier of (i) expiration of the Fund’s investment period, or (ii) the

date MRC begins to accrue management fees on a successor Fund with aggregate capital commitments in excess of a specified amount. Thereafter, the management fee will equal a lower fixed percentage of the Fund's committed capital (less any capital committed to realized investments or investments that have been written down).

- With respect to the Legacy Portfolio, JRC pays MRC a fixed Management Fee per annum, less any Management Fees that MRC receives in respect of a JRC investment in the Fund.
- The manager of the Sub-Advised Funds pay MRC a quarterly consultant fee equal to 50% of the management fee that investment manager receives from one of the Sub-Advised Funds with respect to the investments that MRC sub-advises and a performance fee.

In addition to the Management Fees described above, affiliates of MRC and its employees are also entitled, directly or indirectly, to receive a carried interest allocation from each Client after certain performance hurdles have been met (a "Carried Interest"), as further described in the applicable Governing Documents. Such carried interest represents a portion of each Client's net investment profits.

The Management Fee and Carried Interest paid by the Fund are generally subject to waiver or reduction by the general partner with respect to some or all of the Fund's investors, as further described in the Fund's Governing Documents.

Organizational and Operating Expenses

The Fund bears all costs and expenses incurred in connection with the organization of the Fund and general partner entities, and, as applicable, MRC and its respective affiliates (including, without limitation, any holding vehicles of any of the foregoing), including third party legal and accounting fees, printing costs, travel (at rates not exceeding a first-class equivalent fare) and out-of-pocket expenses, and all costs and expenses incurred in connection with the offering of interest in the Fund (but excluding any placement fees); provided that organizational expenses payable by the Fund is subject to caps, as set forth in the applicable Fund Governing Documents. Organizational expenses in excess of such caps and any placement fees are paid by the Fund but borne by MRC through a 100% offset against the Management Fee.

The Fund will also be responsible for all expenses relating to its own operations ("Fund Expenses"), including, without limitation,

- (a) organizational expenses (subject to the caps referred to above);
- (b) the Management Fee;
- (c) all expenses relating to the organization, operations and maintenance of any feeder vehicle;
- (d) all fees, costs and expenses and liabilities directly related to investments (including follow-on investments) or prospective investments, including legal, accounting, consulting, investment banking and other professional costs, fees, costs and expenses related to the discovery, identification, evaluation, execution, acquisition, settlement, purchase, holding, development, management, monitoring, maintaining, improving, financing, refinancing, and sale of investments, including, without limitation, travel (at

- rates not exceeding a first-class equivalent fare), accommodation, meal and hospitality expenses related to such investments or prospective investments, syndication fees, bank charges, underwriting commissions and discounts, information services, closing and execution costs, sales commissions, finders' and brokers' fees, appraisal fees, expenses and taxes, custody fees, expenses related to structuring and maintaining investment vehicles, including the organization and operation of any alternative investment vehicle or subsidiary investment vehicle, and any withholding, transfer or other taxes imposed on the Fund (except as otherwise set forth in the applicable Fund Governing Documents);
- (e) principal, interest, fees, costs and expenses and other amounts payable relating to financings (including related legal expenses) made or entered into by the Fund or other obligors thereunder, including, but not limited to, the arranging thereof and related legal expenses, all fees, costs and expenses of any loan servicers and other service providers and of any custodians, lenders, investment banks and other financing sources and all fees, costs and expenses related to any financing, hedging, swaps (or other derivatives), ratings, securitization or capitalization;
 - (f) fees, costs and expenses relating to third-party services, including custody, legal, accounting, storage, consulting (including providing services related to environmental, social and governance ("ESG") investment considerations and policies), investment banking, administrative, tax, audit (including with respect to any additional auditing required under the EU Alternative Investment Fund Managers Directive ("AIFMD")), depositary, safekeeping and other professional costs and expenses, including those provided by affiliates of MRC;
 - (g) all fees, costs and expenses associated with Fund-related reporting obligations and any Fund-related statements, notices, any Freedom of Information Act or Open Records statute (or similar) responses or other communications, including all internal and third-party printing (including a flat service fee), publishing (including time spent performing such printing and publishing services) and reporting-related expenses in respect of the Fund and its activities;
 - (h) fees, costs and expenses allocable to the participation of any employee of a portfolio company as a beneficiary of any insurance policy or benefit plan of MRC or its affiliates or to the utilization by any employee of a portfolio company of any office space of MRC or its affiliates thereof (which fees, costs and expenses may be charged to, and paid directly by, the applicable portfolio company);
 - (i) any insurance or indemnity expenses, including the cost of premiums with respect to any directors and officers or similar insurance for the employees of MRC (it being understood that such policies may cover liabilities in respect of any breach or alleged breach of fiduciary duties or similar duties);
 - (j) fees, costs and expenses relating to the Fund's administration (including administrative services provided by affiliates of MRC and fund administrators that perform anti-money laundering or "know your customer" diligence in connection with the onboarding and ongoing participation of investors in the Fund), including preparation of its financial statements, U.S. Internal Revenue Service Schedules K-1 (and any similar or equivalent tax forms of an applicable jurisdiction) and reports to investors, which services may be

- provided by affiliates of MRC, the maintenance of books and records of the Fund, and costs and expenses associated with the maintenance of data rooms;
- (k) fees, costs and expenses relating to meetings of investors and meetings with individual investors;
 - (l) fees, costs and expenses relating to the Fund's limited partner advisory committee, including out-of-pocket expenses of its members;
 - (m) any taxes (except to the extent treated as incurred by the investors for purposes of determining distributions or specifically chargeable to a particular investor), fees or other governmental charges levied against the Fund and not properly allocable to an investor;
 - (n) fees, costs and expenses relating to unconsummated transactions ("Broken Deal Expenses"), including, without limitation, the fees, costs and expenses described in clause (d) above, and including amounts that would otherwise have been borne directly or indirectly by potential co-investors were such transactions consummated;
 - (o) fees, costs and expenses related to the dissolution and winding up of the Fund;
 - (p) fees, costs and expenses incurred in connection with any restructuring or amendments to the Governing Documents of the Fund;
 - (q) expenses incurred in connection with the collection of amounts due to the Fund from any person, including amounts relating to defaults by investors in the payment of capital contributions;
 - (r) fees, costs and expenses (and damages) incurred in connection with the Fund's activities related to regulation, litigation, government inquiries, tax audits (including amounts incurred by the partnership representative or designated individual, each in its capacity as such), investigations or proceedings, in each case related to the Fund or its investments;
 - (s) regulatory expenses of MRC or its affiliates related to the preparation and filing of Form PF;
 - (t) fees, costs and other similar regulatory filings, expenses relating to filings required under the Securities Exchange Act of 1934, as amended, preparation and filing of reports with the Commodities Futures Trading Commission, compliance or filings related to AIFMD or the European Union General Data Protection Regulation, and any Swiss representative or Swiss paying agent (including the fees, costs and expenses relating to any third-party service provider retained in connection therewith);
 - (u) fees, costs and expenses relating to complying with the reporting requirements of Sections 1471 through 1474 of the United States Tax Code and certain regulations and other administrative guidance thereunder;
 - (v) any fees payable to any placement agent or finder in respect of the offering of interest in the Fund ("Placement Agent Fees"), provided that the allocable portion of which will

offset the Management Fee on a dollar-for-dollar basis, in accordance with the Fund's Governing Documents;

- (w) all fees, costs and expenses relating to appraisals and valuations;
- (x) all fees, costs and expenses that are classified as extraordinary expenses under U.S. generally accepted accounting principles;
- (y) all fees, costs and expenses incurred by vendors that support investments, including, without limitation, expenses for firms engaged by MRC to provide public relations services;
- (z) compensation (including any retainer) paid to Operating Advisors (as defined below);
- (aa) all fees, costs and expenses associated with the Fund's information obtaining and maintaining technology (including the costs of any professional service providers), hardware/software (including, but not limited to, software or services used to manage risk, facilitate valuations or for other reporting or compliance purposes, and accounting software), data-related services (including but not limited to, data management and recovery services), communication, market data and research (including news and quotation equipment and services and industry and company information databases, such as for ESG diligence and monitoring purposes), including costs of research groups (which are generally allocated among applicable fund vehicles based on time spent, assets under management, usage rates, proportionate holdings, or a combination thereof) and expenses and fees (including compensation costs) charged or specifically attributed or allocated by MRC and/or its affiliates for data-related services provided to the Fund and/or portfolio companies (including in connection with prospective investments);
- (bb) in the case of clauses (s) through (u) above, similar regulations and administrative requirements in other jurisdictions expenses related to compliance with and filings under other applicable laws, rules and regulations;
- (cc) subscription agreement processing, fund administration software and related services; and
- (dd) fees, costs and expenses incurred in connection with administering side letters entered into with investors (including any software used in connection therewith), including the distribution and implementation of any applicable elections pursuant to "most-favored nation" or similar clauses.

The Legacy Portfolio bears directly (and/or reimburses MRC for) auditing, accounting and tax reporting, and any other out of pocket expenses associated with the Legacy Portfolio, such as fees and expenses relating to the disposition of a Legacy Investment, including, without limitation, brokerage commissions, the costs of services relating to transaction execution and related items, clearing and settlement charges, custodial fees, bank services fees, interest expenses and withholding or transfer taxes.

The Sub-Advised Funds bear directly (and/or reimburse MRC for) transaction costs and investment-related, legal, financial advisory and research expenses (including research-related travel), and other

types of costs that are of the same type and nature as the expenses previously charged by the investment manager to the Sub-Advised Funds.

Other

100% of the Fund's pro rata share of any transaction, directors, management, monitoring, consulting, break-up, and other similar fees received by MRC and its affiliates or employees in connection with the Fund's investments, in each case net of unreimbursed transaction expenses incurred by MRC or its affiliates (collectively, "Affiliate Fees"), will be applied to reduce the Fund's management fees for the following quarterly period. To the extent such offsets would reduce the Management Fee for a given quarterly period below zero, such offsets will be carried forward and reduce future installments of the Fund's Management Fee. For the avoidance of doubt, as set forth in the Fund Governing Documents, Affiliate Fees will only include the portion thereof that is allocable to the Fund and will exclude (a) any compensation paid to MRC and its affiliates and employees in respect of co-investors or anyone rolling over equity in a portfolio company (including any member of such portfolio company's management team and any seller of interests in a portfolio company to the Fund), and (b) any compensation paid to MRC or its affiliates in connection with leases or other ordinary-course contracts entered into with portfolio companies.

MRC and/or its respective affiliates may engage, employ or retain senior operating advisors and/or executives, comprised of third parties that MRC believes are recognized industry leaders and experts (collectively, "Operating Advisors"), who provide strategic advice to MRC in respect of the Clients' business strategy, investments and/or evaluating new investment opportunities for the Client, including identifying emerging industry trends. As compensation for their services to MRC, Operating Advisors typically receive recurring retainers from the MRC or its affiliates, be permitted to invest in the Fund or co-invest in investments, with Carried Interest or the Management Fee reduced or waived, and/or receive grants of Carried Interest. In addition, Operating Advisors are expected to serve on the boards or equivalent bodies of portfolio companies or provide other services to the Clients and their portfolio companies. As compensation for those services to such portfolio companies, Operating Advisors are expected to receive compensation, including fees, incentive equity or other stock awards from the Fund, subsidiary investment vehicles or portfolio companies. Those entities will also bear any expenses, including airfare, lodging, meals, gifts or other out-of-pocket expenses incurred by Operating Advisors in connection with the provision of their services thereto. None of the foregoing compensation, expenses or honorariums or other amounts paid to or received by Operating Advisors in connection with their services, including with respect to particular transactions or investments, will be included as Affiliate Fees and consequently will not reduce the Management Fee (as described above). Operating Advisors may also receive access to office space, e-mail addresses, health insurance and other benefits, and are expected to make use of support services and other resources (including employee benefits, payroll taxes, insurance, paid-time-off and overhead) of MRC and its affiliates.

The applicable Governing Documents of the Fund have provisions that allow such Fund to borrow money for investment and other purposes. Such borrowings may be made prior to capital being called from the Fund's investors. This mechanism may defer investor capital calls and provides a form of leverage that can have the effect of amplifying the Fund's reported net internal rate of return (IRR), particularly in the early years of the Fund's investment cycle. Such borrowings can also accelerate the date upon which the Fund's preferred return will be achieved for purposes of determining when the general partner (or affiliates which earn carried interest) are entitled to begin receiving carried interest payments on distributions from the Fund. In accordance with the terms of the applicable Governing Documents of the Fund, interest payments and other fees and expenses

incurred in respect of such borrowings are Fund Expenses and such expenses will decrease the Fund's net returns over time.

Broken Deal Expenses will generally be borne solely by the Fund, in accordance with the Fund's Governing Documents, even if co-investors were being sought or in some cases have agreed to participate had the transaction been consummated. Such co-investors may include those with whom MRC has pre-existing relationships, as well as co-investors that have participated in other completed transactions. By generally bearing the Broken Deal Expenses, the Fund provides a potential benefit to other co-investors in the Funds' investments. Please see "*Item 8 – Methods of Analysis, investment Strategies and Risk of Loss*" below for additional information on allocation of Broken Deal Expenses.

Investors and prospective investors in a Fund should refer to the Fund's Governing Documents for more detailed information concerning the fees, carried interest and other expenses that the Fund bears.

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

As noted in Item 5 above, MRC is entitled to receive Carried Interest allocations from the Clients after certain performance hurdles have been met. These performance-based carried interest distributions create certain conflicts of interest, including an incentive for MRC to engage in riskier or more speculative investments on behalf of the Clients than might otherwise be the case. In addition, MRC may have an incentive in allocating investment opportunities to favor the Client(s) with a potential for performance-based compensation over other Clients with lower or no performance-based compensation. For the time being, however, this conflict is mitigated by the fact that the Fund is the only Client that is actively making new investments. In addition, MRC has adopted policies and procedure reasonably designed to ensure that all investment opportunities are, to the extent practicable, allocated among the Clients on a basis that, over time, is fair and equitable to each Client relative to other Clients. See "*Item 12 – Brokerage Practices*" for additional details.

Item 7: Types of Clients

As of the date hereof, MRC's only clients are the Fund, JRC and the Sub-Advised Funds. The investors in the Fund generally include family offices, high net worth individuals, U.S. and non-U.S. institutional investors, fund of funds, endowments, foundations, public and private pension funds.

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

Methods of Analysis; Investment Strategies

MRC's investment strategy focuses on acquiring controlling private equity investments in the lower middle market, with an emphasis on domestic companies. MRC believes that substantial value can be created by focusing on the lower middle market, where MRC's strategy of growing portfolio companies organically and potentially via acquisitions by backing management teams that can run much larger businesses can unlock long-term equity value creation. MRC's investment strategy seeks to create and realize values by:

- 1) Sourcing and underwriting investments in the inefficient and underserved lower middle market;

- 2) Driving value creation by building durable platform companies with highly qualified and experienced management teams capable of running much larger businesses; and
- 3) Installing scalable infrastructure and employing organic, and potentially inorganic, growth strategies building companies which are then attractive to the much larger middle market buyer universe.

MRC has developed a comprehensive network of relationships that sources proprietary opportunities with limited or no competition. These deals result in direct discussions with founders and management teams in search of guidance and stewardship from a highly experienced financial partner bringing investment and operating teams to bear. The typical profile of an MRC investment opportunity consists of a company that:

- (1) is operating in a fragmented or misunderstood industry with favorable underlying fundamentals,
- (2) has an addressable path to accelerate revenue and profit through operational initiatives, internal growth strategies or capital deployment such as, but not necessarily only, acquisitions, and
- (3) may require outside strategic vision and/or operational professionalism to unlock growth and value.

Once acquired, MRC's investment and operating teams work with portfolio company management on value creation. MRC helps to identify challenges and opportunities in each portfolio company and seeks to professionalize businesses with domain expertise around financial excellence, operational discipline, sales and marketing, and strategic development. MRC then works with its portfolio companies to create value through a variety of strategies, including

- (1) building up the quality of the portfolio company's management team to be capable of running a larger business and developing key performance indicators ("KPIs") and incentive plans around these KPIs,
- (2) installing a board of directors with a variety of skills and experience to help management and MRC execute on its vision,
- (3) working with the portfolio company and its business development teams to execute growth strategies through both organic growth and potential acquisitions, and
- (4) focusing on professionalizing the portfolio company's back office operations and establishing a culture of KPI-oriented decision making.

Ultimately, the goal is to use some or all of these value creation levers to transform sub-scale operating businesses into durable platforms with robust systems and infrastructure that appeal to larger-scale private equity firms and strategic players. Prior to sale, MRC aims to grow the portfolio company to have the following attributes:

- (1) robust systems and infrastructure positioned to consolidate markets,
- (2) exceptional management teams requiring little oversight,

- (3) well-organized and developed strategic direction,
- (4) multiple avenues of growth, both organic and inorganic, and
- (5) participation in markets with relatively high barriers to entry and strong macro tailwinds.

MRC is focused on sustainable and purpose-driven investment management and considers ESG factors as part of its investment decision-making process and the ongoing management of its investments. Consistent with these themes, MRC seeks to invest in businesses that demonstrate strong governance, systems, and ethics. Through the lifecycle of its investments, MRC regularly reviews businesses from a culture and values standpoint when evaluating near-term initiatives. Nevertheless, ESG considerations are not the sole, or even a primary or determinative, factor, in MRC's investment decision-making process.

Risk Factors

The investment strategy pursued by MRC involves a number of significant risks. This investment strategy may be deemed to be speculative. It is not intended to be utilized as complete investment programs. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of such investments. Investment risks include, but are not limited to, the following:

Risks Related to Investments

General Economic and Market Conditions. Changes in general economic conditions may affect a Client's investments. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the global finance markets may affect the value and number of investments made by a Client or considered for prospective investment. Specifically, during the past several years, global markets have been shaken with uncertainty in part due to acts of war and terrorism. The medium- to long-term effects of such events are uncertain, but could have a material effect on general economic conditions, consumer and business confidence and market liquidity. A Fund's investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of a Client's investments.

In response to the global financial crisis in 2008, the Board of Governors of the U.S. Federal Reserve System (the "Federal Reserve") and certain non-U.S. central banks, including the European Central Bank, took actions to hold interest rates to historic lows. Recently, the Federal Reserve and other central banks have begun efforts to normalize interest rates. These and other actions by the Federal Reserve and other central banks, including changes in policies, have had a significant and ongoing effect on interest rates and on the U.S. and world economies generally, which in turn may affect the valuations at which a Client is able to acquire investments and performance of a Client's investments on an absolute or relative basis. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the global financial crisis have not been fully implemented in all cases, and therefore the ultimate effects thereof are difficult to predict or measure with certainty. Any future disruptions in debt or equity markets may impair a Client's ability to consummate transactions and cause the Client to enter into transactions on less favorable terms, including both acquisitions and exits.

Nature of Investments. The Client's investments may involve a high degree of risk that can result in substantial losses. There can be no assurance that MRC will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices and market movements of the Clients' investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Clients' activities and the value of the Clients' investments. As a result, the Clients' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

Uncertainty of Estimates, Market Conditions and Financial Projections. Estimates or projections of market conditions supply and demand dynamics are key factors in evaluating potential investment opportunities and valuing investments and related assets. The process of making these estimates is complex, requiring significant decisions, collection of accurate factual information and assumptions in the evaluation of available data. These estimates are subject to wide variances based on changes in market conditions, underlying assumptions and certain technical or investment-related assumptions. MRC expects to establish the suitability and capital structure of investments on the basis of financial projections and market conditions for such investments. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed.

Inflation Risk. If an investment is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. The Clients' investments may have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, an investment may earn more revenue but may incur higher expenses. As inflation declines, an investment may not be able to reduce expenses commensurate with any resulting reduction in revenue.

Public Health Crisis. A public health crisis, such as the outbreak of the COVID-19 global pandemic, can have unpredictable and adverse impacts on global, national and local economies, which can, in turn, negatively impact the Clients and their investment performance. Disruptions to commercial activity, including important global, regional and local supply chains and economic markets (due to the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health crisis, may materially and adversely impact the Clients' investments. In addition, such disruptions may negatively impact the ability of MRC's personnel to effectively identify, monitor, operate and dispose of investments and the Clients' ability to achieve their investment objectives, all of which could result in significant losses to the Clients. Finally, the outbreak of COVID-19 has contributed to, and may continue to contribute to, extreme volatility in financial markets. Such volatility could adversely affect MRC's ability to secure financing for the Clients' Investments or identify potential purchasers of the Clients' Investments, all of which could have material and adverse impact on performance. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) presents material uncertainty and risk with respect to the Clients' performance.

Russian Invasion of Ukraine. In early 2022, Russia commenced a military invasion of Ukraine. In response to Russia's actions, the United States and several nations have announced sanctions against Russia, which could have a negative impact on the economy and business activity globally, and therefore could adversely affect the performance of the Clients' Investments. Furthermore, the conflict between Russia and Ukraine and the varying involvement of the United States and other NATO countries could preclude prediction as to their ultimate adverse impact on global economic

and market conditions, and, as a result, presents material uncertainty and risk with respect to the Client and the performance of their Investments or operations, and the ability of the Clients to achieve their investment objectives. Additionally, to the extent that third parties, investors or related customer bases have material operations or assets in Russia or Ukraine, they may have adverse consequences related to the ongoing conflict.

Trade Policy. Political leaders in the United States and certain other nations have recently been elected on protectionist platforms, fueling doubts about the future of global free trade. The U.S. government has indicated its interest to change its approach to international trade policy and renegotiate or terminate certain trade agreements and treaties with foreign countries. Additionally, the U.S. government has recently imposed tariffs on certain foreign goods, including steel and aluminum, and has indicated a willingness to impose tariffs on imports of other products. Some foreign governments, including China, have instituted retaliatory tariffs on certain U.S. goods and have indicated a willingness to impose additional tariffs on U.S. products. Global trade disruption, together with any future global economic downturns resulting therefrom, could adversely affect the financial performance of the Fund and its Investments.

Limited Number of Investments; Sector Concentration. The Clients are expected to participate in a limited number of investments. In addition, investors in the Fund may be excluded or excused from investments in certain situations. As a consequence, the number of investments in which a Client or an investor in the Fund participate will accordingly be limited, and the aggregate return to such Client or investors may be substantially adversely affected by the unfavorable performance of even a single investment. Clients' investments may be concentrated in a particular issuer, industry or geographic region, with the result that the overall value of the Clients' investments will become more susceptible to adverse economic or business conditions affecting any such sector, issuer, industry or region.

Risk of Investments in Less Established Companies. MRC's focus in the lower middle market means that the Clients' investments will tend to be in smaller and less established businesses, such businesses are subject to significant risks, including strategic, financial or other challenges. Some of these portfolio companies may be highly leveraged, and exit strategies may be uncertain at the time an investment in the portfolio company is made. The success of these investments is highly dependent on the ability of management of the portfolio companies to successfully navigate these and other challenges.

Investments in Regulated Industries. Clients may invest in certain industries that are subject to higher amounts of regulation than other industries generally. Investments in portfolio companies that are subject to greater amounts of governmental regulation pose additional risks relative to investments in other companies generally. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures and/or regulatory capital requirements. If a portfolio company fails to comply with these requirements, it could also be subject to civil or criminal liability and the imposition of fines. A portfolio company also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Governments have considerable discretion in implementing regulations that could impact a portfolio company's business and governments may be influenced by political considerations and may make decisions that adversely affect a portfolio company's business.

Portfolio Company Operations. The General Partner expects that market acceptance of a portfolio company's products and services may depend upon the reliable operation and security of the portfolio company's information technology systems and their connection to the systems of their

customers. Any operational or connectivity failures, system outages or security breaches could result in revenue loss to the portfolio company until corrected and could result in client dissatisfaction, causing them to terminate or reduce their business dealings with the portfolio company.

MRC expects that certain portfolio companies will rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect any proprietary technology of a business. Third parties may infringe or misappropriate such intellectual property or may develop competitive technology. Competitors may independently develop similar technology, duplicate products or services or design around existing intellectual property rights. A portfolio company may have to litigate to enforce and protect its intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive, could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm the portfolio company's business and ability to compete.

A Client (or its portfolio companies) also may be subject to claims by third parties for infringement of another party's proprietary rights, or for breach of copyright, trademark or license usage rights. Any such claims and any resulting litigation could subject the Client (or its portfolio companies) to significant liability for damages. An adverse determination in any litigation of this type could require a portfolio company to design around a third party's intellectual property, obtain a license for that technology or license alternative technology from another party. None of these alternatives may be available to the portfolio company at a price which would allow it to operate profitably. In addition, litigation is time consuming and expensive to defend and could result in the diversion of the time and attention of portfolio company management and employees. Any claims from third parties may also result in limitations on the ability to use the intellectual property subject to these claims.

Risks of Leverage. In general, MRC may leverage the Clients' investments. Leveraged investments will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates or a severe downturn in the economy. The leverage provided will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow. While leverage may enhance the total return to the Clients, if investment results fail to cover borrowing costs, returns to Clients will be lower than if there had been no borrowings. Further, if a Client defaults on secured indebtedness, the lender may foreclose on the assets that serve as collateral in respect of such indebtedness and the Client could lose its entire interest in such assets.

A Client may obtain a credit facility to finance its investments and such credit facility may be secured by assets of the Client or by a direct or indirect pledge of the investors' unfunded capital commitments. In the event of a default under such a facility, the lender could foreclose on such unfunded commitments.

Hedging Risk. A Client may enter into hedging transactions to hedge interest rate risks and/or foreign currency rate risks. Although such hedging transactions may reduce risks, there are additional risks associated with such transactions, including the risk that unanticipated changes in such rates may result in a poorer overall performance for the Client than if it had not entered into any such hedge transaction. In addition, the company issuing a hedging instrument (*i.e.*, the counterparty) may be unable to pay the amount due on such instrument. Upon the default or failure of a counterparty to any hedging financial instrument, a Client may be exposed to the risks of fluctuations in interest and/or currency rates.

Lack of Current Distributions. It is uncertain as to when profits from a Client's portfolio, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. Before such time, there may be no current return on, near-term cash flow from or dividends from, such investment. Furthermore, the expenses of operating the Fund may exceed its income, thereby requiring that the difference be paid from the Fund's capital.

Cyber Security Breaches and Identity Theft. MRC and the Clients' portfolio companies' information and technology systems may be vulnerable to 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 such as fires, tornadoes, floods, hurricanes and earthquakes. Although MRC has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, MRC or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in the operations of MRC or a portfolio company and could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors in a Client (and the beneficial owners of such investors). Such a failure could harm the reputation of MRC or a portfolio company and could subject such entities and their respective affiliates to legal claims or otherwise affect their business and financial performance.

Difficulty of Locating Suitable Investments. Identification of attractive investment opportunities is a difficult, highly competitive activity that involves a high degree of uncertainty and will be subject to market conditions. Furthermore, MRC's Clients will be competing for investments with other investment funds, as well as strategic buyers, industrial groups, financial institutions and other investors, some of which may have greater resources, higher risk tolerances, lower cost of capital or an ability to achieve operational synergies that are not available to MRC. In past years, a number of private equity funds and debt investors have been formed with objectives similar to the Clients, and funds raised by competing sponsors have grown in size. These trends have contributed to increased competition for appropriate investment opportunities, which may reduce the number of investment opportunities available to the Clients, force them to participate in auction processes in order to access investment opportunities and adversely affect the terms, including price, on which the Clients are able to acquire investments. Participating in auctions will increase the pressure on the Clients with respect to pricing of a transaction, and the increasingly more competitive environment may make it more difficult for the Clients to obtain certain other terms in a transaction. In the event a financing-related closing condition is not available to a Client or if the Client Fund is required to provide a reverse break-up fee or guarantee in connection with a potential investment, the Client may become obligated to consummate a transaction on less favorable terms or may be required to fund the reverse break-up or similar fee in connection with a potential investment that is not made.

Prospective investors in a Client must rely on the ability of MRC to identify, structure, manage and exit investments consistent with the Client's investment objectives. There can be no assurance that the Client will be able to locate and complete investments or exit investments on favorable terms, or that it will be able to fully invest its committed capital. Investors in a Client will be required to pay the Management Fee for an extended period of time based on the entire amount of their respective commitments, even if the Client is never fully invested.

Non-Controlling Investments; Investments with Third Parties. A Client may hold a non-controlling position, minority interest in certain portfolio companies and, therefore, may have a limited ability to protect its position in such portfolio companies. In such cases, the Client will typically be significantly reliant on the existing management, board of directors (or equivalent) and other shareholders of such companies, who may not be affiliated with the Client and whose interests may conflict with the interests of the Client. In addition, a Client may invest alongside third parties, including through partnerships, joint ventures or other similar arrangements, and such third parties may have larger ownership interests than the Client or may otherwise share control with the Client in the relevant portfolio companies. Such investments may involve additional risks in connection with such third-party involvement, including the possibility that a third party may have financial difficulties resulting in a negative impact on the investment, may have economic or business interests or goals that are inconsistent with those of the Client or may be in a position to take (or block) action in a manner contrary to the Client's investment objectives. In each such case, the Client may not be in a position – either practically or contractually – to take action to protect the value of the Client's investment in the entity. If any such third party were to default on its obligations with respect to the relevant portfolio company, the value of the Client's interest in such portfolio company could be materially adversely affected.

Counterparty Risk. A Client is exposed to the risk that third parties that may owe the Client or its portfolio companies money, securities, or other assets will not perform their obligations. These parties include transaction counterparties, custodians, brokers, administrators and other financial intermediaries. These parties may default on their obligations to the Client or the portfolio companies, due to bankruptcy, lack of liquidity, operational failure, or other reasons.

Risk of Bridged Investments. A Client may be permitted to make bridged investments, subject to certain limitations. If a Client makes an investment in a single transaction with the intent of refinancing or syndicating the portion of that investment consisting of the bridged investment, there is a risk that the Client will be unable to complete successfully such a refinancing. This could cause the Client to be less diversified than MRC intended, and the interest rate or other terms of such bridged investment may not adequately reflect the risk associated with the position taken by the Client, any of which may reduce investment returns to the Client.

Recall; Reinvestment. MRC has the right to recall certain amounts, including in respect of returned fees and expenses and returned capital, as provided in a Client's Governing Documents. Accordingly, during the term of a Client, an investor may be required to make capital contributions in excess of its capital commitment. Such reinvestment ability may limit early distributions to investors, and to the extent such recalled or retained amounts are reinvested in investments, an investor will remain subject to the investment and other risks associated with such investments. As a result, reinvestment may increase the risk of investing in the Fund.

Over-Commitment. In order to facilitate the acquisition of a portfolio company, the Client may make (or commit to make) an investment in such company with a view to selling a portion of such investment to third-party co-investors or other persons prior to or within a brief period after the closing of the acquisition. In such event, the Client 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 and that, as a consequence, the Client may bear the entire portion of any break-up fee or other fees, costs and expenses related to such investment, hold a larger than expected interest in such portfolio company or may realize lower than expected returns from such investment.

Illiquid and Long-Term Investments; Risks of Realization of Investments. Although investments by a Client may generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment is made. MRC expects that certain of its Clients' investments will not be, and are not expected to become, publicly traded. Investments may consist of the most junior securities of a company with a complex capital structure, which are subject to the greatest risk of loss.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies. Before making investments, MRC will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. There can be no assurance that MRC will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor an investment in a portfolio company on an ongoing basis.

Environmental, Social and Governance Matters. While MRC views the proper management of ESG issues as a way to positively impact the performance of a Client's investments, ESG considerations are only some of the many factors MRC will consider in causing a Client to make an investment. There is no guarantee that a Client will successfully make investments that create positive ESG impacts, and MRC will only seek to make such investments to the extent it believes doing so would help to discharge its duty to maximize risk-adjusted returns.

Reliance on Portfolio Company Management. MRC will monitor the performance of companies in which a Client makes investments, generally through participation on, or interaction with, the board of directors (or equivalent body) of the company and by maintaining an ongoing dialogue with the company's management team. However, each portfolio company's management team will be primarily responsible for the operations of the company on a day-to-day basis. Although it is the intent of MRC to invest in portfolio companies with strong operating management, there can be no assurance that the existing management team, or any new one, will be able to operate a portfolio company successfully. Additionally, portfolio companies may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of their respective management teams, and a Client may be adversely affected as a result.

Follow-On Investments. Following its initial investment in a given portfolio company, a Client may decide to provide additional capital to such investment or may have the opportunity to increase its investment in such portfolio company. There is no assurance that a Client will make follow-on investments or that a Client will have sufficient capital to make (or will be permitted to make under the Client's investment restrictions) all or any of such follow-on investments.

Contingent Liabilities. In connection with the disposition of an Investment, a Client may be required to make representations typical of those made in connection with the sale of any such asset, which may include representations in relation to the business and financial affairs of such investment. A Client Fund may also be required to indemnify the purchasers of such an investment to the extent that any such representation turns out to be inaccurate or with respect to other matters. These arrangements may result in contingent liabilities, which, if not satisfied out of the Client's assets, may ultimately be required to be funded by the investors making capital commitments to the Client or

returning previous distributions received from the Client. MRC may establish such reserves for unknown or contingent liabilities (even if not required by U.S. GAAP) as it deems appropriate, in its sole discretion.

Broken Deal Expenses. The Clients' investments may require extensive activities prior to acquisition, and the related expenses may be quite substantial. Such expenses may include, without limitation, travel, meal, accommodation and entertainment expenses, due diligence expenses (such as expenses related to feasibility, technical and marketing studies), legal expenses and bid preparation and submission expenses. One hundred percent (100%) of such broken-deal expenses will be borne by the Clients, even if the applicable prospective investment is not consummated, including amounts that would otherwise have been borne directly or indirectly by potential co-investors were such investment consummated.

Risks Related to the Fund and its Management

No Right to Control the Fund's Operations. All decisions with respect to the management (including investment activities) of the Fund will be made exclusively by MRC. Investors will not make decisions with respect to the identification, acquisition, management, disposition or other realization of any investment, the day-to-day operations of the Fund or any other decisions regarding the Fund's business and affairs, except under the limited circumstances set forth in the Fund's Governing Documents. MRC will generally have sole discretion in structuring, negotiating, purchasing, financing, managing and divesting investments on behalf of the Fund. In order to safeguard their limited liability for the liabilities and obligations of the Fund, investors in the Fund must rely solely on the ability of MRC with respect to the Fund's operations.

Dependence on Key Personnel. Clients will be largely dependent upon the expertise, skill and judgment of the employees of MRC for the selection of suitable investments. These individuals are important to the Clients' success because they attract business and investment opportunities and assist the Clients in negotiations. The loss of any or all of these individuals could have a material adverse effect on the investment returns of the Clients. The employees of MRC are not under contractual obligation to remain with MRC. Although they intend to commit an appropriate amount of their business efforts to each Client, the employees of MRC are not required to devote all of their time to any particular Client's affairs. In addition, MRC may in the future manage newly created Funds or other Clients.

Control Person Liability. MRC may designate directors to serve on the boards of directors (or equivalent body) of portfolio companies. Because of its equity ownership, representation on the board of directors or contractual rights, a Client may often be considered to control, participate in the management of or influence the conduct of a portfolio company. The exercise of control over a company may subject a Client to the risk of liability for environmental damage, product defects, pension and other labor matters, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. These measures also could result in certain liabilities in the event of the bankruptcy, insolvency or reorganization of a portfolio company, including the potential obligation for a Client to return to the portfolio company (or to creditors whose interests have been injured) a distribution made during the portfolio company's insolvency. If these liabilities were to arise, a Client may suffer a significant loss, exposing the assets of the Client to claims by a portfolio company, its other security holders, its creditors or governmental agencies, which may exceed the value of the Client's initial investment in that portfolio company.

Asset Valuations. Most of the investments that will be owned by a Client are not expected to be actively traded on the public markets. Valuations are subject to multiple levels of review and approval, and all investments are fairly valued in accordance with the valuation policy of MRC as in effect from time to time. However, the process of valuing securities for which reliable market quotations are not available – even if performed by a qualified third party – is based on inherent uncertainties. 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 may ultimately be sold.

Risks Associated with Investments Longer than Term. A Client may make investments that cannot be advantageously disposed of prior to the end of the term of the Client. Although MRC expects that most investments will be disposed of prior to the end of the term of a Client, the Client may need to sell, distribute or otherwise dispose of investments at a disadvantageous time during the winding-up period. In addition, although during the winding-up period of a Client the MRC or the relevant liquidator will attempt to reduce to cash and cash equivalents such assets of the Client as MRC or such liquidator will deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to the investors will occur.

Possibility of Fraud or Other Misconduct of Employees and Service Providers. Misconduct by employees of MRC, service providers to the foregoing or their respective affiliates could cause significant losses to a Client. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by a Client, the improper use or disclosure of confidential or material nonpublic information, which could result in litigation or serious financial harm, including limiting a Client investment program, and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in litigation, business disruption or financial losses to a Client. MRC has controls and procedures through which it seeks to minimize the risk of such misconduct occurring. However, no assurances can be given that MRC will be able to identify or prevent such misconduct.

Restrictions on Transfer and Withdrawal. An investment in a Fund should be considered a long-term investment. Investors may generally not sell, transfer or pledge their interests in a Fund except with the consent of the applicable general partner, which may be withheld in its sole discretion. Such interests will not be redeemable, and voluntary withdrawals of investors will not be permitted, except when necessary to comply with particular laws, statutes and regulations, or for other limited exceptions set forth in the Fund Governing Documents. Consequently, the investors are unlikely to be able to liquidate their Interests before the end of the Fund's term.

Fees and Expenses. A Client will generally pay and bear all expenses related to its operations, including the Management Fee and the costs of holding, monitoring, maintaining and disposing of investments whether or not the Client makes any profits. While it is difficult to predict the future expenses of a Client, such expenses may be substantial and may surpass the Client's operating income. The amount of these expenses will reduce the actual returns realized by investors on their investment in a Client (and may, in certain circumstances, reduce the amount of capital available to be deployed by the Client for investments). Such Client Expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast.

Distributions in Kind. It is possible that under certain circumstances a Client may make distributions of securities for which there is no readily available public market and/or which may be subject to

substantial restrictions on sale or transfer. It may be difficult for investors to liquidate the securities received at a price or within a time period that is determined thereby to be ideal. After a distribution of securities is made, the recipients may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities.

Side Letters. As noted in Item 4 above, in connection with or as a condition to an investor's agreement to invest in a Client, the Client or its general partner may from time to time enter into a "side letter" or similar agreement with an institutional or other investor pursuant to which the Client or its general partner grants the investor specific rights, benefits or privileges that are not generally made available to all investors. Such rights, benefits or privileges include waivers or discounts on management fees and/or carried interest, "most favored nation" clauses, preferential access to co-investment opportunities, the right to be excused from participating in certain investments made by a Client, notice rights upon the occurrence of certain events, seats on a Client limited partner advisory committee, specialized or additional reporting rights, rights related to tax treatment, rights related to regulatory matters, rights related to immunities or indemnification, rights related to the ability of the investor to transfer its interest in the Client, additional representations and warranties from the Client, its general partner and/or MRC, modifications to the subscription agreement and other benefits. While the ability of a Client or its general partner to enter into a side letter or similar agreement affording preferential rights to certain investors is generally disclosed to other investors in the Client, the terms of such "side letters" or similar agreements are generally not disclosed to other investors in the Client, except to investors that have separately negotiated for the right to review such agreements.

Other Agreements With Investors. It can be expected that MRC or its affiliates in the future may enter into agreements with investors involving an investor's overall relationship with MRC or its affiliates, including one or more strategies or vehicles in addition to the Funds with terms and conditions applicable to such investor that would not apply to an investor's investment in the Fund (which may include, for the avoidance of doubt, participation in another investment vehicle managed by MRC and/or a co-investment program or other similar customized investment strategy for the benefit of such investor through one or more vehicles, holding companies or other entities established or managed by MRC or such investor). Other investors will not receive a copy of the agreement memorializing such an investment program (even if in the form of a side letter) and will be unable to elect any rights or benefits granted to such investor. Specific examples of such additional rights and benefits include specialized reporting, discounts on and/or other arrangements relating to Management Fees and/or Carried Interest applied to some or all of the relevant investment programs and/or investment vehicles (including, as applicable, the Fund), secondment of personnel from the investor to MRC (or vice versa), as well as, targeted amounts for co-investments alongside the Fund or any other investment vehicles managed by MRC (including, without limitation, preferential allocation thereof and the terms and conditions related to such participation (including any Carried Interest and/or Management Fees to be charged with respect thereto)), which may include Investments made by the Fund. To the extent any such arrangements are entered into, they may result in fewer co-investment opportunities (or reduced allocations) being made available to other investors in a Fund.

Potential Conflicts of Interest

Other Funds. MRC may in the future organize and manage one or more other investment vehicles with objectives similar to or different from those of the existing Clients. It is possible that a particular opportunity would be suitable for a Client and one or more such other investment vehicles. In addition, MRC has the ability to allocate a portion of any such investment opportunity to one or more

other co-investors. As a result, MRC may face a conflict of interest with respect to the allocation of such opportunity among existing Client and such other investment vehicles and co-investors.

Time and Attention. As noted in Item 4 above, MRC manages assets on behalf of multiple Clients, including the Fund and the Legacy Portfolio. This may give rise to conflicts in the allocation of management resources.

Third-Party Involvement. A Client may invest in portfolio companies alongside other institutional investors, including existing investors in Clients and, on occasion, private equity funds sponsored by other managers. Such investments may involve risks not present in investments in which such other investors are not involved, including the risk that another such investor may at any time have economic or business interests or goals that are inconsistent with those of MRC's Client or be in a position to take action contrary to the investment objectives of MRC's Client.

Potential Conflicts in Calculation and Allocation of Certain Partnership Costs and Expenses. As noted in Item 5 above, the Clients' Governing Documents generally provide that each Client will be responsible for all costs and expenses in connection with its operation, other than the costs and expenses that will be the responsibility of MRC, its affiliates or other third parties. A conflict of interest could arise in MRC's determination of whether certain costs or expenses that are incurred in connection with the operation of a Client for which the Client is responsible, or whether such expenses should be borne by MRC or its affiliates. The Clients will be reliant on the determinations of MRC in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as among the Clients and any other affiliates of the Manager.

Limited Partner Advisory Committee Approvals. Under the Governing Documents for the Fund, certain transactions that involve conflicts of interest between MRC and its affiliates, on the one hand, and the Fund, on the other, are required to be, or may be permitted to be, submitted to the Limited Partner Advisory Committee for resolution. In such situations, the approval of the Limited Partner Advisory Committee will be binding on the Fund; however, the Limited Partner Advisory Committee will not necessarily represent the interests of all investors in the Fund, and the members of the Limited Partner Advisory Committee may themselves be subject to various conflicts of interest (including as investors in other entities related to MRC and its affiliates). The investors in the Fund will not be entitled to control the selection of members of the Limited Partner Advisory Committee.

Transactions Between the Fund and Affiliates of the Manager. In certain circumstances, the General Partner may consider an investment by the Fund in a Portfolio Company in which an affiliate of the Manager holds an investment. Such transactions present conflicts of interest, including determinations of whether the transaction is contemplated at a price that is higher or lower than market value or on terms that are more favorable to the buyer or seller than the prevailing market terms.

Carried Interest; Valuation of Fund Assets. Clients must hold certain types of investments for more than three years in order for the Carried Interest in respect of such investments to be taxed at current long-term capital gains rates even though an individual investors in a client generally would be entitled to be taxed at current long-term capital gains rates in respect of such investments as long as the Client holds each investment for more than one year. This difference in holding periods may create an incentive for MRC or its affiliates to cause a Client to hold an investment for longer than it otherwise would and defer or delay dispositions of investments until achieving the three-year holding period.

Conflicts Involving Portfolio Companies. Officers and employees of MRC will serve as directors of certain portfolio companies and, in that capacity, will be required to make decisions that they consider to be in the best interests of the portfolio company. In certain circumstances (for example in situations involving bankruptcy or near insolvency of the portfolio company), actions that may be in the best interests of the portfolio company may not be in the best interests of MRC's Clients and vice versa. Accordingly, in these situations, there may be conflicts of interests between such individual's duties as an officer or employee of MRC and such individual's duties as a director of the portfolio company.

In addition, certain portfolio companies may offer discounted goods or services to personnel and other associates of MRC, including executives of other portfolio companies and service providers. Such discounts are generally similar to those provided to management or employees of the portfolio companies, and such discounts generally will not be made available to investors in the Clients.

Service Providers. Certain service providers or their affiliates may charge different rates or have different arrangements for services provided to MRC or its affiliates (other than the Clients) as compared to services provided to the Clients or their portfolio companies, which may result in more favorable rates or arrangements than those payable by the Clients or such portfolio companies. Any such more favorable rates or arrangements would create an incentive for MRC to favor such service providers over their competitors when selecting service providers on behalf of the Clients.

Diverse Limited Partners. The investors in a Client may include both taxable and tax-exempt entities, as well as persons or entities that are organized in various jurisdictions and that otherwise may have conflicting investment, tax or other interests. As a result, conflicts of interest may arise in connection with, among other things, the nature of investments made by a Client, the structuring or acquisition of investments and the timing of dispositions of investments. Decisions made by MRC with respect to the foregoing may be more beneficial for one type of investor than for another type of investor. In selecting investments appropriate for a Client and structuring such investments, MRC will consider the investment, tax or other objectives of the Client as a whole, not the investment, tax or other objectives of any investor individually.

No guarantee or representation can be made that MRC will achieve its investment objective or that investors will receive a return of their capital. All investing involves a risk of loss and the investment strategies pursued by MRC could lose money over short or even long periods of time. Prospective investors in a Fund are advised to review the Fund's Governing Documents for full details on the Fund's investment, operational and other actual and potential risks.

Item 9: Disciplinary Information

Not applicable.

Item 10: Other Financial Industry Activities and Affiliations

Neither MRC nor any of its directors, officers or principals is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Neither MRC nor any of its directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or is an associated person of any of the above.

Because the general partner of the Fund is an affiliate of MRC, MRC has a material interest that could create conflicts that must be managed. The Fund has a Limited Partner Advisory Committee (the seats of which are filled by limited partners that represent a significant percentage of the Fund's committed capital and that are not affiliates of MRC or the general partner) that reviews transactions where a potential conflict of interest exists, pursuant to the applicable provisions of the Fund's limited partnership agreement.

One or more entities affiliated with JRC or its ultimate beneficial owner (collectively, the "Anchor Investor") has made a commitment at the Initial Closing in the amount of \$60 million (the "Anchor Investor Commitment"); *provided*, that as of the final closing of the Fund, the general partner may determine to reduce the Anchor Investor's commitment so that it constitutes no more than 20% of the aggregate capital commitments to the Fund at such time. As a result of certain preexisting contractual arrangements between the Anchor Investor and MRC, the Anchor Investor will be entitled to share in a portion of the Carried Interest generated by the Fund. In addition, the Anchor Investor has engaged the Manager to act as non-discretionary investment adviser to the Anchor Investor with respect to the Legacy Portfolio and to provide certain other services consistent with past practices.

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

MRC has adopted a code of ethics (the "Code") that establishes standards of ethical conduct for its employees and sets forth policies and procedures for addressing potential conflicts of interest that may arise between MRC's personnel and the Funds. The Code is based on the principle that MRC owes a fiduciary duty to the Funds and that all of MRC's personnel must therefore avoid any activities, interests or relationships that might present an actual or potential conflict of interest with the Funds or otherwise interfere with MRC's ability to make decisions in the best interests of the Funds. Among other things, the Code addresses personal trading activities, receipt of gifts and business entertainment, outside business activities and political contributions.

As a general rule, MRC does not buy or sell securities of public companies. However, in the ordinary course of its business, MRC will from time to time come into possession of material non-public information relating to public and private companies. The Code requires MRC to maintain a "Restricted List" of companies in whose securities MRC's personnel are generally prohibited from trading. The companies on the Restricted List include (i) any portfolio company held by the Funds, (ii) any public or private company which is actively under consideration as an investment for the Funds, (iii) any public or private company in which MRC has entered into a non-disclosure, confidentiality or standstill agreement, (iv) any other public company concerning which MRC may be in a position to receive material non-public information as a result of a special relationship MRC has with such public company, and (v) any other company that the Chief Compliance Officer of MRC (the "CCO") determines should be on the list. MRC's investment professionals are required to report all of their personal holdings in securities and personal securities transactions to the CCO on a quarterly basis. In addition, MRC's personnel are required to pre-clear any personal securities transaction they may wish to make in securities issued in an initial public offering or private placement and in any securities issued by a company on the Restricted List. In general, personal securities transactions in any company that is on the Restricted List will not be approved in the absence of extraordinary circumstances.

MRC's personnel are also prohibited from giving or receiving gifts or business entertainment that might call into question such person's ability to exercise independent judgement on behalf of the Funds. Under the Code, gifts and business entertainment that exceed certain thresholds must be pre-cleared with the CCO. Under the Code, MRC's personnel are also required to pre-clear any outside business activities they may wish to engage in and any political contributions they may wish to make.

MRC's employees must certify annually that they have read and agree to comply in all respects with the Code and that they have disclosed or reported all personal securities transactions, holdings and accounts required to be disclosed or reported by the Code.

The paragraphs above only represent a summary of key provisions in the Code. MRC will provide a copy of the entire Code to any investor or prospective investor in a Fund upon request.

Item 12: Brokerage Practices

MRC's advisory business generally involves privately negotiated transactions in which best execution obligations do not arise in the same context as transactions in publicly traded securities. With respect to such private transactions, MRC believes it fulfills its best execution responsibilities through careful evaluation and negotiation of the terms of each such transaction.

However, MRC may from time to time purchase or sell publicly-traded securities. In such circumstances, MRC considers various factors in determining which broker is most likely to deliver best execution including, but are not limited to, MRC's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived financial soundness of the broker selected and other brokers considered; MRC's knowledge of actual or apparent operational problems of any broker; the broker or dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

MRC does not maintain relationships with broker-dealers that provide soft-dollar benefits or client referral arrangements to MRC.

MRC maintains policies and procedures that are designed to ensure that all investment opportunities are, to the extent applicable, allocated among MRC's Clients on a basis that over time is fair and equitable to each Client relative to other Client taking into account all relevant facts and circumstances. MRC may depart from this policy in a particular circumstance if it is determined that it would be appropriate to do so and that such a departure would nonetheless be consistent with MRC's fiduciary duties to its Clients. The factors generally considered by MRC in making an allocation determination include: (i) differences among Clients with respect to available capital, size and remaining life of each Client, (ii) the nature of the investment opportunity, (iii) potential conflicts of interest, (iv) the applicable provisions of each Client's Governing Documents, (v) tax, legal or regulatory considerations, and (vi) current and anticipated market conditions. Depending on the size and other relevant factors associated with an investment opportunity, investment allocation decisions may also be made with respect to potential co-investment in an investment opportunity. In making this determination, MRC will first ensure that the Clients receive the full amount of their desired allocation prior to offering any co-investment opportunity to any co-investor. Subject only to any applicable provisions in the applicable Governing Documents or side letters, MRC may but is

under no obligation to offer co-investment opportunities to existing investors in the Fund on a *pro rata* basis or otherwise.

Item 13: Review of Accounts

MRC monitors each of the investments it makes in portfolio companies on an ongoing and continuous basis.

On a quarterly basis, investors in each Client receive written financial reports, including an unaudited balance sheet, a statement of net income or net loss, a statement of changes in financial position or a cash flow statement, and a supplemental statement of such investor's capital account. On an annual basis, investors in each Fund also receive audited financial statements of the Fund, valuations of all of the Fund's investments, and tax information necessary for the completion of U.S. tax returns.

Item 14: Client Referrals and Other Compensation

MRC may, from time to time, determine to engage a third party placement agent to introduce potential investors to a Fund. Depending on the specific arrangement, MRC may pay a placement fee, which may be calculated as a percentage of the commitment amount of the investor. If MRC compensates a placement agent for referring an investor, such arrangements will be disclosed in writing to the investor. In all cases, placement fees are borne entirely by the MRC, typically through an offset of the Management Fee. Nevertheless, prospective investors in a Fund should be aware that a placement agent is subject to certain conflicts of interest, including an incentive to recommend the Fund over other investment opportunities due to the fact that the placement agent is being compensated in connection with any investors that it successfully refers to the Fund.

MRC does not engage or compensate third parties to introduce potential investors to the Legacy Portfolio.

Item 15: Custody

MRC conducts all business operations in such a way that all Fund cash and securities over which MRC is deemed to have custody under applicable law (other than certain privately offered securities) is preserved in the safekeeping of independent qualified custodians. With respect to each Fund, an independent public accountant audits the Fund's financial statements annually, and the audited financial statements are distributed to the investors of the Fund.

In general, MRC does not have custody over any assets held in the Legacy Portfolio or the Sub-Advised Funds.

Item 16: Investment Discretion

MRC manages the Fund on a discretionary basis. The terms and conditions governing MRC's discretion over the investments made on behalf of the Fund is set forth in writing in the applicable Fund Governing Documents. MRC manages the Legacy Portfolio and the Sub-Advised Funds on a non-discretionary basis.

Item 17: Voting Client Securities

In accordance with Rule 206(4)-6 of the Advisers Act, MRC has adopted and implemented written policies and procedures governing the voting of client securities. The Funds are primarily invested in privately-held portfolio companies that do not typically issue proxies. However, in the event proxies have to be voted, MRC is generally responsible for voting proxies on behalf of the Funds. MRC votes client proxies in a way that it believes will maximize value for its clients. In exercising its voting discretion, MRC and its employees seek to avoid any direct or indirect conflict of interest raised by such voting decision. All conflicts of interest will be resolved in the interests of MRC's clients.

A copy of MRC's written proxy voting policies and procedures, as well as a record of how the Company has voted in the past, is maintained and available for client review upon written request.

Item 18: Financial Information

MRC is not aware of any financial conditions that are reasonably likely to impair its ability to meet its contractual obligations to its clients. MRC has never been the subject of a bankruptcy petition.