
Item 1. Cover Page

FIRM BROCHURE

Moelis Capital Partners LLC

March 30, 2016

This brochure provides information about the qualifications and business practices of Moelis Capital Partners LLC.

If you have any questions about the contents of this brochure, please contact us at (212) 883-3800 or email: marie.bober@moelis.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Moelis Capital Partners LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

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Item 2. Material Changes

In January 2016, the managing partners and investment team of Moelis Capital Partners LLC spun off into a separate, independently owned, registered investment adviser, NexPhase Capital Partners LLC (“NexPhase”). Moelis Capital Partners LLC remains both the managing member of the general partner and the investment adviser of the Moelis Funds and continues to be a wholly-owned subsidiary of Moelis Asset Management LP (“Moelis Asset Management”). Moelis Capital Partners LLC has hired NexPhase as a sub-advisor to assist with the management of the Moelis Funds. Please refer to NexPhase’s Form ADV for additional information regarding NexPhase.

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Item 4. Advisory Business

A. General Description of Advisory Firm

Moelis Capital Partners LLC (“MCP”) is a New York, New York-based investment advisory firm founded in 2007 by Kenneth Moelis. Moelis Capital Partners LLC is registered as an “investment adviser” under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and is a wholly-owned subsidiary of Moelis Asset Management LP.

MCP is the managing member of the general partner and the investment adviser of the Moelis Capital Partners Opportunity Fund I, LP, Moelis Capital Partners Opportunity Fund I-A, LP, Moelis Capital Partners Opportunity Fund I-B, LP, and Moelis Capital Partners Opportunity Fund I-B-A, LP, each a Delaware limited partnership, (the “Moelis Funds”). In January 2016, the managing partners and investment team of MCP spun off into a separate, independently owned, registered investment adviser, NexPhase Capital Partners LLC (“NexPhase”). MCP Moelis Capital Partners LLC remains both the managing member of the general partner and the investment adviser of the Moelis Funds.

To assist with the management of the Moelis Funds, MCP has hired NexPhase as a subadvisor to provide the Funds with similar advisory services as prior to the spin out to: (i) the Moelis Funds; (ii) investors participating in a co-investment program that offers the opportunity to co-invest alongside the Moelis Funds, and (iii) to a series of alternative investment vehicles (“AIVs”) that hold investments made through the co-investment program or the Moelis Funds. Please refer to the NexPhase Form ADV for additional information regarding its operations.

MCP’s business focuses on advising its clients in making private equity investments of between \$20 to \$60 million in middle market companies primarily in North America.

As used in this brochure:

- “MCP” refers to Moelis Capital Partners LLC and its investment advisory business
- “NexPhase” refers to MCP’s subadvisor NexPhase Capital Partners LP;
- the “Moelis broker-dealer” refers to Moelis & Company LLC;
- the “Moelis Funds” refers to Moelis Capital Partners Opportunity Fund I, LP, Moelis Capital Partners Opportunity Fund I-A, LP, Moelis Capital Partners Opportunity Fund I-B, LP, and Moelis Capital Partners Opportunity Fund I-B-A, LP, each a Delaware limited partnership; and
- the “Moelis clients”, “its clients” and “MCP clients” refer to the Moelis Funds, participants in the co-investment program, and vehicles formed to effect investments through the co-investment program.

B. Description of Advisory Services

MCP will provide investment advice to the Moelis Funds regarding the selection, monitoring and realization of each fund's investments. Generally, MCP will provide assistance to the General Partner of the Moelis Fund(s) with respect to strategic planning, identifying potential investments, screening and referring potential investments to the Moelis Fund(s), recommending strategies for exit from investments, executing the investments, monitoring the performance of investments, providing economic and investment analysis with respect to investments, preparing valuations and reports in accordance with Fund Agreements. MCP will also work with the portfolio companies directly and provide managerial, advisory, and administrative assistance to the portfolio companies under the direction of the Moelis Fund(s) General Partner.

The relationship between MCP and each Moelis Fund is governed by the Advisers Act as well as the governing documents of each Moelis Fund and the terms of investment advisory agreements concluded between MCP and each Moelis Fund, and MCP. Investment in the Moelis Funds is currently closed, but was previously privately offered only to qualified purchasers, institutional investors and eligible high-net-worth individuals.

The Moelis Funds primarily participate in private equity and equity-related investments in companies operating in the middle-market with EBITDA of at least \$7 million, including, for example, leveraged or management buyouts, recapitalizations, and minority equity investments. The co-investment program generally offers opportunities to participate alongside the Moelis Funds in these same investments.

The relationship between MCP and each participant in the co-investment program is governed by the subscription agreement pursuant to which the co-investment participant subscribed to the co-investment program.

The investment advice MCP provides to its clients is limited to private equity investment programs conducted by the Moelis Funds and the co-investment program.

NexPhase will assist MCP with aspects of its advisory services to the Moelis Funds. The relationship between NexPhase and MCP is governed by a subcontractor's agreement. NexPhase is an investment adviser registered under the Advisers Act. Please see the NexPhase Form ADV for additional information regarding its operations.

C. Availability of Tailored Services for Individual Clients

MCP's advisory services are tailored to the investment strategies of the Moelis Funds and the participants in the co-investment program. Investment restrictions are imposed in the governing agreements for the Moelis Funds and co-investment program, as specifically negotiated with investors.

D. Wrap Fee Programs

This item is not applicable as MCP does not offer any wrap fee programs.

E. Client Assets Under Management

As of December 31, 2016, MCP managed \$863,701,734 of client assets on a discretionary basis in the Moelis Funds.

Item 5. Fees and Compensation

A. Advisory Fees and Compensation

Management fees, performance fees and other fees MCP earns may be negotiated. The fees MCP charges are described in detail in the Fund limited partnership agreement (or analogous organizational document) of each Moelis Fund, separate investment and advisory, investment management or portfolio management documents, or side letters with investors in a Moelis Fund (together, the “Governing Documents”) and investor offering documents. Generally, MCP charges between a one and a half and two percent management fee annually on aggregate capital commitments and/or aggregate capital contributions. Please refer to your Moelis Fund(s) Governing Documents for a complete description of MCP fees and charges for your specific investment.

The management fee for MCP’s co-investment program is typically one (1) percent of the co-investor’s commitment or amount invested; however, each fee is negotiated with each investor.

B. Payment of Fees

Management fees are deducted from the assets of the Moelis Fund quarterly in advance. Each participant in the co-investment program typically pays a sponsor fee to MCP based on the amount of the participant’s capital contributions to the co-investment program. These sponsor fees are paid in advance out of each participant’s capital contribution, and are generally collected on a quarterly basis.

“Carried interest” or performance fees are assessed periodically according to each fund’s and each co-investment vehicle’s governing documents, and in the discretion of the general partner or control vehicle of the applicable fund or co-investment vehicle. These fees are typically paid out of cash otherwise distributable to investors, such as the use of proceeds from a portfolio investment by the Moelis Funds.

Fees paid to NexPhase will be paid out of the management fees and carried interest to be paid to MCP. No additional fees will be charged to investors as a result of the sub-advisory relationship between MCP and NexPhase.

C. Other Fees and Expenses

Other fees may be paid to MCP or to a Moelis Fund’s general partner, managing member, or affiliates. These fees include finders, break-up, monitoring, advisory, directors’, organizational, set-up, investment banking, underwriting, syndication and similar fees. There may be fees relating to deal sourcing and diligence, including expenses relating to the use of operating

partners and executive advisory board members for deal sourcing, diligence, and company management consulting. These fees may be substantial. A certain portion of these fees may offset the management or sponsor fees otherwise payable by investors in the Moelis Funds or participants in the co-investment program. These potential fee arrangements are disclosed in the private offering materials for each particular private offering.

MCP expects that each AIV comprising a co-investment will reimburse it and its affiliates for each such vehicle's customary organizational and operating expenses. These expenses include, but are not limited to, audit fees, insurance, indemnity or litigation expenses, taxes, filing fees or other governmental charges, and counsel and accountant fees. Moreover, each Moelis Fund must reimburse MCP and its affiliates for customary organizational and operating expenses, as the governing documents of each fund more fully describe.

In addition, each Moelis Fund and AIV will pay costs and expenses relating to its activities, including legal, auditing, consulting, costs relating to operating partner and executive advisory board members, administration, custodian and accounting fees and expenses, travel expenses, expenses relating to the annual meetings of the Moelis Fund's limited partners, insurance and other expenses associated with the acquisition, holding and disposition of each fund's investments, extraordinary expenses (such as indemnification and litigation costs and expenses), expenses and costs incurred in connection with the organization, management and operation of any alternative investment vehicles, and all fees associated with debt service obligations, if any.

MCP clients will incur brokerage and other transaction costs, and a discussion of its brokerage practices may be found in Item 12 of this brochure.

D. Refunds for Fees Charged in Advance

Investors in Moelis Funds and participants in the co-investment program agree to commit a certain amount of capital to a Moelis Fund or the co-investment program in advance of its performance of any investment advisory functions. Fees assessed against the funds and any co-investment participants are paid to MCP, in advance, from these amounts as described in Item 5.B.

Upon termination of the investment advisory agreement with a Moelis Fund or a co-investment participant, MCP will return to such Moelis Fund or co-investment participant any paid but unearned portion of the management fee. In general, such fees are pro-rated from the date of termination to the end of the period to which the advance fee applied.

E. Compensation for Sales of Securities

Neither MCP nor its supervised persons accept compensation for the sale of securities or other investment products.

The Moelis broker-dealer may receive compensation for the sale of securities or other investment products. For further discussion concerning this compensation of the Moelis broker-dealer, see Item 12.

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

A Moelis Fund may be assessed a “carried interest” or performance fee that is paid to the fund’s general partner. The “carried interest” is assessed periodically according to each Moelis Fund’s governing documents, typically after the receipt by the fund of proceeds from a portfolio investment, and is paid out of cash otherwise distributable to investors. “Carried interest” is typically measured as a percentage of the profits of a Moelis Fund and is negotiated separately for each Moelis Fund. Currently, investors in Moelis Capital Partners Opportunity Fund I, LP and Moelis Capital Partners Opportunity Fund I-B, LP are subject to a carried interest charge, while investors in Moelis Capital Partners Opportunity Fund I-A, LP and Moelis Capital Partners Opportunity Fund I-B-A, LP are not subject to carried interest.

MCP or an affiliate may also earn a “carried interest” or performance fee for investments in the co-investment program. Currently, AIVs formed to affect the co-investment program are generally subject to a carried interest of ten (10) percent. MCP may waive or reduce the carried interest charge for a limited number of investors.

As noted, MCP manages accounts that are subject to an asset-based management or sponsor fee as well as a performance-based carried interest. Performance-based fee arrangements may create an incentive for MCP to recommend investments which may be riskier than those which would be recommended under a different fee arrangement, as it captures a set fraction of an investment’s upside but do not suffer proportionately the downside of the investment.

Performance fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of time, services, or investment opportunities. That incentive is not as strong in MCP’s case, as each of the Moelis Funds and the co-investment program generally invest in lockstep with one another. There may be instances, however, where an investment is offered to only one of the Moelis Funds, or is deemed not to meet any of the Moelis Funds’ investment objectives and is offered only to the co-investors. MCP has implemented procedures to prevent this potential conflict of interest from influencing the allocation of investment opportunities among or between its clients. Specifically, before any such investment is undertaken, MCP’s Investment Committee reviews the allocation of each investment among its clients. This allocation is recommended by NexPhase investment personnel, and generally addresses the investment objectives of the relevant clients, the capital available for investment by each client, the sharing rules set forth in the applicable governing agreements, and the basis for the allocation recommended to the Investment Committee. Under no circumstances may MCP or any of its affiliates allocate investment opportunities based on anticipated compensation or profits to ourselves, the Moelis broker-dealer, or any other affiliates or employees.

For further discussion regarding investment allocation, see Item 10.C.

Item 7. Types of Clients

MCP provides investment advice solely to the Moelis Funds and co-investors, as well as vehicles formed to effect investments to be made by the co-investors. NexPhase will assist MCP with aspects of its advisory services to the Moelis Funds and co-investors under a subcontractor's agreement.

Investment in the Moelis Funds is currently closed, but subsequent participation was offered only to qualified investors, institutional investors and eligible high-net worth individuals. MCP typically imposed a minimum investment in connection with participating in a Moelis Fund or a co-investment, often in the range of \$5 million to \$10 million, although these minimums may have been waived at MCP's discretion. On occasion, MCP also offered investment opportunities to its qualified professional personnel, as well as other qualified institutions or individuals who had a pre-existing relationship with it.

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

MCP seeks to closely partner with entrepreneurial owners and/or management teams of portfolio companies to grow their companies.

MCP has engaged NexPhase, as part of its sub-advisory duties to complete detailed due diligence process for each potential investment, including modeling short and long-term financial scenarios, company assessment, industry analysis, competitive benchmarking, evaluation of company management, risk assessment and transaction size, and pricing and structure analysis. The due diligence effort includes NexPhase's investment professionals as well as its operating management teams, legal, tax, insurance and accounting advisors and third party consultants. In their analysis of potential investments, NexPhase uses information that a potential portfolio company provides to it as a result of its due diligence review. Additionally, NexPhase may use information regarding investment opportunities sourced from the Moelis broker-dealer and other affiliated broker-dealers and may also employ third-party advisors. MCP will review NexPhase diligence during its Investment Committee meetings.

Investments in the Moelis Funds and co-investments involve significant risks, including the risk of losing your entire investment, and investors in the Moelis Funds and the co-investment program must be prepared to bear the risk of a total loss of their committed or invested capital. Please see Item 8.B below for additional risks associated with your investment.

B. Material Risks:

There can be no assurance that any investment will meet its investment objectives, or that an investor will receive a return of capital. In many cases, the success of MCP's investment strategy will depend, in part, on its ability to restructure and effect improvements in the operations of the portfolio companies held by the Moelis Funds or co-investment AIVs.

Identifying and implementing potential operating improvements involves a high degree of uncertainty, and there can be no assurance that MCP will be able to successfully identify and implement these improvements. The performance of prior investments made by the Moelis Funds or in the co-investment program is not indicative of any expected future results.

Financial Market Fluctuations

General fluctuations in the market prices of securities and economic conditions generally, particularly of the type as experienced in 2008, may reduce the availability of attractive investment opportunities for the Moelis Funds and may affect the ability of the Moelis Funds or any AIVs to make investments and the value of the investments held by the Moelis Funds and AIVs. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the investments of the Moelis Funds and AIVs. The public securities markets have seen periods of increased volatility where the ability of companies to obtain financing for ongoing operations or expansions was severely hampered by the tightening of the credit markets and the ongoing financial turmoil. There may be repercussions if this market turmoil returns, including the effect of unknown governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) which may have a positive or negative effect on market conditions. There can be no assurance that the market will, at that time, retain its current liquidity and it might be volatile for the foreseeable future. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance, particularly given the recent period of volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that Moelis Funds and AIVs would be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable a Moelis Fund or AIV to sell these securities when MCP believes it is most advantageous to do so, or without adversely affecting the stock price. Continued or renewed volatility in the financial sector may have an adverse material effect on the ability of the Moelis Funds or AIVs to buy, sell and partially dispose of their portfolio company investments. The Moelis Funds and AIVs may be adversely affected to the extent that they seek to dispose of any of their portfolio investments into an illiquid or volatile market, and a Moelis Fund or AIV may find itself unable to dispose of investments at prices that MCP believes reflect the fair value of such investments. The duration and ultimate effect of future market conditions and whether such conditions may worsen cannot be predicted. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

Liquidity Risk

A long-term commitment is required for investing with MCP, as the Moelis Funds and the co-investment program generally do not sell the securities of portfolio companies for a number of years. In many cases these securities are not publicly traded. Consequently, any returns on the investments are paid to investors multiple years after they invest. A variety of factors, including national and international economic conditions, asset conditions, political and regulatory considerations, and public opinion, may impact each Moelis Fund's or an AIV's ability to buy or sell investments on favorable terms, if at all. Further, interests in the Moelis Funds have not been registered under the Securities Act of 1933, as amended, or any other applicable securities

laws and are not transferable except with the consent of the applicable general partner, which may be withheld by the applicable general partner in its sole discretion. Investors in the Moelis Funds generally may not withdraw capital at any time. Consequently, investors in the Moelis Funds may not be able to liquidate their investments prior to the end of the term of the Moelis Funds.

Leverage Risk

MCP investments are expected to include companies whose capital structures may have significant leverage. These investments are inherently more sensitive to declines in revenues and increases in expenses and interest rates; the use of leverage enhances the possibility of a significant loss in the value of an investment portfolio. MCP's ability to achieve attractive rates of return on investments will depend on its ability to access sufficient sources of indebtedness at attractive interest rates. Further, if additional financing (including leverage) is needed for the capital requirements of a portfolio company, the availability of capital may be a function of capital market conditions that are beyond MCP's control.

Reliance on Moelis Capital Partners LLC and NexPhase Capital Partners LLC

Investors will not have the right to participate in the management of the Moelis Funds or AIVs, or in decisions made by the general partners, us, or the subadvisor on their behalf. As a result, investors will have little control over their investments.

In addition, NexPhase has no operating history and will be dependent on the business and investment acumen of its principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on the Moelis Fund's ability to realize its investment objectives. The NexPhase principals currently, and may in the future, manage or advise other investment funds besides the Fund and the principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the principals.

Default Risk

If a limited partner of a Moelis Fund or an AIV fails to pay any portion of its capital commitment when due, and the contributions made by non-defaulting limited partners and borrowings by such fund are inadequate to cover the defaulted capital contribution, such fund may be unable to pay its obligations when due, and its ability to execute its investment strategy or to otherwise continue operations may be impaired. As a result, a Moelis Fund or AIV may be subjected to significant penalties that could materially and adversely affect the returns to the limited partners (including non-defaulting limited partners). A default by a substantial number of limited partners would limit opportunities for investment diversification and would likely negatively affect such Moelis Fund or AIV's economic results.

Competitive Market for Investments

MCP competes with a number of investment banks, commercial banks, private equity funds, specialized investment funds, hedge funds, corporate buyers and other financial institutions. As a result of this intense competition, MCP faces the risk that it will not be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, or fully invest MCP's committed capital.

Conflicts of Interest

Because of the various lines of advisory businesses of MCP's affiliates, and being under common control with the Moelis broker dealer, it is subject to a number of actual and potential conflicts of interest and to greater regulatory scrutiny than perhaps other similar firms. In addressing these conflicts and regulatory requirements across MCP's various businesses, MCP implemented certain policies and procedures (for example, information barriers) that may reduce the positive synergies that it cultivates across these businesses. For example, MCP may come into possession of material nonpublic information with respect to issuers in which it may be considering making an investment or issuers that are its advisory clients. MCP is prohibited from acting on any material nonpublic information and this will restrict its ability to invest in certain public companies.

The NexPhase principals currently manage or advise other investment funds besides the Funds and the principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the principals.

Management Fee Payable Regardless of Performance

The Moelis Funds and AIVs will pay fees to MCP and bear significant expenses. These fees and expenses are expected to reduce actual returns to its investors. Most of the fees and expenses will be paid to MCP regardless of whether the Moelis Funds or AIVs produce positive investment returns.

Diversification Risk

An investor will only participate in a limited number of investments and, as a consequence, the aggregate returns may be substantially adversely affected by the unfavorable performance of even a single investment.

Lack of Control

The Moelis Funds and the AIVs may hold a non-controlling interest in a portfolio company, and therefore may have a limited ability to protect their interest in the portfolio company or influence the creation of value at the portfolio company.

Legal Risk

MCP may make investments in companies that are experiencing financial difficulties which may never be overcome. These investments could, in certain circumstances, subject the Moelis Funds or AIVs to certain potential legal liabilities that may exceed the value of our fund's original investment in the company. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to and distributions by the applicable Moelis Fund or AIV may be reclaimed if any such payment or distribution is later determined to have been a "fraudulent conveyance."

Derivatives Transaction Risk

Each Moelis Fund and AIV may enter into derivatives transactions and other hedging techniques to seek to preserve a return on a particular investment or to seek to protect against currency fluctuations. These transactions have special risks associated with them, including the possible default by the counterparty to the transaction and the illiquidity and high volatility of the instrument acquired. Suitable hedging instruments may not continue to be available at a reasonable cost.

Foreign Transaction Risk

MCP may invest in assets located outside the United States. Investment in such assets involves certain risks not typically associated with an investment in the United States, including risks relating to: (i) currency exchange matters, such as fluctuations in the rate of exchange between the U.S. dollar and various non-U.S. currencies, and costs associated with conversion of currency; (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. markets, and less government supervision and regulation; (iii) certain economic and political risks, including on repatriation of capital, nationalization of business enterprises, political, economic or social instability, the possibility of substantial rates of inflation and the possibility of expropriation or confiscatory taxation; (iv) the possible imposition of non-U.S. taxes on income and gains on foreign assets; and (v) differences in applicable legal systems, including the possibility that a Moelis Fund or AIV may experience difficulty in non-U.S. jurisdictions.

Valuation Risk

There are no readily ascertainable market prices for many types of illiquid investments which the Moelis Funds and the AIVs may hold. Portfolio valuation is subjective and imprecise and requires the use of techniques that are costly and time consuming.

Under normal circumstances, the Moelis Funds and AIVs intend to make distributions in cash or in publicly traded securities. However, it is possible that distributions may be made in-kind under certain circumstances (including liquidation of a Moelis Fund or AIV). In-kind distributions could consist of securities for which there is no readily available public market.

Credit Support

The Moelis Funds and AIVs may make contingent funding commitments to their portfolio companies and provide credit support for such obligations. Such credit support may take the form of a guarantee, a letter of credit or a pledge of a portion of commitments to a lender. Such funding commitments may be secured by an assignment of the general partner's rights to draw down capital from the limited partners. It is possible that the limited partners will be required to acknowledge and consent to any such pledge and provide certain information and/or legal opinions as required by the lender. The general partner may be required to segregate unfunded commitments sufficient to satisfy the obligations of a Moelis Fund or AIV with respect to any such credit support. Utilization of the credit support will result in fees, expenses and interest costs to each Moelis Fund and AIV, and it may result in an under-utilization of a Moelis Fund's or AIV's capital.

Co-investment Risk

The Moelis Funds and AIVs may invest alongside strategic, financial or other third party co-investors. The ability of a Moelis Fund or AIV to achieve certain co-investment objectives assumes that such Moelis Fund or AIV will be able to negotiate and execute mutually acceptable terms and conditions in respect thereof. Such investments will involve additional risks which may not be present in investments which do not involve a co-investor, including the risk that a co-investor or co-investors may have interests contrary to the investment objective of such Moelis Fund or AIV or may default on their obligations.

Risk of Receiving Liquidating Distributions of Illiquid Securities

The General Partner is authorized to make liquidating distributions of restricted or otherwise illiquid securities. Limited Partners therefore must be prepared to bear the risks of owning such securities for an indefinite period of time.

Taxation Risk

An investor is likely to face complicated tax analyses, and the tax treatment of an investment is subject to potential legislative, judicial or administrative change at all times. The U.S. federal income tax treatment of ownership of an interest in a Moelis Fund or AIV depends on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. U.S. federal income tax rules are periodically reviewed by persons involved in the legislative process, the Internal Revenue Service and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships, which is the legal structure of the Moelis Funds and AIVs. The present U.S. federal income tax treatment of these investment vehicles may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made.

Regulatory Risk

The U.S. securities laws applicable to MCP and its operations are constantly under review by persons involved in the legislative process and by the SEC, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. These laws may be modified by legislative, judicial or administrative action at any time. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) made several sweeping changes to U.S. securities laws. Also, the SEC has amended the rules promulgated under the Advisers Act with respect to political contributions and payments by investment advisers to third parties in connection with the solicitation of government clients. These revisions to the U.S. securities laws and potential future revisions and interpretations could adversely affect the investors in Moelis Funds and co-investments, by increasing compliance costs of MCP’s operations. Other jurisdictions are similarly reviewing their respective laws, regulations and policies with respect to private investment funds and their investment advisers and any changes may have an adverse effect on investors in Moelis Funds and co-investments.

MCP and its affiliates and associated persons are subject to extensive regulation by the SEC and other federal and state agencies, including periodic inspections and examinations. Even if an investigation or proceeding does not result in a sanction against MCP or its associated persons,

or if the sanction imposed is small in monetary amount, the adverse publicity attendant to the investigation, proceeding or imposition of sanctions could harm MCP's reputation and materially adversely impact its businesses and returns to investors.

In addition, the targeted industries in which the Moelis Funds and AIVs seek to invest are highly regulated. The adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations, could have a material adverse effect on portfolio companies and thus on the ability of each Moelis Fund and AIV to meet its investment objectives. Such changes could necessitate the creation of new business models and the restructuring of investments in order to meet regulatory requirements, which may be costly and/or time-consuming and may adversely affect the performance of such Moelis Fund or AIV.

The Moelis Fund(s) and AIVs are not registered, nor do they intend to register, under the Investment Company Act of 1940 or similar laws of another country or jurisdiction, and thus the provisions of the Investment Company Act of 1940 will not be applicable to MCP's business.

C. Particular Securities

MCP does not specialize in investments in a particular type of security or industry sector. MCP does seek to target investments in industry verticals where it has extensive experience and competitive advantages, including consumer, healthcare services and industrial services.

Item 9. Disciplinary Information

There are no legal or disciplinary matters that would be material to a client's or prospective client's evaluation of MCP's advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

A. Broker-Dealers

MCP is not registered, and do not have an application pending to register, as a broker-dealer. As discussed separately in this brochure, the Moelis broker-dealer is a registered broker-dealer. Two of registered representatives of the Moelis broker-dealer (Kenneth Moelis and Osamu Watanabe) assist in MCP's management under a shared services agreement.

B. Futures and Commodity Trading

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

C. Related General Partners

Various limited liabilities companies (the “General Partners”) serve as general partners of the Moelis Funds and are affiliates of MCP. For a description of material conflicts of interest created by the relationship among MCP and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

D. Material Relationships

As previously noted, MCP is under common control with the Moelis broker dealer, Moelis & Company LLC, a broker-dealer registered with the SEC and a member of FINRA. MCP may source investment opportunities for the Moelis Funds and the co-investment program from the Moelis broker-dealer and its affiliates’ financial services businesses. It is also expected that the Moelis broker-dealer or its affiliates will provide financial advisory services to certain of the portfolio companies in which the Moelis Funds and AIVs invest. Under these engagements, the Moelis broker-dealer (or its representatives) may be entitled to a fee from MCP or from the Moelis Funds. This relationship may create a conflict of interest between MCP and its clients because MCP may have incentive to engage the Moelis broker-dealer instead of other broker-dealers even if the other broker-dealers may be more qualified to provide the applicable services and/or can provide such services at a lower cost. This relationship may create a conflict of interest between MCP and the Moelis broker-dealer (and its representatives) because the Moelis broker-dealer (or its representatives) may have a financial incentive to recommend transactions that are not in the best interests of MCP’s clients. MCP has internal policies and procedures designed to address this conflict of interest, including an information barrier between MCP and the Moelis broker-dealer and specialized training for employees who, as a consequence of their management positions, may be exposed to this potential conflict of interest more regularly, despite its information barrier policies.

MCP provides investment advisory services to, and serves as sponsor of, affiliated investment partnerships, limited liability companies and their general partners or managing members, as applicable. In accordance with MCP’s internal policies and procedures, as well as the governing documents of the Moelis Funds and the co-investment program, MCP seeks to allocate investment opportunities among its clients in a fair and equitable manner, bearing in mind, among other things, the size, investment objectives, risk tolerance, return targets, permissible and preferred asset classes and liquidity needs of the investor. Under no circumstances may MCP or an affiliate allocate investment opportunities based on anticipated compensation or profits to it, the Moelis broker-dealer or any other affiliates or their employees.

E. Other Investment Advisors

After the spin-off transaction in January 2016, MCP hired NexPhase as a sub-advisor to assist with the management of the Moelis Funds. NexPhase will assist MCP with aspects of its advisory services to the Moelis Funds. The relationship between NexPhase and MCP is governed by a subcontractor’s agreement. NexPhase is an investment adviser registered under the Advisers Act. Please see the NexPhase Form ADV for additional information regarding its operations.

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

MCP has established a Code of Ethics, which consists of policies and procedures reasonably designed to ensure compliance by it and its associated persons with the Advisers Act and its rules and regulations, and to reflect MCP's fiduciary duties to its clients. In other words, Moelis personnel may not benefit at the expense of clients. To that end, its associated persons must:

- Place the interests of its clients above any personal interests and refrain from taking for their own advantage an opportunity that rightfully belongs to its clients;
- Keep all investment-related information that is non-public information relating to a portfolio investment or client confidential;
- Refrain from, directly or indirectly, purchasing or selling any security while in possession of material, non-public information regarding such security, whether or not such information was obtained in the course of representing MCP in breach of a duty of confidence;
- Refrain from giving or accepting gifts or other benefits where a gift may be regarded as an inducement to the recipient to act contrary to his/her duties to MCP or its clients;
- Conduct all personal securities transactions in a manner consistent with the Code of Ethics (including pre-clearance of certain transactions and reporting of transactions);
- Refrain from competing directly or indirectly with MCP or its affiliates or using corporate property, information or position for personal gain;
- Report any violation of the Code of Ethics to MCP's Chief Compliance Officer; and
- Acknowledge the terms of MCP's Code of Ethics annually.

The Code of Ethics also provides guidelines on avoiding potential conflicts of interest that might arise in the management of client investment programs where the Moelis broker-dealer or its affiliated broker-dealers may have played a role, among other provisions. Associated persons who violate the Code of Ethics may be subject to remedial actions, potentially up to termination of employment.

Clients and prospective clients may request a copy of MCP's Code of Ethics by contacting Osamu Watanabe, General Counsel and Chief Compliance Officer, at 212-883-3800.

As NexPhase is a separately registered investment adviser, its employees and associated persons will be subject to its Code of Ethics. MCP will periodically confirm that NexPhase has no material violations of its Code of Ethics. See NexPhase's Form ADV for more information regarding its Code of Ethics.

B. Participation or Interest in Client Transactions

MCP provides ongoing portfolio management and investment advisory services for the Moelis Funds and participants in the co-investment program. Investment decisions are made by MCP's Investment Committee. The Investment Committee is responsible for monitoring and managing

each Moelis Fund's investment portfolio in accordance with its particular investment objectives, limitations and guidelines, and as set forth in the applicable governing Fund Agreements. MCP also complies with restrictions provided in the applicable governing agreements relating to principal transactions or other affiliated transactions, in which MCP or its associated person may have interests that are not aligned with the interests of one or more of its clients.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. The potential for agency cross transactions, or other conflicts of interest, arises given MCP's common control with the Moelis broker-dealer. For example, in the course of conducting its business, the Moelis broker-dealer and its affiliated broker-dealers may act as broker-dealer or agent in executing securities transactions for its clients and other persons, which may include MCP's clients. In addition, MCP's clients may invest in portfolio companies that are clients of the Moelis broker-dealer and its affiliated broker-dealers, and the Moelis broker-dealer and/or such affiliated broker-dealers may be entitled to a fee for such investment. As a result, a conflict of interest may exist between MCP's clients, on the one hand, and the Moelis broker-dealer and/or its affiliated broker-dealers, on the other hand. As described in this brochure, MCP has established policies and procedures reasonably designed to mitigate such conflicts of interests.

Client cross transactions occur where an adviser executes a securities transaction between two (or more) of its managed client accounts. Cross transactions may benefit clients because they can avoid transaction fees that might otherwise apply had the buy and the sell transaction been exposed to potential market transaction fees. However, they also can create conflicts of interest by not exposing such buy and sell transactions to market forces, so clients may not receive the benefits of best price, or an adviser might seek to prop up the performance of one fund by selling under-performing assets to another fund in order, for example, to earn higher fees in the aggregate. MCP does not practice this.

It is MCP's policy not to execute any principal or agency cross securities transactions for client accounts unless its Investment Committee deems the transaction to be in the best interest of a particular client, MCP's client and its Chief Compliance Officer gives prior consent, and the transaction complies with SEC requirements.

The General Partner of each Moelis Fund may, from time to time, receive fees or other payments in respect of investments completed by the funds and/or the co-investment vehicles, such as deal fees, monitoring fees or transaction fees. Such fees are not dependent on the performance of the investment, and may create a conflict of interest between MCP and its clients. To address this potential conflict, such fees generally offset the management fees paid to MCP by the Moelis Funds or AIVs.

C. Personal Trading

Conflicts of interest may arise when MCP or its associated persons invest on their own behalf in the same securities that MCP recommends to clients, or have another interest in a transaction that is, or may be, in conflict with the interest of a client. To address these conflicts, the governing documents for the Moelis Funds and AIVs contain specified procedures for managing or obtaining client consent for conflicts of interests, including obtaining consent for any conflict from an Advisory Committee comprised of investor representatives that is given the power to waive such conflicts after disclosure of material information related to the conflict.

MCP's associated persons may also have personal conflicts of interest, such as (i) a material interest in a transaction to be entered into with or for a client; (ii) a relationship that gives or may give rise to a conflict of interest in relation to a transaction; or (iii) another interest in a transaction that is, or may be, in conflict with the interest of a client. In addition to the conflict waiver procedures described above, MCP has established internal procedures to identify and manage such conflicts. Pursuant to MCP's Code of Ethics, each of its associated persons is required to submit to its Chief Compliance Officer a report of the associated person's securities holdings (which must be updated annually), as well as provide to its Chief Compliance Officer a report of any personal securities transactions on a quarterly basis. In addition to these reports, MCP's associated persons have an obligation to report any personal conflict of interest to its Chief Compliance Officer as such conflict becomes known. MCP's associated persons must obtain its Chief Compliance Officer's prior approval before buying or selling any covered security, including, but not limited to, stocks, bonds, puts, calls, options, and partnership or limited liability interests. In addition, MCP's associated persons are prohibited from purchasing securities issued in an initial public offering or in a private placement of securities (including an investment in a Moelis Fund), without obtaining pre-approval in writing from its Chief Compliance Officer.

To prevent insider trading and other inappropriate forms of personal trading activities, MCP also maintains "restricted list" procedures. Under these procedures, its Chief Compliance Officer will place any securities of publicly-traded companies for which MCP can be deemed to possess material, non-public information on a "restricted list." Associated persons must report the receipt of any such information to the Chief Compliance Officer or his designee, and are strictly prohibited from trading in securities (including, without limitation, equity, debt or options) on the restricted list for their own account.

As NexPhase is a separately registered investment adviser, its employees and associated persons will be subject to its personal trading policies. MCP will periodically confirm that NexPhase has no material violations of its personal trading policies. See NexPhase's Form ADV for more information regarding these policies.

D. Personal Trading Contemporaneous with Client Transactions

See Item 11.A., 11.B. and 11.C above.

E. Other Conflicts

In connection with its investment activities, MCP may encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which may include, but are not limited to, the following:

- The Moelis Funds;
- Any AIVs that have been formed;
- Any co-investment vehicles that have been formed to invest side-by-side with one or more Moelis Funds in all or particular transactions entered into by such Moelis Fund(s) (the investors in such co-investment vehicles may include employees, business associates and other “friends and family” of MCP or its personnel; individuals and entities that are also investors in one or more Moelis Funds (“Adviser Investors”); and/or individuals and entities that are not investors in any Moelis Funds (“Third Parties”));
- Adviser Investors and/or Third Parties that wish to make direct investments (*i.e.*, not through an investment vehicle) side-by-side with one or more Moelis Funds in particular transactions entered into by such Moelis Fund(s); and
- Adviser Investors and/or Third Parties acting as “co-sponsors” with MCP with respect to a particular transaction.

In recognition of its fiduciary duties, it is the policy of MCP to exercise due care to ensure that investment opportunities and transactions generally are allocated fairly and equitably among its clients.

The primary allocation principles for each Moelis Fund, AIV and co-investment vehicle are derived from the Governing Documents of such entity. In that regard:

- **Parallel Vehicles or “Side-by-Side” Funds.** When two or more Moelis Funds are formed as part of the same investment program for the purpose of making the same investments (“Parallel Vehicles”), investments made by that investment program will be allocated among the Parallel Vehicles based on their relative capital commitments, subject to all limitations in the Governing Documents for each of the Parallel Vehicles.
- **Predecessor/Successor Moelis Funds.** MCP does not anticipate any additional Moelis Funds raised. Of the existing Moelis Funds, Moelis Capital Partners Opportunity Fund I-B, LP, and Moelis Capital Partners Opportunity Fund I-B-A, LP, which are Parallel Vehicles, are the only Funds currently investing. The allocation principles for those Funds are found above.
- **Co-investment and Strategic Investors.** To the extent permitted under the Governing Documents, MCP may raise co-investment to participate in an investment opportunity alongside a Moelis Fund. In addition, “strategic investors” may be permitted to co-invest alongside a Moelis Fund to the extent permitted under the Governing Documents.

In general, (i) no investor in a Moelis Fund or AIV has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities

are made in the sole discretion of MCP or its related persons, (iii) co-investment opportunities may be offered to some and not other investors in the Moelis Funds, in the sole discretion of MCP or its related persons, and (iv) certain persons other than investors in the Moelis Funds (*e.g.*, Third Parties) may be offered co-investment opportunities, in the sole discretion of MCP or its related persons.

While MCP generally allocates its investments pro rata among related funds, MCP may determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion. NexPhase will assist MCP with the review of factors pertinent to the allocation of a new investment. There can be no assurance that a Moelis Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which MCP may be subject, discussed herein, did not exist.

The appropriate allocation between Moelis Funds, Adviser Investors and Third Parties of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by MCP and its affiliates in their good faith discretion, consistent with the Governing Documents of the Moelis Funds, as applicable. NexPhase will also assist MCP with the allocation of expenses and fees. Such expenses typically are not allocated to co-investment vehicles. There may be occasions when one Moelis Fund or AIV (the "Payor Moelis Fund") pays an expense common to multiple Moelis Funds or AIVs (the "Allocated Moelis Funds") (*e.g.*, legal expenses for a transaction in which all such Moelis Funds participate). On such occasions, each Allocated Moelis Fund will reimburse the Payor Moelis Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Moelis Fund. While highly unlikely, it is possible that one of the Allocated Moelis Funds could default on its obligation to reimburse the Payor Moelis Fund.

In exercising its discretion to allocate investment opportunities and fees and expenses, MCP may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Moelis Funds with differing fee, expense and compensation structures, MCP may have an incentive to allocate investment opportunities to the Moelis Funds from which MCP or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit.

In addition, associated persons of MCP invest indirectly in and may be permitted to invest directly in Moelis Funds and may therefore participate indirectly in investments made by the Moelis Funds in which they invest. Such interests will vary Moelis Fund by Moelis Fund. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Moelis Fund.

A Moelis Fund may invest in opportunities that other Moelis Funds have declined, and likewise, a Moelis Fund may decline to invest in opportunities in which other Moelis Funds have invested.

NexPhase will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Moelis Funds. As part

of the spin off transaction, Moelis Asset Management, the parent company of MCP, will receive a portion of the carried interest paid by certain of these future NexPhase investment funds. Given potential similar objectives of the NexPhase funds and the Moelis Asset Management carried interest, allocation of available investment opportunities between the Moelis Funds and any NexPhase investment fund could give rise to conflicts of interest.

It is expected that associated persons of MCP responsible for managing a particular Moelis Fund will have responsibilities with respect to the other Moelis Funds managed by MCP. Conflicts of interest may arise in allocating time, services or functions of these associated persons.

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Moelis Fund or AIV in a portfolio company in which another Moelis Fund or AIV has previously invested. In addition, a Moelis Fund or AIV may participate in releveraging and recapitalization transactions involving portfolio companies in which another Moelis Fund or AIV has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

MCP generally may, in its discretion, contract with any related person of MCP (including but not limited to a portfolio company of a Moelis Fund) to perform services for MCP in connection with its provision of services to the Moelis Funds. When engaging a related person to provide such services, MCP may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Because there is a fixed investment period after which capital from investors in the Moelis Funds may only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of the Moelis Funds, based upon capital invested by the Moelis Funds, this fee structure may create an incentive to deploy capital when MCP may not otherwise have done so.

A significant portion of MCP's compensation is derived from "carried interest" (a performance fee), which may create an incentive for its managers to make riskier or more speculative investments than would be the case in the absence of this arrangement, although MCP's own commitment of capital to the Moelis Fund and AIVs may somewhat mitigate this incentive.

Investors may have conflicting investment, tax and other interests with respect to their investments. These conflicting interests of individual investors and of the different Moelis Funds may relate to or arise from, among other things, the nature of investments made, the structuring or the acquisition of investments, and the timing of MCP's exit strategy. As a consequence, conflicts of interest may arise in connection with MCP's investment decisions, including with respect to the structuring of investments.

Because certain expenses are paid for by a Moelis Fund, AIV and/or its portfolio companies or, if incurred by MCP, are reimbursed by a Moelis Fund, AIV and/or its portfolio companies, MCP may not necessarily seek out the lowest cost options when incurring (or causing a Moelis Fund or its portfolio companies to incur) such expenses.

As described in Item 5 above, MCP, its affiliates, and NexPhase, may perform related services for, and may receive fees from, actual or prospective portfolio companies or other investment vehicles of the Moelis Funds and AIVs. Such fees will be in addition to any management fees or carried interest paid by the Moelis Funds and AIVs to MCP. Additionally, a portfolio company may reimburse MCP for expenses. This creates a conflict of interest between MCP, its affiliates, and NexPhase and the Moelis Funds and their investors because the amounts of these fees and reimbursements may be substantial and the Moelis Funds and their investors generally do not have an interest in these fees and reimbursements. MCP determines the amount of these fees for related services and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not (except in connection with the reductions described below) be disclosed to investors in the Moelis Funds. MCP and its affiliates will in some circumstances reduce the amount of management fees paid by the applicable Moelis Fund or AIV in connection with the receipt of the applicable Moelis Fund's or AIV's share of such fees. The amount and nature of this reduction varies from Moelis Fund to Moelis Fund and is set forth in the Governing Documents of the applicable Moelis Fund or AIV. Entities other than Moelis Funds that participate in investments alongside the Moelis Funds (such as entities through which MCP and certain employees and affiliates of MCP invest alongside the Moelis Funds) may have a right to share in such fees, and Advisory Fees will generally not be reduced in connection with the receipt of such entities' share of such fees.

Given the collaborative nature of MCP's business and the portfolio companies in which the Moelis Funds have invested, there may arise situations where MCP is in the position of recommending portfolio company services to other portfolio companies. MCP may have a conflict of interest in making such recommendations, in that MCP has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Moelis Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Moelis Funds.

MCP may have an incentive to recommend the products or services of certain investors in the Moelis Funds, certain Third Parties, or their related businesses to the Moelis Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Moelis Funds or the portfolio companies.

Portfolio companies controlled by a Moelis Fund may provide services to certain Moelis Fund investors. MCP may have an incentive to cause the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Moelis Fund. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Moelis Fund.

MCP and/or its affiliates may engage in business opportunities arising from a Moelis Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company).

MCP has service providers, including for example, NexPhase, investment bankers, outside legal counsel and pension consultants, who may be investors in Moelis Funds and/or who provide services to businesses that are competitors of MCP. MCP may have a conflict of interest with the Moelis Funds in recommending the retention or continuation of a service provider to the Moelis Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Moelis Funds or will provide MCP information about markets and industries in which MCP operates or is interested or will provide other services that are beneficial to MCP. There is a possibility that MCP, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain members of a Moelis Fund's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Moelis Fund. The general partner of a Moelis Fund may from time to time utilize the services of investors and their affiliates on an arm's length basis, as it deems appropriate.

NexPhase Employees or Operating Partners may serve as directors of portfolio companies. The policies governing the receipt of consulting, management or other fees by NexPhase employees personally from portfolio companies are part of NexPhase's compliance program.

MCP may enter into certain side letter arrangements with certain investors in a Moelis Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

As described above in response to Item 10, the Moelis broker-dealer is a broker-dealer registered with the Securities and Exchange Commission. The Moelis broker-dealer may, as broker-dealer for certain investors in Moelis Funds or other persons, effect transactions in which securities held by a Moelis Fund are sold to such investors. This may be the case, for example, where a Moelis Fund or AIV sells a portion of its investment in a particular portfolio company to certain investors in a Moelis Fund, with the Moelis broker-dealer acting as broker to effect the transaction.

MCP and the Moelis Funds and AIVs will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Moelis Funds and AIVs may be investors in a Moelis Fund, and may also represent one or more portfolio companies or investors in a Moelis Fund. In the event of a significant dispute or divergence of interest between Moelis Funds, AIVs, MCP and/or its affiliates, the parties may engage separate counsel in the sole discretion of MCP and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, MCP, the Moelis Funds and AIVs may engage other common service providers. In such circumstances, there may be a conflict of interest

between MCP, the Moelis Funds and/or the AIVs in determining whether to engage such service providers, including the possibility that MCP may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Moelis Funds or the AIVs.

MCP may, in its discretion, have, and may, in its discretion, cause the Moelis Funds, AIVs and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of MCP. The Moelis Funds, AIVs and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between MCP and the Moelis Funds, AIVs (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that MCP may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

In certain circumstances, a Moelis Fund or AIV may invest in a pooled investment vehicle that is advised by, or that has another business or other relationship with, MCP or its related persons. In such a case, investors in such Moelis Fund or AIV will bear not only the direct management fees and other expenses associated with their investment in the Moelis Fund or AIV, but also the expenses and fees associated with the investment in the underlying pooled investment vehicle, some of which fees and expenses may be paid to MCP or its related persons. Additionally, the interests of the Moelis Fund or AIV, as an investor, may conflict with the interests of the underlying pooled investment vehicle or MCP or its related persons in their capacity as service providers to the underlying pooled investment vehicle, which would create a conflict of interest for MCP. To address these conflicts of interest, consent of the advisory committee of the relevant Moelis Fund or AIV is generally required.

The Governing Documents of certain Moelis Funds and AIVs permit the General Partner of each such Moelis Fund or AIV to cause such Moelis Fund or AIV to distribute such General Partner's share of securities resulting from an investment disposition by such Moelis Fund or AIV to such General Partner or its affiliates in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the General Partners and the limited partners of the applicable Moelis Fund or AIV, because the General Partner may have an incentive to cause the Moelis Fund or AIV to exit an investment at a time that may result in limited partners receiving a lesser return on such investment than would be the case if the General Partner was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as limited partners).

The Governing Documents of certain Moelis Funds and AIVs permit the General Partner of each such Moelis Fund or AIV, or its affiliates, to lend money to the applicable Moelis Fund. Such lending arrangements create conflicts of interest between the applicable General Partner or affiliate and the Moelis Fund acting as borrower.

The Governing Documents of certain Moelis Funds and AIVs permit the General Partner of each such Moelis Fund or AIV to withhold information from certain limited partners or investors in such Moelis Fund or AIV in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The General Partner may elect to withhold certain information to such limited partners for reasons relating to the General Partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

MCP has established certain investment vehicles through which certain associated persons of MCP or former MCP employees, affiliates, certain business associates, other "friends of the firm," or other persons invest alongside one or more Moelis Funds in one or more investment opportunities. Such vehicles generally are contractually required, as a condition of investment, to purchase and sell each investment opportunity at substantially the same time and substantially the same terms as the applicable Moelis Fund that is invested in that investment opportunity. Such co-investment vehicles do not pay carried interest.

In the case of all conflicts of interest, the determination by MCP as to which factors are relevant, and the resolution of such conflicts, will be made using its best judgment, but in its sole discretion. In resolving conflicts, MCP may consider various factors, including the interests of the applicable Moelis Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Moelis Fund will not make an investment unless MCP believes that such investment is an appropriate investment considered solely from the viewpoint of such Moelis Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering and/or Governing Documents for the Moelis Funds;
- (3) Generally, each Moelis Fund has established an advisory committee, consisting of representatives of investors not affiliated with MCP. The advisory committees meet as required to consult with MCP as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, MCP will be guided by its good faith discretion;
- (4) Where MCP deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price;
- (5) Prior to subscribing for interests in a Moelis Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Moelis Fund; and

- (6) MCP and certain of its affiliates have adopted written policies establishing information “walls” designed to limit communication between business units investing in equity securities and debt securities of companies. These policies restrict the transfer of confidential information between these business units, subject to certain exceptions provided in the policies. These policies also establish procedures for communications among employees of different business units to guard against unlawful and inappropriate disclosure of material, nonpublic information.

Item 12. Brokerage Practices

A. Selection of Broker-Dealers

MCP’s business is advising the Moelis Funds and the co-investment program on making opportunistic private equity, mezzanine and distressed investments in private securities. Accordingly, as a general matter MCP does not advise its clients on investments in public securities, and generally do not transact a marketable securities business through broker-dealers. However, in situations where MCP may need to select a broker-dealer, MCP will consider the broker’s execution capabilities, including block positioning, research, financial stability, and the ability to maintain confidentiality, delivery timelines and ability to obtain best execution for all client securities transactions. MCP may, from time to time, engage the Moelis broker-dealer or its affiliated broker-dealers to provide brokerage services to its clients. These types of arrangements are disclosed in your private offering materials.

1) Research and Other Soft Dollar Benefits

Given the nature of the investments made on behalf of clients, MCP does not typically make investments in listed companies. As a result, MCP does not have any soft dollar arrangements in place that would require it to give any specified amount of brokerage to any broker-dealer. MCP may receive unsolicited research from brokers, dealers and banks through which it execute portfolio trades or hold accounts. In circumstances in which MCP uses such research, the quality and ability to receive research may factor into the selection of brokers, dealers and banks executing portfolio trades. Even in these cases, the broker-dealers are still evaluated in accordance with the criteria listed under Item 12A above.

2) Brokerage for Client Referrals

MCP does not consider whether it, or a related person, receive client referrals from a broker-dealer or a third party when selecting or recommending broker-dealers. On occasion, MCP will engage the Moelis broker-dealer to solicit capital on behalf of the Moelis Funds or the co-investment program. MCP does not consider the Moelis broker-dealer’s success or failure in raising capital when selecting or otherwise recommending a broker-dealer.

NexPhase will assist MCP with broker dealer selection as part of its sub-advisory duties. NexPhase's policies on their use of soft dollar benefits and client referrals are part of their compliance program and may be found in their Form ADV.

B. Aggregation of Orders of Securities for Client Accounts

Given the nature of the investments MCP makes on behalf of its clients, MCP does not typically make investments in listed companies. MCP does not routinely aggregate the purchase or sale of securities for various client accounts. However, when the Moelis Funds or the co-investment program conducts trading through a broker-dealer, MCP will seek to aggregate orders whenever practicable and cost-efficient. MCP's aggregation practices seek to treat all clients participating in the transaction in an equitable manner.

Item 13. Review of Accounts

A. Periodic Review of Client Accounts

MCP's associated persons review the operations of the Moelis Funds and the co-investment program on a periodic basis. These professionals monitor operations, overall performance, financial performance and strategic direction of each portfolio company. Each portfolio company provides MCP with regular reports regarding its financial status and performance, except in the rare instances where MCP's control is limited, in which case MCP receives public information. Portfolio companies controlled by the Moelis Funds or the co-investment program generally provide monthly reports, whereas portfolio companies not controlled by the funds or the co-investment program generally provide reports on a quarterly basis.

NexPhase will assist MCP with reviewing client accounts as part of its sub-advisory duties. MCP's Investment Committee will review NexPhase's comprehensive reviews of each portfolio company.

B. Factors that Trigger a Review of Client Accounts

MCP's associated persons review the portfolio investments on a periodic basis. MCP may request that NexPhase assist with these reviews.

C. Reports to Clients

MCP delivers written financial reports, including information relevant to each of its clients' (and, where applicable, their investors') investments with MCP on a quarterly basis. Clients (and, where applicable, their investors) also receive written annual reports following the end of each fiscal year that include audited financial statements (including a balance sheet and a statement of income or loss) and a summary of the portfolio investments for the applicable investment program. All investors in the MCP client funds and the co-investment program are invited to MCP's annual investor meeting. NexPhase will assist with the delivery of client reports as part of its sub-advisory duties.

Item 14. Client Referrals and Other Compensation***A. Client Referrals***

Generally, MCP does not accept economic benefits from a person who is not a client for providing investment advice or other advisory services to its clients, however, on occasion, MCP receives management fees, monitoring fees or similar fees, or reimbursements of certain expenses, from portfolio companies in which a Moelis Fund or a co-investment program vehicle has invested. To address this potential conflict, such fees generally offset the management and/or sponsor fees paid by MCP's clients, and are disclosed in your private offering materials.

B. Compensation for Client Referrals

As the MCP Funds are no longer open for investment, and no additional funds are contemplated at this time, MCP will no longer engage any client solicitors or placement agents for the offer or sale of interests to potential investors.

Item 15. Custody

MCP relies on the "audit exemption" under the Advisers Act custody rule (i.e., Rule 206(4)-2(b)(4)). Investors in the Moelis Funds will not receive account statements from the Moelis Funds' custodians.

SS&C Technologies, Inc., the Moelis Funds' administrator, sends periodic statements to investors in the funds.

Item 16. Investment Discretion

MCP has complete discretionary authority to manage the portfolios of each of the Moelis Funds and to recommend investments through the co-investment program. This authority is not limited by the Moelis Funds' governing documents. NexPhase will assist MCP with the management of the Moelis Funds and investment recommendations as part of their sub-advisory duties.

Item 17. Voting Client Securities***A. Authority to Vote Client Securities***

Although MCP's investment programs do not typically involve publicly-traded securities, where such securities are involved, MCP believes its policies and procedures are reasonably designed to ensure that proxies are voted in the best interests of clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. MCP votes proxies in accordance with its proxy voting guidelines, unless a Moelis Fund's ownership of securities is subject to a voting agreement or shareholders' agreement, in which case any such voting or

shareholders' agreement will control in the event of a conflict between the terms of such agreement and its proxy voting guidelines.

MCP's proxy voting guidelines require its Investment Committee or its designee to review all proxies prior to submission. The Investment Committee or a designee coordinates the receipt of each proxy, the communication of the votes to third parties, and the maintenance of all supporting documentation. NexPhase may assist in the submission of proxies after approval of the Investment Committee.

MCP's general policy is to vote proxy proposals, amendments, consents or resolutions relating to portfolio companies of the Moelis Funds or the co-investment program (collectively, "proxies") in a manner that serves the best interest of such Moelis Fund or AIV, as determined by it in its discretion, taking into account relevant factors, including:

- The impact on the value of the returns of the relevant Moelis Fund or co-investment program vehicle;
- alignment of portfolio company management's interest with the relevant Moelis Fund or co-investment program vehicle interest, including establishing appropriate incentives for management;
- the ongoing relationship between the relevant Moelis Fund or co-investment program vehicle and the portfolio companies in which it invests, including the continued or increased availability of portfolio information

For routine matters, MCP generally votes proxies in accordance with the recommendation of the portfolio company's management, unless it believes such recommendation is not in the best interest of the client. For non-routine matters, such as changing the state of incorporation or extending shareholders' rights, MCP typically votes in support of management, but decide these matters on a case-by-case basis.

When any proxy raises material conflicts between MCP, its associated persons or NexPhase and one of its clients, such conflict will be fully disclosed to the Chief Compliance Officer. In addition, due to the future NexPhase funds, there may be a conflict between MCP and NexPhase in voting a proxy; such a conflict will be disclosed to the MCP Chief Compliance Officer. In the event of a conflict, MCP will vote the proxy in a manner it determines to be in the best interest of the client, provided that such vote is against MCP's own interest in the matter. If MCP believes it should vote in a way that may also benefit, or be perceived to benefit, its own interest, then MCP must take action in accordance with the client's governing agreement, which may include disclosure of the facts surrounding any such conflict to the LP Advisory Committee of the applicable Moelis Fund or AIV and obtaining its consent before voting such proxy.

MCP will maintain a file or database of (i) its proxy voting policies and procedures; (ii) proxy statements received regarding client securities; (iii) records of votes cast by MCP on behalf of clients; (iv) records of client requests for proxy voting information; and (v) any documents prepared by MCP or its subadviser that were material to the voting decision, for two years in MCP's offices and for three years in an easily accessible location.

Investors in MCP's client funds may request further information regarding its proxy voting policies and procedures, or how MCP voted on specific proxies, from the Investment Committee or designee at (212) 883-3800 or by email at compliance@moelis.com.

Item 18. Financial Information***A. Financial Conditions Likely to Impair Contractual Commitments***

MCP is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients.

B. Bankruptcy Petitions

MCP has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19. Requirements for State-Registered Advisers

This Item is not applicable. MCP is not registered with any state securities authority.