

Form ADV Part 2A: FIRM BROCHURE



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March 10, 2017

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

MPM is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

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

Item 2 – Material Changes

Since MPM last Brochure filed on March 30, 2016, the firm merged McCarthy Capital Corporation (“MCM”) into the McCarthy Partners Management, LLC as a result of internal reorganization and planning. Both MPM and MCM historically filed separate Form ADVs; however, going forward, all filings will be made solely by MPM as MCM has been dissolved in connection with the aforementioned transaction.

Pursuant to SEC rules, MPM provides a summary of material changes to its Brochure within 120 days of the close of MPM’s fiscal year. MPM may provide further disclosures about material changes as deemed necessary. Additionally, MPM will provide to clients and investors a new Brochure as necessary, without charge. MPM’s Brochure may be requested by contacting Teri Mercer, Chief Compliance Officer, at (402) 991-8430 or tmercerc@mccarthycapital.com.

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Item 4 – Advisory Business

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

McCarthy Partners Management, LLC (“MPM” or the “Firm”), a Delaware limited liability company, is a private equity firm based in Omaha, Nebraska (with a satellite office in Wellesley, Massachusetts). Founded in 1999 as McCarthy Capital Corporation with the initial mandate to invest in private and public companies in the lower middle market primarily based in the Central Plains and broader Midwest, MPM and its affiliates provide discretionary investment advisory services to their clients, which consist of numerous private investment funds. With this filing MPM is now the investment adviser to private funds previously advised by its related investment adviser, McCarthy Capital Corporation. Since formation, MPM has evolved its core strategy to make control and substantial minority investments in lower-middle market private companies in a mix of growth equity, recapitalizations and management buyouts. The Firm is typically the first institutional capital in its underlying portfolio companies, which presents its private fund clients with the ability to effect change and to implement value-add growth initiatives, creating opportunities to create scale. MPM’s private funds grow underlying businesses in partnership with management teams pursuing a variety of proprietary strategies for creating long-term growth and value.

MPM’s clients include the following private funds (collectively, “the Funds” and each, a “Fund”): Fulcrum Growth Partners I, LLC (“Fulcrum I”); Fulcrum Growth Partners II, LP (“Fulcrum II”); Fulcrum Growth Partners III, LLC (“Fulcrum III”); Fulcrum Growth Partners IV, LP (“Fulcrum IV”); McCarthy Capital Fund V, LP (“McCarthy V”); McCarthy Capital Fund VI, LP (“McCarthy VI”); McCarthy Capital Mortgage Investors, LLC (“McCarthy Mortgage”); and McCarthy Group, LLC (“McCarthy Group”).

The following general partners are affiliated with MPM and certain of its Funds and are deemed to be relying advisers with authority to make investment decision on behalf of each of the following Funds: Fulcrum GP, LLC (the General Partner of Fulcrum II); Fulcrum IV GP, LLC (the General Partner of Fulcrum IV); McCarthy V GP, LLC (the General Partner of McCarthy V); McCarthy VI GP, LLC (the General Partner of McCarthy VI); and McCarthy Mortgage GP, LLC (the General Partner of McCarthy Mortgage).

Principal Owners/Ownership Structure

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

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide

investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

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

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

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

Fund investors generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letters agreements. Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Governing Documents. MPM may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund's Governing Documents.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

MPM does not participate in wrap fee programs.

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

As of December 31, 2016, MPM manages approximately \$1.5 billion in client assets, all managed on a discretionary basis.

Item 5 – Fees and Compensation

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

MPM receives a management fee and the General Partners (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) are allocated carried interest as compensation for providing investment advisory services to the Funds. MPM also provides advisory services to a co-investment vehicle for which it is allocated carried interest; however, does not receive a management fee as a result of this relationship. Management fees are generally negotiated with investors in a Fund over the course of the Fund’s private offering of limited partnership or limited liability company interests. The following is a general description of fees, compensation and expenses of the Funds. Differences exist from Fund to Fund, and certain Funds may not charge certain fees, compensation or expenses that other Funds charge. In addition, the General Partner (and/or an affiliate) of each relevant Fund may, in its sole discretion from time to time, waive or reduce an investor’s management or performance fee. Investors in the Funds also bear certain expenses, as described in Item 5.C below. Each Fund’s Governing Documents describe fees, compensation and expenses in greater detail.

Management Fees

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

The General Partners (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) may, in their sole discretion, waive all or a portion of the Management Fee. Management Fees may differ from one Fund to another, as well as among investors in the same Fund. Such differences can arise from the size of an investor’s commitment to a Fund, different investor

classes, provisions of side letter agreements or other negotiated terms. Fees are generally waived for MPM employees, affiliates and their families investing in a Fund. Similarly, investors in a co-investment fund may pay a reduced Management Fee.

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

For more specific information regarding the Management Fees for each specific Fund, please refer to the relevant Fund's Governing Documents.

Carried Interest

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

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

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

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients

will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

Manager Expenses

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

Fund Expenses

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

Offering and Organizational Expenses

Each investor will bear its pro rata share of the Fund’s, the General Partner’s and the affiliate’s organizational expenses attributable to the organization of the Fund and the sale of interests (“Organizational Expenses”). The amount of Organizational Expenses varies by Fund and is further detailed in the Governing Documents of each Fund.

Portfolio Company Remuneration

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

Co-Investment Expenses

In certain cases, one or more co-investment vehicles or other similar vehicle established to facilitate investments alongside a Fund will be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will pay their own separate expenses or fees with respect to any due diligence, legal or accounting review, administration, management and dispositions of such co-investment securities, and shall reimburse the participating Fund if such Fund incurs additional incremental expenses, fees or other charges as a result of an investor's participation in such co-investment. Co-investors, however, generally do not pay for expenses related to investments that are not consummated, or "broken deal" expenses. To date, MPM has one co-investment vehicle in accordance with the Fund's Governing Documents.

Fee Offset

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

Other Expenses

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

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

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

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

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

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

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

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

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

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

Further, the fact that certain of the Funds charge higher Carried Interest amounts than others also may create an incentive to favor higher fee paying Funds over lower fee paying Funds. This conflict, however, only arises where two or more Funds with capital available for investment have the overlapping investment profiles and the potential investments are suitable for two or more of these Funds. Generally, the Funds that MPM manages that are actively seeking new investments either: (1) do not have the same investment objectives; or (2) are prohibited from investing in a portfolio company alongside another Fund, and therefore it is unlikely MPM would be called upon to allocate investment opportunities amongst multiple Funds with different terms. However, a conflict of interest may arise, for instance, when a successor fund is introduced during the investment period of a predecessor fund, or where an investment is to be made by a successor fund in a security that constitutes a follow-on investment for the predecessor fund. Generally, the Governing Documents of the successor fund or the predecessor fund prohibits MPM from sharing investment opportunities between the predecessor and successor funds. Lastly, a conflict may also arise where different Funds with different investment objectives have overlapping investment profiles. In such cases, the basis for sharing may be set forth again in a Fund's Governing Documents, or, if not, MPM would obtain the approval of each affected client.

Item 7 – Types of Clients

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

MPM provides investment advice to the Funds. The Funds limit its investors to persons who are both “accredited investors” as defined in the Securities Act of 1933 and “qualified clients” and “qualified purchasers” as defined in the Investment Company Act of 1940. The Funds are not registered or required to be registered under the Investment Company Act of 1940; its securities are not registered or required to be registered under the Securities Act of 1933 and are privately placed to qualified investors in the United States and elsewhere. The Funds have typically required capital commitments from each investor in the range of \$2.5 million, although lesser commitments have been accepted in the discretion of the applicable Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner).

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

MPM also serves as the investment manager for a co-investment vehicle that invests in a certain Fund portfolio company. Opportunities to invest in a portfolio company are made available to select persons or entities, including, without limitation, strategic investors, lenders, deal sources, other private equity or venture capital firms, Fund investors, other persons or entities affiliated, associated or otherwise known to MPM or its personnel and unrelated third parties. These may arise whenever MPM has the opportunity for an investment in an existing or prospective portfolio company and MPM determines that all or a portion of the applicable opportunity is not required to be offered to, or is not appropriate for, a Fund. Such determinations are based on the provisions of the applicable Governing Documents and such other factors as MPM may consider in its sole discretion, including those that may be specified from time to time in its policies on investment allocation and co-investments.

MPM will select the investors that are permitted to co-invest in a particular portfolio company in its sole discretion based on various factors, including those detailed in its Governing Documents and that may be outlined in its internal policies and procedures. While one or more investors in the Funds may be invited to co-invest in a Fund's portfolio companies, in MPM's sole discretion any or all of any co-investment opportunity may be offered to investors that are not investors in one or more of the Funds. MPM may, in its sole discretion, offer co-investment opportunities to some investors in its Funds while not offering them to other investors in its Funds, and may cause some Fund investors and/or other co-investors to bear a Management Fee and/or Carried Interest while not imposing a Management Fee and/or carried interest (or imposing a different Management Fee or carried interest) on other Fund investors and/or other co-investors. In MPM's sole discretion, some co-investment vehicles and/or co-investors may bear all or a portion of certain expenses (e.g., legal and other expenses associated with a portfolio company investment), while other co-investment vehicles and/or co-investors do not share in such expenses. In certain cases, co-investment opportunities may include opportunities to invest in Fund portfolio companies at a time when there is not a corresponding Fund investment or on different terms than any Fund investment. Some co-investors may also be provided the opportunity to sit, or have a representative sit, on the board of directors or board of advisers of a MPM portfolio company. Positions on boards of directors or advisers of such portfolio companies may provide such persons with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors. Any board fees received by such co-investors are paid by the relevant portfolio company and are not subject to the offset against Management Fees.

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

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

The Funds focus on achieving attractive risk-adjusted returns primarily by making privately negotiated equity and equity-related investments in private companies. The Funds make both control and non-control investments, and in both cases, requires there to be significant ownership from company management. The applicable Governing Documents of each Fund set forth more detailed descriptions of each Fund's investment strategies and methods of analysis. While MPM will make investment recommendations in accordance with the investment strategies described in the applicable Governing Documents, there can be no assurance that MPM will achieve the investment objectives of any of its Funds and a loss of investment may be possible.

Potential Fund investments are subjected to an analysis that begins with intensive "bottom up" due diligence, cash flow modeling and valuation, and terminates with an investment recommendation by the Firm's investment committee, comprised of MPM's Partners. Each investment opportunity is initially analyzed by a team of investment professionals and in all cases, at least one partner leads the analysis of a new investment. The teams undertake a thorough analysis of the target company, analyzing such things as, including but not limited to, past and expected future performance, multiples, expected exit timing, business description, and assessing key indicators of the company's market environment (i.e. market comparable, exit comparables, market growth rates and key trends). This analysis forms the basis of a memorandum which then must be reviewed and approved by the investment committee before the investment can be approved and undertaken.

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

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

Exceptional Management Teams Retaining Material Capital at Risk Alongside MPM's Investments. MPM's core philosophy is to align interests with exceptional management teams willing to place material capital at risk on a pari passu basis with its investment. There is a strong preference to partner with incumbent teams who are seeking guidance on growing the company and affecting ownership change through a partial buyout or recapitalization. Through this approach, MPM is able to ensure that the management

team is dedicated to continuing to grow and build the business, and do not simply view the Firm's investment in their company as a source of liquidity. This core principle enables MPM to partner with management teams that share its values, business practices and vision for increasing profitability, while maintaining a high alignment of interest between MPM, the particular Fund and the management team of each portfolio company.

Proven Business Models with Sound Fundamentals. MPM invests in companies with proven business models that are profitable, have an established customer base and an attractive market position. These enterprises often require the expertise, capital and guidance that MPM can provide in order to scale the business to a higher level of efficiency and profitability. MPM prefers to invest in companies which have an attractive market position and opportunity for significant scale.

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

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

Well-Defined Exit Strategies. MPM follows a disciplined approach to assure realization of its investments at an opportune time by assessing when the risk of a further hold exceeds the potential return. In most cases, this investment horizon will be five years or more. This long-term view and patient

approach is an attractive feature to management teams and business owners, and is a cornerstone of the MPM's partnership philosophy.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

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

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

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

Investors in the Funds May Not Receive Distributions. There can be no assurance that the operations of any of the Funds will be profitable, that any Fund will be able to avoid losses or that cash from any Fund's investments will be sufficient to enable it to make distributions to its investors. No Fund will have any source of funds from which to pay distributions to their investors other than income and gain received from investments and the return of capital. There is no assurance of any distribution to any

Fund's investors prior to or upon liquidation of the Fund. Further, the General Partner of a Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) may distribute the publicly traded securities of a portfolio company to the investors in that Fund; any such distribution could exert downward pressure on the market price of such issuer's securities.

Investment in Junior Securities; Minority Holdings. The securities in which a Fund may invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment by one of the Funds once made. The Funds will generally take stakes in privately held companies and may also invest directly in publicly traded companies. Therefore, a Fund may at times hold minority equity stakes in public companies, such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

Concentration of Investments. The Funds will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, any particular Fund's investment portfolio could become highly concentrated, and its aggregate return may be affected substantially by the performance of a few holdings. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

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

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

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

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

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

Illiquidity; Lack of Current Distributions. An investment in any of the Funds should be viewed as illiquid. It is uncertain as to when profits, 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, will generally occur only upon the partial or complete disposition of an 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 initial investment. Prior to such time, there may be no current return on the investments. Furthermore, the expenses of operating a Fund (including Management Fees) may exceed its income, thereby requiring that the difference be paid from such Fund's capital.

Leveraged Investments; Bridge Loans. Some of the Funds may make use of leverage by incurring debt to finance a portion of its investment in a given portfolio company, or a Fund may make equity investments in leveraged portfolio companies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The use of leverage will also result in interest expense and other costs to such Fund that may not be covered by distributions made to the Fund or appreciation of its investments. In addition, this portfolio company leverage could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. It is possible that a leveraged portfolio company in which a Fund invests

will not have sufficient cash flow to pay its current debt service obligations as they become due or will not be able to refinance its outstanding indebtedness on favorable terms, or at all, upon maturity. It is anticipated that certain portfolio companies of one or more Funds will have outstanding variable rate debt. An increase in interest rates could impact such portfolio companies' ability to meet current debt service obligations. If a portfolio company is unable to timely meet its payment obligations or fails to satisfy applicable financial covenants, the portfolio company's lenders typically will have the ability to exercise a variety of remedies under the relevant credit documents, including foreclosing on the assets of the portfolio company that are used to secure the underlying debt. Any rights of a Fund as an equity holder will be junior to the rights of the portfolio company's lenders, whether the underlying debt is secured or not. If a portfolio company is liquidated or sold, there may be no assets remaining for equity holders after the portfolio company's creditors are paid. In addition, one or more of the Funds may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in a Fund's control, such long-term securities may not issue and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by such Fund.

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

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

Reliance on the General Partners, Affiliates and Portfolio Company Management. Control over the operation of each Fund will be vested entirely with the General Partner and/or an affiliate of that Fund in the case where such Fund does not have a General Partner, and the Fund's future profitability will depend largely upon MPM's business and investment acumen. The loss of service of one or more of MPM's investment professionals could have an adverse impact on a Fund's ability to realize its investment objectives. No assurances can be given that each member of the General Partners of any Fund (or members of an affiliate of the Fund in the case where such Fund does not have a General Partner), or each member of the investment professional staff will continue to be affiliated with the Funds throughout their various terms. Except as specifically provided in a Fund's Governing Documents, the members of the General Partner of that Fund (or affiliates thereof) will not be required to devote

their time and attention exclusively to that Fund. Additional members may be admitted to the General Partner of any Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) following that Fund's initial closing and the investors in that Fund will have no power to prevent any specific person from being admitted to the General Partner of the Fund or an affiliate thereof. Within the General Partner of each Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner), the economic, voting and other rights of the individual members of the General Partner or affiliate, as the case may be, will be determined by agreement among such members and will be subject to change, without notice to the investors in that Fund. Notwithstanding any prior experience that members of the General Partner of any particular Fund or employees MPM or its affiliates may have in making investments of the type expected to be made by the Funds, any such prior experience necessarily was obtained under different market conditions and with different technologies at the forefront of development. There can be no assurance that members of the General Partner of any particular Fund or employees of MPM or its affiliates will be able to duplicate prior levels of success.

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

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

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

Capital Commitments May Not Be Fully Drawn Down. Investors in a Fund may be called upon to make capital contributions at any time during the Fund's investment period and, subject to limited

exceptions, after the investment period. While it is in the interest of a Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) to draw upon all available commitments to the Fund, to increase the General Partner's (or affiliate's) potential return from that Fund, there can be no assurance that commitments in any particular Fund will be fully drawn down.

Inability to Invest if Commitments are not Met. If one or more investors in a Fund fail to fund their commitments, the capital available to that Fund may be insufficient to meet its investment objectives.

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

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

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

Reserves. In managing the Funds, MPM establishes reserves for follow-on investments in portfolio companies, operating expenses (including reimbursements of expenses), Fund liabilities and other matters. Estimating the amount necessary for such reserves is difficult, particularly because follow-on investment opportunities are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could have a material adverse effect on the investment returns to the investors in that Fund. For example, if reserves are inadequate, a Fund may be unable to take

advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with a “pay-to-play” or similar investment round. If reserves are excessive, a Fund may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

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

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

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

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

Director Liability. The Funds will often obtain the right to appoint a representative to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes the Fund's representatives (typically MPM employees), and ultimately the Fund, to potential liability. Although portfolio companies often have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may be insufficient if obtained.

Potential Liabilities on Exit. In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. The Fund may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the General Partner of the Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) may establish reserves and escrows. In that regard, distributions to the investors in that Fund may be delayed or withheld until such reserve is no longer needed or the escrow period expires.

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

Provisions contained within each Fund's Governing Documents authorize such Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) or its members to engage in investment, management or other activities outside, or alongside, the Funds, or to cause one or more of the Funds to make investments in respect of which the employees or members of a Fund's General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) have conflicting interests, will override common law and statutory fiduciary duties that would apply in the absence of such provisions. Each Fund's Governing Documents contain certain provisions for investors in such Fund to address conflicts of interest faced by the General Partner of the Fund (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) and its members, but will not purport to address all types of conflicts that may arise. Moreover, as a practical matter, it may be difficult for investors in a Fund to subject the behavior of the General Partner (and/or an affiliate of the Fund in the case where such Fund does not have a General Partner) and its members to close scrutiny.

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

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

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

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

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

Relationships. MPM and its affiliates have existing and will develop additional relationships with a significant number of corporations, institutions and high net worth individuals. MPM may face conflicts of interest with respect to such relationships, on the one hand, and one or more of the Funds, the investors in those Funds, or the companies in which those Funds have invested, on the other hand. In addition, these relationships may present conflicts of interest in determining whether to offer certain investment opportunities to any particular Fund.

Cybersecurity Risk. The Funds, their portfolio companies, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that

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

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

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

Item 9 – Disciplinary Information

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

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

Item 10 – Other Financial Industry Activities and Affiliations

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

MPM is not actively engaged in a business other than giving investment advice to its clients, the Funds. Neither MPM nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

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

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

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

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

MPM does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, financial planning firm, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory services, the Funds or its investors.

As mentioned in Items 2 and 4 above, an affiliate of MPM, McCarthy Capital Corporation (MCC) was previously also registered as an investment adviser with the SEC. With this filing both entities have merged into MPM as part of internal succession planning at MCC.

Also as described above in Item 4, MPM is affiliated with the Funds’ General Partners and affiliated advisors and related entities, all of which are deemed registered with the SEC under the Advisers Act pursuant to MPM’s registration. These affiliated investment advisers operate as a single advisory

business together with MPM and serve as the General Partner, affiliate or managing members of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants or persons occupying similar positions.

MPM has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, tax preparation, insurance brokerage and other personal services. None of the above relationships, however, create a material conflict of interest with any of MPM's Funds or its investors.

From time to time, MPM may receive training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will MPM accept any benefits, gifts or other arrangements that are conditioned on directing individual Fund transactions to a specific investment, product or provider.

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

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

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

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

Pursuant to Rule 204A-1 of the Advisers Act, MPM has adopted a written code of ethics ("Code of Ethics" or the "Code") that sets forth standards of conduct expected of supervised persons and addresses conflicts that can arise from personal trading. The Code of Ethics requires all supervised persons to place Fund interests ahead of the Firm's interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws.

Employees are required to certify to their compliance with the Code on an annual basis. Employees of MPM who violate the Code may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Employees are also required to promptly report any violations of the Code of which they become aware.

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

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

Participation or Interest in Client Transactions

Certain MPM employees and family members of MPM employees have invested in the Funds through their General Partner, affiliates and/or as investors. MPM may reduce all or a portion of the Management Fee and Carried Interest related to investments held by such persons.

In addition, one of the Funds invests in certain of MPM's other Funds on a regular basis. In their capacities as investors or members of the General Partners of certain of these Funds, MPM and/or its affiliates share in the profits and losses generated by the investments of those Funds.

MPM will not affect any principal or agency cross securities transactions for Funds without the proper consent of the relevant General Partner or the limited partner advisory committee, as applicable. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. 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. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. This situation does not apply to MPM.

Conflicts of Interest

MPM's Code of Ethics requires Firm principals and employees to place the interests of clients first, and on an annual basis each principal and employee must certify that he or she has read and understands the Code and has complied with its provisions. If any matter arises that MPM determines in its good faith constitutes an actual conflict of interest, MPM may take such actions as may be necessary or appropriate, within the context of any applicable Fund's Governing Documents, to address the conflict. In situations where actual or potential conflicts of interest between MPM and/or its affiliates and the Funds are identified, procedures contained in the Governing Documents of the affected Funds generally provide for submission of the proposed transaction to an investor committee for review and resolution. The specific procedures for each Fund MPM advise are set forth in such Fund's Governing Documents.

The Governing Documents for each Fund include a description of what MPM believes to be the most significant conflicts of interest associated with an investment in such Fund, many of which are

described above in Item 8 as well. Investors should carefully consider the conflicts of interest herein as well as those outlined in each applicable Fund's Governing Documents prior to investing in a Fund.

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

Expense Allocations. Subject to any relevant restrictions or other limitations contained in the Governing Documents of each Fund, MPM will allocate fees and expenses in a manner that it believes in good faith is fair and equitable under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, MPM may be faced with a variety of potential conflicts of interest. As a general matter, expenses incurred on behalf of multiple Funds will be allocated among such Funds. The allocations of such expenses may not be proportional. The Funds may different expense reimbursement terms which may result in the Funds bearing different levels of expenses with respect to the same investment.

A conflict of interest could arise in MPM's determination whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of Fund operational expenses for which the Funds are responsible, or whether such expenses should be borne by MPM. The Funds will be reliant on the determinations of MPM in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by MPM to be the most appropriate corrective measure. MPM does not receive any favorable legal fee rates or discounts that are not also provided to the Funds.

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

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

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

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

Advisory Board. Certain of MPM's Funds has an advisory board, which is established under the respective Fund's offering and Governing Documents. Each Fund's advisory board is comprised of select investors of each Fund, as well as MPM principals and outside advisers. A conflict of interest may exist in that not all investors are asked to join a Fund's advisory board.

Tax Considerations. Each Fund's investors include persons or entities resident in various jurisdictions, including the United States and other countries, who may have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by each Fund, the structuring of the acquisition of portfolio companies and the timing of the disposition of investments. Such structuring of portfolio companies may result in different after-tax returns being realized by different investors. As a consequence, conflicts of interest may arise in connection with decisions made by

MPM that may be more beneficial for one investor than another investor, especially with respect to investors' individual tax situations. MPM considers the investment and tax objectives of each Fund and not the individual investment, tax or other objectives of any particular investor. MPM, the General Partners and their affiliates have attempted to structure each Fund in a manner that is tax-efficient for U.S. investors. However, there can be no assurance that such structure will be tax-efficient for any particular investor or that any particular tax result will be achieved. Furthermore, in general, tax laws, rules and procedures are extremely complex and are subject to change, which in some cases may have retroactive effect.

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

Personal Trading

The personal trading policy for all MPM personnel is set forth in MPM's Code of Ethics and is acknowledged as received and understood by each supervised person. MPM's personal trading policies are designed to ensure that no Fund is disadvantaged in any respect by the transactions executed by any supervised person and that supervised persons in no respect misappropriate any benefit properly belonging to a Fund. The Code of Ethics establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. Under the Code of Ethics, MPM employees are required to file certain periodic reports with the Chief Compliance Officer, as required by Rule 204A-1 under Advisers Act.

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

The principals and employees of MPM may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar.

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice

and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Please refer to Items 11.A, 11.B and 11.C.

Item 12 – Brokerage Practices

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

MPM focuses on securities transactions of private companies and generally purchases and sells such companies through privately negotiated transactions in which the services of an investment banker may be retained. MPM may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists.

In selecting a broker or dealer to execute client transactions, MPM may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) gross compensation paid to the broker. MPM has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or, for public securities, to select any broker on the basis of its purported or “posted” commission rate. Although MPM generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

- 1. *Research and Other Soft Dollar Benefits.* If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.**

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

- 2. *Brokerage for Client Referrals.* If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

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

- 3. *Directed Brokerage.***

MPM does not engage in directed brokerage.

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

MPM does not aggregate the purchase or sale of securities for client accounts.

Item 13 – Review of Accounts

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

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

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

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

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

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

warrant. Upon request, certain investors may receive additional information and reporting that other investors may not receive.

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

Item 14 – Client Referrals and Other Compensation

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

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

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

From time to time, MPM may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in a MPM Fund. In connection with the fundraise of Funds V and VI, MPM engaged Lazard Ltd. (“Lazard”) as its placement agent. All fees and expenses (including, without limitation, placement agent travel, meals and entertainment expenses) payable to Lazard were borne by MPM directly and not by any investor. Lazard is registered as a broker-dealer and the agreement between MPM and Lazard was structured in accordance with Rule 206(4)-3 of the Advisers Act.

Item 15 – Custody

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

The Investment Advisers Act of 1940 Rule 206(4) (the “Custody Rule”) requires that pooled investment vehicles which MPM advises either undergo an annual audit pursuant to generally accepted accounting principles (“GAAP”) or be subject to a surprise custody examination by examination by a PCAOB-registered auditing firm. MPM is deemed to have custody of the Funds’ assets because of its affiliation with each Fund’s General Partner and the General Partners’ ability to deduct fees from investor accounts. In order to comply with the Custody Rules, MPM has elected to undergo an annual GAAP financial statement audit for each of the Funds over which it is deemed to have custody, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of fiscal year end.

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

Item 16 – Investment Discretion

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

Investment advice is provided directly to the Funds, subject to the discretion and control of the relevant General Partner (and/or the Firm or an affiliate of the Fund in the case where such Fund does not have a General Partner), and not to investors in the Funds individually. MPM generally receives and exercises complete discretionary authority to manage investments on behalf of the Funds. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement with such Fund. Such Governing Documents generally contain a power of attorney that grants MPM or its General Partner (and/or the Firm or an affiliate of the Fund in the case where such Fund does not have a General Partner) certain powers related to the orderly administration of the affairs of the Funds. Once an investor executes these documents, MPM is not required to contact an investor prior to transacting any business. An investor may impose limitations on MPM’s authority through a side letter agreement and the Firm may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed by an investor must be presented to MPM in writing and agreed to by all parties. No investors to date have limited the Firm’s discretion to provide investment advice.

Item 17 – Voting Client Securities

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation.

Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

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

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

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

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

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian

or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

This Item is not applicable to MPM.

Item 18 – Financial Information

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

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

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

MPM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors.

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

MPM has not been the subject of a bankruptcy proceeding.