

Item 1 – Cover Page

FORM ADV PART 2A “BROCHURE”

June 2017



MPE Mgt. Co., LLC
600 Superior Avenue East, Suite 2500
Cleveland, OH 44114
(216) 416-7500 (Main)
(216) 416-7501 (Fax)
<http://www.mpepartners.com>

MPE Mgt. Co., LLC primarily conducts business as MPE Partners (“MPE” or “Morgenthaler Private Equity”). This brochure provides information about the qualifications and business practices of MPE and its affiliates (collectively referred to in this brochure as “MPE” or “Adviser”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting www.sec.gov/rules/final/2010/ia-3060.pdf. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at tboettner@mpepartners.com.

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

MPE is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Item 2: Material Changes

On June 28, 2017, MPE filed its initial application to register as an investment adviser with the SEC. Accordingly, pursuant to disclosure rules under the Advisers Act, this is the first Brochure compiled by MPE to provide investors with clearly written, meaningful, current disclosure of its business practices, conflicts of interest and background of the Adviser and its advisory personnel. We encourage all recipients of this Brochure to read it carefully in its entirety.

In the future, this Item will identify and discuss the material changes since the last annual update to assist investors and make them aware of certain information that has changed since the prior year's Brochure and that may be important to them.

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Item 4: Advisory Business

MPE Mgt. Co. LLC (“MPE” or the “Firm”) organized as a limited liability company under the laws of the State of Delaware in 2012 and is wholly owned by Peter G. Taft, Joe Machado, and Karen Tuleta (“MPE Managing Directors”).

MPE serves as an investment manager and provides discretionary advisory services to two private funds, MPE Partners, L.P. and MPE Partners (PF), L.P. (collectively, “MPE Fund I”), and MPE Partners II, L.P., MPE Partners II (PF), L.P., and MPE Partners II (TE), L.P. (collectively, “MPE Fund II”) (individually, a “Fund” or collectively the “Funds”). The Funds were organized to invest in lower middle market leveraged buyouts, recapitalizations, and build-up investments focusing on high-value manufacturing and industrial services. Fund I was established with a three year investment period and total capital commitments of \$110 million. As of December 31, 2016, Fund I was fully invested across five platform investments with remaining capital reserved for add-on acquisitions and operating expenses. Fund II was established in 2016 as a private equity fund with a traditional five year investment period and total capital commitments of \$254.6 million.

The investment activities of MPE are led by the MPE Managing Directors who together with other MPE Investment Professionals comprise the members of the Firm’s Investment Committee. MPE provides investment advice directly to the Funds and not individually to the limited partners of the Funds (the “Investors” or “Limited Partners”). MPE manages the assets of the Funds in accordance with the terms of each Fund’s limited partnership agreements and other governing documents applicable to each Fund (the “Governing Fund Documents”). All terms are generally established at the time of the formation of a Fund with the exception of certain terms that have been in the past and may in the future be modified by side letters with certain investors. Except in limited circumstances, Limited Partners are not permitted to withdraw from a Fund prior to the Fund’s dissolution.

Limited Partners’ interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements.

As of March 31, 2017, MPE managed approximately \$425.4 million of assets on behalf of the Funds on a discretionary basis. MPE does not manage assets on a non-discretionary basis.

Item 5: Fees and Compensation

General

MPE provides investment advisory services to each of the Funds pursuant to separate investment advisory and/or letter agreements (the “Agreements”). The Agreements for each Fund, along with specific organizational documents of the Fund, set forth in detail the fee structure relevant to each such Fund.

MPE typically receives a management fee based on a percentage of a Limited Partner’s Committed Capital and fee income related to services provided to the Funds’ portfolio companies. Additionally, the Funds’ General Partners earn carried interest allocations. Investors should carefully review Governing Fund Documents to fully understand the total amount of fees and expenses that they will bear directly or indirectly as a Limited Partner. A summary of these fees and expenses are described below.

Management Fee

As stated in the Funds' Governing Fund Documents, a Limited Partner initially pays a management fee based on a percentage of Committed Capital. Fund I Limited Partners initially pay an annual fee equal to 2.5% of their Commitment, while Fund II's Limited Partners initially pay an annual fee equal to 2.0% of their Commitment¹ ("Management Fee").

Upon the earlier to occur of (i) the end of the Investment Period of the Fund and (ii) the first capital contribution to a successor fund, the Management Fee is based on a percentage of such Limited Partner's invested capital until the last day of the Fund term.

The Management Fee is typically paid quarterly in advance, although MPE retains the right to delay the timing of its receipt of the Management Fee at its sole discretion.

In addition, with respect to Fund I, the General Partner is permitted to fund a portion of its capital contributions by offsetting a portion of the Management Fee ("Commitment Offset").

Other Fees

MPE has executed agreements with certain of the Funds' portfolio companies wherein the latter have agreed to compensate MPE for advice related to the development and implementation of strategies for improving the operating, marketing or financial performance of the company, including fees related to the consummation of add-on acquisitions, structuring, closing, exit and similar fees ("Fee Income").

The Governing Fund Documents define as Fee Income the fees that portfolio companies pay MPE under the above agreements, including transaction, monitoring, advisory, investment banking, directors, break-up or other similar fees (including cash and non-cash fees with any options, warrants, or similar rights), and any employment or other compensation received by the Fund's Manager, its General Partner or affiliates either from portfolio companies or in connection with portfolio investments or proposed but un consummated portfolio investments. Fee Income does not include compensation that the Funds pay to Senior Advisors (see "Senior Advisors and Executive Council Fees and Expenses"), or reimbursements for expenses that are incurred directly in connection with the acquisition, disposition or operation of a portfolio company.

The Governing Fund Documents further provide that fees or other compensation paid to MPE or its affiliates with respect to services provided to a portfolio company must be reasonably consistent with current and customary fees received by third parties in the industry, and approved by the portfolio company's board, general partner or managing member.

Any fees paid to MPE will be net of out-of-pocket expenses, and offset against Management Fees paid by Limited Partners (see "Management Fee Offsets").

Management Fee Offsets

Management Fees paid by Limited Partners are offset by the sum of Fee Income (net of related out-of-pocket expenses), any Commitment Offset, and Excess Organizational Expenses ("Management Fee

¹ Certain Limited Partners in MPE's Funds may have Management Fees paid on a different basis per Side Letters as compared to the Funds' Governing Fund Documents

Offsets”). Excess Organizational Expenses include costs and expenses incurred in the formation and organization of, and sale of interests in, the Funds, any parallel Funds or the General Partner (e.g., out-of-pocket legal, accounting, printing, consulting, travel, administrative and filing fees and expenses) that exceed \$600,000 in the aggregate for Fund I, \$750,000 in the aggregate for Fund II, and payments paid to placement agents.

The aggregate amount of the Management Fee Offset is 100% for Fund I and 80% for Fund II. Senior Advisors’ compensation or any amounts reimbursed to MPE in respect of this compensation will not be included in the calculation of Management Fee Offsets. To the extent that Management Fee Offsets reduce the Management Fee below zero, such credit is carried forward for future application.

Carried Interest

A portion of each Fund’s net investment profit is allocated to the capital account of its General Partner as “carried interest.” The manner of calculation of such carried interest is disclosed in the Governing Fund Documents. Generally, 20% of the investment profits of the Funds are allocated as carried interest to such Fund’s General Partner with a preferred return of 8% per annum, subject to “give-back” provisions. As is the case with Management Fees, MPE and its affiliates reserve the right to waive, reduce, or modify the calculation of carried interest for certain investors, including employees, certain strategic partners, advisors and consultants and others as may be determined in MPE’s sole discretion.

Senior Advisors and Executive Council Fees and Expenses

In addition to the full-time Investment Professionals of the Firm, MPE engages the services of certain operating advisers to work actively with MPE on sourcing and evaluating new transactions, as well as providing strategic insights related to portfolio company matters. While these advisers are referred to as “Senior Advisors,” they are not partners or employees of MPE or any of its affiliates, but rather consultants engaged by MPE to provide services to the portfolio companies or the Funds. MPE has also established an Executive Council whose members perform similar services. These individuals are not employees of MPE and are compensated on a company-specific basis.

Compensation to Senior Advisors or Executive Council members usually involves a per diem consulting fee during the evaluation of a specific investment and a meaningful direct equity interest in the portfolio company post-closing for serving as an outside director. For example, Senior Advisors or Executive Council members who join the Board of Directors of a portfolio company could be compensated through portfolio company stock options and an annual stipend paid by the portfolio company. These consulting arrangements are non-exclusive, meaning that Senior Advisors and Executive Council members may engage in non-MPE activities that do not conflict with MPE-related duties.

Notwithstanding the foregoing, fees and expenses incurred by Senior Advisors and the Executive Council will be paid by the Funds and their portfolio companies, except for certain MPE related projects performed by the Senior Advisors, which will be charged on an hourly basis and paid by MPE.

Additionally, certain Senior Advisors will receive a portion of the General Partner’s carried interest as subscribers to capital interests of the respective Fund’s General Partner.

Expenses Borne by MPE

MPE bears its normal operating overhead costs and expenses including, without limitation, salaries and benefits of its Investment Professionals and employees and costs associated with its operations (e.g., rent, utilities, certain insurance expenses, office supplies and equipment, and travel and entertainment expenses not incurred in connection with specific prospective portfolio investments, portfolio companies, or matters related to Limited Partners). MPE also bears the portion of Senior Advisors' compensation related to services provided by the Senior Advisor to MPE or the General Partner.

Other Expenses Charged to the Funds

The Funds' Limited Partners will bear certain other expenses in addition to Management Fees, Other Fees and Carried Interest as described above, and to the extent such other expenses are not reimbursed by a portfolio company. These are disclosed in the Governing Fund Documents and typically include, among other things, fees and expenses associated with the acquisition, holding and disposition of investments, broken deal expenses, financing, legal, auditing, consulting, and accounting fees and expenses, interest expense arising out of borrowings made by the Fund, certain insurance expenses, expenses of the Fund's Advisory Board, and meetings of the Limited Partners.

Furthermore, the types of fees and expenses that will be charged to the Funds in relation to the acquisition, holding and disposition of investments include, where contemplated by the applicable Governing Fund Documents, among other things: meals, entertainment, lodging and travel expenses. Expenses are generally allocated among the Funds and parallel funds, if any, pro rata according to capital commitments or, to the extent applicable, based on the relative usage and benefit each such Fund or other entity obtains from the expense.

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

Performance Fees

As described above, the Funds' General Partners receive performance-based compensation in the form of Carried Interest, which calculation is based on the profits generated on the sale or disposition of Fund assets. The fact that a significant portion of the General Partners' compensation is directly computed on the basis of profits generated by the sale or disposition of the Funds' assets may create an incentive for MPE to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

MPE may in the future form other investment vehicles with different fee structures that could create an incentive to allocate investment opportunities to certain vehicles based on the fees that MPE would receive. Notwithstanding this conflict, MPE will typically allocate investments such that all investment opportunities suitable for a fund that is in its Investment Period will be offered first to that fund. After the Investment Period, using its good faith judgment, the Fund's General Partner will allocate investment opportunities, such as add-on investments, between the Fund and any successor fund, but such allocation will not be made on the basis of fees paid by any such fund.

Related Party Transactions

Without the approval of its Advisory Board, Fund I is not permitted to (a) sell an investment to, or buy an investment from, the General Partner, MPE, or any of their respective affiliates, or any entity which

receives investment advice from the General Partner or its affiliates (each, a “Conflict Party”); (b) acquire an investment in which a Conflict Party already owns an interest (other than (i) a follow-on investment in a portfolio company of the Fund or (ii) an investment in which the Fund and a successor fund jointly invest); (c) engage in any other transaction with the Conflict Party that is not provided for within the Fund’s PPM; or (d) engage in any other transaction with a Conflict Party, the income from which is not included in the Management Fee Offset.

Fund II’s offering memorandum contains similar prohibitions. For example, unless the Fund’s Advisory Board consents, no Conflict Party is allowed to invest directly or indirectly in an entity in which the Fund either is actively considering making an investment or has an investment, provided that no Conflict Party would be precluded from (a) investing in, or funding follow-on investments in an entity in which such Conflict Party held a direct or indirect investment as of the Initial Closing; (b) receiving securities distributed to them from the Fund; (c) receiving securities upon disposition or exchange of any securities referred to in clauses (a) or (b) above; (d) investing in any securities, to the extent the proceeds thereof are treated as Fee Income; (e) investing through a blind pool investment vehicle or a discretionary brokerage account in which a person other than the Conflict Parties makes investment decisions; or (f) investing in a portfolio company through any successor fund formed by the General Partner, the Manager or any of their Affiliates.

Furthermore, except as expressly authorized in Fund II’s limited partnership agreement, (i) any transaction involving the Fund, on the one hand, and the General Partner, MPE, or any of their respective affiliates, on the other hand, must be on arm’s length terms and (ii) any fee or compensation payable to MPE or its affiliates is permitted only if it is consistent with customary fees for the services provided and is included as Fee Income offset against the Management Fee.

To the extent applicable, MPE will follow the consent and disclosure requirements of Section 206(3) of the Advisers Act.

Item 7: Types of Clients

MPE provides discretionary management and advisory services to the Funds directly, subject to the direction and control of the General Partner of each Fund, and not individually to the Limited Partners. Investors in the Funds may include, but are not limited to, high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

The minimum commitment for a Limited Partner is outlined in the Governing Fund Documents; however, a Fund’s General Partner maintains discretion to accept less than the minimum investment threshold. Investors will be required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act. Also, Investors will be required to make certain other representations including, but not limited to, that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and (iii) they have the ability to bear the economic risk of an investment in the Fund. Details concerning applicable Investor suitability criteria are set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each Investor.

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

Methods of Analysis

MPE invests in lower middle market leveraged buyouts, recapitalizations and build-ups in two sectors: high-value manufacturing and industrial services. Within these sectors, MPE concentrates on entrepreneur- and family-owned businesses, which MPE believes present rich and unique value creation potential through the implementation of human capital development, strategic growth, operational improvement and financial enhancement initiatives.

MPE believes that the “lower middle market” affords opportunities to capture superior investment returns relative to other market segments. These factors include:

- consistent, robust supply of investment opportunities, driven primarily by the demographics of lower middle market business owners;
- favorable transaction dynamics that often emphasize relationships, partnership qualities, and personal chemistry as much as price;
- opportunities to create significant equity value by strengthening organizational design, corporate strategy, operational efficiency, and financial structure; and
- potential to achieve premium exit valuations through the sale of enhanced enterprises to logical corporate buyers or traditional middle market financial buyers.

Thus, MPE has formally designed and implemented its investment strategy, organization, and processes to capitalize on these favorable lower middle market attributes.

MPE targets high-value manufacturing and industrial services for two reasons. First, companies in these sectors typically have favorable business attributes: solid growth prospects; strong, defensible market positions; robust revenue streams; and attractive margins and cash flow. Second, due to the MPE Managing Directors’ past experience and expertise, MPE believes that the Firm is well-positioned to identify, evaluate, acquire, and add value to these businesses by virtue of their capabilities, relationships, and years of experience investing and operating in these sectors. Upon identifying an investment opportunity consistent with MPE’s investment strategy, members of MPE’s Investment Committee vote to approve such new investment.

High-value manufacturing companies produce application-specific products or components that are critical to the design and operation of their customers’ products, equipment, or systems. Typical customers operate in environments where the cost of failure or downtime is high relative to the cost of the product or component. These products or components are typically highly engineered, produced via patented or proprietary processes, specified for a particular end-use, and sold at attractive gross margins. Representative end markets include aerospace and defense, power generation, specialty materials, test and measurement, and industrial components, equipment, and systems.

Industrial services companies provide business customers with compelling value propositions that are difficult for competitors to replicate. These companies typically utilize proprietary data or technology, possess unique service capabilities, and/or dominate a niche market. Business models often involve recurring revenues and strong cash flow characteristics. Finally, customer outsourcing is often a favorable demand driver for such companies. Representative end markets include industrial and maintenance services, infrastructure services, distribution and logistics, and aftermarket services.

Investment Strategy

MPE believes that transitioning lower middle market, entrepreneur- and family-owned companies into robust, professionally managed organizations can produce compelling investment returns. MPE therefore seeks typical enterprise values that range from \$25 million to \$150 million, with EBITDA that ranges from \$5 million to \$20 million. Through its company-building approach, MPE seeks to work closely with portfolio company management teams to build upon the longstanding values, product quality, and customer relationships instilled by company founders, while also addressing commonly observed weaknesses in the areas of human capital development, strategic growth, operational improvement, and financial enhancements.

Transitioning lower middle market companies can present complex challenges in light of each company's unique culture and limited internal resources. MPE's Investment Professionals work closely with Senior Advisors and members of its Executive Council to help supplement internal company resources and guide these transitions. Senior Advisors and members of the Executive Council are not MPE employees; however, they possess a broad range of relevant industry and functional expertise, as well as significant prior experience working with the MPE Partners.

Certain operational details of the Funds' investment strategy are discussed below. For a comprehensive discussion, see the Governing Fund Document for each Fund.

Reinvestment

After expiration of the Investment Period, the General Partner may only draw down unfunded Capital Commitments to fund investments for which the Fund had an existing commitment to make on or before the expiration of the Investment Period, to provide for liabilities, obligations, and expenses of the Fund or to make additional investments in existing portfolio companies ("Follow-On Investments"). Typically, Follow-On Investments represent 10% to 30% of total expected invested equity per portfolio company.

At the sole discretion of the General Partners, the Funds may reinvest (a) the recovered cost basis portion of any proceeds received by the Funds from any portfolio investment disposed of within 6 months of its acquisition (either by retaining the proceeds or by distributing and recalling them) and (b) without duplication, an amount of distributable cash equal to Fund expenses and organizational expenses. Generally, the Fund may not hold proceeds pending reinvestment for more than 90 days.

In addition, if a Fund refinances, redeems, or repays, in whole or in part, an investment by the Fund that was used to bridge or fully finance an acquisition, the resulting amount will be returned to the Limited Partners pro rata according to their funded Capital Commitments in respect of such investment. The unfunded Capital Commitment of each Limited Partner will be increased by his pro rata portion of such amount, with the increased unfunded Capital Commitment subject to recall.

Parallel Investment Entities

In order to facilitate investment by foreign and certain other investors, the Funds' General Partner has created and may in the future create parallel investment entities that will invest proportionately in all portfolio companies on substantially the same terms and conditions and at the same time as the Fund, except for differences necessitated by legal, tax, regulatory or other similar considerations.

Alternative Investment Structures

If the General Partner determines, in its sole discretion, that for legal, tax, regulatory or other similar reasons it is desirable that a portfolio investment be made through an alternative investment structure, the General Partner shall be permitted to structure the making of all or any portion of such investment outside of the Fund by requiring any partner or partners to make such investment directly or indirectly through a partnership or other vehicle (other than the Fund) of which the General Partner or one of its affiliates is the general partner, manager, or serves in analogous capacity.

Prohibited Investment

In the event a Fund proposes to make an investment that the General Partner determines could result in a violation by any Limited Partner of any law, investment policy or similar constraint, or create a conflict of interest, or if the General Partner determines that a Limited Partner's participation in an investment could have a material adverse effect on the Fund, the General Partner shall reduce or eliminate the interest of such Limited Partner in such investment and may increase the interest of such Partner in other investments accordingly.

Co-Investment

The General Partner of a Fund may deem it appropriate and in the best interests of the Fund to provide Limited Partners with co-investment opportunities. Such co-investment opportunities may take the form of senior debt, subordinated debt, equity or equity related investments. Additionally, the Fund's General Partner may allocate the available co-investment opportunities among the Fund, the Limited Partners and any third party as the General Partner in its sole discretion, determines. However, co-investment opportunities offered to Affiliates of the General Partner (not including co-investment entities controlled by Affiliates of the General Partner and in which Affiliates of the General Partner have no economic interest) may only be made with the consent of the Funds' Advisory Board, as defined and further described in the Governing Fund Documents.

Required Disposition

The General Partner may take any action that it determines in good faith to be necessary or desirable to prevent the assets of the Funds from being treated as "plan assets" for purposes of ERISA.

Deal Flow

During a Fund's Investment Period, all investment opportunities suitable for the Investing Fund will be presented first to the Investing Fund. After the Investment Period, using its good faith judgment, the Fund's General Partner will allocate investment opportunities, such as add-on investments, between the Fund and any successor fund.

Advisory Board

Each Fund's Governing Fund Documents provide for the establishment of an Advisory Board consisting of at least three Limited Partners whose responsibilities include reviewing and approving on behalf of the Limited Partners certain of the General Partner's decisions, including portfolio valuations and potential conflicts of interest which the General Partner may refer to the Advisory Board.

Risks of Loss

All investing involves a risk of loss and the investment strategy offered by MPE could lose money over short or even long periods. An investment in the Funds could be deemed to be a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors of substantial means who fully understand and are capable of bearing the risk of loss of an entire investment in the Fund,

and who has no immediate need for liquidity. There is no guarantee that the Funds will achieve their investment objectives or that Limited Partners will receive a return of their capital.

Identifying and participating in portfolio company investments and assisting in building successful enterprises is challenging. Many investment decisions made by MPE will be dependent upon the ability of its Investment Professionals to obtain relevant information predominantly from non-public sources, and reliance upon information provided by third parties that is impossible or impracticable to verify. The marketability and value of each investment will depend upon many factors beyond MPE's control.

Key risk areas inherent to investing in portfolio companies include operational, investment and market risks. MPE seeks to mitigate these risks through a variety of mechanisms, including operational due diligence, risk modeling, physical and financial hedging where possible and appropriate investment structuring.

The descriptions below are a brief overview of various risks related to MPE's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Funds. Limited Partners are advised to carefully review the Governing Fund Documents for each respective Fund.

General Business and Management Risk

Investments in portfolio companies subject the Funds to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases MPE will monitor portfolio company management, management of each portfolio company will have day-to-day responsibility of such portfolio company.

Lack of Operating History

MPE, the Funds and their respective General Partners are newly-formed entities with little operating history. Furthermore, Limited Partners have no right or power to take part in the management or control of the Funds and do not receive detailed financial information issued by portfolio companies. Investors must rely upon the ability of MPE and the General Partners to identify, structure and execute investments consistent with the Funds' investment objectives and policies. Accordingly, the success of the Funds is highly dependent on the expertise and performance of MPE and the General Partners. Investors should note that past performance of MPE is not a guarantee of future results.

Lack of Industry Diversification

The Funds' investments are concentrated in businesses operating in high value manufacturing and proprietary business services industry sectors. External events affecting these specific sectors will have a greater impact on the Funds' portfolio than on a portfolio that was not similarly focused. The Funds, therefore, are subject to greater risks of loss than more broadly diversified funds.

Concentration of Portfolio Investments

The Funds generally target five to six initial portfolio investments and five to six Follow-On Investments. As such, overall Fund returns will be highly dependent upon a very small number of portfolio investments. Traditional private equity funds may invest in eight to twelve independent portfolio companies per fund. As such, while other private equity funds may achieve satisfactory overall fund

returns despite one or two unsuccessful portfolio investments, the Funds may not achieve their overall targeted returns if one or two of the individual portfolio investments are unsuccessful.

Highly Competitive Market for Investments

The business of identifying and structuring transactions of the nature contemplated by the Funds is highly competitive. The Funds compete for investments with other private equity investment vehicles as well as strategic buyers, and the size and number of private equity investment vehicles has grown dramatically in recent years. It is possible that these trends will continue in the future; therefore, there is no assurance that MPE will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve targeted rates of return, or fully invest the Funds' committed capital. The Funds' Limited Partners must rely solely upon the ability of MPE and their General Partners to identify, structure and execute investments consistent with each Fund's investment objective and policies.

Non-Controlling Investments

Although the Funds generally seek to obtain controlling positions in the portfolio companies in which they invest, they may not be successful in doing so. Such failure would impair a Fund's ability to cause the board of directors of such portfolio company to hire or fire management, implement a certain business strategy or cause a sale of the company. Non-controlling positions may thereby increase the risk that a Fund would not be able to fully realize the value of its investment in such portfolio company.

Adverse Consequences of Ownership of Controlling Interest in Portfolio Companies

It is expected that the Funds will often own a controlling percentage of the common equity of portfolio companies, which, depending upon the amount of this equity, contractual arrangements between the company and the Fund, and other relevant factual circumstances, could result in an extension to one year of the 90-day bankruptcy preference period with respect to payments made to the Fund. In addition, because of its equity ownership, representation on the board of directors and/or contractual rights, the Funds may be thought to control, participate in the management of, or influence the conduct of portfolio companies. This could expose the assets of the Fund to claims by a portfolio company, its other security holders, its creditors, or governmental agencies.

Liquidity

The Funds will invest in portfolio companies which cannot be easily divested. The range of disposal strategies available to the Funds are limited because an investment in a portfolio company may take from three to seven years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures also may not provide liquidity for a Fund's investment prior to that time. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer, a Fund may not be able to dispose of a portfolio company investment. Finally, dispositions of portfolio companies may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with their subsequent sale or adversely affect the terms obtainable upon a disposition.

Additionally, there is no public market for these interests, and pursuant to the Governing Fund Documents, a Limited Partner's interest is not generally transferable and a voluntary withdrawal of this interest is generally not allowed. Accordingly, an investment in the Funds should be considered illiquid.

Item 9: Disciplinary Information

The Adviser and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of the Firm or its personnel. In connection with

litigation filed against portfolio companies, certain Principals of the Adviser have been named as co-defendants in their capacity as directors of such portfolio companies. MPE believes that to the extent such suits occur, they will not generally be material to the Firm or the Investors.

Item 10: Other Financial Industry Activities and Affiliations

Administrative and Service Arrangements

Morgenthaler Management Corporation (“MMC”) is an SEC registered investment adviser, of which the MPE Managing Directors individually own less than 10% of its shares, and for whom one MPE Managing Director serves as a Director. MMC provides MPE with certain administrative and operational support at cost, including the administration of MPE’s payroll and benefits and furnishing MPE with information technology, accounting, back office support, and physical facilities. Additionally, MMC administers MPE’s Compliance Program and its Chief Compliance Officer also fulfills this role at MPE.

MMC performs certain administrative services for the Funds, including, but not limited to, fund accounting, processing capital calls and distributions, investor relations services, and general communications services. MMC’s employees who fulfill the foregoing functions are generally subject to MPE’s Compliance Program, including MPE’s Code of Ethics.

MMC also provides similar services to Canvas Management Company LLC (“Canvas”), a venture capital firm that is an SEC Exempt Reporting Adviser. Thus, MMC’s Chief Compliance Officer administers and is subject to, the compliance programs and Code of Ethics of MMC, MPE and Canvas.

Pooled Investment Vehicles

MPE organizes and sponsors the Funds which are private investment companies whose interests are not registered under the Securities Act. The Funds are controlled by General Partner entities that are affiliated with MPE.

MPE is responsible for all decisions regarding the Funds’ portfolio transactions and have full discretion over the management of the Funds’ investment activities.² While the General Partners are not separately registered as investment advisers with the SEC, their investment advisory activities are subject to the Advisers Act and the rules thereunder.

Co-Investment Opportunities

Governing Fund Documents provide that the Funds’ General Partners may, in their sole discretion, offer any person (including any Limited Partner, in its individual capacity) the opportunity to co-invest with the Fund, directly or indirectly, in the securities of portfolio companies. However, co-investment opportunities offered to Affiliates of the General Partner (not including co-investment entities controlled by Affiliates of the General Partner and in which Affiliates of the General Partner have no economic interest) may only be made with the consent of the Funds’ Advisory Board, as defined and further described in the Governing Fund Documents.

² MPE has been appointed to act as the investment adviser to and the manager of the Funds pursuant to the Governing Fund Documents and Investment Management Agreements between the General Partner and MPE.

The respective Fund's General Partner will determine the person(s) to whom it offers any co-investment opportunity, and the relative amounts offered to each such person, taking into account such factors as the General Partner determines appropriate based on the relevant facts and circumstances, which may include one or more of the following:

- the ability of such person to commit to invest in a short period of time, in light of the timing constraints applicable to such investment;
- the ability of such person to commit to a significant portion of such opportunity;
- whether such person provides strategic value in respect of such investment, such as by having relevant experience in the sector or existing relationships with management or other relevant parties;
- the knowledge and sophistication, as determined by MPE in good faith, of such person with respect to the issuer, segment, industry, geographic region or other characteristics that are relevant, as determined by MPE in good faith, to the investment;
- the size of such person's commitment to the Fund, to the extent applicable;
- whether and to what extent such person has indicated a desire to make co-investments or has accepted prior co-investment opportunities offered to it;
- the size of the investment allocation available and the practicality of splitting the allocation into smaller tranches;
- any requirements of any third-party lenders as to the identity of such person(s) participating as co-investors, or as to the creditworthiness of any such persons, or as to the number of such persons, or as to other matters with respect to such persons in the transaction;
- any tax, regulatory and/or securities law considerations (e.g., qualified purchaser or qualified institutional buyer status);
- other factors that the General Partner considers important in connection with the specific transaction or investment, including, without limitation, expected investment holding period, services provided by the investor to the issuer of the investment; and/or
- such other factors as the General Partner deems relevant, which may include subjective determinations such as working relationships and strategic benefits to MPE, its affiliates, or the Funds.

Side Letters

The General Partners have in the past and may in the future enter into agreements on behalf of the Fund with Limited Partners containing exceptions or departures from the Governing Fund Documents (including, without limitation, with respect to management fees, carried interest, access to information, and minimum investment amounts) (each, a "Side Letter"). To the extent Side Letters are entered into with other Limited Partners who have capital commitments that are less than or equal to a Limited Partner's capital commitment, such Limited Partner will be offered an opportunity to elect the rights and benefits of such Side Letters (excluding any provision allowing a Limited Partner to select an Advisory Board member).

Senior Advisors

MPE maintains relationships with Senior Advisors who are not employees of MPE but work through consulting arrangements. Certain Senior Advisors subscribe to capital interests of a Fund's General Partner and receive a portion of the carried interest in such General Partner. In addition, to the extent they are involved with portfolio companies, the Senior Advisors will be eligible to participate in portfolio company

compensation arrangements which typically include consulting fees and a meaningful direct equity interest in the portfolio company. The Senior Advisors' consulting arrangements are non-exclusive, meaning that Senior Advisors may engage in non-MPE activities that do not conflict with MPE-related duties. Senior Advisors are subject to MPE's Code of Ethics as described below in further detail under Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Executive Council

MPE has established an Executive Council, an external network of seasoned operating executives who assist MPE with investment sourcing, evaluation and post-acquisition value enhancement of portfolio companies. Executive Council members are compensated on a company-specific basis, usually involving a per diem consulting fee during the evaluation of a specific investment and a meaningful direct equity interest in the portfolio company post-closing for serving as an outside director. Specifically, in situations in which an Executive Council member joins the Board of Directors of an MPE portfolio company, he/she would typically be compensated through portfolio company stock options and an annual stipend paid by the portfolio company. Executive Council membership is non-exclusive, meaning that Executive Council members may engage in non-MPE activities that do not conflict with MPE-related duties.

Portfolio Company Representation

MPE Managing Directors, MPE Investment Professionals or Senior Advisors may serve as directors and officers of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of the Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duty to the Fund and such individual's duties as a director or officer of such portfolio company. In all cases, MPE will resolve such conflicts consistent with its fiduciary obligations to the Funds.

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

Code of Ethics and Personal Trading

Pursuant to Rule 204A-1 of the Advisers Act, MPE has adopted a written Code of Ethics (the "Code") predicated on the principle that the Adviser owes a fiduciary duty to the Funds. The Code is designed to address and avoid potential conflicts of interest and is applicable to all MPE officers, directors, members, partners, Supervised Persons, Senior Advisors and MMC employees who provide MPE with administrative and operational support ("Covered Persons").

MPE's Code requires Covered Persons to act in the best interests of its clients, the Funds, and comply with federal securities laws. Covered Persons are prohibited from trading on material non-public information and must pre-clear the purchase of an IPO or limited offering (i.e., private placement). Additionally, Covered Persons are required to report their personal securities transactions as well of those belonging to

their spouse, minor children, and immediate family members sharing the same household (“Related Parties”). MPE monitors the trading activity of Covered Persons and their Related Parties.³

MPE’s Covered Persons are required to promptly report any violations or suspected violations of the Code or any material compliance issue. On an annual basis, MPE distributes its Code to Covered Persons who are required to acknowledge in writing their receipt of the Code and agree to abide by its provisions. A copy of this Code is available to any client, investor or prospective client or investor upon request.

Participation or Interest in Client Transactions

Certain of MPE’s Covered Persons own the Fund’s General Partners and also invest in the Funds. MPE believes that by investing in the Funds, Covered Persons’ interests are aligned with that of Fund Investors. Additionally, Covered Persons have in the past and may in the future participate in transactions with the Funds in co-investment opportunities, which could create an incentive for the General Partners to direct profitable co-investment opportunities to themselves or their Affiliates. However, co-investment opportunities offered to Affiliates of the General Partner (not including co-investment entities controlled by Affiliates of the General Partner and in which Affiliates of the General Partner have no economic interest) may only be made with the consent of the Funds’ Advisory Board, as defined and further described in the Governing Fund Documents.

Item 12: Brokerage Practices

MPE invests primarily in private companies, although MPE may on occasion in the future acquire, sell or distribute public securities on behalf of the Funds. When investing in privately-negotiated transactions, MPE satisfies its best execution responsibilities through careful negotiation of the terms of the investment, including any compensation paid to counterparties who assist in the transaction. Such counterparties, to the extent they are used in privately-negotiated transactions by MPE, are typically selected based on their expertise in an industry or with a specific investment as well as the cost of their services.

To the limited extent that MPE transacts in public securities or other non-private equity investments (e.g., currency hedging), MPE will seek to obtain best execution. Under these circumstances, MPE will attempt to select brokers based upon the broker’s ability to provide best execution for the Funds.

MPE does not maintain soft dollar arrangements.

Item 13: Review of Accounts

All investments are carefully reviewed and approved by MPE’s Investment Committee. The portfolio companies are reviewed on a continuous basis and MPE’s Investment Professionals meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to the portfolio companies and potential investment opportunities.

MPE provides each Limited Partner with the following written reports in accordance with the terms of the applicable Governing Fund Documents: (i) audited annual financial statements; (ii) unaudited quarterly

³ Senior Advisors will be deemed to have complied with and abided by the MPE Code through completion of an initial and quarterly attestation form and will not be required to comply with other forms of reporting described throughout the MPE Code.

financial statements; and (iii) annual tax information necessary to complete any applicable tax returns. MPE also holds annual meetings with the Limited Partners.

Item 14: Client Referrals and Other Compensation

MPE may in the future engage third party placement agents to introduce prospective investors to the Funds. The fees and expenses of any third-party placement agents will be paid by the Funds, but will be offset against Management Fees paid by Limited Partners.

Additionally, portfolio companies pay MPE monitoring fees, structuring, closing, exit and similar fees. Pursuant to each Fund's Governing Fund Documents, all or a percentage of the foregoing remuneration is offset against Management Fees paid by Limited Partners as described under Item 5: Fees and Compensation.

Item 15: Custody

MPE has access to client accounts (i.e., the Funds) since its affiliates serve as the Funds' General Partners. Limited Partners will not receive statements from any custodians. Instead, the Funds' financial statements will be audited annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. These audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed to Limited Partners within 120 days of each Fund's fiscal year end.

Item 16: Investment Discretion

In accordance with the terms and conditions of the Governing Fund Documents, and subject to the direction and control of the General Partner of each Fund, MPE maintains discretionary authority to determine, without obtaining specific consent from the Funds or its Limited Partners, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds.

Item 17: Voting Client Securities

MPE's Funds are primarily invested in privately-held portfolio company investments which typically do not issue proxies. However, in accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, MPE has adopted and implemented written policies and procedures to address this process.

In summary, MPE's policies state that, on the rare occasion that MPE receives proxies related to its Funds' investments, it will vote each proxy in accordance with its fiduciary duty to its clients. MPE will generally seek to vote proxies in a way that maximizes the value of clients' assets.

MPE will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of its Funds on the other. However, as is typical with private equity investing, MPE seeks and accepts the election of an MPE representative to serve on the board of directors on behalf of its Funds and will typically, but not always, vote in favor of board recommendations. In situations where MPE is required to vote the proxy for a portfolio company in which an MPE Investment Professional serves on the board of directors, MPE has determined that this does not inherently present a conflict of interest, as the

sole purpose of the MPE Investment Professional's role as a board member is to maximize the return on the Fund's investment in such portfolio company. Accordingly, while MPE is generally, but not automatically, fully supportive of recommendations made by a portfolio company's board of directors with respect to related proxy votes, it will review all proxies in accordance with its proxy voting guidelines and may or may not vote in favor of the board's recommendation.

All conflicts of interest will be resolved in the interests of MPE's Funds. In situations where MPE perceives a material conflict of interest, MPE will convene a Proxy Voting Committee to review the proxy and determine the best way to vote for such proxy.

MPE will not neglect its proxy voting responsibilities, but may abstain from voting if it deems that abstaining is in its clients' best interests. For example, MPE may be unable to vote securities that have been lent by the custodian.

A copy of MPE's written proxy voting policies and procedures, as well as a record of how the Firm has voted in the past, will be maintained and available for review upon written request.

Investors may obtain a copy of MPE's proxy voting policies and procedures and information about how MPE voted a client's proxies by contacting:

Travis Boettner, Chief Compliance Officer
Fifth Third Center
600 Superior Avenue East, Suite 2500
Cleveland, OH 44114
216-416-7500
tboettner@mpepartners.com

Item 18: Financial Information

A balance sheet is not required to be provided as MPE (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.