

Form ADV Part 2A: FIRM BROCHURE

MERIT CAPITAL PARTNERS IV, L.L.C.

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March 27, 2020

This brochure provides information about the qualifications and business practices of Merit Capital Partners IV LLC (“Merit Capital”). If you have any questions about the contents of this Brochure, please contact us at 312-592-6111 or vlam@meritcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Merit Capital 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 communication of an adviser provide you with information about which you determine to hire or retain an adviser.

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

Item 2 – Material Change

The principals of Merit Capital were previously affiliated with William Blair & Company (“Blair”) prior to forming Merit Capital in 2003. Although Merit Capital is no longer affiliated with Blair, Blair was still a principal of Blair CP III and Blair CP II. In connection with this role, Blair (together with its affiliate Wilblairco Associates) maintains the right to appoint at least two of the five members of the board of managers of Blair CP III and Blair CP II. However, effective December 29, 2017, William Blair Mezzanine Capital Fund III, L.P. was dissolved and therefore no longer will be included as a private fund and as an affiliated entity and effective September 30, 2015, William Blair Mezzanine Capital Fund II, L.P. was dissolved and therefore no longer will be included as a private fund and as an affiliated entity.

Other than those summarized herein, there are no other material or relevant changes from Merit Capital’s last brochure dated March 27, 2014.

Pursuant to SEC rules, Merit Capital provides a summary of material changes to its brochure within 120 days of the close of Merit Capital’s fiscal year. Merit Capital may provide further disclosures about material changes as deemed necessary. Additionally, Merit Capital will provide to clients a new Brochure as necessary, without charge. Merit Capital’s Brochure may be requested by contacting Van Lam, Chief Compliance Officer at (312) 592-6111 or vlam@meritcapital.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).

Merit Capital Partners IV, L.L.C. (“Merit Capital” or the “Firm”) is a Delaware limited liability company that, together with its affiliates, provides advisory services to private investment funds. Merit Capital’s operations are controlled by its managing members: Thomas F. Campion, David M. Jones, Timothy J. MacKenzie, Terrance M. Shipp, and Marc J. Walfish.

Founded in December 2003, Merit Capital’s investments are generally in mezzanine and equity capital in middle market companies, principally doing business in manufacturing, distribution and service industries. The principal investment strategy of Merit Capital is to achieve long-term capital appreciation, primarily by making direct privately negotiated mezzanine investments through fixed-rate subordinated debt.

As of December 31, 2019, Merit Capital’s affiliated entities are Merit Capital Partners IV, L.P. (“Merit IV”) Merit Capital Partners V, L.P. (“Merit V”) and Merit Capital Partners VI, L.P. (“Merit VI”, and together with Merit IV and Merit V, the “General Partners”). The General Partners each serve as general partner to one or more partnerships and have the authority to make investment decisions for the partnership, which they advise.

The Adviser’s clients are the partnerships, together with any future private investment fund to which Merit Capital or its affiliates provide advisory services. The funds include: Merit Mezzanine Fund IV, L.P. (“Main Fund IV”), Merit Mezzanine Parallel Fund IV, L.P. (“Parallel Fund IV”), and together with Main Fund IV, “Fund IV”); Merit Mezzanine Fund V, L.P. (“Main Fund V”) , Merit Mezzanine Parallel Fund V, L.P. (“Parallel Fund V”), and together with Main Fund V Main, “Fund V”) and Merit Mezzanine Fund VI, L.P. (“Fund VI”).

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.

Merit Capital provides advisory services as a private equity fund manager to its funds. Merit Capital's investment advisory services consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling those investments.

Investments are made predominately in non-public companies, and the funds are expected to invest primarily in fixed-rate subordinated debt instruments of private operating companies and related equity interest of such companies. Investments in public companies are permitted, subject to certain limitations in the limited partnership agreement of each partnership (the "Partnership Agreement"). The partnerships may also invest directly in preferred stock and common stock.

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.

Merit Capital does not tailor its advisory services to the individual needs of investors in its funds. Merit Capital's investment advice and authority for each fund are tailored to the investment objectives of that fund. These objectives are described in the private placement memorandum, limited partnership agreement, investment advisory agreement and other governing documents of the relevant fund (collectively, "Governing Documents").

Fund investors cannot impose restrictions on investing in certain securities or types of securities. Investors in funds participate in the overall investment program for the applicable partnership, but may be excused from a particular investment due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Partnership Agreement. Merit Capital 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 Partnership Agreement.

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.

Merit Capital 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, 2019, Merit Capital managed fund assets of approximately \$1.1 billion on a discretionary basis. Merit Capital does not manage any assets on a non-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.

The precise amount of, and the manner and calculation of, the management fees for each fund are established at the time of the respective Fund's formation, as modified by negotiations with investors in the applicable fund, and are set forth in each Fund's Governing Documents prior to investment in a fund. Any commitment of a limited partner in excess of a specified threshold may be subject to a reduced management fee schedule as described in the applicable Partnership Agreement.

As compensation for investment advisory services rendered to the funds, the Adviser receives both a management fee and a carried interest allocation. In addition, the Adviser and its affiliates may perform transaction-related, financial advisory and other services ("Related Services") for, and receive fees from, actual or prospective portfolio companies of the Funds, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, sales and similar transactions. Such additional compensation reduces the management fees otherwise payable to the Adviser. Additionally, a portfolio company may reimburse Merit Capital for expenses (including without limitation travel expenses) incurred by the Adviser in connection with its performance of services for such portfolio company, and such reimbursements are not subject to the sharing arrangements described below.

Fund IV pays its General Partner, Merit IV, quarterly in advance, an annual management fee equal to 1.75% of aggregate Commitments. Beginning the earlier of (i) six years after the commencement of such partnership, or (ii) the formation of a mezzanine fund with substantially similar objectives to the applicable partnership, the management fee rate will gradually be reduced in increments of 0.175% to a minimum of 1.05%, and this rate will be applied to invested capital rather than committed capital. However, Fund IV has ceased paying a management fee to its General Partner, Merit IV.

Fund V pays its General Partner, Merit V, quarterly in advance, an annual management fee equal to 1.75% of aggregate Commitments. Beginning the earlier of (i) five years after the commencement of Fund V, or (ii) the formation of a mezzanine fund with substantially similar objectives to Fund V, the management fee will be reduced to 1.25% of invested capital.

Fund VI pays its General Partner, Merit VI, quarterly in advance, an annual management fee equal to 1.75% of aggregate Commitments. Beginning the earlier of (i) five years after the commencement of Fund VI, or (ii) the formation of a mezzanine fund with substantially similar objectives to Fund VI, the management fee will be reduced to 1.50% of invested capital which will further be reduced to 1.25% upon the activation of a mezzanine fund with at least \$400 million of committed capital.

The General Partner of each partnership is entitled to receive a carried interest allocation equal to 20% of all profits if the partnership earns at least an 8% preferred return (compounded monthly), subject to a General Partner catch-up provision, as more fully described in the Partnership Agreement of the applicable partnership. The carried interest allocation distributed to the General Partner is subject to a potential giveback at the end of the life of the partnership if the General Partner has received excess cumulative distributions.

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 deducted from clients' accounts on a quarterly basis based on its respective Governing Documents. Current Merit Capital funds that pay fees do so in advance.

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.

Each fund is charged for all management fees payable to the respective General Partner, legal and accounting services, investment related expenses (e.g., commissions; clearing fees; fees, interest and other costs on margin accounts or other financings or re-financings), expenses incurred by Merit Capital and its affiliates in connection with the initial and continuous offering of fund interests, extraordinary expenses and other similar expenses.

Each partnership bears all partnership expenses to the extent not paid by portfolio companies, including: (i) all costs and expenses attributable to acquiring, holding and disposing of the partnership's investments (including, without limitation, interest on money borrowed by the partnership or the General Partner on behalf of such partnership, registration expenses and brokerage, finders', custodial and other fees); (ii) legal, accounting, auditing, insurance, consulting, financing, filing and other fees and expenses (including, without limitation, expenses associated with the preparation of partnership financial statements, tax returns and Schedules K-1); (iii) expenses of any advisory committee of limited partners of the partnership; (iv) extraordinary expenses, costs, liabilities and obligations of the partnership (including, without limitation, litigation and indemnification costs and expenses, judgments and settlements); (v) all out-of-pocket fees and expenses incurred by the partnership, the General Partner, Merit Capital or their affiliates relating to transactions consummated but not reimbursed by the portfolio company, and (vi) all out-of-pocket fees and expenses incurred by the partnership, the General Partner, Merit Capital or their affiliates relating to investment or disposition opportunities for the partnership not consummated.

Each General Partner bears the normal expenses incurred by it or its affiliates in administering the relevant partnership, including salaries, rent and other administrative expenses. All funds are

charged brokerage commissions and other transaction costs and expenses in connection with trading and investment activities and any custodian fees for assets held in cash or securities at banks, broker-dealers and other financial institutions. For a discussion of the brokerage arrangements that Merit Capital enters into on behalf of the funds, see Item 12.

- 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 each of the respective General Partners non-refundable management fees at the beginning of each fiscal quarter. Given the long-term nature of an investment in any private equity fund, there are substantial constraints on a limited partner's ability to withdraw and, therefore, it is rare for a limited partner to fully withdraw from a fund before the end of a fiscal quarter. However, if this were to occur, the management fees are treated as earned as to the withdrawing limited partner and are not refunded to the withdrawing limited partner.

- 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 Merit Capital nor any supervised person accepts compensation for the sale of securities or other products.

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.

A portion of the profits of each fund is distributed to its general partner as a “carried interest” allocation. Each general partner of a fund is a related person of Merit Capital. The carried interest allocations are subject to specified minimum valuation tests, as well as claw-backs in the event that a fund's general partner is paid in excess of its entitled carried interest distribution.

Each fund's carried interest fee structure is described in detail in the relevant Governing Documents. 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 of each partnership is entitled to receive a carried interest allocation equal to 20% of all profits if the partnership earns at least an 8% preferred return (compounded monthly). The carried interest allocation is subject to a General Partner catch-up provision, as more fully described in the Governing Documents of the applicable partnership. The carried interest distributed to the General Partner is subject to a potential giveback at the end of the life of the partnership if the General Partner has received excess cumulative distributions.

The payment by the funds of a carried interest allocation may create an incentive for Merit Capital to disproportionately allocate time, services or functions to funds paying carried interest, or allocate investment opportunities to such funds. Generally, and except as may be otherwise set forth in the Governing Documents, this conflict is mitigated by the General Partner's commitment to each fund.

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.

Merit Capital provides discretionary investment advice to the funds. Investment advice is provided directly to the funds and not individually to limited partners in the funds. Identifying details about the funds may be found in Item 4, above, as well as the portion of Merit Capital's ADV Part 1 captioned "Private Fund Reporting" at Section 7.B.(1). Merit does not manage or control any co-investment vehicles.

Funds are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the funds may include banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations, business entities or individuals, and may include, directly or indirectly, principals or other employees of the Adviser and their affiliated entities.

Each partnership has a minimum investment of \$5 million for third-party investors, which may be waived by the applicable General Partner. Interests in Fund V and Fund VI are generally offered and sold to investors that are (i) "accredited investors" as defined under Regulation D of the

Securities Act of 1933, as amended and (ii) either "qualified purchasers" or "knowledgeable employees" as defined under the Investment Company Act. Interests in Fund IV are offered and sold solely to certain qualified investors who are also accredited investors.

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.

Merit Capital's principal investment strategy is to achieve long-term capital appreciation by making direct privately negotiated mezzanine investments through fixed-rate subordinated debt. The key elements of Merit Capital's investment strategy are: (i) multi-faceted origination capabilities; (ii) disciplined investing; (iii) diversification; (iv) transaction control and (v) active portfolio management.

Multi-Faceted Origination Strategy. The General Partner focuses its origination efforts almost exclusively on non-traditional channels where there is less competition. The General Partner concentrates on (i) direct origination of transactions with management (e.g. transactions in which there is no agent or advisor earning a fee) and (ii) "fund less sponsors" (i.e. small investor group that typically pursues leveraged buyout transactions without committed capital from a traditional organized private equity fund).

Disciplined Investing. The General Partner focuses its activities on the private middle-market because it believes that it is a relatively inefficient market, yielding opportunities to earn attractive risk-adjusted returns. The General Partner seeks to focus on established, well-managed, profitable businesses that have relatively stable, growing earnings and strong operating cash flows. The General Partner aims to invest in businesses with management continuity, low capital expenditure and working capital requirements while seeking to avoid companies in which changing technologies or consumer fashions are important factors. In particular, the General Partner focuses on companies that manufacture high value-added products in niche markets. Once a potential investment is identified, the General Partner conducts extensive due diligence. For target companies with unusual products or services, the General Partner will often hire consultants to assist in the diligence process. As the General Partner's investment strategy focuses on leveraged transactions, the past financial performance of a potential investment is a critical factor in the evaluation process. In an effort to mitigate risk, the General Partner analyzes sales, gross profits, operating profits, cash flow, capital expenditures, working capital requirements and tax issues for a minimum of the past five years. The vast majority of potential investments have audited financial statements for the past five years, and the General Partner often hires another auditing firm to review the work of the previous auditor.

Diversification. The General Partner seeks to assemble a balanced, well-diversified portfolio for the funds by investing each fund in approximately twenty separate companies. The General Partner also seeks to diversify the portfolio of each fund by financing various types of transactions and diversifying the portfolio of each partnership by financing management buyouts, recapitalizations and situations in which growth capital is needed.

Transaction Control. The objective of each partnership is to be the lead mezzanine investor in substantially all of its investments. Control of the transaction provides the General Partner with additional flexibility to develop the capital structure, set transaction terms and obtain favorable pricing. The General Partner assists in arranging the senior debt facilities, influences the selection of the lender or lenders and limits the senior debt utilized to close their transactions. The General Partner also seeks to ensure that no partnership will be a captive mezzanine source for a single equity investor. The General Partner believes this independence is beneficial as it allows the partnership to have a much broader array of potential investments to consider and allows each separate transaction to be structured and priced on an arms-length basis.

An investment in any fund involves a high degree of risk. A fund may not meet its investment objectives or otherwise be able to successfully carry out its investment program. Therefore, an investment in a fund should be undertaken only by investors whose financial resources are sufficient to enable them to bear the loss of all or part of their investment.

Further details regarding the investment approach and objectives of a fund may be found in its Governing Documents and further details regarding the risks attributable to Merit Capital's investment strategy may be found in Item 8.B below.

- 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.**

A partnership and its limited partners bear the risk of loss that the applicable General Partner's investment strategy entails. The risks involved with the General Partner's investment strategy and an investment in a Partnership are detailed in the partnership's Governing Documents. These risks include without limitation:

Investment in Highly Levered Companies. A substantial portion of the partnership's assets are lent to or invested in companies that have above average leverage. Adverse factors such as rising interest rates, severe downturns in the economy or deteriorations in the condition of a portfolio company or its industry could jeopardize the company's ability to meet its debt service obligations (including subordinated debt investments of the partnership).

Timing of Investment. The General Partner cannot guarantee it will be able to locate and complete attractive mezzanine investments. However, during the investment period of the partnership, limited partners will be required to pay annual management fees based on the entire amount of their Commitments.

Deferred Interest Payments. The partnership is entitled to receive contractual interest payments on its loans to portfolio companies; however, it is possible that the interest payments will be deferred due to company performance. These deferrals may continue indefinitely until the portfolio company returns to satisfactory financial performance.

Uncertain Profits from Equity Participation. A substantial portion of the success of the partnership depends on gains generated from the equity participation. It is uncertain when such profits, if any, will be realized.

Valuations. Most of the partnership's investments are difficult to value as there will be no readily available market for a substantial number of the partnership's investments. Merit Capital performs its own portfolio company valuations.

Projections. The General Partner will base the capital structure of companies in which the partnership invests on financial projections of those companies. Projected operating results of a company are based primarily on management judgments. Projections are only estimates of future results, which are based upon assumptions made at the time the projections are developed. There is no assurance that the results set forth in the projections will be obtained, and actual results may be significantly different from the projections. General economic factors, which are not predicable, can also have a material impact on the reliability of projections.

Non-Controlling Positions. The partnership may solely hold debt obligations and other non-controlling interests in portfolio companies. In such cases, the partnership will have a more limited ability to protect its position relative to a controlling equity position. The General Partner expects it will seek appropriate creditor and shareholder rights from such portfolio companies to help protect the partnership's interests.

- 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

- A. 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.**

Merit Capital has had no legal or disciplinary events that are material to an investor's evaluation of its advisory business or integrity of its management.

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.**

Neither Merit Capital 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 Merit Capital 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.**

Merit Capital is affiliated with the following general partners:

- Merit Capital Partners IV, L.P. (general partner of Merit Mezzanine Fund IV, L.P. and Merit Mezzanine Parallel Fund IV, L.P.); and
- Merit Capital Partners V, L.P. (general partner of Merit Mezzanine Fund V, L.P. and Merit Mezzanine Parallel Fund V, L.P.).
- Merit Capital Partners VI, L.P. (general partner of Merit Mezzanine Fund VI, L.P.

These General Partners are deemed registered with the SEC under the Advisers Act pursuant to Merit Capital's registration. Merit Capital provides advisory services to the General Partners and other Merit Capital entities. These affiliated entities operate as a single advisory business together with Merit Capital and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions. These affiliated entities do not have any employees of their own.

Merit Capital has and will continue to develop relationships with professionals who provide services it does not provide, including: legal; accounting; banking; tax preparation; insurance brokerage; investment management services; and other personal services. None of the above relationships, however, creates a material conflict of interest with any of the funds or limited partners.

From time to time, Merit Capital 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 Merit Capital accept any benefits, gifts or other arrangements that are conditioned on directing individual client transactions to a specific security, 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.**

Merit Capital 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.**

As fiduciaries, Merit Capital and its employees have certain legal obligations to put clients' interests ahead of their own. Merit Capital has adopted a written code of ethics based on principles of openness, honesty, integrity and trust. The code is designed to govern personal securities trading activities in employee accounts. It is based upon the principle that Merit Capital and its employees owe a fiduciary duty to the Firm's clients to conduct their affairs, including their personal securities transactions, to avoid (1) serving their own personal interests ahead of clients, (2) taking inappropriate advantage of their position with the Firm, and (3) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. Each Merit Capital employee is required to acknowledge this code of ethics in writing and agree to be bound by it.

Merit Capital's code of ethics covers, among other things, standards of business conduct, personal securities trading, conflicts of interest, prohibitions against the spread of false information, restrictions on accepting and giving of significant gifts, political contribution policies, outside business and non-business activities and client confidentiality. The code includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

Employees of Merit Capital who violate the code of ethics 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 ethics of which they become aware.

Merit Capital may choose to bring an ethics or conflict issue before its advisory board for discussion or resolution. Each fund has an advisory board comprised of limited partners from each of the various Merit Capital funds. Merit Capital will provide a copy of its code of ethics to any existing or prospective fund investor upon request to its Chief Compliance Officer, Van Lam, (312) 592-6111 or vlam@meritcapital.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.**

1. Participation or Interest in Client Transactions

Generally, neither Merit Capital nor any related person recommends to funds or any co-investment vehicle, or buys or sells for such person, securities in which Merit Capital has a material financial interest. Private equity investment typically involves purchases of securities directly from portfolio companies (or their principals).

On occasion, the Adviser or their affiliated entities may recommend the purchase or sale of securities for funds in which one or more of their partners, members, officers, directors, employees (and members of their families) or affiliates directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the funds. Certain of these transactions require the consent of the applicable fund.

2. Conflicts of Interest

From time to time, an Adviser will be presented with investment opportunities that would be suitable not only for a given partnership, but also for other funds of such Adviser. In determining which partnership should participate in such investment opportunities, the Adviser is subject to conflicts of interest among the investors in such investment vehicles. The Adviser attempts to resolve such conflicts of interest in light of their obligations to investors in their funds and the obligations owed by their advisory affiliates to investors in investment vehicles managed by them, and attempt to allocate investment opportunities among a partnership, other funds and such investment vehicles in a fair and equitable manner. Where necessary, the Adviser consults and receives consent to conflicts from the Advisory Committee of the applicable partnership.

- 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.**

1. Personal Trading

In rare cases, Merit Capital's business may provide Merit Capital and its employees with access to material, nonpublic information. The code of ethics includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

Merit Capital supervised persons are permitted to make securities transactions in their personal accounts, subject to certain limitations. However, supervised persons are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information or communicating material non-public information about such securities to others. While it is uncommon for Merit Capital to have access to any material non-public information, the Firm does maintain a restricted list of those securities about which it contains material nonpublic information.

The Adviser and their affiliates, principals and employees may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the partnerships. The Adviser may give advice and recommend securities to other accounts or certain partnerships or vehicles which may differ from the advice given to, or securities recommended or bought for Merit Capital's partnerships or vehicles, even though their investment objectives may be the same or similar.

Supervised persons are required to submit annual and monthly reports of security transactions for their own accounts or any account in which they have a direct or indirect beneficial interest and to seek pre-clearance for purchases of publicly traded securities which occur on the Firm's restricted list.

- 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.**

Except for the limited circumstances described in Item 11.B, Merit Capital and its related persons do not invest in the securities of companies recommended to the funds.

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).**

Merit Capital periodically participates in the selection of broker-dealers to perform various services for the funds as part of its duties as a board member of a portfolio company, such as assisting in the purchase or sale of a portfolio company. Selections of brokers are based on several factors, including, without limitation, their knowledge and expertise regarding the portfolio company and its industry, the quality of service and responsiveness, Merit Capital's past experience with the broker, the broker's reputation in the industry and cost of the broker's services. Merit does not always choose the broker with the lowest commission rate.

Additionally, if a portfolio company owned by a fund were to publicly register a class of securities, one or more broker-dealers may facilitate the fund's exit from that investment. In that event, Merit Capital may be involved in the selection of the broker-dealer used to assist in a sale of the relevant fund's investment in that portfolio company and will consider the factors listed above in selecting a broker-dealer. See also Item 14.B regarding referrals of potential fund investors.

- 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.**
 - a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.**
 - b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.**
 - c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.**
 - d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose**

whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

- e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.
- f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

Merit Capital 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.

- a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.
- b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.

Merit Capital does not consider client referrals when selecting broker-dealers. It makes broker-dealer recommendations to portfolio companies upon the portfolio companies' request but does not mandate them. Because the funds do not regularly acquire public securities, Merit Capital does not routinely engage in traditional broker-assisted purchases.

3. *Directed Brokerage.*

- a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.

- b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.**

Merit Capital 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.**

It is not expected that opportunities to aggregate the purchase or sale of securities will occur frequently. However, when such opportunities arise, Merit Capital intends to trade such securities on an aggregated basis.

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 portfolio company investments held by the funds are private, illiquid and long-term in nature; therefore, Merit Capital's review of them is not directed toward a short-term decision to dispose of securities. Prior to the closing of each contemplated investment by the fund, a detailed transaction proposal ("Investment Committee Memo") is submitted to the fund's investment committee (comprised of senior management members) and the Chief Compliance Officer. The Chief Compliance Officer reviews the Investment Committee Memo to confirm that such investment is made in accordance with the fund's stated business objectives. In addition, the Chief Financial Officer also will review the funds financial statements on a quarterly basis.

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

The Chief Compliance Officer is involved in weekly investment staff meetings and is generally aware of the financial condition of each of the portfolio company investments. 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.

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

Merit Capital furnishes to all limited partners unaudited financial statements for the first three quarters of each fiscal year within 60 days of each quarter's end and annual audited financial statements within 120 days of calendar year end. Each report includes an individual statement of account to all limited partners. All reports are sent to the investors in either a physical copy or are delivered electronically as per each investor's preference. The Firm also has contact with investors (in person meetings, telephone, e-mail) throughout the year as conditions warrant.

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.**

Merit Capital does not receive an economic benefit from any non-clients for providing investment advice or other advisory services to its clients.

- 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.**

When raising capital for Fund VI, Merit Capital engaged the services of M2O Private Fund Advisors LLC and VCP Advisors LLC, registered broker-dealers, to serve as placement agent for Fund units. The arrangement entailed assistance with preparing marketing materials, arranging meetings with potential investors and related services. Fees for the placement agent included a monthly retainer in addition to a percentage based on the amount of capital raised. Placement agent fees are payable by Fund VI and any such fees paid offset the Management Fee on a dollar-for-dollar basis, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by Fund VI as part of its organizational expenses.

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 advised by the adviser either undergo an annual generally accepted accounting principles (“GAAP”) financial statement audit or be subject to a surprise custody examination by an SEC-registered auditing firm. Merit Capital is deemed to have custody over its client’s funds because of the ability of its general partner to deduct fees. Merit Capital has elected to undergo an annual GAAP financial statement audit for each of its Fund vehicles to meet its obligations under the Custody Rule.

Each of the Funds are audited annually and Merit Capital delivers to the Funds and their limited partner investors a copy of the annual audited financial statements within 120 days of the fiscal year end. Merit Capital does not, however, take physical possession of client funds and called capital is directly sent or wired into the respective Fund’s bank account. Merit Capital receives monthly statements regarding its custody and bank accounts.

Item 16 – Investment Discretion

- A. 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).**

Merit Capital is retained on a fully discretionary basis and is authorized to determine and direct execution of portfolio transactions pursuant to the terms of each fund’s Governing Documents. The terms upon which Merit Capital serves as an investment manager are established at the time each investor retains Merit Capital as their investment manager. Merit Capital is not required to contact an investor prior to transacting any business once such investor executes these documents. Investment advice is provided directly to the funds and not to investors in the fund individually. Merit Capital has discretionary authority based on the Governing Documents to buy and sell securities and other investments on behalf of the funds.

To invest in the fund, a limited partner must execute a subscription agreement with a fund. A limited partner in the fund may impose limitations on Merit Capital'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 upon a limited partner's investment must be presented to Merit Capital in writing and agreed to by all parties. No limited partners to date have limited Merit Capital's discretion to provide investment advice, nor have any limited partners limited Merit Capital's ability to invest in specific company sectors or otherwise.

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 fund Governing Documents, Merit Capital has the authority to vote client proxy statements on behalf of its funds. The majority of "proxies" received by the Adviser will be written shareholder consents or similar instruments for private companies. Merit Capital's Proxy Policy seeks to ensure that the Adviser votes proxies in the best interest of the partnerships, including where there may be material conflicts of interest in voting proxies. The Adviser generally believe their interests are aligned with those of the partnerships' investors through the principals' beneficial ownership interests in the partnerships and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, Merit Capital's Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of an Advisory Committee on the proposed proxy vote, or through other alternatives set forth in Merit Capital's Proxy Policy.

The Adviser does not consider service on portfolio company boards by Merit Capital personnel or the Adviser's receipt of nominal board fees to create a material conflict of interest in voting proxies with respect to such companies.

- 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 Merit Capital.

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.**
- 1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.**
 - 2. Show parenthetically the market or fair value of securities included at cost.**
 - 3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.**

This Item is not applicable to Merit Capital as it 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.**

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

- 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.**

Merit Capital's Fund IV General Partner was involved as a defendant in a portfolio company bankruptcy proceeding in October 2012. The proceeding was dismissed with prejudice.