

**Item 1. Cover Page**

**BROCHURE**  
**Form ADV Part 2A**

**CAROUSEL CAPITAL MANAGEMENT COMPANY, L.P.**

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**March 31, 2015**

This brochure provides information about the qualifications and business practices of Carousel Capital. If you have any questions about the contents of this brochure, please contact us at (704) 372-2040. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Carousel Capital also is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**Item 2. Material Changes**

The regulatory assets under management have been updated to approximately \$504,000,000 as of December 31, 2014.

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#### **Item 4. Advisory Business**

##### *Description of Advisory Firm*

Carousel Capital Management Company, L.P. (“Carousel Capital”), a Delaware limited partnership, provides investment advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). Carousel Capital currently provides investment advisory services to Carousel Capital Partners, L.P. (together with any of its separate investment vehicles, “Fund I”), Carousel Capital Partners II, L.P. (together with any of its separate investment vehicles, “Fund II”), Carousel Capital Partners III, L.P. and Carousel Capital CEO Fund III, L.P. (collectively, and together with their respective separate investment vehicles, “Fund III”), and Carousel Capital Partners IV, L.P., Carousel Capital Partners PV IV, L.P. and Carousel Capital CEO Fund IV, L.P. (collectively, and together with their respective parallel vehicles and separate investment vehicles, “Fund IV”, and together with Fund I, Fund II, Fund III and any co-investment vehicles and any newly-formed funds sponsored by Carousel Capital, the “Carousel Funds”). As the investment adviser of each Carousel Fund, Carousel Capital, along with each Carousel Fund’s General Partner, each of which is an affiliate of Carousel Capital (the “General Partners”), identifies investment opportunities for, and participates in the acquisition, management, monitoring and disposition of investments of, each Carousel Fund. Carousel Capital is controlled by its general partner, Carousel Capital Management Company, L.L.C., a Delaware limited liability company (“Carousel Management GP”). The four Managing Partners of Carousel Capital, Charles S. Grigg, William T. Hobbs II, Jason C. Schmidly and Nelson Schwab III (each, a “Managing Partner” and collectively, the “Managing Partners”) control Carousel Management GP.

Carousel Capital was founded in 1996 by principal owner Nelson Schwab III, on the core belief that the Southeastern United States is one of the most attractive and under-served regions for private equity investing. The primary focus of Carousel Capital’s investment advisory activity is researching and advising on private equity investments located in this region. Such investments generally take the form of small buyout transactions where Carousel Capital with management teams to acquire, manage and grow the investment.

Carousel Capital provides investment advisory services to each Carousel Fund pursuant to separate management agreements (each, a “Management Agreement”). Investment advice is provided by Carousel Capital directly to the Carousel Funds, subject to the direction and control of the affiliated General Partner of such Carousel Fund.

As of December 31, 2013, Carousel Capital has regulatory assets under management of approximately \$504,000,000, all of which is managed on a discretionary basis together with the General Partners.

Carousel Capital provides advice to the Carousel Funds in respect of their investment portfolios, as well as certain ancillary managerial and administrative services, including,

without limitation, identifying and screening potential investments, recommending strategies for the management and disposition of investments, monitoring the performance of investments, and preparing reports necessary or appropriate for compliance with the governing agreements of the Carousel Funds. Investments in Carousel Funds are privately offered only to qualified investors, typically institutional investors (for example, public and private pension funds) and eligible high-net-worth individuals.

Carousel Capital's advisory services are geared to the management of the Carousel Funds, the investment objectives, parameters and restrictions of which are disclosed to investors in the applicable governing agreements before they invest. Investment restrictions applicable to specific Carousel Funds are customarily imposed in the governing agreements for such Carousel Funds, as agreed upon with investors.

Carousel Capital or certain affiliates may also enter into side letters or other writings with specific investors in Carousel Funds which have the effect of establishing rights under, or altering or supplementing, the terms of the governing agreements of the Carousel Funds, in respect of the investor to whom such letter or writing is addressed. Any rights established, or any terms altered or supplemented, will govern only that investor and not a Carousel Fund as a whole. Such side letters may impose restrictions on participation in certain investments or types of investments made by the Carousel Funds, and may also provide benefits to certain investors in a Carousel Fund not provided to investors in such Carousel Fund generally (for example, adjustments to fees or other economics, access to information, ability to transfer interests in a Carousel Fund or compliance with specified laws or regulations). Neither Carousel Capital nor its affiliates will enter into a particular side letter if Carousel Capital determines that the provisions contained in such side letter would be disruptive to the applicable Carousel Fund or its investment program. Disclosure of applicable side letter practices is made to investors prior to their investment in the applicable Carousel Fund.

## **Item 5. Fees and Compensation**

As compensation for investment advisory services rendered to the Carousel Funds, Carousel Capital receives from each Carousel Fund an annual management fee payable quarterly in advance. Upon termination of an advisory agreement, appropriate treatment will be given to all management fees collected in advance. Management fees are paid by capital contributions from investors to each Carousel Fund pursuant to capital call notices delivered by each General Partner out of the total amount of capital an investor agrees to contribute to the applicable Carousel Fund (i.e., an investor's "capital commitment") or are paid out of cash that is otherwise distributable to the investors in the Carousel Funds, including cash held by the Carousel Fund after a portfolio investment of a Carousel Fund is disposed of and before the proceeds are distributed to investors. Management fees may also be paid out of cash reserves of the applicable Carousel Fund. As described below, the management fee may be reduced or waived in some circumstances in connection with the receipt by Carousel Capital or its related persons of various fees paid by actual or prospective portfolio companies. The management fee is generally subject to waiver or

reduction by Carousel Capital Management Company in its sole discretion, including in connection with investments made by the General Partners or its related persons.

To the extent provided in the Management Agreements and the partnership agreements of the Carousel Funds, Carousel Capital will pay out of its management fees certain operating expenses, including expenses on account of rent, utilities, office supplies, office equipment, travel, entertainment, compensation of its Managing Partners and employees (other than carried interest described in Item 6 below) and other routine administrative expenses relating to the services and facilities provided by Carousel Capital to Carousel Funds. Each Fund will bear all other expenses relating to it to the extent not borne directly by its portfolio companies, including legal, accounting, investment banking, consulting, research, brokerage, finders', custody, transfer, registration, advisory board, interest, taxes and extraordinary expenses, and other similar fees and expenses. Some of these expenses borne by the Carousel Funds may relate to costs associated with unexecuted transactions.

#### *Other Fees*

Carousel Capital and its affiliates will typically perform management, advisory, transaction-related, financial advisory and other services ("Related Services") for, and will receive fees from, actual or prospective portfolio companies or other deal related investment vehicles of the Carousel Funds, including such fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions, or break-up and topping fees. These fees may be significant and may, in some instances, exceed the management fee. Such fees may be paid in cash, in securities of portfolio companies or investment vehicles (or rights thereto) or otherwise.

Although such fees are paid in addition to the management fees paid by the Carousel Funds, Carousel Capital will in some circumstances reduce future management fees in connection with the receipt of these fees. The calculation of such reduction varies from fund to fund and is described in the applicable fund documents. Such reductions will be credited on a regular basis. To the extent any such credit would reduce the management fee for a given quarter below zero' such credit will be carried forward for future application. These fees are disclosed in the annual financial statements of the applicable Carousel Fund.

In the event that Carousel Capital chooses to use a broker-dealer for limited purposes relating to a particular Carousel Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

Investors in Carousel Funds agree to commit a certain amount of capital to a Carousel Fund in advance of any investment advisory functions performed by Carousel Capital. Management fees assessed by the Carousel Funds are paid from these amounts and are payable in advance for each period as described above. Carousel Capital's services may be terminated under very limited circumstances. Should Carousel Capital's services be

terminated before services are provided for the applicable period, fees that have been paid in advance will generally be prorated from the date of Carousel Capital's termination to the end of the period to which the advance fee covered and will be returned to the investors that paid those fees in advance.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

A Carousel Fund may be assessed a "carried interest" or performance fees that are paid to the applicable General Partner. The "carried interest" is assessed periodically, typically after the receipt by the Carousel Funds of proceeds from a portfolio investment, and is paid out of cash otherwise distributable to investors. "Carried interest" is typically measured as a percentage of the profits of a Carousel Fund and is negotiated separately for each Carousel Fund at a rate consistent with industry standards and in compliance with the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The amount of "carried interest" is distributed to the General Partners with respect to each receipt of net proceeds attributable to a portfolio investment of a Carousel Fund only after the investors in the applicable Carousel Fund receive the aggregate of (i) the capital contributions of such investor made in respect to such portfolio investment, (ii) the investor's proportionate share of capital contributions used to pay organizational and other expenses described in Item 5 that have been allocated to such portfolio investment, and (iii) a preferred return on such capital contributions.

Generally, upon the termination of a Carousel Fund, the applicable General Partner will be required to restore funds to the applicable Carousel Fund to the extent that (i) the investors have not received their return of realized capital and costs and preferred return described above, or (ii) the applicable General Partner has received cumulative distributions in respect of its "carried interest" in excess of a certain percentage of the profits of a Carousel Fund, in each case, applied on an aggregate basis covering all transactions of the applicable Carousel Fund. In no event will the applicable General Partner be required to restore more than the cumulative distributions in respect of its "carried interest" received by such General Partner, less income taxes thereon and taxes attributable to property distributed in kind.

The existence of the General Partners' "carried interest" or performance fee may create an incentive for the General Partners and Carousel Capital to make riskier or more speculative investments on behalf of the Carousel Funds than would be the case in the absence of these arrangements. Conflicts are addressed in the manner described in Item 11.

## **Item 7. Types of Clients**

Carousel Capital Management Company currently provides investment advisory services to the Carousel Funds. Investment advice is provided directly to the Carousel Funds, subject to the direction and control of the General Partner of such Carousel Fund, and not individually to the limited partners of such Carousel Fund.

Interests in the Carousel Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in Carousel Funds include high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, trusts, estates, university endowments, corporations, limited partnerships and limited liability companies or other business entities.

Although Carousel Capital does not impose minimum dollar values on creating a Carousel Fund, legal eligibility requirements must be met. Minimum investment commitments may be established for limited partners in Carousel Funds. The General Partner of such Carousel Fund, in its sole discretion, may permit investments that are less than the required minimum investment commitment set forth in the applicable fund documents of such Carousel Fund.

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

### **Methods of Analysis and Investment Strategies**

Prior to making an investment, Carousel Capital carries out an extensive fundamental analysis of a target investment's position in the market and prospects. A vital element of this analysis is the development of an operating plan that, if the investment is approved, will form the basis for the portfolio company's operating targets.

Carousel Capital conducts extensive due diligence to analyze, among other things, the company's market and competitive position within that market, the company's cost and revenue structures, the company's unique assets, such as brand strength, distribution capability and intellectual property, the company's management team and compensation structure, the company's contingent liabilities – environmental, regulatory, accounting or otherwise, the company's potential growth opportunities and potential exit strategies.

Carousel Capital pursues investments within three targeted growth sectors: business services; consumer products and services; and healthcare services. Carousel Capital sources and invests across the Southeastern United States, and primarily makes majority control investments in the selected companies.

### **Risks**

Investing in private securities as described above involves a substantial degree of risk. A Carousel Fund may lose all or a substantial portion of its investments and investors in Carousel Funds must be prepared to bear the risk of loss of their investments therein.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by Carousel Funds in connection with those strategies and methods, include the following, each of which is described in more detail in the applicable Carousel Fund's offering document.



*Nature of Investment:* An investment in the Carousel Fund requires a long-term commitment, with no certainty of return. The return of capital and the realization of gains, if any, from a portfolio investment generally will occur upon the partial or complete realization or disposition of such portfolio investment. While a portfolio investment may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most of the Carousel Funds' portfolio investments will not occur for a number of years after such portfolio investments are made. The Fund generally will not be able to sell portfolio company securities publicly unless the issue has gone public and such sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases, the Carousel Funds may be prohibited or limited by contract from selling certain portfolio company securities for a period of time, and, as a result may not be permitted to sell a portfolio investment at a time it might otherwise desire to do so.

*Restrictions on Transfer and Withdrawal; Lack of Liquidity:* Interests in the Carousel Funds have not been registered under the Securities Act or any other applicable securities laws. There will be no public or private market for an investor's interest in the Carousel Funds and none is expected to develop. In addition, the interests are not transferable except with the consent of the applicable General Partner, which may be withheld by the applicable General Partner in its sole discretion, and subject to the terms and conditions of the governing documents.

*Dependence on Key Personnel:* The success of the Carousel Funds depends in substantial part upon the skill and expertise of the members of the investment team of Carousel Capital and the other individuals employed to assist them. There can be no assurance that members of the investment team will continue to be a partner of or employed by Carousel Capital. The loss of service to the Carousel Funds of one or more partners or employees could have a material adverse effect on the success of the Carousel Funds.

*Limited Number of Investments:* The Carousel Funds may participate in a limited number of investments and, as a consequence, the aggregate return of the Carousel Funds may be substantially affected by the unfavorable performance of a single investment.

*Use of Leverage:* While investments in highly leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Some of the Carousel Funds investments may involve high degrees of leverage, as a result of which recessions, operating problems, and other general business and economic risks may have a more pronounced effect on the profitability or survival of the Carousel Capital portfolio companies. A Carousel Fund's ability to achieve attractive rates of return on investments will depend on the ability of its portfolio companies to access sufficient sources of debt at attractive rates. However, availability of capital from the debt markets is subject to volatility from time to time, and there may be times when a Carousel Fund might not be able to access those markets at attractive rates, or at all, when completing an investment. Also, increased interest rates generally increase portfolio company interest expenses. Additionally, the securities acquired by the Carousel Funds will generally be the most

junior in what may be a complex capital structure and thus subject to the greatest risk of loss.

*Competitive Marketplace:* The Fund will be competing with a significant number of private equity funds, as well as institutional investors and strategic investors, for investments in prospective portfolio companies. As a result of this competition, there can be no assurance that the Carousel Funds will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve the Funds' targeted rate of return or fully invest the Funds' committed capital.

*Risks Upon Dispositions of Investments:* In connection with the disposition of a portfolio investment, the Carousel Funds may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. It may also be required to indemnify the purchasers of such investment to the extent that any such representation turns out to be inaccurate. These arrangements may result in contingent liabilities of the Carousel Funds, which may ultimately have to be funded by the investors of the Carousel Funds to the extent that such contingent liabilities exceed the reserves and other assets of the Carousel Funds.

*Increased Regulatory Scrutiny:* The U.S. securities laws applicable to investments in the Carousel Funds, the General Partners or Carousel Capital are constantly under review by persons involved in the legislative process and by the SEC, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. These laws may be modified by legislative, judicial or administrative action at any time. Potential future revisions and interpretations could adversely affect the investors, the Carousel Funds, the General Partner, or Carousel Capital, and, in that regard, could require modifications to the applicable Fund's intended investment program or increase the compliance costs of operating the business.

See also Item 6 and Item 11.

## **Item 9. Disciplinary Information**

No material items exist as of this time.

## **Item 10. Other Financial Industry Activities and Affiliations**

### **Related General Partners**

Various General Partners serve as general partners of the Carousel Funds, and Carousel Capital Management Company, LP is the manager of each of the General Partners. The investment committee of each Carousel Fund is comprised of the Managing Partners of Carousel Capital.

The General Partner, Carousel Capital and their respective affiliates may encounter potential conflicts of interest in connection with the Carousel Funds interests, assets or activities (including certain conflicts of interest as among the interests of different Fund vehicles). On any issue involving conflicts of interest, the General Partners and their affiliates will be guided by their respective good faith judgment as to the Carousel Funds' best interests (although the best interests of different Carousel Fund vehicles may sometimes be inconsistent or in conflict with one another). In certain circumstances, the General Partners may present potential conflicts of interest to the board of advisors made up from representatives of certain investors in a Carousel Fund (the "Board of Advisors") for approval. Potential conflicts of interest are identified below and discussed in more detail in the applicable Fund's offering documents.

#### *Carousel Fund Investment Opportunities and Co-Investment Opportunities*

Carousel Capital may at any time manage more than one Carousel Fund which all have similar investment objectives. The General Partner will first present to the Carousel Funds each investment opportunity, which they believe in good faith is suitable for and fits the investment objectives of the Carousel Funds, provided that the General Partners will not be restricted from pursuing (i) activities that do not meet the investment objectives of the Carousel Funds provided that any such activities are disclosed to and approved by the Board of Advisors, or (ii) certain other permitted investment activities.

The General Partner or any of its affiliates may organize, make an investment in, or otherwise participate in, any vehicle formed to make a co-investment a Carousel Fund. The General Partner or any of its affiliates may require such co-investors to bear a carried interest, management fee and other costs with respect to any co-investment.

#### *Portfolio Company Board Participation*

It is expected that members of the investment team of the General Partners will serve as directors of certain of the portfolio companies, and as such, may have duties to persons other than the Carousel Funds. Although such positions in certain circumstances may be important to the Carousel Funds' investment strategy and may enhance the applicable General Partner's ability to manage investments, they may also have the effect of impairing the Carousel Funds' ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the applicable General Partner and/or the Carousel Funds to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities law claims and other director-related claims.

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

### **Code of Ethics**

Carousel Capital has adopted a Code of Ethics policy for its employees. The Policy describes employees' standard of conduct and fiduciary duties and limits personal trading by its employees and their immediate family/household members in a wide range of securities, including common and preferred stock, debt instruments, securities that are convertible or exchangeable for equity or debt securities, and derivative instruments. Employees must report every account that they or their immediate family member use for trading securities covered by the policy and, if they directly or indirectly influence or control trading in the account, they must generally pre-clear securities transactions in initial public offerings or private transactions and have copies of trade confirmations and periodic account statements sent by their broker to the compliance department. Controlled trading by employees and their immediate family/household members is prohibited in securities that appear on restricted lists and confidential watch lists.

A detailed summary of the Code of Ethics is available to limited partners and prospective limited partners during the investment due diligence process. A copy of the code may be obtained by contacting the Carousel Capital Compliance Department.

### **Related Person Investment**

Carousel Capital employees or related persons may have personal conflicts of interest, such as when such person (a) buys or sells securities in which Carousel Capital or a related person has a material financial interest, (b) invests in the same securities that Carousel Capital or a related person is invested in, or (c) buys or sells securities at or about the same time that Carousel Capital or a related person buys or sells the same securities for Carousel Funds' own (or the related person's own) account, as well as related conflicts of interest. Please see "Code of Ethics" and Item 10 above.

To address these conflicts, Carousel Capital's Code of Ethics (discussed above) requires, among other items, that each Carousel Capital employee submit to the Chief Compliance Officer a report of his or her current holdings of covered securities, including securities holdings of any account which such employee manages or exercises (or shares) investment discretion, as well as holdings of his or her immediate family members. The employee must update this report annually.

## **Item 12. Brokerage Practices**

Although Carousel Capital does not generally utilize the services of broker-dealers for transaction related services, in the event it chooses to use a broker-dealer, Carousel Capital seeks to obtain best execution of transactions.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The portfolio investments of each Carousel Fund are continuously reviewed by a team of investment professionals. The team generally includes Managing Partners and other investment professionals of Carousel Capital. Carousel Capital closely monitors the portfolio companies of the Carousel Funds and generally maintains an ongoing oversight position in such portfolio companies.

### **Reporting**

Investors in the Carousel Funds will typically receive, among other things, a copy of audited financial statements of the relevant Carousel Fund within 120 days after the fiscal year end of such Carousel Fund. In addition, investors in each Carousel Fund will typically receive unaudited quarterly summary financial information regarding such Carousel Fund following the end of each financial quarter. Investors in the Carousel Funds also receive regular reporting updates through quarterly letters, investors meetings and other materials provided on the investor website.

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

For details regarding economic benefits provided to Carousel Capital by non-clients, including a description of related conflicts of interest, please see Item 10 above. In addition, Carousel Capital and its related persons may, in certain instances, receive discounts on products and services provided by portfolio companies.

## **Item 15. Custody**

Custodial banks maintaining Carousel Fund assets send statements to an independent representative who compares the account statement received from the custodial bank to the account statements Carousel Capital delivers to investors.

As required by SEC rules, Carousel Capital maintains any client assets with “qualified custodians.”

For those clients for which Carousel Capital is deemed to have custody of client assets within the meaning of the Advisers Act, such clients are audited and receive audited financial statements within 120 days of the end of each fiscal year (as do investors therein). Consequently, such clients (as well as investors therein) will not receive reports directly from Carousel Capital’s “qualified custodian.”

**Item 16. Investment Discretion**

Carousel Capital provides investment advisory services to each of the Carousel Funds pursuant to the Management Agreements. Investment advice is provided by Carousel Capital directly to the Carousel Funds on a discretionary basis, subject to the direction and control of the affiliated General Partner of such Carousel Fund, each of which is an affiliate of Carousel Capital. Any restrictions on investments in certain types of securities are established by the General Partner of the applicable Carousel Fund, and are set forth in the documentation received by each limited partner prior to investment in such Carousel Fund.

**Item 17. Voting Client Securities**

Carousel Funds are not able to direct the vote of proxies made by their General Partner. The General Partners intend to vote proxies or similar corporate actions in the best interests of the applicable Carousel Fund, taking into account such factors as it deems relevant in its sole discretion.

Carousel Capital's proxy voting policy is designed to ensure that if a material conflict of interest is identified in connection with a particular proxy vote, the vote is not improperly influenced by the conflict.

A detailed summary of Carousel Capital's proxy voting policies and procedures are available to limited partners and prospective limited partners during the investment due diligence process. A copy of the proxy voting policies and procedures may be obtained by contacting Carousel Capital's Compliance Department.

Existing clients may obtain copies of relevant proxy logs, identifying how proxies were voted in connection with a Carousel Fund, and copies of proxy voting policies and procedures upon written request to: Carousel Capital, 201 N. Tryon Street, Suite 2450, Charlotte, NC 28202.

**Item 18. Financial Information**

Item 18 is not applicable to Carousel Capital.