

Item 1. Title Page

Part 2A of Form ADV: *Firm Brochure*

WATERMILL MANAGEMENT COMPANY, LLC

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This brochure (“Brochure”) provides information about the qualifications and business practices of Watermill Management Company, LLC (hereinafter “WMC” or “firm”). If you have any questions about the contents of this brochure, please contact us at (781) 891-6660. 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 WMC is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for WMC is 163370.

Registration with the Securities and Exchange Commission does not imply any level of skill or training.

Item 2. Material Changes

This Firm Brochure is WMC's disclosure document prepared according to the SEC's requirements and rules applicable to registered investment advisers. This document is a narrative providing detailed information regarding the firm, its practices, fees, actual and potential conflicts of interest and key mitigating circumstances, policies and controls.

Consistent with SEC rules, WMC will provide a summary of any material changes to this and subsequent Brochures within 120 days of the close of their business fiscal year. Furthermore, WMC will provide you with other interim disclosures about material changes as necessary.

WMC filed its most recent updated Form ADV Part 2A on March 30, 2023 ("Last Update"). This Brochure includes the following material changes: changes to our fees as further described in Item 5.

We encourage all recipients to read this Brochure carefully in its entirety.

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Item 4. Advisory Business

Watermill Management Company, LLC (hereinafter “WMC” or “firm”) is a SEC-registered investment adviser with its principal place of business in Boston, Massachusetts. The firm has been investing under the name Watermill Management Company since 2002. Prior to 2002, investments in industrial businesses were made through HMK Enterprises Inc., a Karol family holding company started in 1978, which continues to be an active investor in the firm’s Fund investments.

The principal owners of WMC (25% or more ownership) are as follows:

Steven E. Karol

Julia D. Karol

WMC provides investment management services to private equity funds and certain parallel co-investors (hereinafter collectively, “the Funds”). The Funds invest generally, but not exclusively, in private, illiquid securities. Most of the time, each Fund invests in a specific portfolio company or a group of portfolio companies. WMC does not offer or provide securities brokerage services.

WMC manages Fund investments in various companies offering a wide spectrum of services. For each Fund, WMC generally identifies prospective portfolio company(ies) (and possible add-on acquisitions to portfolio companies) and then performs due diligence and considers structures and pricing, works closely with portfolio companies to provide strategic, operating, marketing and financial advice and identifies opportunities to realize the value of such investments. The investment objective of the Funds is to seek long-term capital appreciation.

The Funds invest primarily in the equity securities or interests of private companies and typically seek majority control positions, in some cases with other co-investors. The Funds acquire investments directly and in transactions involving third parties, including traditional investment banks and brokers.

The Funds are not required to register under the Securities Act of 1933 or the Investment Company Act of 1940 in reliance upon certain exemptions available to issuers whose securities are not publicly offered. WMC manages the Funds on a discretionary basis in accordance with the terms and conditions of each Fund's offering and organizational documents.

ASSETS: As of December 31, 2023, WMC’s regulatory assets under management is \$209,352,341, all of which is managed on a discretionary basis. WMC does not manage any assets on a non-discretionary basis.

IMPORTANT ADDITIONAL CONSIDERATIONS: The information provided herein merely summarizes the detailed information provided in each Fund’s offering and organizational documents. Certain of the Funds are closed and are not admitting new

investors. Current Fund investors and prospective investors in any new Fund launched by WMC should be aware of the substantial risks associated with investment as well as the terms applicable to such investment. This and other detailed information is provided in the appropriate Fund offering and organizational documents.

Item 5. Fees and Compensation

For the firm's advisory services to the Funds, WMC generally will be entitled to a management fee, a monitoring fee, and an incentive fee, each as further described below. This compensation is paid as specified in the Fund offering documents and/or separate agreements relating to each applicable portfolio company. Monitoring fees are charged directly to the portfolio company(ies) and are not accelerated upon or paid after the sale of the portfolio company by the Fund.

Management Fees and Incentive-Based Compensation

WMC receives a management fee from each Fund that may be based on a portfolio company's EBITDA or sales revenue, on the Fund's invested capital (at cost), or on another comparable basis as described in the applicable Fund's governing documents. For each Fund raised after 2023, the management fee is typically paid over the period during which WMC provides the most intensive management services to establish, oversee and stabilize a Fund's investment in a portfolio company, and is not accelerated upon or paid after the sale of the portfolio company by the Fund.

In addition, WMC is entitled to receive performance-based compensation, as described in Item 6 of this Brochure, in respect of each Fund advised by it.

Limited Partners/Members should refer to the appropriate Fund offering documents for detailed information regarding fees and fee offsets. It is also important to note that any new Fund launched by WMC in the future may have similar or materially different terms than those summarized above.

Other Fees and Expenses

WMC employees have been appointed and are expected to be appointed in the future as members of the Board of Advisors and/or Directors to portfolio companies in which the Funds invest. WMC investment professionals monitor the business activities of the portfolio companies and may provide strategic advice and access to industry resources, which WMC believes benefit the applicable Fund and its investors. As compensation for this service, the portfolio company pays a monitoring fee, which is generally determined as a percentage of the portfolio company's revenue or EBITDA.

GENERAL INFORMATION:

Investments in Funds: The General Partner/Managing Member for a Fund may be affiliated with WMC through common ownership and control as well as shared executive officers. The General Partner/Managing Member of each Fund, principals and/or other related persons of WMC will generally only participate in the Fund's investments by investing assets directly in the Fund.

Co-Investments: From time to time, the Funds may co-invest in portfolio companies with other Funds or with direct investors. In addition, in certain contexts owners of portfolio companies may roll equity from the portfolio company into a Fund.

Co-investment vehicles are not typically allocated any share of fees paid or received in connection with an unconsummated transaction unless and until they are contractually committed to invest in the prospective investment.

Lock-Up: Except as set forth in the applicable Fund's offering documents, an investor in any one of the Funds generally may not rescind any part of its capital commitment or otherwise withdraw from any of the Funds. Private equity fund investing is for those who can afford to have capital locked up for long periods of time and who are able to bear the risk of losses.

Side Letters: WMC, or each Fund's General Partner/Managing Member, as appropriate, may waive or modify certain terms of investment for certain large or strategic investors, in side letters or otherwise, in its sole discretion, including but not limited to, co-investment opportunities, increased Fund and portfolio company transparency and more frequent or varied formats or modes of portfolio reporting.

Allocation of Fees and Expenses: As a fiduciary to the Funds, WMC seeks to act in the best interest of the Funds, which includes responsible stewardship of the Funds' assets among other things. To the extent reasonably possible, therefore, WMC seeks to keep Fund and portfolio company costs, as applicable, reasonable and avoid unnecessary or excessive expenses. Expenses and fees that may be incurred by the Funds and portfolio companies are generally described in the Funds' offering documents and summarized in this Form ADV, Part 2A.

In general, WMC may not allocate any expense to a Fund or a portfolio company where such expense has been explicitly prohibited by the Fund's organizational and offering documents. In addition, WMC seeks to ensure that any expenses allocated to the Funds and portfolio companies owned by the funds include only those expenses actually incurred by the Funds or relevant portfolio company(ies). Moreover, for any payments paid directly to WMC or any of its related persons, (e.g. for monitoring services to portfolio companies), WMC will follow the following procedures:

- Ensure that the compensation paid is fair in relation to the scope of the job's responsibilities;

- Ensure that the entities or individuals retained have sufficient expertise and qualifications to provide the services being contracted for; and
- Engage in monitoring to ensure that services contracted for are provided in full.

For each expense allocated to the Funds or a portfolio company, an invoice will be submitted. WMC instructions to pay fund expenses (audit, legal, etc.) must be supported by an invoice and will be reflected on the books of the applicable Fund or its affiliate, as appropriate. The methodology used to allocate expenses among Funds will be documented at the time of the allocation.

When in doubt, WMC will review disclosures regarding expenses as provided to applicable Fund investors through offering memoranda, Form ADV or otherwise and compare these to expenses actually charged to ensure that each expense is authorized and appropriately disclosed.

The Chief Compliance Officer or their designee will periodically review invoiced expenses and expense allocation methodologies amongst the Funds and/or portfolio companies, as applicable, to ensure that each Fund only assumes expenses attributable to its activities and that those allocations are properly documented.

General: Prospective investors should refer to the appropriate offering and organizational documents for additional important information, terms, conditions and risks involved with investing in the Fund(s).

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

As disclosed in Item 5 of this Brochure, most of the Fund's General Partners/Managing Members, which are affiliates of WMC through common ownership and control, receive a performance-based profits interest. Such performance-based profits interest is generally calculated based on a percentage of a portfolio company's investment gains at the time of exit.

Investors in the Funds, and prospective investors in any new Fund launched by WMC, should note that performance-based profits interest, in some contexts, can create an incentive for an adviser such as WMC to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

1. In theory, WMC could have incentive to favor a Fund paying higher aggregate performance-based compensation than one paying less or none at all, or a Fund in which related persons, officers and employees of the firm and General Partner/Managing Member may have more of their personal assets invested. WMC educates its employees regarding the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement, to mitigate this potential conflict.

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

Item 7. Types of Clients

WMC anticipates providing investment management services to several private equity funds and associated co-investors as disclosed in Item 4 of this Brochure.

Prospective investors in any new Fund launched by WMC should refer to the appropriate Fund offering documents for information regarding that Fund and any additional qualifications required for investment.

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

As adviser to the Funds, WMC primarily, though not exclusively, invests in securities issued by private companies or the assets of those companies. As such, traditional securities analysis is not possible when formulating investment recommendations. Instead, WMC relies on its due diligence process and investment judgment to determine which prospective portfolio companies to invest in on behalf of the Funds. However, investors must be aware that due diligence is different with each company and the available information and speed with which decisions must be made can vary greatly. The firm has and will likely continue to have investments that are not profitable due to the inherent risks of private equity investing.

WMC typically employs a disciplined investment process in evaluating potential investments and generally performs rigorous analysis of the historical and prospective performance of potential portfolio companies. The due diligence investigation generally includes: (a) financial and operational analyses; (b) face-to-face management meetings; (c) primary industry, served market, technology and competitive research; (d) customer calls and reference checks; and (e) additional company and sector specific analyses. The due diligence process is designed to verify the investment thesis by understanding the company's strategy, market position, operations and management expertise. In addition, the due diligence process may include the identification of acquisition candidates and potential buyers. Prior to any investment, WMC generally attempts to identify potential paths to opportunities to realize value through various exit options.

WMC's due diligence process involves its senior management and additional WMC professionals. WMC has a network of lawyers, accountants, information technology and due diligence professionals and consultants who generally work in tandem with the firm to advise on certain Fund investments.

WMC professionals also provide guidance for the benefit of the Funds to portfolio companies based upon the collective experience of their team of professionals. WMC

believes its depth of expertise makes it a preferred partner for middle-market companies. Through their prior experiences as owners and advisors, WMC professionals are able to add insight and value through strategic, operating, marketing, and financial recommendations to maximize growth and profit potential. WMC often helps portfolio companies pursue add-on acquisitions, provides advice on the timing of asset/subsidiary divestitures and exit strategies, consults on financial issues and generally provides a knowledgeable perspective in defining strategic direction, refining product line expansion, evaluating competitors and facilitating strategic introductions and alliances.

Risks of Long-Term Investing through Private Equity/Private Debt Funds: One of the primary risks of a long-term investment strategy is that if WMC's projections and expectations do not materialize, a security may decline in value. This risk is particularly pronounced when investing for the long term in privately issued securities due to the absence of an immediate and liquid market for these investments. Any sale of such securities will typically take some time to complete. The portfolio company, its competitors or its industry may behave in ways which were not, and in some cases could not have been, predicted, leading to losses and/or very few if any attractive exit options. In addition, the Funds' portfolio companies may, over the course of the applicable Fund's investment, require additional financing. Depending upon a number of factors, including factors outside WMC's control, such additional financing may not be available, or may not be available on favorable terms. This may lead to economic dilution, loss of governance rights or control and other negative consequences for the applicable Fund. Where a subsequent Fund participates in such additional financing, WMC follows procedures to ensure fairness and minimize negative impact, including testing the market to ensure terms are arms'-length and fair, obtaining third-party input where appropriate, and offering prior Fund investors the opportunity to participate in the additional financing.

Risks in General: Securities investments are not guaranteed and you may lose money on your investments. Investors or prospective investors should carefully review the detailed explanation of the many risks associated with investment as provided in the appropriate Fund's offering memorandum.

Item 9. Disciplinary Information

WMC is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of the firm's advisory business or the integrity of its management.

Neither the firm nor its management personnel have reportable disciplinary events to disclose.

Item 10. Other Financial Industry Activities and Affiliations

Each of the Funds has a separate General Partner/Managing Member and each is related to WMC through common ownership and control.

General Partners/Managing Members are generally entitled to performance-based allocations, as applicable, pursuant to the terms and conditions set forth in the appropriate Fund offering documents. Any such allocation will ultimately inure to the benefit of the owners, employees, and former employees of WMC.

Employees and/or related entities often are investors and/or co-investors in the Funds managed by WMC. Such investments may be made via special purpose pooled investment vehicles or personal investments.

Certain employees of WMC may in the future on occasion hold short-term or interim employment positions with portfolio companies in which the Funds are invested. As such, WMC would have a potential conflict of interest in these employees receiving compensation that exceeds industry norms or market rates and thus directly or indirectly reduces the performance returns of the Fund(s). To mitigate the conflict of interest, WMC will adopt policies and procedures addressing fair determination and allocation of costs and expenses prior to WMC employees holding a position with a portfolio company.

Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading

WMC has adopted a Code of Ethics which sets forth high ethical standards of business conduct required of its employees, including compliance with applicable federal securities laws. The Code of Ethics includes policies and procedures for the review of quarterly personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, the Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. WMC's code provides for oversight, enforcement, and recordkeeping. A copy of the Code of Ethics is available to the firm's advisory clients and prospective clients, including investors and prospective investors in one or more of the Funds, upon request to the Chief Compliance Officer, at the firm's principal office address.

As disclosed in Item 5 of this Brochure, certain executive officers and/or other employees of WMC have invested or may invest a portion of their personal net worth in one or more of the Funds.

It is the express policy of the firm that no person employed by it may participate in an investment opportunity which may be appropriate for one or more of the Funds without first presenting the opportunity to WMC's Investment Committee and/or Deal Team, particularly when there is limited availability for participation in the opportunity.

As these situations represent a conflict of interest, WMC has established the following restrictions in order to adhere to its fiduciary responsibilities:

1. No officer or employee of the firm may prefer his or her own interest to that of an advisory client.
2. WMC maintains a list of all securities holdings for the firm and anyone associated with their advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by the Chief Compliance Officer or their designee.
3. All principals and employees must act in accordance with all applicable Federal and State laws and regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to disciplinary action up to and including termination.

The Investment Advisers Act of 1940 makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, to knowingly sell any security to, or purchase any security from, a client without disclosing to the client in writing the capacity in which the adviser is acting and obtaining the client's consent to the transaction. This rule may apply to certain transactions involving accounts in which investment advisers have interests, such as private fund investments by the firm's owners, principals, or employees.

Item 12. Brokerage Practices

As part of its investment advisory service, WMC typically, directly or in conjunction with each Fund's General Partner/Managing Member or other affiliates, is responsible for all parts of the investment cycle including identifying investment opportunities, investment decision-making, deal negotiation and transaction structuring, ongoing portfolio management (the act of overseeing the investments that have been made) and realization of value in various exit strategies. The Funds will typically make direct investments in privately held companies.

Transactions in securities that are made by WMC for the Funds are generally negotiated deals which may involve the participation of an investment bank or broker dealer (hereinafter collectively "Brokers"). If a Broker is not involved, an investment is structured through direct negotiations by members of the applicable Fund's General Partner/Managing Member, and WMC's Investment Committee and/or Deal Team, as well as various professionals engaged by the firm to facilitate a particular deal, as appropriate. These professionals can include attorneys, accountants, consultants, information technology and due diligence professionals, among others.

The initial factor considered by WMC in determining whether or not to enter into a transaction on behalf of a Fund through a Broker will depend, in part, on whether the firm is seeking to acquire securities or exit a position. If a Broker is involved in a Fund transaction involving an acquisition or other new investment, it is typically because the

selling company has engaged such firm to assist it in negotiating and structuring the terms of a particular deal on its behalf including organization of an auction(s) or otherwise.

Of course, each Fund's ultimate goal when investing is to realize value or "exit" its investments in portfolio companies for a return in excess of the price paid. WMC may engage a Broker to assist in the sale of a portfolio company if WMC determines that such Broker will be in the best interests of the Funds. If, consistent with the firm's goal of seeking the best execution, WMC determines that it will engage an Broker to assist with the structuring of a particular transaction, such Broker will be selected on the basis of the following, as applicable:

- expertise in the particular market;
- market reach and financial stability;
- history of similar transactions;
- the fees and other cost associated with its services;
- its reputation;
- their past experience with the firm, including past deal flow or ideas provided by the firm, if any;
- their anticipation of future deal flow, if any;
- responsiveness of staff; and
- other information as appropriate.

Trade Aggregation:

Due to the nature of private equity fund investing, WMC does not typically aggregate trades for more than one Fund. However, if WMC has determined that an underlying investment is to be made on behalf of two or more of the Funds, WMC will typically enter into a single transaction, aggregating the trades for each Fund as well as any co-investor that was allocated a percentage of the trade. Each participant will participate in the trade at the same price. Transaction costs will typically be borne by the portfolio company whose securities are being acquired or which has received financing, as appropriate. As disclosed at Item 5 of this Brochure, WMC or the General Partner/Managing Member of a particular Fund may also make co-investment opportunities available to Limited Partners/Members and their affiliates as appropriate and in the best interest of the Funds. Allocation of such opportunities creates a conflict of interest as they are, by nature, limited and participation is not possible for all or even most investors in the Funds. As such, WMC must determine which investors will be given the opportunity to co-invest and which will not. In this process, WMC seeks to be transparent with investors regarding its allocation determinations.

WMC does not have any formal or informal soft-dollar arrangements nor does it receive any soft-dollar benefits from any Broker, dealer or other counterparty.

Item 13. Review of Accounts

WMC monitors the portfolio companies of each Fund on an ongoing basis. As part of the terms of investment, WMC has also arranged for the Funds to have one or more representatives serving on the Board of Directors or Advisors of each portfolio company.

The firm's investment professionals approve all portfolio investments and dispositions and are actively involved in analyzing each investment and reviewing those investments on an on-going basis.

The firm's investment professionals meet periodically to review ongoing monitoring activities and to evaluate potential new investments. The following individuals are currently involved in investment decision-making, with specific individual assignments varying from Fund to Fund:

Steven Karol, Managing Partner and Founder
Julia Karol, President and COO
Benjamin Procter, Senior Partner and CCO
Dale Okonow, Senior Partner
Robert Ackerman, Senior Partner
Timothy Eburne, Partner Emeritus
Scott Oudheusden, Partner
Anabelle Skalleberg, Principal
Peter d'Entremont, Director of Research

The Funds are audited annually as disclosed in Item 15 of this Brochure.

Item 14. Client Referrals and Other Compensation

Although the firm does not currently utilize placement agents for referring prospective investors to their Funds, WMC reserves the right to enter into such arrangements in the future. Although common, such referral arrangements do create a potential conflict of interest because, in theory, the referrer may be motivated, at least partially, by financial gain and not because the WMC Funds are the most suitable to the prospective investor's needs. To address this potential conflict of interest, all referred investors would be informed of the placement agent's role and the firm would collect appropriate required information to ensure that the investor meets the qualifications for investing in the fund.

Item 15. Custody

Because WMC acts as investment adviser to the Funds and is affiliated with each Fund's General Partner/Managing Member through common ownership and control, it is deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, WMC seeks to have each of the Funds audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). WMC sends,

directly or through a third party, the audited financials to each Fund investor within 120 days of the applicable Fund's fiscal year end.

Item 16. Investment Discretion

As investment adviser to the Funds, WMC is granted the discretionary authority in the relevant organizational documents and/or advisory agreements to determine which securities and the amounts of securities are to be bought or sold on behalf of the Funds.

Item 17. Voting Client Securities

Because the Funds transact primarily in privately issued securities or assets, WMC is only required to vote proxies when portfolio companies become publicly-traded. Under these circumstances, WMC will vote proxies in the best interest of the Funds and the investors of the Funds, typically in the manner that it determines in good faith will be the most likely to cause the Funds' investments to increase the most or decline the least in value. Consideration will be given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote. WMC's complete proxy voting policy and procedures will be memorialized and available for investors to review should the situations arise where WMC would be required to vote proxies.

It is important to note that WMC or the General Partner/Managing Member may have one or more affiliated persons appointed to serve on the Board of Directors of portfolio companies. As such, a conflict of interest could arise when voting certain common proxies including board composition, tenure or compensation. Under these circumstances, WMC may be required to abstain or engage an unaffiliated third party to vote the proxy on behalf of the affected Fund.

Item 18. Financial Information

Under no circumstances will WMC require or solicit prepayment of fees in excess of \$1,200 per client six months or more in advance of services rendered, therefore, WMC is not required to include a financial statement with this brochure.

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