

ITEM 1. COVER PAGE

CALVERT STREET CAPITAL PARTNERS, INC.

2330 West Joppa Road, Suite 320
Lutherville, Maryland 21093
(443) 573-3700
www.cscp.com

PART 2A OF FORM ADV: FIRM BROCHURE

Dated: March 20, 2017

This brochure provides information about the qualifications and business practices of Calvert Street Capital Partners, Inc. If you have any questions about the contents of this brochure, please contact us at (443) 573-3700 or scheplak@cscp.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Calvert Street Capital Partners, Inc. is available on the SEC’s website at www.adviserinfo.sec.gov.

Being a “registered investment adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.

**THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE
SOLICITATION OF ANY OFFER TO BUY ANY SECURITY.**

ITEM 2. MATERIAL CHANGES

This brochure is intended to provide potential and existing clients with an overview of Calvert Street Capital Partners, Inc. ("CSCP"). It also contains important disclosures regarding items such as certain practices of CSCP, potential material conflicts that may arise and key potential investment risks.

The following is a discussion of material changes to CSCP's Brochure since the last annual update filed March 29, 2016:

Item 5 Fees and Compensation was modified to include additional information describing advisory, monitoring and consulting fees and expenses that may be paid to CSCP or reimbursed by the Funds.

ITEM 3. TABLE OF CONTENTS

Item No.	Description	Page
ITEM 1.	COVER PAGE.....	1
ITEM 2.	MATERIAL CHANGES	2
ITEM 3.	TABLE OF CONTENTS.....	3
ITEM 4.	ADVISORY BUSINESS	4
ITEM 5.	FEES AND COMPENSATION	5
ITEM 6.	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	8
ITEM 7.	TYPES OF CLIENTS.....	8
ITEM 8.	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
ITEM 9.	DISCIPLINARY INFORMATION.....	17
ITEM 10.	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	17
ITEM 11.	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	19
ITEM 12.	BROKERAGE PRACTICES.....	19
ITEM 13.	REVIEW OF ACCOUNTS	20
ITEM 14.	CLIENT REFERRALS AND OTHER COMPENSATION	20
ITEM 15.	CUSTODY	20
ITEM 16.	INVESTMENT DISCRETION	21
ITEM 17.	VOTING CLIENT SECURITIES	21
ITEM 18.	FINANCIAL INFORMATION	21

ITEM 4. ADVISORY BUSINESS

Calvert Street Capital Partners, Inc. (“CSCP”), a Maryland corporation, is an adviser to private funds and was organized on May 10, 1995. Joshua Hall and Brian Mahoney founded CSCP originally as Legg Mason Merchant Banking, Inc., an affiliate of Legg Mason, Inc., and purchased the business from Legg Mason, Inc. on December 31, 2003. In June 2014, Mr. Mahoney withdrew from an active role at CSCP and ceased participating in fundraising and investment activity, and Mr. Hall became the sole owner of CSCP. In August 2015, Mr. Hall transferred a portion of his ownership interest in CSCP to each of Brian Guerin, Michael Booth and Andrew John.

CSCP’s clients are private funds, as well as certain subsidiaries established by the funds to pursue the strategies described herein. Affiliates of CSCP serve as the general partners of each fund advised by CSCP.

CSCP’s advisory services generally focus on lower middle market companies in North America. CSCP advises funds with respect to the acquisition, management and disposition of investments. The services that CSCP provides to funds are based on and tailored to each fund’s specific investment needs and goals. Each fund’s partnership agreement sets forth certain investment limitations, including restrictions on investing in certain securities or types of securities. CSCP looks for investments that meet the stated objectives, strategy and investment guidelines of each fund. CSCP supervises the entire investment process and monitors the performance of each investment held by its fund clients. All investment decisions on behalf of the funds advised by CSCP are made by the applicable general partner of each fund and, if applicable, a dedicated investment committee established for each fund.

Currently, CSCP advises the following private funds: (i) Calvert Street Capital Partners III, L.P., a Delaware limited partnership organized on April 5, 2005 (“**CSCP III**”) (ii) Legg Mason Capital Partners II-A, L.P. and Legg Mason Capital Partners II-B, L.P., Delaware limited partnerships organized on February 7, 2000 (collectively “**LMCP II**”); (iii) Premium Inspection & Testing Partners, L.P., a Delaware limited partnership organized on June 4, 2015 (“**PITP**”); (iv) Abrasive-Form Partners, L.P., a Delaware limited partnership organized on September 18, 2015 (“**AFP**”, and together with PITP, CSCP III and LMCP II, the “**Equity Funds**”); and (v) Legg Mason Mezzanine Fund, L.P., a Delaware limited partnership organized on January 24, 2003 (the “**Mezzanine Fund**,” and together with the Equity Funds, the “**Funds**”). In addition, CSCP previously advised Legg Mason SBIC Mezzanine Fund, L.P., a Delaware limited partnership organized on January 30, 2003 and a subsidiary of the Mezzanine Fund (the “**LM SBIC**”) licensed under the Small Business Administration (“**SBA**”) to operate as a small business investment company. The assets held by LM SBIC were transferred to the Mezzanine Fund as of December 31, 2016. LM SBIC is being dissolved as of March 31, 2017. None of the Funds are accepting new investors currently, and, other than PITP and AFP, their investment periods have expired. LMCP II and the Mezzanine Fund are in the process of liquidating their investments.

The investment objective of the Equity Funds is to provide investors with the opportunity to realize substantial appreciation in the form of long-term capital gains by principally making control equity investments in lower middle market companies that offer significant growth potential. In advising the Equity Funds, CSCP consistently employs a structured investment process, through which CSCP: (a) identifies profitable, often undermanaged companies, (b) conducts rigorous due

diligence, (c) builds the infrastructure of the company through improvements to the management team and information systems, (d) undertakes aggressive growth initiatives both organically and through complementary acquisitions and (e) generally exits investments in a negotiated sale transaction.

The investment objective of the Mezzanine Fund is to provide investors with current income plus capital appreciation through investing in a portfolio of mezzanine securities (typically subordinated debt and equity interests) of established, profitable, small to mid-sized manufacturing and service companies in the United States. In advising the Mezzanine Fund, CSCP utilizes a collaborative approach to investing, employing a strict investment discipline by focusing on fundamental credit analysis and rigorous due diligence.

CSCP currently does not provide investment advisory services to clients apart from the Funds and their affiliated entities, although it and/or one or more affiliates may do so in the future.

As of December 31, 2016, CSCP had approximately \$219.0 million in assets under management, all managed on a discretionary basis.

Please see Items 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and 10 (Other Financial Industry Activities and Affiliations).

ITEM 5. FEES AND COMPENSATION

CSCP generally receives carried interest from the Funds and other fees from the Funds' portfolio companies. CSCP also receives management fees from certain funds. The Funds and the Funds' portfolio companies also bear certain out-of-pocket expenses incurred by CSCP in connection with the services provided to these parties. The following sections discuss the most common fees and expenses in more detail.

Management Fees

CSCP receives a management fee paid by some of the Funds it advises (the "**Management Fee**"). During a Fund's investment period, the Management Fee typically ranges from 0% to 2.0% per annum of the Fund's committed capital. After the end of a Fund's investment period, the Management Fee typically ranges from 0% to 2.0% per annum of the cost of unrealized investments until expiration of the Fund. With respect to PITP, AFP and LMCP II, CSCP does not receive a Management Fee. Because CSCP and the Funds advised by CSCP are related to one another, there is no independent person who negotiates CSCP's advisory fees. The specific fee arrangements for each Fund are described in the applicable Fund's offering and governing documents.

Funds may be required to pay CSCP's Management Fee quarterly and in advance or in arrears. The exact payment terms relating to CSCP's Management Fee will be set forth in each Fund's partnership agreement and/or the management agreement related to that fund. CSCP deducts the Management Fees owed by each Fund from the assets of the applicable Fund. In the event of an early termination of a Fund's management agreement, CSCP will refund any overpayment of fees to the Fund on a pro rata basis.

Performance Based Fees (Carried Interest)

Affiliates of CSCP (i.e., the general partner of each Fund) are generally entitled to receive distributions from each Fund, in the range of 10% to 20% of the applicable profits after capital contributions have been returned to investors in the Fund and the Fund's investors have received a compounded preferred return on their capital contributions in accordance with the terms of the applicable partnership agreement. This share of profits is often referred to as a carried interest. CSCP distributes the carried interest to the general partner of the applicable Fund in accordance with the terms of the applicable partnership agreement. Because of CSCP's relationship with the general partner of the Funds it advises, the carried interest may be considered performance based compensation which benefits CSCP.

Monitoring and Consulting Fees and Out-of-Pocket Expenses

The Funds indirectly incur or generate other fees payable to CSCP as CSCP generally enters into arrangements with portfolio companies and prospective portfolio companies pursuant to which such companies pay advisory, monitoring and/or board of director fees, consulting fees and/or reasonable "breakup" fees with respect to unconsummated transactions. Unless otherwise agreed with the investors in a Fund (or where there is no Management Fee charged to such Fund), these fees typically reduce the Management Fee otherwise payable to CSCP by a Fund by 50%.

Monitoring fees are monthly fees paid to CSCP for providing general supervisory and business planning services to portfolio companies owned by the Funds. These services generally include members of CSCP's professional staff:

- Serving on the board of directors for the portfolio company;
- Assisting in the recruitment and evaluation of senior management;
- Providing guidance in the preparation and approval of annual budgets;
- Approving major capital expenditures;
- Monitoring progress in fulfillment of the business plan and communicating such to the company's lenders and investors; and
- Providing audit oversight and assuring the integrity of financial reporting and internal controls.

Consulting fees are one-time fees paid to CSCP in connection with services provided by CSCP to support an investment or disposition made by the Funds or the portfolio companies. These services include, but are not limited to, members of CSCP's professional staff:

- Coordinating the due diligence process (including market, business, customer, financial / tax, IT / systems, environmental and legal matters);
- Managing shareholder and board communications related to the acquisition or disposition;
- Pre- and post-transaction integration planning and implementation;
- Preparing and implementing management ownership plans;
- Drafting and reviewing disclosure schedules;
- Coordinating the closing (including funds flow, sources and uses statement, and wire instructions); and
- Serving as the selling shareholder representative.

CSCP may have a conflict of interest to the extent that it has an opportunity to earn a fee from a portfolio company owned by a Fund. This conflict may be more pronounced in cases in which CSCP is paid a fee which will not be fully offset against Management Fees, including in respect of portfolio companies owned by Funds that do not pay Management Fees (such as PITP, AFP and LMCP II). However, CSCP believes that the management fee offset provisions described above and the substantial equity commitment, including carried interest, by CSCP and its affiliates and the other independent owners and board members of the portfolio companies substantially mitigates this potential conflict.

The portfolio companies also pay out-of-pocket expenses in connection with providing the services described above. The out-of-pocket expenses are principally travel, lodging, and meals of CSCP personnel operating under these agreements, but can also include the costs of advisors or consultants that were engaged by CSCP on behalf of the portfolio companies.

Organizational Expenses

Each Fund generally pays all legal, accounting, filing, travel and other expenses incurred by CSCP or an affiliate of CSCP in connection with organizing such Fund, not to exceed certain specified amounts set forth in the Fund's partnership agreement or in the management agreement.

Other Expenses

The Funds also typically pay for other costs and expenses as set forth in each Fund's partnership agreement or management agreement. Some of the types of costs and expenses that are paid by the Funds include (i) reasonable out-of-pocket costs and expenses (to the extent not reimbursed by portfolio companies or prospective portfolio companies) incurred in pursuing, investigating, diligencing, analyzing, holding, administering, monitoring, developing, negotiating, structuring, making, acquiring and disposing of Fund assets, including any financing (e.g., structuring and commitment fees and expense reimbursement to financing sources or potential financing sources), legal, accounting, management and consulting fees and expenses and termination fees in connection therewith, including the foregoing expenses related to potential Fund investments or dispositions that are not consummated; (ii) reasonable and customary administrative expenses of the Funds incurred in the ordinary course, including the cost of the preparation of the annual audit, financial and tax returns and tax reports required for the Funds or investors in such Funds, cash management expenses and routine legal and accounting expenses; (iii) reasonable appraisal and valuation expenses; (iv) reasonable brokerage commissions, registration fees and expenses, custodial expenses and other investment costs (to the extent not reimbursed by portfolio companies) incurred in connection with Fund investments; (v) reasonable fees, costs and expenses, including interest, arising out of all borrowings made by the Funds, including, but not limited to, the arranging thereof; (vi) reasonable out-of-pocket costs of any litigation, D&O insurance and other types of insurance, indemnification or extraordinary expense or liability relating to the affairs of the Funds; (vii) reasonable expenses in connection with the dissolution, winding up or termination of the Funds; (viii) registration expenses and any taxes, fees or other governmental charges levied against the Funds and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Funds; (ix) reasonable expenses of the advisory committees (including any advisors thereto) and meetings of the investors in the Funds; (x) reasonable expenses incurred in connection with the Fund's financial statements and reports, tax

returns and K-1's or similar schedules; (xi) reasonable fees and disbursements of attorneys, consultants, accountants, fund administrators, service providers and any other professionals relating to Fund matters; (xii) any insurance premiums or expenses incurred by the Fund in connection with the activities of the Fund, including errors and omissions, fidelity, general partner liability, fiduciary, directors' and officers' liability and similar coverage; (xiii) reasonable expenses related to or arising from defaults by investors in such Funds in the payment of capital contributions; (xiv) reasonable expenses incurred in connection with distributions to investors in such Funds; (xv) reasonable expenses incurred in connection with any amendments, modifications, revisions or restatements to the documents of the Funds or related entities; (xvi) post-closing obligations under agreements relating to the disposition of Fund assets including indemnification obligations and purchase price adjustment obligations; and (xvii) any other costs, fees or expenses as may be agreed upon by the general partner in such Fund and a majority in interest of the investors in such Fund.

Operating Consultants

CSCP sometimes utilizes the resources of operating consultants in order to improve the financial and administrative operations of its portfolio companies and assist in due diligence of acquisition candidates. Such operating consultants are not employees of CSCP but, in some instances, may have contracts with CSCP with established standard billing rates and per diems. The use of the CSCP operating consultants on projects related to portfolio companies must be approved by the CEO of each portfolio company. These projects are typically clearly defined and limited in scope. Expenses incurred related to these projects are paid by the applicable portfolio company.

CSCP will also use operating consultants when evaluating potential platform companies. The applicable Fund documents outline the instances when these costs are paid for by the applicable Fund or by CSCP.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The carried interest payments that the general partners of the Funds advised by CSCP are generally allocated are performance-based. See Item 5 (Fees and Compensation) above. The general partners of the Funds advised by CSCP are affiliates of CSCP. A carried interest may give CSCP or the general partner of a Fund an incentive to take more risk or make more speculative investments than would otherwise be the case. CSCP addresses this potential conflict of interest by (i) recognizing its fiduciary duty owed to each Fund, and (ii) reviewing each Fund's objectives, strategies and investment guidelines against its recommendations.

ITEM 7. TYPES OF CLIENTS

CSCP's clients are private funds and their affiliated entities. See Item 4 (Advisory Business) which sets forth a list of CSCP's current fund clients. Affiliates of CSCP serve as the general partners of each Fund advised by CSCP. The investors in the Funds advised by CSCP typically (but not exclusively) include high net worth individuals and trusts and other family investment entities created by those individuals, institutions, pension funds and other corporate entities. CSCP does not currently manage separate accounts for individuals or institutional investors. All of the Funds currently advised by CSCP are closed to new investors.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS***Methods of Analysis and Investment Strategies***

CSCP advises the Funds primarily about making investments in securities of lower middle market companies. Each Fund will have a specific strategy and investment focus that is described in the Fund's offering memorandum. Some Funds may have strategies similar to other Funds. The Fund's offering memorandum and/or partnership agreement may include specific guidelines or restrictions on investments. CSCP's role is to (i) find investment opportunities that fit the Fund's specific strategy, (ii) diligently investigate each investment's benefits and risks (called due diligence), (iii) make recommendations to each Fund whether to buy, hold or sell an investment, and (iv) monitor the performance of investments made. CSCP will review its recommendations against any specific guidelines or restrictions on the Fund's investments.

The Equity Funds

Each Equity Fund advised by CSCP invests in a limited number (less than eight) of discreet, stand-alone companies (each a "**Platform Company**") around which CSCP and each respective management team develops a growth strategy. Growth strategies often involve the acquisition of compatible businesses in the same industry ("**Add-On Companies**"), otherwise known as a buy and build strategy.

A description of CSCP's investment process as it relates to the identification, evaluation, and execution of its investment strategy is set forth below:

1. Sourcing Investment Opportunities

CSCP has focused its origination efforts on privately-owned businesses in the lower middle market that meet the following criteria:

- Companies with roughly \$20-\$50 million in revenue and approximately \$3-10 million of EBITDA
- Manufacturing and service companies in North America
- Predictable and repetitive demand for products or services

In many cases, CSCP targets companies in fragmented industries in which rapid growth can be achieved through consolidation.

CSCP leverages the following sources to generate attractive investment opportunities:

The Calvert Street Network. CSCP's professionals have developed a comprehensive network of intermediaries and other referral sources over the past 20+ years to identify new investment opportunities for the Equity Funds. These sources include accountants, attorneys, lenders, investment bankers, business brokers, consultants, corporate development managers, former managers of prior CSCP portfolio companies, and other professionals involved with or generally aware of merger and acquisition activity.

Platform Company Referrals. As a result of CSCP's buy and build investment strategy, a large percentage of the acquisitions completed by the Equity Funds are Add-On Companies to the limited number of Platform Companies in each Fund. CSCP utilizes the management teams and boards of directors of its portfolio companies to help identify these acquisition opportunities.

2. Due Diligence and Investment Structuring

Due Diligence

Professional employees of CSCP perform due diligence on each investment opportunity. Due diligence will vary depending on the type of investment but will usually include some or all of the following:

- Review of historical financial information
- Research and analysis of market information
- Research and review of competition and industry dynamics
- Review, preparation and/or analysis of financial projections
- Modeling to determine the company's ability to manage an economic downturn or other adverse event
- Interviews and background checks of company management
- Lien searches of company assets and real estate
- Review of material contracts and other company data
- Review of regulatory and environmental issues impacting the business
- On-site visits to company headquarters and other operational locations
- Review, preparation and/or analysis of business plans

The above is not an exhaustive list, nor does every item on the list apply to all investment opportunities. CSCP's professional employees use their experience and expertise to review each investment opportunity in a diligent way. Although the investment professionals of CSCP are responsible for the scope and quality of due diligence, the assistance of outside professionals is regularly required. CSCP enlists the services of experienced accountants, consultants, attorneys, industry experts and, in certain instances, experienced operating managers to assist in the due diligence process.

Investment Approval Process

Potential investment opportunities are staffed with at least two CSCP investment professionals (the "**Deal Team**"). Deal Teams provide overviews of the diligence process together with an update on outstanding issues related to potential investment opportunities at CSCP's weekly meetings of all investment professionals and the relevant investment committees. In addition, Deal Teams prepare detailed memoranda on each potential investment opportunity for the investment committee of the applicable Fund. The applicable investment committee holds discussions regarding potential investments and may request additional information from the applicable Deal Team. Investment decisions are made by members of the applicable investment committee.

Structuring

CSCP typically structures acquisitions without the use of excessive leverage. Equity Fund acquisitions may be financed using some or all of the following forms of debt financing: senior bank debt, mezzanine debt, and seller financing. CSCP evaluates the capital structure of each Equity Fund acquisition to determine the appropriate amount of debt and equity financing given the underlying business characteristics and specific risks identified for the investment.

3. Monitoring Investments and Improvements to Portfolio Company's Management Information Systems and Management Team

CSCP takes a hands-on approach to managing portfolio companies, which includes intense managerial involvement on a weekly, often daily, basis. CSCP controls the board of directors of the companies the Equity Funds acquire, with at least two of CSCP's investment professionals represented on each board. Typically, one of the CSCP investment professionals serves as the company's chairman of the board and, when applicable, CSCP has representatives who serve on the board's audit and compensation committees. In most cases, CSCP also utilizes the services of knowledgeable industry executives, as appropriate, to sit on the boards of portfolio companies as a source of industry expertise.

In order to prepare for successful growth after the acquisition of each Platform Company, CSCP focuses on building the infrastructure of each company it acquires. This is accomplished by evaluating the capabilities and depth of each management team and making the requisite additions and replacements as necessary. In addition, CSCP helps its Platform Companies implement improvements to management information systems that provide timely and accurate information about the performance of various aspects of each company's operations. Management teams utilize this information to make informed decisions about the direction of the business relative to its business plan.

In addition, CSCP is actively involved in matters relating to the strategic planning and management of the Platform Companies. Their efforts typically include the following:

- Establishing incentive compensation programs for management and making periodic performance evaluations
- Providing guidance in the preparation and approval of annual budgets
- Approving major capital expenditures
- Monitoring progress in fulfillment of the business plan and communicating such to the company's lenders and investors
- Providing audit oversight and assuring the integrity of financial reporting and internal controls

4. Accelerated Growth Strategies

Once the Platform Company is positioned to effectively manage more accelerated growth, CSCP encourages its management teams to execute on organic growth strategies that will materially improve shareholder value. In addition, in many instances CSCP and management will pursue the

acquisition of Add-On Companies as a way to rapidly increase the critical mass of the business and improve value.

5. Exit Investments

The objective of CSCP's investment strategy is to build larger, more professional businesses that are attractive to a wide range of prospective buyers. Dispositions may occur in a number of ways, but most commonly occur through a negotiated sale of the company. The timing of the disposition of an investment by the Equity Funds depends upon the performance of the portfolio company, CSCP's judgment as to the value of the investment, and alternative disposition opportunities. CSCP considers these elements, together with factors such as the stage of the general economic cycle, the extent to which expected growth in earnings has been realized, and the future prospects of the company.

The Mezzanine Fund

The investment objective of the Mezzanine Fund is to provide investors with current income plus capital appreciation through investing in a portfolio of mezzanine securities (typically subordinated debt and equity interests) of established, profitable, and small to mid-sized manufacturing and service companies in the United States. The primary criterion of this strategy is preservation of invested capital through in-depth credit analysis and rigorous due diligence. The Mezzanine Fund makes investments generally supporting several different purposes:

- **Growth Capital:** This investment purpose typically covers either (i) a strategic acquisition; or (ii) a company's capital expenditures or working capital needs.
- **Leveraged Buy-Outs:** These transactions involve the acquisition of an existing business. The amount of leverage deployed depends upon the nature of the business acquired and the company's ability to meet debt service obligations.
- **Recapitalizations:** These transactions involve the retirement of a company's debt or equity capital through an infusion of new debt and/or equity. They are typically entered into in order to reduce the cost of capital, to remove restrictions placed on the company by the existing capital structure, to provide for ownership succession or to allow existing ownership to realize a portion of its investment.

A description of CSCP's investment process as it relates to Mezzanine Fund investments is set forth below:

1. Sourcing Investment Opportunities

CSCP leverages the following sources to generate attractive investment opportunities:

The Calvert Street Network. CSCP's professionals have developed a comprehensive network of intermediaries and other referral sources over the past 20+ years to identify new investment opportunities for the Mezzanine Fund. These sources include accountants, attorneys, lenders, investment bankers, business brokers, consultants, corporate development managers, former

managers of prior CSCP portfolio companies, and other professionals involved with or generally aware of merger and acquisition activity.

Small to Mid-Sized Sponsor Groups. Financial sponsors targeting small to mid-sized businesses often seek mezzanine financing from sources such as the Mezzanine Fund. Without access to mezzanine financing, these private equity groups would be forced to invest substantially more equity in transactions. The Mezzanine Fund offers an additional source of capital for acquisition-related activities, and CSCP targets these sponsor groups for investment opportunities.

2. Due Diligence

Prior to any potential mezzanine investment, CSCP performs extensive credit analysis and a thorough assessment of each potential portfolio company. Professional employees of CSCP perform due diligence on each investment opportunity. Due diligence will vary depending on the type of investment but will usually include some or all of the following:

- Review of historical financial information
- Research and analysis of market information
- Research and review of competition and industry dynamics
- Review, preparation and/or analysis of financial projections
- Modeling to determine the company's ability to manage an economic downturn or other adverse event
- Interviews and background checks of company management
- Lien searches of company assets and real estate
- Review of material contracts and other company data
- Review of regulatory and environmental issues impacting the business
- On-site visits to company headquarters and other operational locations
- Review, preparation and/or analysis of business plan

The above is not an exhaustive list, nor does every item on the list apply to all investment opportunities. CSCP's professional employees use their experience and expertise to review each investment opportunity in a diligent way. Although the investment professionals of CSCP are responsible for the scope and quality of due diligence, the assistance of outside professionals is regularly required. CSCP enlists the services of experienced accountants, consultants, attorneys, industry experts and, in certain instances, experienced operating managers to assist in the due diligence process. Mezzanine Fund investments decisions are made in a manner similar to the process utilized by the Equity Funds which is described above.

3. Investment Structuring

CSCP seeks to structure the Mezzanine Fund's investments to ensure capital preservation while offering attractive returns through a combination of current yield and capital gains. Generally, investments are negotiated and structured to incorporate reasonable business valuation multiples as well as prudent capital structures. The perspective gained during the due diligence process helps finalize the actual structure of each investment. Appropriate covenants, financial and otherwise, are negotiated to provide access to necessary information, monitor performance and respond to

any unfavorable developments. In addition, CSCP analyzes and assesses the terms of other creditors, particularly the senior debt holders, to ensure that the mezzanine investment is not unreasonably disadvantaged.

4. Monitoring Investments

Close monitoring of financial performance and market developments for each portfolio company is a critical element of the investment strategy and, ultimately, the exit of an investment. CSCP conducts on-going investment monitoring and evaluation of the portfolio. In general, CSCP obtains board seats or board observation rights for its portfolio companies and conducts monthly financial reviews and regular discussions with management. The active review of financial statements and compliance of covenants is designed to provide an early warning of financial difficulty and provide the Mezzanine Fund with meaningful rights to influence the direction of a portfolio company, while at the same time providing information necessary to determine if legal remedies should be pursued.

5. Exit Investments

An exit strategy for each investment is evaluated at the initial stage of investment by developing a clear strategic plan, deliberately structuring an investment to maximize flexibility for an exit and close monitoring of performance for optimal execution. Most of the investments have contractual maturities of five to eight years, and the investments are often redeemed in advance of scheduled maturity.

Risk of Loss and Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear.

There are certain risk factors that may apply generally to the types of investment securities CSCP recommends to the Funds. There are also numerous risk factors that may apply to the specific investment program or strategy to be followed by a particular Fund. These general and specific risks are described in the offering memorandum or subscription document of the particular Fund. Some of the risk factors that apply generally to the Funds advised by CSCP are summarized below.

The Use of Leverage. CSCP recommends investments in companies whose capital structure often includes debt financing. Although intended to enhance the potential equity returns, this leverage could limit the portfolio company's ability to react to or withstand adverse economic, industrial or business conditions resulting in lower than expected equity returns or, in some cases, a loss of all or some portion of the Fund's investment in such portfolio company.

Illiquidity. A significant period of time may elapse between a Fund's making of an investment and the disposition of that investment. Accordingly, it is likely that a Fund's limited partners may realize no significant return from any of such Fund's investments for at least several years and that it may be a significant number of years before all of the Fund's investments have been realized.

Diversification. Diversification of each Fund depends on the ultimate size of each Fund relative to the size of available opportunities. The Funds which CSCP advises often make only a limited

number of investments, and poor performance by one investment could severely affect the total returns to the limited partners of such Fund.

Ability to Dispose of Investments. General economic conditions, conditions within the financial markets and the condition of specific portfolio companies may be such that no opportunities exist for a Fund to sell its investments. The realization of investments made by Funds advised by CSCP could take many years and cannot be assured.

Reliance on Management of Portfolio Companies. Affiliates of CSCP are represented on the boards of directors of portfolio companies. However, it is primarily the responsibility of the management of each portfolio company to operate such company on a day-to-day basis. There can be no assurance that a portfolio company's existing management team, or any new team, will be able to operate such company successfully.

Unidentified Investments – Blind Pool. Some of the Funds which CSCP advises are blind pools – meaning that the investments are not identified at the time of the Fund's equity offering. As a result, a prospective investor considering an investment in some Funds will not know or be able to evaluate investments to be made by the Fund prior to making an investment decision. Rather, the prospective investor must rely upon the ability of the Fund's general partner, based upon advice provided by CSCP, to select appropriate investments on behalf of the Fund. The criteria selected by CSCP for the selection and periodic assessment of Fund investments may not prove effective in identifying investments that will produce acceptable returns.

Investments Alongside Other Entities, Including Affiliates of CSCP. A Fund's investment in a portfolio company will be made alongside other persons, including third parties and/or affiliates of CSCP. Such investment may involve risks in connection with such third party or affiliated entity involvement, including the possibility that any such third party or related entity may have financial, legal, or regulatory interests or goals that are inconsistent with those of the Fund, may pursue interests inconsistent with those of the Fund, may default on their obligations, and/or may be in a position to take (or block) action in a manner contrary to the Fund's interests. In addition, the Fund may in certain circumstances be liable for actions of its fellow investors in a company. The foregoing arrangements may involve performance charges, incentive compensation arrangements, and/or other fees payable to such third parties that are the responsibility of a portfolio company.

Allocation of Expenses. Each Fund is responsible for all costs and expenses in connection with its operation, other than the costs and expenses that will be the responsibility of its general partner, CSCP or other third parties. To the extent possible, third-party expenses incurred in connection with consummated transactions will be borne by a portfolio company. CSCP's out-of-pocket expenses incurred in connection with work relating to a particular portfolio company are generally reimbursed by the relevant portfolio company or a Fund. A conflict of interest could arise in CSCP's determination of whether certain costs or expenses that are incurred in connection with the operation of a Fund or a portfolio company are expenses for which the Fund or such portfolio company is responsible, or whether such expenses should be borne by the general partner or CSCP. Each Fund and portfolio company will be reliant on the good faith determinations of CSCP in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as between a Fund, other CSCP Funds or accounts and/or a portfolio company. There

can be no assurance that errors will not arise in such allocations, which may benefit the other Funds, accounts or other investors to the detriment of a Fund.

Service Providers. Certain service providers (or their affiliates), including administrators, lenders, brokers, attorneys, consultants and investment banking firms, that CSCP may retain or seek to have retained on behalf of the Funds may also have relationships with, or have provided goods or services to CSCP or its other clients. CSCP may choose to engage or seek to have engaged the same service providers to provide services to the Funds, their portfolio companies, CSCP or its Affiliates or with respect to the Funds' investments. In some cases, these service providers may provide services for one or more of these parties on terms that are more beneficial than those afforded to other of these parties. There can be no guarantee that the Funds or any of their portfolio companies (or with respect to the Funds' investments therein) will receive the most beneficial terms offered by any particular service provider. These services and relationships or more favorable terms offered by service providers may influence CSCP in deciding whether to select or recommend such a provider to perform services for the Funds or the Funds' portfolio companies or with respect to the Funds' investments.

General Risks of Investing in Private Companies. There typically is little or no publicly available investment information about privately-held companies. The information that is available may be more limited or less reliable for small private companies than is typically the case for a larger private or public company. The due diligence investigation undertaken by CSCP may not uncover all material information about a private company necessary to make a fully-informed investment decision. In addition, the valuation of securities of privately-held companies is less certain than public companies and may be subject to substantial market variations. Such investments involve a high degree of business and financial risk that can result in substantial losses.

General Risks of Investing in Equity Securities. Any investment in equity securities is subject to risks. These risks include fluctuations in value due to issuer, political, market and economic developments. Fluctuations can be dramatic over the short or long term. Different parts of the market and different types of equity securities can react differently to these developments. These developments can affect a single issuer, many issuers within an industry or economic sector or geographic region, or the market as a whole.

Certain Additional Risks Related to Investors in CSCP III and PITP

PITP was formed to allow investors in CSCP III to continue to participate in the growth and development of Premium Inspection & Testing, Inc. ("**Premium**"), one of CSCP III's remaining portfolio companies. Due to the limited amount of remaining capital commitments to CSCP III, investors in that Fund would have otherwise become diluted as new equity capital was raised to support the growth strategy of Premium. Each investor in CSCP III was offered a first-right-of-refusal on its pro-rata share of the capital raised for PITP, prior to interests in PITP being offered to non-CSCP III investors. Accordingly, certain PITP investors have an interest in Premium through CSCP III on terms that differ from the terms of the PITP investors' investment in Premium through PITP. Additionally, certain CSCP III investors chose not to invest separately in PITP. Because CSCP is the manager of both CSCP III and PITP, conflicts of interest may arise in connection with decisions made by CSCP, including with respect to the nature or structuring of additional investments in Premium and the timing and structuring of the disposition of such

investments. As a result of these conflicts, certain actions taken by CSCP and the general partners may be more beneficial for one group of investors than another, especially with respect to investors' individual tax situations. In order to mitigate these potential conflicts of interest, CSCP (i) has communicated to the investors in CSCP III and PITP that all new investments in Premium will be made through PITP, (ii) structures the investments in Premium by PITP to be in the same security with equal rights and privileges as the securities held by CSCP III, and (iii) causes new investments in Premium made by PITP to be priced (x) based upon an independent third party valuation or (y) with the approval of both the CSCP III and PITP Advisory Committees. Further, when making decisions relating to Premium, CSCP will consider the interests of both PITP and CSCP III, and, where the general partners deem appropriate, will consult with and seek the approval of the advisory committees as to potential conflicts of interest.

The members of the PITP advisory committee may be representatives of PITP investors that also have an interest in CSCP III. A member of the PITP advisory committee may decide to act in a manner that serves the best interests of PITP or a particular PITP investor (such as the PITP investor it represents), but not all PITP investors, and in certain situations, members of the PITP advisory committee may take actions or make decisions that are beneficial for CSCP III, but are detrimental to PITP. In addition, PITP's investment in Premium will benefit CSCP III and investors in that fund to the extent PITP's investment causes the value of CSCP III's investment in Premium to increase.

Certain Additional Risks Related to the Mezzanine Fund

Although mezzanine securities are typically senior to common stock or other equity securities, the debt securities in which the Mezzanine Fund invests are generally unsecured and subordinated to substantial amounts of senior debt, all or a significant portion of which may be secured. In addition, these securities may not be protected by all of the financial covenants typically protecting such senior debt. Holders of mezzanine debt generally are not entitled to receive any payments in bankruptcy or liquidation until senior creditors are paid in full. In addition, the remedies available to holders of mezzanine debt are normally limited by restrictions benefiting senior creditors. In the event any portfolio companies cannot generate adequate cash flow to meet senior debt service, the Mezzanine Fund may suffer a partial or total loss of capital invested.

Please see Items 4 (Advisory Business) and 10 (Other Financial Industry Activities and Affiliations).

ITEM 9. DISCIPLINARY INFORMATION

None.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Pooled Investment Vehicles and Related General Partners

CSCP serves as investment adviser to the Funds, and affiliates of CSCP act as general partners of the Funds. See Item 4 (Advisory Business) which sets forth a list of CSCP's current fund clients.

The general partner of each Fund is as follows: (i) CSCP Fund Management III LLC, a Delaware limited liability company organized on April 5, 2005 is the general partner of CSCP III, (ii) LM Fund Management II LLC, a Delaware limited liability company organized on February 7, 2000 is the general partner of LMCP II, (iii) PITP Fund Management LLC, a Delaware limited liability company organized on June 4, 2015 is the general partner of PITP, (iv) AFP Fund Management LLC, a Delaware limited liability company organized on September 18, 2015 is the general partner of AFP, and (v) LM Mezzanine Fund Management LLC, a Delaware limited liability company organized on January 24, 2003 is the general partner of the Mezzanine Fund.

In addition, CSCP may establish one or more additional funds with affiliates of CSCP acting as general partners of such funds.

Generally, the general partner of each Fund advised by CSCP receives a share of profits generated by the applicable Fund. This share of profits is often referred to as a carried interest. Because of CSCP's relationship with the general partners of the Funds it advises, the carried interest may be considered performance based compensation that benefits CSCP. A carried interest may give CSCP or the general partner of a Fund an incentive to take more risk or make more speculative investments than would otherwise be the case. CSCP addresses this potential conflict of interest by (i) recognizing its fiduciary duty owed to each Fund, and (ii) reviewing each Fund's objectives, strategies and investment guidelines against its recommendations.

Legg Mason, Inc. ("**Legg Mason**"), a global investment management firm which previously owned CSCP (formerly Legg Mason Merchant Banking, Inc.), owns a 45% interest in each of LM Fund Management II LLC and LM Mezzanine Fund Management LLC. Legg Mason, however, has no investment discretion with respect to LMCP II or the Mezzanine Fund. Because Legg Mason does not have any investment discretion with respect to LMCP II or the Mezzanine Fund, CSCP does not believe that Legg Mason's role as an equity owner of the general partners of such funds, gives rise to any conflicts between their interests and the interests of LMCP II or the Mezzanine Fund.

Other Funds Advised by CSCP

In addition, CSCP may establish one or more additional funds with investment objectives substantially similar to, or different from, those of an existing Fund. Allocation of available investment opportunities among the funds could give rise to conflicts of interest. In such an eventuality, CSCP recognizes that it must allocate such investment opportunities in a manner that is fair to each of the funds, in light of the facts and circumstances of each situation.

In order to mitigate conflicts of interest between CSCP sponsored Funds, the partnership agreements of CSCP sponsored Funds ordinarily contain provisions which restrict CSCP and its affiliates from forming a successor fund with substantially the same investment objectives without obtaining the consent of 75% - 80% in interest of the investors in the applicable Fund prior to a specified time, such as expiration of the investment period of such Fund.

In addition, CSCP sponsored Funds also maintain advisory committees consisting of representatives of the investors in a Fund whom are not affiliated with CSCP or its affiliates. The

advisory committees meet as required to consult with the general partner of the Fund as to potential conflicts of interest.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

CSCP has adopted a code of ethics (the “**Code**”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) that covers all of its supervised persons. The Code highlights the fiduciary duty that CSCP owes to its Fund clients, including the affirmative duty to put the best interests of CSCP’s Fund clients ahead of the interests of CSCP and its supervised persons. Each supervised person at CSCP must act with competence, dignity, integrity, and in an ethical manner, when dealing with the Funds, the public, investors and prospective investors in the Funds, service providers and fellow supervised persons. All CSCP personnel must also comply with all federal securities laws. Finally, the Code requires that supervised persons adhere to the highest standards with respect to any potential conflict of interest with the Funds or investors.

The Code governs personal trading by supervised persons. CSCP’s access persons generally are not permitted to purchase any security (i) not publicly offered under the Securities Act of 1933, as amended, or (ii) in an initial public offering, without the advance written approval of CSCP’s Chief Compliance Officer. The Code also requires access persons to provide the Chief Compliance Officer with certain securities holdings reports and periodic transaction statements, as required by Rule 204A-1 under the Advisers Act.

All of the employees of, and persons acting on behalf of, the general partner of each Fund advised by CSCP are also subject to the Code.

Violations of the Code must be promptly reported to the Chief Compliance Officer, who is primarily responsible for administering and enforcing the Code. A violation of the Code may result in the imposition of sanctions, including, without limitation, termination of employment.

The Code is available to clients or investors (or prospective clients or investors) upon request by contacting us at the following address:

Calvert Street Capital Partners, Inc.
2330 West Joppa Road, Suite 320
Lutherville, Maryland 21093
Attention: Chief Compliance Officer
Telephone: 443-573-3700
Facsimile: 443-573-3702
Email: scheplak@cscp.com

ITEM 12. BROKERAGE PRACTICES

CSCP primarily focuses on making investments in private companies and does not ordinarily deal with a broker-dealer in connection with investments in public securities. To the extent CSCP transacts in public securities or utilizes a broker-dealer in connection with its investments for the Funds, it will seek to obtain best execution for the Funds. CSCP and/or the general partners are

generally authorized to make the following determinations, subject to each Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Fund or any of its investors: (i) which securities or other instruments to buy or sell, (ii) the total amount of securities or other instruments to buy or sell, (iii) the executing broker or dealer for any transaction, and (iv) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the selection of a broker-dealer for transactions for the Funds, CSCP will consider a variety of factors, including the following, as applicable: (i) the ability to effect prompt and reliable executions at favorable prices, (ii) the operational efficiency with which transactions are effected, (iii) the financial strength, integrity and stability of the broker-dealer, and (iv) the competitiveness of rates in comparison with other broker-dealers satisfying CSCP's other selection criteria.

CSCP does not receive any soft dollar benefits from broker-dealers.

ITEM 13. REVIEW OF ACCOUNTS

The investments of the Funds advised by CSCP are reviewed and monitored by CSCP on a regular and current basis. CSCP closely monitors the portfolio companies of the Funds it advises and generally maintains an ongoing oversight position in such portfolio companies. CSCP holds weekly meetings of all investment professionals and the relevant investment committees to review the performance of the portfolio companies and investments of the Funds which CSCP advises. In addition, the portfolio companies of each Fund prepare weekly or monthly financial/statistical reports which are reviewed by the relevant Deal Team.

Investors receive quarterly unaudited financial statements of the Fund in which they are invested within 60 days of quarter end and audited annual financial statements of the Fund in which they are invested as soon as available, but in any event within 120 days following the close of the fiscal year. Investors also receive quarterly reports containing financial information and updates for each portfolio company of a Fund in which they are invested.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

CSCP does not receive any economic benefit from non-clients for providing investment advice or other advisory services to CSCP's clients.

Neither CSCP nor its affiliates directly or indirectly compensates any person for client referrals.

ITEM 15. CUSTODY

CSCP is considered to have custody of client funds and securities to the extent it is related to the general partners of its Fund clients. All assets, except for privately offered securities, of the Funds advised by CSCP are held in custody by unaffiliated qualified custodians. It is CSCP's general policy to cause the annual financial statements of each Fund over which CSCP is deemed to have "custody" to be audited annually and to distribute such audited financial statements to investors in such Fund no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, CSCP will obtain a final audit and distribute audited financial statements to all of its investors in such Fund promptly after completion of the audit. For these

Funds, investors will not receive account statements from the bank or other qualified custodians holding physical custody of such Fund's securities.

ITEM 16. INVESTMENT DISCRETION

CSCP provides investment advisory services to each of its Fund clients pursuant to management agreements. Investment advice is provided by CSCP directly to its Fund clients, subject to the direction and control of the affiliated general partner of such Fund. Any restrictions on investments in certain types of securities are established by the general partner of the applicable Fund, and are set forth in the partnership agreement of such Fund.

ITEM 17. VOTING CLIENT SECURITIES

CSCP's policy is to vote securities owned by the Funds it advises in the best interests of the applicable Fund. Because the securities held by the Funds CSCP advises typically are privately held equity interests, votes are usually cast directly at a meeting or by written consent and not by proxy. CSCP or the general partner of the Fund advised by CSCP will vote any securities or proxy in a manner consistent with the investment objectives of the Fund, typically to maximize investment returns within the guidelines established by the Fund and to promote sound corporate governance by the issuer, subject to any investment restrictions and other constraints set forth in the Fund's offering memorandum or partnership agreement.

Prior to voting any securities, CSCP and the general partner of the applicable Fund will identify any conflicts that exist between the interests of CSCP, the general partner and the Fund by reviewing the relationship of CSCP and the general partner with the issuer of such security to determine if CSCP, the general partner or any of their affiliates has any financial, business or personal relationship with the issuer. In situations where CSCP or the general partner is required to vote the securities for a company in which supervised persons of CSCP serve on the board of directors, CSCP has determined that this does not inherently present a conflict of interest when the sole purpose of this representation is to maximize the return of a Fund's investment in such company. If CSCP or the general partner determines that a material conflict of interest exists, CSCP or the general partner will disclose the conflict to the advisory committee of the applicable Fund in order to give the advisory committee of the applicable Fund an opportunity to review and approve or reject CSCP's or the general partner's proposed vote in light of the conflict of interest.

CSCP's proxy voting policies and procedures are designed to comply with the requirements of Rule 206(4)-6 under the Advisers Act. Such policies and procedures are reviewed periodically and may be amended from time to time. Upon written request by any investor, a copy of the full policy and procedures on proxy voting will be provided as well as a voting record for any securities voted on behalf of a fund in which that investor purchased securities.

ITEM 18. FINANCIAL INFORMATION

CSCP does not require the payment of fees or other compensation six months or more in advance. There exists no financial condition of which CSCP is currently aware that would impair CSCP's ability to meet contractual commitments to its Fund clients. CSCP has not been the subject of a bankruptcy petition within the past 10 years.