

**Item 1 – Cover Page**



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Part 2A of Form ADV: Firm Brochure

March 30, 2018

This Brochure provides information about the qualifications and business practices of Charlesbank Capital Partners, LLC (“Charlesbank”). If you have any questions about the contents of this Brochure, please contact us at 617-619-5400 or [compliance@charlesbank.com](mailto:compliance@charlesbank.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Charlesbank also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since Charlesbank's last filing in March 2017, Charlesbank has updated the Brochure to provide more detail regarding (i) the fees and expenses borne by its managed funds, (ii) the roles of consultants to its managed funds and their portfolio companies and (iii) allocation of opportunities to coinvest in investments made by its managed funds, including under an overage program established in the fourth quarter of 2017.

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#### **Item 4 – Advisory Business**

Charlesbank is a middle-market private equity investment management firm that focuses on management-led buyouts and growth capital financings, and also engages in opportunistic credit investments. Formed in 1998, Charlesbank provides investment advisory and management services to pooled investment vehicles within a private equity strategy (the “Equity Funds”) and within a credit strategy (the “Credit Funds,” and together with the Equity Funds, the “Charlesbank Funds”). The Charlesbank Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and issue partnership interests that are not registered under the Securities Act of 1933, as amended (the “Securities Act”). Charlesbank also serves as the general partner to, or under common control with the general partner of, pooled investment vehicles (the “Associates Funds,” and together with the Charlesbank Funds, the “Funds”) formed to facilitate investment by Charlesbank’s junior investment staff in investments alongside the Equity Funds on a non-discretionary and programmatic, fixed basis.

As investment adviser to the Charlesbank Funds, Charlesbank participates in the structuring, management, monitoring and disposition of investments for each Charlesbank Fund. Focused primarily, but not exclusively, in the United States, Charlesbank generally seeks investment opportunities in the middle market, defined as businesses with enterprise values of between \$200 million and \$1.5 billion. Charlesbank’s strategy emphasizes investing across a broad range of industries, transaction types, and levels of the capital structure, provided that the Equity Funds primarily invest in equity and the Credit Funds primarily invest in debt.

Guidelines for investment are contained in each Fund’s governing documents, which are provided to the limited partners of each such fund. Prior to making an investment in a Fund, the limited partners review the governing documents for such fund, and in the case of the Charlesbank Funds, are permitted to negotiate the terms of such governing documents. Limited partners do not have any control over the operation or management of the Funds or discretion over when capital is drawn or which and how investments are made.

Pursuant to an investment and advisory agreement with each Charlesbank Fund, Charlesbank provides discretionary investment advisory services and has authority to decide which investments to purchase and sell for the Charlesbank Funds. While Charlesbank does not manage the Associates Funds or make investment decisions on their behalf, it does ensure that the Associates Funds participate in and exit investments alongside the associated Charlesbank Funds on the programmatic, fixed bases to which they are subject and on substantially the same investment terms and conditions as the Charlesbank Funds.

As of December 31, 2017, Charlesbank managed approximately \$6.64 billion of assets comprised of \$2.87 billion in fair value of assets and \$3.77 billion in available uncalled commitments, all of which is managed on a discretionary basis.

## Item 5 – Fees and Compensation

### Management Fee

Pursuant to its written investment and advisory agreement with each Charlesbank Fund, Charlesbank is entitled to an annual management fee, payable quarterly. The precise amount of, the timing and the manner and calculation of, and the annual management fee for each Charlesbank Fund are established by Charlesbank and agreed upon by investors in the applicable Charlesbank Fund before they make their investment in such Charlesbank Fund, and are set forth in such Charlesbank Fund's governing documents received by each investor prior to investment in such Charlesbank Fund. Charlesbank directly invoices the limited partners of each such Charlesbank Fund for their portion of the management fee. In the event an investment and advisory agreement is terminated, any fees paid in advance, and not yet earned, will be handled in a fair and equitable manner.

The Equity Funds include funds organized to allow certain friends of Charlesbank, primarily senior management of current and former Equity Fund portfolio companies, to invest alongside the related Equity Funds on substantially the same terms and conditions (each, an "Executive Fund"). In accordance with the terms of the limited partnership agreement for each Equity Fund, Charlesbank has the right to waive or reduce the management fee with respect to certain investors in the Executive Funds. The Associates Funds do not pay a management fee.

To the extent provided in the investment and advisory agreements and the limited partnership agreements for the Charlesbank Funds, Charlesbank will pay out of its management fees the following operating expenses related to the services provided to the Charlesbank Funds: (a) ordinary office overhead, including rent, furniture, fixtures and office equipment; (b) other ordinary and usual overhead and administrative expenses incurred in connection with maintaining and operating Charlesbank's offices; (c) compensation of Charlesbank employees; and (d) compliance and regulatory costs to the extent not directly incurred as a consequence of forming, operating and managing the Charlesbank Funds (collectively, "Operating Expenses").

Consistent with, and subject to the terms of, its limited partnership agreement, each Charlesbank Fund bears its portion of all other fees, costs, expenses, liabilities and obligations relating to the business, activities, investments and operations of such Charlesbank Fund, to the extent not borne by its portfolio companies, including without limitation: (i) the organizational expenses of such Charlesbank Fund (up to a certain cap); (ii) legal, accounting, administration, custodian, depositary, auditing, investment banking, insurance, travel, meals and entertainment expenses, litigation and indemnification costs and expenses, judgments and settlements, consulting, brokerage, financing, appraisal, research, due diligence, third party valuation, filing, printing, title, transfer, registration and other fees, commissions and expenses (including fees, costs and expenses associated with the preparation or distribution of the Charlesbank Fund's financial statements, tax returns, tax estimates and Schedules K-1); (iii) all fees, costs, expenses, liabilities and obligations attributable to finding, structuring, organizing, acquiring, financing, refinancing, managing, operating, holding, taking public or private, valuing, winding-up, liquidating, dissolving and disposing of the Charlesbank Fund's investments; (iv) costs and expenses of the Charlesbank Fund's advisory board; (v) all fees, costs, expenses, liabilities and obligations incurred by the Charlesbank Fund or Charlesbank relating to investment and disposition opportunities for the Charlesbank Fund not consummated, including investment expenses and costs that would have been allocable to co-investors (including under the Overage Program, as defined in Item 11 below) had such proposed investment been consummated, if the amount allocable to such co-investors is not paid by such parties; (vi) any taxes, fees

and other governmental charges levied against the Charlesbank Fund; (vii) generally, all fees, costs and expenses incurred in connection with the organization, management, operation and termination, dissolution, liquidation and final winding-up of any legal structures used to facilitate investments by the Charlesbank Fund; (viii) all fees, costs, expenses, principal, interest, liabilities and other obligations incurred by the Charlesbank Fund or Charlesbank relating to the establishment of and borrowings under any credit facility and (ix) all other expenses not specifically provided for above that are incurred by Charlesbank or its affiliates in connection with the Charlesbank Fund's accounts or operations or performing Charlesbank's duties, other than those specifically borne by Charlesbank as Operating Expenses. The portion of such expenses borne by each Fund is generally pro rata based on relative commitments to, or capital invested by, the related Funds. However, certain expenses not relating to the Associates Funds, such as certain expenses relating to the Charlesbank Funds' capital call credit facilities and certain non-investment-related legal costs relating solely to the Charlesbank Funds, are borne by each Charlesbank Fund pro rata based on relative commitments to the related Charlesbank Funds, and are not borne by the Associates Funds. Further, for bank and custodian fees related to accounts for a specific Fund, and annual tax filing fees and entity-level tax expenses for a specific Fund, such Fund bears all such expenses. Charlesbank has in the past paid, and expects in the future to pay, all or a portion of any expenses borne by the Associates Funds.

#### Other Fees

Charlesbank receives other fees, such as, in some cases, portfolio company monitoring fees and transaction fees, and in some cases cash compensation for service by Charlesbank employees as directors of Charlesbank portfolio companies. In accordance with the calculation set forth in the governing documents for each of the Charlesbank Funds received by each investor prior to investment in such Charlesbank Fund, the management fee payable by limited partners to Charlesbank is offset by certain of such other fees, in some cases net of certain unreimbursed expenses, such as travel in the case of some Charlesbank Funds. In addition, 100% of the economic value of any director compensation paid in the form of equity and received by a Charlesbank employee for service on a Fund portfolio company board of directors is assigned to the Funds invested in that portfolio company, pro rata based on their capital invested in such portfolio company.

As noted above, each Charlesbank Fund bears its portion of all consulting fees and expenses relating to the investing business and activities of such Charlesbank Fund, to the extent not borne by its portfolio companies. Charlesbank has in the past established, and expects to establish in the future, consulting arrangements both in connection with sourcing, structuring, organizing, and acquiring the Charlesbank Fund's investments, as well as in connection with operating and holding the Charlesbank Fund's investments. As part of the first type of these arrangements, from time to time Charlesbank Funds retain companies or individuals, including third party advisors such as specialized consultants or external executives, to assist the Charlesbank Funds with investment origination, investment structuring and due diligence investigation of the Charlesbank Fund's investments. As part of the second type of these arrangements, from time to time Charlesbank Funds retain, or assist a portfolio company with retaining, other companies or individuals, including third party advisors such as specialized consultants or external executives, to provide strategic advice or operational support and similar or related services. These services may include various levels of support to a portfolio company regarding, among other items, the company's management, the company's operations, revenue and margin enhancement (including determining sales and marketing strategy), finance (including metrics and reporting), human capital (including executive recruitment), information technology, customer service, sustainability, real estate matters, insurance and similar operational matters. In some cases, consultants also serve on the board of

directors or portfolio companies, and/or directly receive stock options or other equity issued by portfolio companies, as well as receive expense reimbursement from Charlesbank Funds or their portfolio companies. In some cases, consultants (or their estate planning vehicles) are investors in Charlesbank Funds. In some cases, consultants are former executives of portfolio companies of Charlesbank Funds, or will become executives or directors of portfolio companies of Charlesbank Funds.

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

In accordance with the terms of the limited partnership agreements for the Charlesbank Funds, a percentage of the net investment profit from each Charlesbank Fund is allocated to the capital account of its respective general partner. Each general partner is an affiliate of Charlesbank.

In accordance with the terms of the limited partnership agreement for each Charlesbank Fund, Charlesbank has the right to waive all or a portion of the performance-based fee with respect to certain investors in the related Executive Fund.

The Associates Funds do not pay a performance-based fee.

Charlesbank has minimized potential conflicts among the Equity Funds by (i) charging investors in each Equity Fund (except for the Executive Funds, for which the performance-based fee may be waived in whole or in part with respect to certain investors, and the Associates Funds, which do not pay a performance-based fee) the same performance-based fee percentage, (ii) allocating investments among the Equity Funds on a pro rata basis, in accordance with the terms of the Equity Funds' governing agreements, and (iii) making investments among affiliated Equity Funds on substantially the same terms and conditions.

Charlesbank has minimized potential conflicts among the Credit Funds by (i) charging investors in each Credit Fund the same performance-based fee percentage, (ii) allocating investments among the Credit Funds on a pro rata basis, in accordance with the terms of the Credit Funds' governing agreements, and (iii) making investments among affiliated Credit Funds on substantially the same terms and conditions.

## **Item 7 – Types of Clients**

Charlesbank provides investment advisory services to pooled investment vehicles exempt from registration under the 1940 Act, which are organized either as limited partnerships for which an affiliate of Charlesbank serves as general partner, or as the Associates Funds for which Charlesbank or an entity under common control with Charlesbank serves as the general partner. Investment advice is not given to the limited partners of the Funds.

Investors in the Charlesbank Funds typically include endowments and foundations, corporate and public pension funds, private funds, financial institutions and family offices.

The minimum investment amount for the Equity Funds is generally \$5 million, although commitments of lesser amounts may be accepted at the sole discretion of the respective general partner, including at the Executive Funds. The minimum investment amount for the Credit Funds is generally \$1 million,

although commitments of lesser amounts may be accepted at the sole discretion of the respective general partner.

Investors in Charlesbank Funds are required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act. Also, investors will be required to make certain representations when investing in a Charlesbank Fund, including, but not limited to, representations that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and (iii) they have the ability to bear the economic risk of an investment in the Charlesbank Fund. Details concerning applicable investor suitability criteria are set forth in the respective Charlesbank Fund’s confidential private placement memorandum and subscription materials, if and as applicable, which are furnished to each prospective investor prior to such investor’s determination to invest.

The Charlesbank Funds have in the past entered into, and expect to enter into in the future, letter agreements or other similar arrangements (collectively, “Side Letters”) with investors in the Charlesbank Funds that have the effect of establishing rights under, or altering or supplementing the terms of the governing documents of a Charlesbank Fund as they apply to a particular investor in that Charlesbank Fund. As a result of such Side Letters, certain investors may receive additional benefits that other investors will not receive.

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

### **Methods of Analysis and Investment Strategy**

In its investment management of the Equity Funds, Charlesbank focuses its investment strategy primarily on management-led buyouts and growth capital financings for private companies in the middle market, which it defines as businesses with enterprise values of between \$200 million and \$1.5 billion. For such investments, Charlesbank generally leads or co-leads majority control or highly structured minority private equity investments primarily in companies located in the United States. Charlesbank also participates in opportunistic credit investments with the Equity Funds. In its investment management of the Credit Funds, Charlesbank focuses its investment strategy primarily on providing debt capital for private companies in the middle market, generally investing in loans and bonds that are trading at discounts issued by companies where Charlesbank believes it has unique knowledge and insight.

In each case, Charlesbank employs a disciplined approach to due diligence that typically involves extensive quantitative and qualitative analysis performed by an internal team of four or five investment professionals, including at least two Managing Directors, augmented by external resources as necessary. The investment and due diligence process generally includes the following:

#### *Investment Themes*

One of Charlesbank’s primary investment approaches is to develop a detailed investment theme and then identify a specific investment opportunity to capitalize on it. The ongoing idea-generation process is informed by many sources, including the team’s collective investment experience, its interaction with portfolio companies, frequent dialogue with Charlesbank’s operating executive and consultant networks,



and general observations about specific capital-market conditions where Charlesbank believes that valuations are inconsistent with underlying business trends or otherwise represent intrinsic value.

#### *Proven Operating Management*

In its private equity investing, Charlesbank seeks companies that have proven operating management either in place or joining the company alongside Charlesbank's investment, with the skills, experience and vision to realize their growth and profitability objectives. Charlesbank considers it essential to establish appropriate incentives for portfolio company managers through coinvestment and significant performance-based equity-incentive programs. Where appropriate, Charlesbank also augments a company's management team, from time to time, sourcing individuals from its networks of industry experts and prior portfolio company managers.

#### *Strong Market Position*

Charlesbank seeks to invest in what it believes to be high-quality businesses that have a strong market position, a promising business strategy and a demonstrated sustainable competitive advantage. Charlesbank typically invests in companies with attractive free cash-flow characteristics and the capacity to sustain appropriate financial leverage under a realistic set of operating forecasts.

#### *Potential for Profit Improvement*

In its private equity investing, Charlesbank targets prospective investments that offer potential for profit improvement through revenue growth, cost reduction or both. Revenue growth may be generated by add-on acquisitions or organically, a successful strategic repositioning or a competitive advantage based on superior products, services, execution or delivery. Charlesbank also seeks to work with management to eliminate unproductive costs and improve asset utilization.

#### *Flexible and Creative Capital Structures*

Charlesbank employs a flexible approach to structuring investments, investing at various levels of the capital structure, including common and preferred stock, bridge equity and equity-linked mezzanine debt, for different expected durations. In doing so, Charlesbank seeks to establish a capital structure suited to each portfolio company's operating plans, projected cash flows and growth objectives.

#### *Active Involvement Post-Investment*

In its private equity investing, Charlesbank maintains regular communication with management teams both informally and through strategic planning sessions, periodic reviews of performance and active participation on the board of directors. Charlesbank also works with management to create a board of directors that includes individuals whose relevant industry expertise provides important perspective.

#### *Exit Plan*

Charlesbank identifies potential options for exit as part of each due diligence process and enters each investment with at least one articulated exit strategy. The timing and execution of realizing an investment takes into consideration portfolio company performance, prevailing public and private market conditions and the potential availability of a strategic or financial acquirer.

### *Analysis of Legal, Regulatory, Accounting and Tax Issues*

Charlesbank utilizes a wide range of external resources, including accounting, legal, regulatory, insurance and benefits, information technology, and market research and analysis to augment its internal team. When the situation warrants, Charlesbank also uses industry experts and other third party consulting resources.

Additional information regarding the methods of analysis and investment strategy for a Charlesbank Fund is included in its private placement memorandum and/or its subscription agreement and disclosure summary provided to investors prior to their making their investments in the Charlesbank Fund.

### Material Risks

Investing in securities and other financial instruments involves a significant degree of risk. Funds may lose all or a substantial portion of the capital they invest and investors should be prepared to bear the risk of loss of their investment.

In addition, material risks exist relating to investment strategy, types of investments made and general market conditions, including the following:

#### *General Economic and Market Conditions*

General economic or market conditions may adversely affect the performance of the investments made by the Funds. Factors affecting economic conditions, including public market volatility, inflation rates, rising interest rates, currency and exchange rate fluctuations, industry conditions, competition, technological developments, and domestic and worldwide political events, none of which are in the control of Charlesbank or the Funds, can substantially and adversely affect the business and prospects of the portfolio companies in which they have invested. A general economic downturn could also result in the diminution or loss of value of the investments made by Funds due to a number of factors, including a reduced demand for the products or services produced by the Fund's portfolio companies. Market volatility may also impact the ability of portfolio companies to obtain financing for ongoing operations or expansions. In addition, a downturn or contraction in the economy or in the capital markets, or in certain industries or geographic regions, may restrict the availability of suitable investment opportunities for the Funds as well as opportunities to liquidate their investments on favorable economic terms, each of which could prevent the Funds from meeting its investment objectives.

#### *Nature of Investments; Leverage*

While investments in highly leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. The Funds' portfolio companies may incur 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 such companies. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. The amounts of a leveraged company's borrowings and the interest rates on those borrowings, which may fluctuate from time to time, as well as the fees and other costs of borrowing, may have a marked effect on

a leveraged company's performance. Also, increased interest rates generally increase portfolio company interest expenses. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company.

The Funds' investments may also be made in companies that may have substantial variation in operating results from period to period. Portfolio companies can experience failures or substantial declines in value at any stage and may face intense competition. Some portfolio companies may have the need for additional capital to support expansion or to achieve or maintain a competitive position, and there is no assurance that such capital will be available.

#### *Debt Investments.*

Both the Equity Funds and the Credit Funds are permitted to invest in debt securities, including, without limitation, higher yielding (and, therefore, higher risk) debt securities. In certain cases, such debt will be rated below "investment grade" or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market values of certain of these debt securities may reflect individual corporate developments. It is likely that a major economic recession could have a material adverse impact on the value of such securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt securities. In addition, debt investments are subject to credit and interest rate risks.

#### *Investments in Restructurings*

The Funds may make investments in portfolio companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may cause such portfolio companies to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Funds to certain additional potential liabilities that may exceed the value of the original investments. In addition, under certain circumstances, payments to the Funds and distribution by the Funds to their limited partners may be reclaimed if any such payments or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular clients.

#### *Competitive Market for Investments*

The business of identifying and structuring transactions of the nature contemplated by the Funds is highly competitive. Charlesbank competes for investments with other private equity and credit investment vehicles as well as other institutional investors, some of which may have more relevant experience, greater financial resources or more personnel than Charlesbank. There can be no assurance that Charlesbank will be able to identify suitable investment opportunities for the Funds or to acquire them for an appropriate level of consideration.

### *Illiquidity of Investments*

A substantial portion of the investments held by the Funds consist of securities that are subject to restrictions on sale under applicable United States securities laws. Generally, the Funds will not be able to sell such securities publicly without the expense and time required to register the securities under the Securities Act, or will be able to sell the securities only under Rule 144 or other rules and regulations under applicable securities laws which permit only limited sales under specified conditions. When restricted securities are sold to the public, any such Fund may be deemed an “underwriter,” or possibly a controlling person, with respect thereto for the purpose of the Securities Act and be subject to liability as such under that Act.

### *Limited Diversification of Investments*

The Funds may make a limited number of investments. A consequence of a limited number of investments or of similar investments is that the aggregate returns realized by the investors may be adversely affected by the unfavorable performance of a small number of these investments. In addition, to the extent that a Fund concentrates investments in a particular industry, security or other financial instrument or geographic region the investments may be more susceptible to fluctuations in value resulting from certain adverse economic and conditions.

### *Time Required to Maturity of Investment*

The Funds are intended for long-term investors who can accept the risks associated with making highly speculative, illiquid investments in privately negotiated transactions. It is generally anticipated that there will be a significant period of time (up to six years or more) before a Fund has completed its investments in its portfolio companies. Such investments typically take from three to ten years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved.

### *Middle-Market Companies*

The Funds invest primarily in middle-market to upper middle-market companies. Investments in such companies may entail larger risks than are customarily associated with investments in larger companies. Middle-market companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group and on additional financing. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology.

### *Adverse Consequences of Ownership of Controlling Interest in Portfolio Companies; Non-Controlling Interest in Portfolio Companies*

In their private equity investing, related Funds often own a controlling percentage of the common equity of its portfolio companies, which, depending upon other relevant facts and circumstances, could result in an extension to one year of the 90-day bankruptcy preference period with respect to payments made to the Funds. In addition, because of such equity ownership, representation on a portfolio company board of directors, and/or certain contractual rights, the Funds may often be thought to control, participate in the management of or influence the conduct of their portfolio companies. The exercise of such control may result in additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws), or other types of liability

in which the limited liability generally applicable to business ownership may be ignored. If any of these liabilities were to arise, the Funds could suffer a significant loss.

On the other hand, related Funds may hold non-controlling interests in certain portfolio companies, including in its credit investing, in which case the related Funds may have a limited ability to protect their position in such portfolio companies. As a condition to making non-controlling investments, related Funds will seek to obtain appropriate shareholder or lender rights to protect the Funds' investment, but it may not be possible to obtain such rights in all cases. If the related Funds do not have a controlling position or other shareholder or lender rights to protect their interests, it is possible that a portfolio company could take actions that negatively impact the value of the Funds' investment or that prevent the Funds from disposing of their investment.

#### *Reliance on Projections*

The Funds rely on projections developed by the officers or employees of Charlesbank or by a portfolio company concerning the portfolio company's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of Charlesbank and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values and cash flow and could, therefore, adversely affect the Funds' performance.

#### *General Risks Associated with Non-U.S. Investments*

The Funds invest a minority portion of their capital commitments in companies that are headquartered and that have their principal operations outside the United States and Canada. These investments involve special risks not typically associated with investments in the securities or other financial instruments of U.S. issuers, including: (1) economic and political factors, such as the risk of expropriation, restrictions on repatriation of profits, and political and social instability; (2) differences between U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards in foreign markets, and the relatively greater price volatility and illiquidity of foreign securities markets; (3) currency exchange risks, including the cost of converting investment cash flows from one currency into another and the possibility of fluctuations in exchange rates; and (4) tax-related issues, including the possibility of withholding taxes, confiscatory foreign taxes and the possibility of double taxation of income earned overseas.

#### *Cybersecurity Threats*

Charlesbank, the Funds and Fund portfolio companies may face cybersecurity threats to gain unauthorized access to sensitive information, including, without limitation, information regarding the Fund investors and Charlesbank's investment activities, or to render data or systems unusable, any of which could result in significant losses. Any cybersecurity attacks against Charlesbank, the Funds or any portfolio companies could lead to the loss of sensitive information essential to such entities' operations and could have a material adverse effect on such entities' reputations, financial positions or cash flows, could lead to financial losses from remedial actions or loss of business, or could lead to potential liability. Cybersecurity attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access,

such as causing denial-of-service attacks on systems or web sites rendering them unavailable. The controls and procedures, business continuity systems, and data security systems of Charlesbank, the Funds, the portfolio companies and each of their respective service providers could prove to be inadequate. These problems may arise in both the internally developed systems of Charlesbank, the Funds or portfolio companies or in the systems of third party service providers.

Additional information regarding the material risks of a Charlesbank Fund is included in its private placement memorandum and/or its subscription agreement and disclosure summary provided to investors prior to their making their investments in the Charlesbank Fund.

## **Item 9 – Disciplinary Information**

Charlesbank and its employees have not been involved in any material legal or disciplinary events over the past 10 years that require disclosure under this item or that would be material to a client’s evaluation of the company or its personnel.

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

Neither Charlesbank nor any of its management persons are registered, or have an application pending to register, as a (a) broker-dealer or a registered representative of a broker-dealer, or (b) futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

Employees of Charlesbank may serve as directors and officers of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders, including the Funds. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the same best interests of the Funds that are shareholders, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individuals’ duties as an employee of Charlesbank and such individuals’ duties as a director or officer of such portfolio company.

### Related General Partners

Affiliates of Charlesbank serve as the general partners of the Charlesbank Funds.

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

### Code of Ethics

In accordance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), Charlesbank has adopted a Code of Ethics (the “Code”) for all employees describing its high standard of business conduct and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, procedures for personal trading,

restrictions on the acceptance and giving of significant gifts, and the making of political contributions, among other things. Annually, all Charlesbank employees must acknowledge that they have received, read and understand the terms of the Code, and that they have complied with, and will continue to comply with, the Code.

Charlesbank employees are required to follow the Code, which is designed to assure that the personal investment transactions, activities and interests of the employees of Charlesbank will not interfere with (1) making decisions in the best interests of the Charlesbank Funds and (2) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code requires preclearance of most transactions. Charlesbank maintains a restricted list against which trades requiring preclearance are checked. Under the Code, certain classes of investments have been designated as exempt from preclearance, based upon a determination that these would not materially interfere with the best interests of Charlesbank's clients. Employee trading is monitored under the Code to reasonably prevent conflicts of interest between Charlesbank and its clients.

Charlesbank will provide investors or prospective investors in the Funds with a copy of Charlesbank's Code of Ethics upon written request to the Chief Compliance Officer, Charlesbank Capital Partners, LLC, 200 Clarendon Street, 54<sup>th</sup> Floor, Boston, MA 02116.

#### Potential Conflicts of Interest

Investment opportunities available to a given Fund are appropriate investments for one or more other Funds. In such cases, the opportunities will be allocated among the applicable Funds on an equitable basis, in accordance with the investment sharing guidelines contained within the respective limited partnership agreements of the participating Funds.

In addition, Charlesbank consults with limited partner advisory boards to review potential conflicts and to ensure that one Fund is not favored over another. Each Charlesbank Fund advisory board is comprised of representatives of the limited partners of that Charlesbank Fund. An advisory board may also review allocation decisions outside of the scope or limitations of the Charlesbank Fund's governing documents.

From time to time, the opportunity to coinvest in a Charlesbank Fund investment becomes available. Where possible and appropriate, the general partner of the applicable Charlesbank Fund offers such coinvestment opportunities, in some cases, to (i) any Charlesbank Fund limited partners (or any of their beneficial owners), (ii) management or employees of the relevant portfolio company, consultants and advisors with respect to such portfolio company or pre-existing investors or other persons associated with such portfolio company, (iii) any joint venture partner, (iv) any other investment fund or managed account advised by Charlesbank or its affiliates, (v) the Overage Program (as defined below) or (vi) any other person, including persons or entities whom the general partner of the applicable Charlesbank Fund believes will be of benefit to the Charlesbank Fund or one or more portfolio companies or who may provide a strategic, sourcing or similar benefit to Charlesbank, the Charlesbank Fund, a portfolio company or one or more of their respective affiliates due to industry expertise, regulatory expertise, end-user expertise or otherwise (including private equity funds sponsored by persons other than Charlesbank) (collectively, "Co-Investors").

Subject to the terms of the applicable Charlesbank Funds' governing documents, Charlesbank allocates coinvestment opportunities among Co-Investors in any manner it deems appropriate, taking into account those factors that it deems relevant under the circumstances, including: (i) the character or nature of the

co-investment opportunity (e.g., its size, structure, geographic location, relevant industry, tax characteristics, timing and any contemplated minimum commitment threshold); (ii) the level of demand for participation in such co-investment opportunity; (iii) the ability of a prospective Co-Investor to analyze or consummate a potential co-investment opportunity on an expedited basis; (iv) certainty of funding and whether a prospective Co-Investor has the financial resources to provide the requisite capital; (v) the investing objectives and existing portfolio of the prospective Co-Investor; (vi) the reporting, public relations, competitive, confidentiality or other issues that may also arise as a result of the co-investment; (vii) the legal or regulatory constraints to which the proposed investment is expected to give rise; and (viii) Charlesbank's own interests. With respect to allocations influenced by Charlesbank's own interests, there could be a variety of circumstances where Charlesbank will be incentivized to afford co-investment opportunities to one Co-Investor over another. Additionally, Charlesbank may be contractually incentivized or obligated to offer certain Co-Investors a minimum amount of co-investment opportunities or otherwise bear adverse economic consequences for failure to do so, which consequences may include, a loss of future economic rights, including carried interest or other incentive arrangements.

Without limiting the foregoing, the general partner of the Charlesbank Funds that constitute its Fund IX family of funds (collectively, "Fund IX") has established a program (the "Overage Program") to make co-investment opportunities available to interested Fund IX institutional limited partners in connection with Fund IX's larger portfolio investments. The terms of the Overage Program are determined by the Fund IX general partner and the participating Fund IX limited partners, and include that (a) any coinvestments by the Overage Program with Fund IX will generally be made at substantially the same time as (or within a reasonable time before or after) and on economic terms at the investment level substantially no more favorable to such Overage Program participants than those on which Fund IX invests at the time of such coinvestment (to the extent reasonably practicable, taking into account such facts and circumstances as are applicable with respect to such co-investment at the time of such coinvestment and it being understood that legal, tax, regulatory or similar considerations or limitations may affect the form of such co-investments) and (b) any such co-investment generally will be sold or otherwise disposed of at substantially the same time (and, in the case of a partial disposition, in substantially the same proportion) as Fund IX's disposition of its interest in such investment and on economic terms at the investment level substantially no more favorable to such Overage Program participants than those on which Fund IX disposes of its interest in such investment at the time of such disposition (to the extent reasonably practicable, taking into account such facts and circumstances as are applicable with respect to such co-investment at the time of the disposition of such co-investment), unless, in either case, the Fund IX general partner determines in good faith that other terms, proportions or timing are advisable due to legal, tax, regulatory or similar considerations or limitations, or advisable in order to facilitate a transaction.

All decisions regarding whether and to whom to offer coinvestment opportunities are made in the sole discretion of the general partner of the respective Charlesbank Fund.

It is Charlesbank's policy not to enter into principal transactions. A principal transaction is defined as a transaction in which an investment adviser, acting for its own account, buys a security from or sells a security to a client.

Charlesbank does not have an affiliated broker-dealer and therefore does not engage in agency cross-trading transactions. An agency cross-trading transaction is defined as a transaction in which an investment adviser effects the sale or purchase of a security for a client while acting as broker for a person other than the client.



Charlesbank employees receive product discounts from certain Charlesbank portfolio companies from time to time.

The Charlesbank Funds have in the past entered into, and expect to enter into in the future, Side Letters (as defined above) with investors in the Charlesbank Funds that have the effect of establishing rights under, or altering or supplementing the terms of the governing documents of a Charlesbank Fund as they apply to a particular investor in that Charlesbank Fund. As a result of such Side Letters, certain investors may receive additional benefits that other investors will not receive.

## **Item 12 – Brokerage Practices**

Since most of its investments are in private companies, Charlesbank does not generally use the services of broker-dealers to effect transactions. When it does, including in connection with its investments by the Credit Funds, Charlesbank selects brokers based on a number of factors, including, but not limited to, the size and type of transaction, the markets for securities to be purchased or sold, execution, efficiency, settlement capability, financial condition of the broker-dealer, the quality of the broker-dealer's trade execution on a continuing basis and reasonableness of brokerage commissions. While Charlesbank attempts to achieve the best overall price for its clients, Charlesbank does not necessarily select a broker offering the lowest possible commission cost because such a selection may not result in the best quality execution of transactions effected for the Funds.

To the extent that orders for purchase and sale are placed, Charlesbank aggregates such orders among affiliated Equity Funds, for investments made by the Equity Funds, and affiliated Credit Funds, for investments made by the Credit Funds, on a pro rata basis in accordance with the limited partnership agreement of each Charlesbank Fund.

Charlesbank does not have any soft dollar arrangements.

## **Item 13 – Review of Accounts**

Charlesbank's investment team actively monitors the investments held by the Charlesbank Funds, generally representing the Charlesbank Funds on each private equity portfolio company board of directors. Typically, at least two Managing Directors are assigned to each investment, along with several additional investment professionals. The entire investment staff and senior administrative staff meet weekly to review and discuss material portfolio company developments. The team also meets quarterly to review each investment in detail, including progress against budget and key performance metrics.

Investors in the Charlesbank Funds receive audited financial statements on an annual basis and unaudited financial statements on a quarterly basis. On a quarterly basis, investors also receive an investment summary for each portfolio company held by the applicable Charlesbank Fund, which describes the initial investment, as well as any material developments. In addition to other routine reporting, Charlesbank holds an annual limited partner meeting at which Charlesbank Fund performance information and all active investments are discussed in detail.

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

Neither Charlesbank nor any Charlesbank Fund compensates any person who is not a supervised person for client referrals.

#### **Item 15 – Custody**

The assets of the Charlesbank Funds are held in custody with third party qualified custodians. Although Charlesbank does not maintain physical possession of the assets of any Charlesbank Fund, Charlesbank may be deemed to have constructive custody pursuant to the Advisers Act. Charlesbank complies with Rule 206(4)-2 under the Advisers Act by delivering audited financial statements, prepared in accordance with U.S. generally accepted accounting principles, to the investors in the Charlesbank Funds within 120 days of their fiscal year ends.

#### **Item 16 – Investment Discretion**

Charlesbank provides investment advisory services to each of the Charlesbank Funds pursuant to an investment and advisory agreement, subject to the direction and control of the general partner of each Charlesbank Fund. Any investment restrictions are contained in the limited partnership agreement and related documents for each Charlesbank Fund. Prior to making an investment in a Fund, the limited partners review the governing documents for such Fund, and in the case of the Charlesbank Funds, are permitted to negotiate the terms of such governing documents.

From time to time, the opportunity to coinvest in a Charlesbank Fund investment becomes available. Where possible and appropriate, the general partner of the applicable Charlesbank Fund offers such coinvestment opportunities, in some cases, to some but not other Charlesbank Fund limited partners, and in some cases to persons other than limited partners, including, in the case of Fund IX, through the Overage Program described in more detail above. All decisions regarding whether and to whom to offer coinvestment opportunities are made in the sole discretion of the general partner of the respective Charlesbank Fund.

#### **Item 17 – Voting Client Securities**

It is Charlesbank's practice to review and vote on proxy and shareholder consent matters on a case-by-case basis, taking into account the relevant facts and circumstances known at the time. In all cases, Charlesbank evaluates the issues to determine whether and to what extent they may have a material impact, economic or otherwise, on the Charlesbank Funds. In accordance with the authority delegated to Charlesbank by the general partner of each Charlesbank Fund, under the terms of the applicable agreement of limited partnership, Charlesbank will vote all proxies and shareholder consents in the best interest of the respective Charlesbank Fund. Proxies voted for affiliated Charlesbank Funds are voted in the same manner. Should a conflict arise between Charlesbank Funds, Charlesbank will ensure that such conflict does not influence how proxies are voted.

Charlesbank will provide investors in the Charlesbank Funds with a copy of Charlesbank's Proxy Voting Policy, as well as information about how Charlesbank voted proxies on behalf of a Charlesbank Fund,

upon written request to the Chief Compliance Officer, Charlesbank Capital Partners, LLC, 200 Clarendon Street, 54<sup>th</sup> Floor, Boston, MA 02116.

**Item 18 – Financial Information**

A balance sheet is not required to be provided as Charlesbank does not solicit fees more than six months in advance, does not have a financial condition that is likely to impair its ability to meet contractual commitments to its clients and has not been subject to any bankruptcy proceeding.

**Item 19 – Requirements for State-Registered Advisers**

Not applicable.