



## INTERVALE CAPITAL

20 UNIVERSITY ROAD, SUITE 360  
CAMBRIDGE, MA 02138

TELEPHONE: 617-497-8282

FACSIMILE: 617-497-8453

### Part 2A of Form ADV: Firm *Brochure*

#### Item 1 Cover Page

Name of Investment Adviser: Intervale Capital, LLC

Business Address: 20 University Road, Suite 360, Cambridge, MA 02138

Telephone Number: (617) 497-8282

Facsimile Number: (617) 497-8453

Email: [christine@intervalecapital.com](mailto:christine@intervalecapital.com)

Website: [www.intervalecapital.com](http://www.intervalecapital.com)

Date of Firm Brochure Update: 2/13/2012

This brochure provides information about the qualifications and business practices of Intervale Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (617) 497-8282, or contact our Chief Compliance Officer (“CCO”), Christine Smoragiewicz, at [christine@intervalecapital.com](mailto:christine@intervalecapital.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 Intervale Capital, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### Item 2 Material Changes

This is the first brochure filed by Intervale Capital, LLC.

### Item 3 Table of Contents

Item 4	Advisory Business.....	3
Item 5	Fees and Compensation .....	3
Item 6	Performance-Based Fees and Side-By-Side Management.....	4
Item 7	Types of Clients .....	4
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Item 9	Disciplinary Information.....	6
Item 10	Other Financial Industry Activities and Affiliations .....	6
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	7
Item 12	Brokerage Practices.....	7
Item 13	Review of Accounts.....	8
Item 14	Client Referrals and Other Compensation .....	8
Item 15	Custody.....	8
Item 16	Investment Discretion.....	9
Item 17	Voting Client Securities.....	9
Item 18	Financial Information.....	9
Item 19	Requirements for State-Registered Advisers .....	9

## Item 4 Advisory Business

Intervale Capital, LLC (“Intervale Capital,” “Intervale” or “the Firm”) was legally formed in 2007, and is principally owned by Charles Cherington, the Firm’s managing partner. Intervale provides investment advisory services to four private equity funds (two primary funds, and two co-investment funds, collectively the “Funds”), to which Limited Partners (“LPs”) commit capital and make pro-rata contributions to the Funds based on total committed capital. LPs are primarily comprised of institutional investors, pension funds, high net worth individuals, and others, including alternative asset funds of funds. The Firm’s advisory services are limited to private equity funds, and are not tailored to the individual needs of LPs.

In general, the Funds invest in lower middle-market companies in the oilfield services and equipment industry (the “OFS” industry), predominantly located in North America and Europe. Specific investment criteria, limitations, and restrictions are detailed in the respective fund’s private placement memorandum (“PPM”) and limited partnership agreement (“LPA”).

On a discretionary basis, Intervale has \$540,705,000 of regulatory assets under management. The value of the assets was computed on February 13, 2012, using estimated data as of December 31, 2011. The Firm does not manage client assets on a non-discretionary basis.

## Item 5 Fees and Compensation

Intervale Capital is compensated for its advisory services as follows:

- **Management fees**

LPs in each primary fund are charged a management fee that is called from each LP on a quarterly basis in advance, based upon calculations and terms detailed in each primary fund’s LPA. LPs in the co-investment funds are not charged a management fee.

- **Portfolio company monitoring fees**

Portfolio companies managed by the Firm are charged a monitoring fee that is payable on a monthly or quarterly basis. 80% of monitoring fees received by Intervale benefit the LPs of the respective primary fund by way of a management fee offset.

- **Transaction fees**

Intervale may receive a transaction fee for finding, negotiating, and executing the acquisition of a new investment or disposition of an existing investment, payable on the closing date of the transaction. 80% of transaction fees received by Intervale benefit the LPs of the respective primary fund by way of a management fee offset.

- **Carried interest**

The general partner (“GP”) of each primary fund receives 20% of the realized appreciation in such fund, once certain return hurdles are met. Specific information with respect to the calculation of carried interest is included in the relevant LPAs. LPs in the co-investment funds are not charged carried interest.

These fees are not negotiable. The Firm and all supervised persons do not receive any other compensation for the sale of securities or other investment products.

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

As noted in Item 5, Fees and Compensation, the GP of each primary fund earns carried interest after certain performance hurdles are met. Intervale also receives compensation from each primary fund in the form of a management fee, as noted in Item 5. Please refer to that section for additional details.

Possible conflicts of interest resulting from a performance-based fee structure have been addressed as follows:

- Members of the GP have committed a meaningful amount of personal capital to each primary fund and are subject to the same risk of loss as the LPs
- Each primary fund has an Advisory Board (whose seats are filled by institutional LPs that represent a significant percentage of each primary fund's committed capital) that reviews all transactions where a conflict of interest exists (i.e. cross-fund investing, related party transactions, or any other situation where the GP believes a conflict of interest exists)
- Each co-investment fund must invest its pro-rata share of an investment alongside the affiliated primary fund per terms of each LPA, eliminating any incentive to favor or provide special treatment to the primary funds

## Item 7 Types of Clients

Intervale Capital provides investment advisory services to four private equity funds, to which LPs commit capital and make pro-rata contributions to the Funds based on total committed capital. The majority of LPs are institutional investors, pension funds, high net worth individuals, or others, including alternative asset funds of funds. Investors (LPs) must meet the minimum standards of an "Accredited Investor" under Rule 501A of the Securities Act of 1933. The minimum commitment accepted from an investor is \$5,000,000, subject to Intervale's right to accept lesser amounts.

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

Intervale typically invests in platform companies with revenues and EBITDA of less than \$150 million and \$30 million, respectively. The targeted total equity commitment in any one portfolio company will generally range from \$30 million to \$70 million, including equity to support growth and add-on acquisitions after an initial investment. The objective is to achieve long-term capital appreciation, primarily from private equity investments in lower middle-market companies in the energy sector.

Intervale acquires companies in high growth niche markets driven by oilfield activity rather than asset construction. Activity-driven businesses, such as drilling and completion services, are less sensitive to industry downturns, whereas capital equipment manufacturers, such as rig manufacturers, suffer disproportionately when activity slows.

Intervale has developed a methodical approach to portfolio management. Within its target industry, Intervale seeks to: (i) identify compelling sub-sectors; (ii) source and execute differentiated deal flow; (iii) acquire platform companies at attractive prices; (iv) upgrade personnel and practices; (v) expand footprint of each platform company through add-on acquisitions; and (vi) drive platform company growth to position for exit.

An investment with Intervale Capital involves significant risks, including loss of the entire investment that the investor should be prepared to bear, as disclosed in detail in each primary fund's PPM. The following is a list of additional risks that Intervale considers significant:

- **Illiquidity Risk**

An investment in any Intervale fund requires a long-term commitment with no certainty of return. It is unlikely there will be near-term cash flow available to the LPs. Many of the Funds' investments may be illiquid, and there can be no assurance that the Funds will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy.

Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the LPs. Additionally, the Funds may acquire securities that cannot be sold except pursuant to a registration statement filed under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for the Funds' investments.

- **Leverage Risk**

In addition to the primary funds' limited ability to borrow as set forth in the respective LPA, the Funds' investments may involve leveraged acquisitions, which by their nature require companies to undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks to investors. The leverage provided will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow. While leverage may enhance total returns to the LPs, if investment results fail to cover borrowing costs then returns to the LPs will be lower than if there had been no borrowings.

- **Concentration Risk (Energy Industry Risk)**

The companies in which the Funds invest are inherently subject to numerous risks arising from their operations. For example, companies involved in the drilling and production of oil and natural gas face risks that include, without limitation: (i) the risks of conducting drilling operations (including risks of substantial losses to properties, bodily injury and environmental damage arising from operations that do not proceed as planned and the risk of failing to find commercially productive reserves); (ii) risks of compliance with increasingly burdensome environmental regulations and other regulations governing the production of natural resources; (iii) risks involved in offshore drilling and in locations in foreign countries, including political unrest, terrorism, kidnapping, expropriation, increased costs and operational delays and disruptions; and (iv) risks of catastrophic and other force majeure events. The occurrence of losses as a result of the risks inherent in operating in the energy industry could have a materially adverse impact upon actual results of the Funds' investments.

- **Commodity and Price Volatility Risk**

The Funds target investments primarily in companies serving the energy industry and, as such, they will be indirectly subject to commodity price risk, including, without limitation, the demand and price of oil and gas. Historically, the markets for oil, gas, coal and power have been volatile, and such markets are likely to continue to be volatile in the future. Because of their relation to the energy industry as a whole, operation and cash flows of the Funds' portfolio companies will depend, in substantial part, upon prevailing market prices for energy commodities. These market prices may fluctuate materially depending upon a wide variety of factors that are beyond the control of the GP or the Funds, including, without limitation, market supply and demand, geopolitical conditions and events, including political conditions in the Middle East and other oil and gas producing nations,

weather conditions, tax policy, changes in law and regulation, the price and availability of alternative fuels and energy sources, terrorist acts or threats thereof, actions of the Organization of Petroleum Exporting Countries (and other oil and natural gas producing nations), the foreign supply of (and demand for) oil and natural gas, the price of foreign imports and overall economic conditions.

- **Nature of Investment Risk**

A substantial portion of the Fund's investments will be in equity or equity-related investments in the energy sector that by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that may result in substantial losses. There can be no assurance that the Funds will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities. As a result, the Funds' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

- **Key Personnel Risk**

The success of the Funds will be highly dependent on the expertise and performance of Charles Cherington and Erich Horsley (the "Partners") and Intervale's other investment professionals. There can be no assurance that such persons will continue to be associated with Intervale throughout the life of the Funds, as they are under no contractual obligation to remain with the Firm for all or any portion of the term of the Funds. The loss of the services of one or more of these individuals could have a material adverse effect on the performance of the Funds. Furthermore, although investment professionals employed by Intervale will commit a significant amount of their business efforts to the Funds, they are not required to devote all of their business time to the Funds' affairs. They will continue to manage pre-existing investments of Cherington Capital LLC ("Cherington Capital") and Freebird Partners (collectively, the "Predecessor Firms"), and may manage successor funds.

Each Fund's respective PPM provides current and prospective investors with an extensive list of risks, including those listed above.

## Item 9 Disciplinary Information

This item is not applicable, as Intervale and its management persons have not been involved in any disciplinary events.

## Item 10 Other Financial Industry Activities and Affiliations

Intervale is not a registered broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor, and is not associated with any of these types of entities. Intervale also does not recommend other investment advisors for direct or indirect compensation.

Intervale has some affiliated entities that serve as the general partners/managing members of the Funds.

Charles Cherington is the manager/member of Cherington Capital, a private equity investment firm based in

Cambridge, MA. Although Mr. Cherington devotes the majority of his time to managing Intervale, he also actively manages the existing portfolio of investments of Cherington Capital. Cherington Capital no longer seeks new investment opportunities.

Two portfolio companies acquired by Intervale share ownership with Cherington Capital, and a third company in Intervale's portfolio shares ownership with Freebird Partners. The following policies and procedures are designed to mitigate these conflicts of interest:

- The primary Intervale funds are governed by an Advisory Board (comprised of institutional LPs that represent a significant percentage of each primary fund's committed capital) that must approve any transaction involving a conflict of interest. Prior to investing, Intervale presents conflicted investment opportunities to the Advisory Board, identifies the conflict of interest, and obtains Advisory Board approval to execute the transaction.
- If a situation arises where Intervale and Cherington Capital have a difference of opinion/viewpoint regarding a pending transaction, Charles Cherington represents Cherington Capital, while Erich Horsley represents Intervale. Presentation to the Advisory Board is also required.

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

Intervale Capital maintains a policy of compliance with the highest standards of ethical business conduct and the provisions of applicable federal securities laws, including rules and regulations promulgated by the SEC under rule 204A-1. The Code of Business Conduct and Ethics ("Code of Ethics") applies to each access person at Intervale, and is designed to ensure compliance with legal requirements and Intervale's standards of business conduct.

As noted in Item 4, Intervale's owners, in their capacity as members of the GP of each Intervale fund, make investment decisions on behalf of the Funds. Prior to investing in a fund, each LP is provided with a PPM, comprehensive due diligence materials, opportunities to meet Intervale Partners and employees, and the LPA that documents the fund structure, the GP's roles and responsibilities, the LPs' rights and obligations, and other pertinent partnership terms. Conflicts that may arise as a result of compensation structure (including mitigating factors) are discussed in Item 6. Conflicts that may arise from cross-fund investments or mutual investment ownership among related parties (including mitigating factors) are discussed in Items 6 and 10.

To further prevent conflicts of interest, all access persons at Intervale must comply with the Firm's compliance manual, which details the Firm's policies on a number of areas, including: ethics, insider/personal trading, data retention, marketing, anti-money laundering, political contributions, foreign investments, and privacy.

Upon request, a copy of the Code of Ethics will be provided to existing or prospective investors.

## Item 12 Brokerage Practices

Intervale's owners, in their capacity as members of the GP of each Intervale fund, have the authority to determine what securities/investments the Funds should buy or sell and what brokers or dealers to use. The majority of the investments made by the Funds are in non-registered securities (e.g., direct participation

securities) offered in private placements without the services of a broker-dealer. While Intervale has the authority to select brokers or dealers, such authority is seldom exercised. Where the Firm is required to select brokers or dealers for transactions on behalf of an LP, it takes several factors into account, including the financial stability and reputation of the broker or dealer, the quality of the services provided by the broker or dealer, and any special execution capabilities of the broker or dealer. Intervale Capital does not necessarily choose a broker or dealer based on the lowest available commission cost or spread. The Firm will select such brokers that can effect transactions at the best price and execution under the prevailing circumstances.

Intervale does not maintain relationships with broker-dealers that feature soft-dollar benefits or referral arrangements.

### Item 13 Review of Accounts

On a quarterly basis, Intervale Capital prepares financial statements for each fund. These financial statements are distributed to each investor in the respective fund, along with the investor's quarterly capital account statement, which details the investor's balance sheet, unfunded commitment, capital account activity, and additional information (if applicable) in corresponding footnotes to the statement. Included in the financial statements is a letter from Intervale's Partners highlighting the activity from the reporting period, as well as written reports detailing the latest financial and operational updates for each company in which the respective fund has invested. The financial statements and capital account statements are prepared by Intervale's Controller, and are reviewed by Intervale's Chief Financial Officer and Partners.

### Item 14 Client Referrals and Other Compensation

Intervale Capital has historically compensated a third-party placement agent to assist with marketing and private placement of the primary funds' commitments from institutional LPs. The fees paid to such placement agents reduce the management fees charged to the LPs, mitigating any perceived conflict of interest. Specific information with respect to the management fee reduction is included in the relevant LPAs.

### Item 15 Custody

Custody of stock certificates associated with investments made by the Funds is maintained by RBS Citizens, N.A., a Qualified Custodian under Rule 206(4)-2 of the Investment Advisers Act of 1940. Custodial statements are provided annually to each respective fund.

The Funds are structured as commitment-based investment vehicles, whereby investors commit a fixed amount of capital over the life of the fund. Intervale calls capital from the investors on-demand, for the purpose of making an investment or paying for partnership expenses, including management fees. Capital called that is not immediately deployed (as is sometimes the case when investments or partnership expenses are anticipated in the coming weeks) is held in the fund's bank account until needed.

When an investment is sold, the proceeds are held in the fund's bank account for a short period of time until the distribution calculation has been completed. The proceeds are then distributed to each investor according to the distribution provisions set forth in the fund's respective LPA.



## Item 16 Investment Discretion

Intervale's owners, in their capacity as members of the GP of each Intervale fund, are given discretionary authority to manage the investment decisions of each fund. The specific investment discretion granted to the GP is detailed in each fund's respective LPA.

## Item 17 Voting Client Securities

Intervale's owners, in their capacity as members of the GP of each Intervale fund, are given discretionary authority to manage the investment decisions of each fund. This discretion includes voting rights on behalf of securities held by the Funds. The specific investment discretion and voting rights granted to the GP are detailed in each fund's respective LPA.

## Item 18 Financial Information

Intervale Capital does not require or solicit prepayment of fees from clients six months or more in advance, and has not been the subject of a bankruptcy petition at any time. As such, disclosure of additional financial information is not required.

## Item 19 Requirements for State-Registered Advisers

Intervale is not a state-registered adviser; therefore this Item is not applicable.