

# Chatham Asset Management, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure (“Brochure”) provides information about the qualifications and business practices of Chatham Asset Management, LLC and its affiliates (collectively, “Chatham” or the “Firm”). Additional information about Chatham is also available on the United States Securities and Exchange Commission’s (“SEC”) website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). If you have any questions about the contents of this Brochure, please contact Chatham’s Chief Compliance Officer at 973-701-2424.

Chatham is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”), as amended. Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2. Material Changes**

Since Chatham's last annual update of the Brochure, which was filed on March 30, 2022, there have been no material changes to the Brochure.

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## Item 4. Advisory Business

Chatham is an investment adviser with its principal place of business in Chatham, New Jersey. Chatham was founded and commenced operations in 2003. Anthony Melchiorre is the founder and principal owner of Chatham. Chatham seeks to primarily invest its assets in high yield bonds, leveraged loans, credit derivatives, and may also invest long or short in “special situations” in the crossover, distressed debt and credit derivatives markets. The Firm seeks to exploit both fundamental and technical inefficiencies in the pricing of leveraged credits across the capital structure through identification and active trading to generate returns and manage risk.

Chatham manages three credit focused strategies on behalf of its institutional clients, including the Chatham Asset High Yield Funds (the “Open-end Funds”) and the Chatham Asset Private Debt and Strategic Capital Funds (the “Closed-end Funds” and collectively with the Open-end Funds, the “Funds”) and certain investor funds (the “Managed Accounts”) for large institutional investors.

Collectively, the Funds and the Managed Accounts shall be referred to as a “Client” or the “Clients.” The Funds are organized as domestic and offshore partnerships, as well as offshore corporations, and the Managed Accounts are organized as domestic partnerships.

As of December 31, 2022, Chatham managed approximately \$9.858 billion in regulatory assets under management on a discretionary basis on behalf of its Clients.

## Item 5. Fees and Compensation

### Management and Performance Fees

#### **Open-end Funds**

The Open-end Funds pay an annual management fee of 1.5% based on each fund’s assets, respectively, and in accordance with each fund’s specific limited partnership agreement. The management fee is paid quarterly in advance. In addition, at the end of each fiscal year the fund pays a 20% performance fee to Chatham based on the net increase of each Open-end Fund’s value subject to a high water mark.

#### **Closed-end Funds**

The Closed-end Funds pay an annual management fee of 0.75% - 1% per annum based on each limited partner’s capital contributions. Following the end of the fund’s investment period, the general partner will distribute all cash proceeds (less a holdback for any future expenses or liabilities of the partnership). At such time, the funds will pay Chatham through its ownership of the general partner a profits interest. This profits interest will be equal to 20% of proceeds after 100% of all limited partner capital contributions have been returned and after the limited partners realize a preferred annual return of 5%. After the preferred annual return is met, Chatham will receive all distributions until it has received 20% of the cumulative amounts distributed. Then, all remaining distributions will be shared 80% to limited partners and 20% to Chatham.

Fees may be waived or reduced, at the sole discretion of Chatham, such as for employees of Chatham and their family members and certain large or strategic investors in the Funds. Any prepaid management fees that are collected in advance for the Funds will be rebated on a pro-rata basis to any investor upon withdrawal from the Funds, as applicable.

Any transaction fees, directors fees, consulting fees, monitoring fees, break-up fees or any other similar fees paid to or receivable by Chatham or its affiliates shall offset and reduce the amount of the management fees otherwise payable to Chatham. To the extent that Chatham is fully offset during a particular quarter, any excess other fees, as defined in the limited partnership agreement, shall serve to offset the management fee for subsequent quarters until the full amount of the other fees have been applied to offset the management fee.

Chatham's Managed Accounts have negotiated their own specific management and performance fees that are calculated based upon various terms and conditions as outlined in the Limited Partnership Agreement between and among Chatham, its affiliates and the Managed Account Clients.

In addition to management, performance fees, and profits interest, Clients will bear various fees and expenses in accordance with their governing documents. Those fees and expenses as contractually determined include, but are not limited to, fees associated with fund administration, prime brokerage, legal and accounting, taxes, and commissions and brokerage. Additionally, the Funds will pay legal; auditing; accounting (including out-sourced accounting and accounting software); pricing services and other professional expenses; administration expenses; research expenses (including research related travel costs); broken-deal fees and expenses (including related legal fees); investment expenses such as commissions; interest on margin accounts and other indebtedness; custodial fees; filing fees; bank service fees; Fund-related insurance costs (including D&O and E&O insurance for the management company and the General Partner); expenses of regulatory compliance, filings and reporting (including but not limited to Form PF, Section 13 and 16 filings) to the extent they are in connection with, relate to or derive from the Funds or its investment activities; and other expenses related to the purchase, sale or transmittal of Fund assets.

The allocation of expenses by Chatham between it and any client and among clients represents a conflict of interest for Chatham. To address this conflict, Chatham has adopted and implemented policies and procedures for the allocation of expenses. Chatham allocates expenses to each client in accordance with the client's arrangements with Chatham (including applicable client disclosures). Chatham seeks to allocate shared expenses for products and services benefitting Chatham and the client and not covered in the client's arrangements in a fair and reasonable manner. Chatham generally allocates common client expenses among multiple clients based on each client's assets or position. Chatham may deviate from its standard allocation method if it determines that an expense disproportionately benefits a particular client or group of clients.

All current and potential investors/clients should review the offering or governing documents for each Client in conjunction with this brochure for more complete information on the fees and compensation payable with respect to a particular Client.

### Withdrawals

The Open-end Funds allow for quarterly withdrawals. Investors in such Funds must provide at least 45 days' prior notice to withdraw all or a portion of its capital account as of the last day of each calendar quarter. However, a 3% withdrawal fee of the amount being withdrawn will be paid to the Fund if an investor withdraws all or a portion of its capital account attributable to a particular capital contribution within one year of the date such contribution was made. In addition, Chatham's Managed Accounts have negotiated their own specific terms and conditions related to withdrawals that are outlined in the Limited Partnership Agreement between and among Chatham, its affiliates and the Managed Account Clients. Withdrawals are not permitted in any Closed-end Fund.

Chatham, the general partner and/or the Board of Directors of a Fund, in its sole discretion, may waive or modify any terms related to withdrawals for an investor in the Fund pursuant to a written agreement with the investor, and in accordance with the applicable governing documents.

### Other Compensation

The General Partner, the Management Company, or their respective employees and their affiliates may, but ordinarily do not expect to, earn fees and other income from services provided or related to a Client's investments or in connection with a Client's investments or prospective investments including but not limited to, advisory fees, consulting fees, due diligence fees, structuring fees, servicing fees, directors' fees, break-up fees or any similar fees. Any such fees received in excess of expenses incurred by the Management Company with respect to such engagement will be applied to reduce the Management Fee paid by Clients on a dollar-for-dollar basis.

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

Chatham provides concurrent advisory services to Clients of varying sizes and inception dates. The fees charged by Chatham to such Clients varies and includes those that are not charged a performance-based fee by Chatham or its related persons and Clients that are charged a performance-based fee. Accordingly, the potential for Chatham and its related persons to receive greater fees from performance-based accounts creates potential conflicts of interest with respect to the allocation of investment opportunities, as Chatham may have an incentive to direct the best investment ideas to, or to allocate investments in favor of, Funds or Managed Accounts that pay performance fees. To mitigate potential conflicts of interest, allocations of investment opportunities among Clients are determined by Chatham in accordance with its investment allocation policy and consistent with its fiduciary duties and corresponding investment mandates.

It is Chatham's policy that all investment opportunities will, to the extent practicable, be allocated among its Clients on a basis that over a period of time is fair and equitable to each Client relative to other Clients, taking into account relevant facts and circumstances. Clients and investors in the Funds should be aware that the foregoing procedures in certain circumstances may: adversely affect the price paid or received by a Fund or a Client account or the size of a position purchased or sold by the Fund or Client account, including commission prices; preclude a Fund or a Client account from participating in an investment; or limit the rights that a Fund or Client account may exercise with respect to an investment.

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

Chatham provides investment advisory services to its Clients. Investment advice is provided directly to each Client, subject to the direction and control of the General Partner for the domestic Funds and the Board of Directors for offshore Funds, and not individually to the limited partners or shareholders of the Funds. Investors in Chatham's Funds typically include, but are not limited to, high net worth individuals, pension plans, endowments, foundations, and corporate or business entities.

The details concerning applicable investor suitability criteria are set forth in the respective offering documents. Although Chatham and/or its affiliates have the authority to accept subscriptions for lesser amounts, the minimum investment in the Funds is generally \$1 million. Each investor is required to meet certain suitability qualifications, such as being an "accredited investor" and "qualified purchaser" within the meaning set forth under the United States federal securities laws.

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

The following is a summary of the methods of analysis and investment strategies employed by Chatham as well as the material risks associated with investing in such strategies. Prospective and existing investors/clients are advised to review the offering materials and other constituent documents for full details on each applicable Client's investment, operational and other actual and potential risks.

### *Method of Analysis and Investment Strategies*

Chatham seeks investment opportunities in securities and other investments that it believes are mispriced as a result of market inefficiencies. Chatham believes these inefficiencies can occur as existing holders of the investments are often unprepared or ill-equipped to evaluate the impact certain financial, legal or operational issues will have on the issuer. At the same time, Chatham believes that the number of market participants who are willing to evaluate such investments are limited, thus potentially causing an imbalance between sellers and buyers.

Typically, Chatham begins its investment process by employing a top-down industry review with bottom-up fundamental credit analysis to identify potential opportunities. As part of the research process, Chatham's investment team typically reviews annual and quarterly company reports, publicly available filings such as SEC, bankruptcy and other court filings, credit agreements and bond indentures. The investment team may also speak with company management, industry experts and Wall Street analysts. Once enterprise valuation is established through the research process, Chatham will overlay the valuation onto the capital structure in order to uncover the intrinsic value of each tranche of debt and equity. After detailed analysis and understanding of covenants, collateral and security, intrinsic value will be compared to market prices in order to determine which part of the capital structure to be long/short based on upside/downside and arbitrage potential.

Once the fundamental analysis is completed, Chatham evaluates the technical trading aspects of a potential investment to assess the efficient entry and exit points for the position. Chatham believes that this is a part of the investment process that is frequently overlooked by traditional

investment vehicles and less experienced fund managers. It is nearly as important as fundamental analysis because credit instruments often trade at levels at odds with intrinsic value, and these relationships can often persist indeterminately and for multiple price points through the inefficient trading relationship that is initially uncovered. This analysis encompasses a number of trading catalysts including the flow of capital in the relevant market, company specific credit news (e.g., earnings statements), ratings agency activity, market sentiment toward the credit, sector or general marketplace, size/vibrancy of the new issue market and buying/selling dynamics from the distressed, stressed, high yield and investment grade markets.

Chatham then synthesizes this information to determine the horizon of the investment. Positions will reflect Chatham's investment team's views on the broader debt and equity markets, the relative valuations of sectors of the credit markets, specific credits in the marketplace, and the relative pricing of the capital structure of such credits. The long/short balancing of each Client's portfolio will vary according to the investment team's market outlook at any given time. Positioning strategies will include the determination of going long or short the credit on either an outright or hedged basis. Additionally, Chatham determines which securities should be positioned (i.e., bank debt vs. bonds vs. equity), in what relationship (i.e., long bank debt, short equity or sub debt), and in which market (i.e., cash vs. derivative). Chatham continually manages each Client's portfolio by monitoring positions and sectors on a daily basis.

Chatham seeks to primarily invest in high yield bonds, bank debt, senior notes and subordinated notes. However, Chatham has broad investment authority to invest in a wide variety of securities and financial instruments on behalf of its Clients such as preferred stocks and equities, private equity, credit default swaps and trade or vendor claims. Chatham notes that percentages held in various asset classes changes through time and is a function of both opportunities and circumstance. Further details relating to Clients' investments are set forth in each relevant Client's governing documents (e.g., offering documents and/or partnership agreement).

### *Risk of Loss*

Chatham's investment strategy involves a number of risks. Accordingly, an investment with Chatham is deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risks associated with such investment strategy. No guarantee or representation is made that a Client will achieve its investment objective or that investors or shareholders in a Fund or a Managed Account Client will receive a return of their capital. All investing involves a risk of loss and the investment strategy offered by Chatham could lose money.

The descriptions contained below are a brief overview of different risks related to Chatham's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of such strategy. With respect to the Funds, prospective and existing investors are advised to review the offering materials and other constituent documents for full details on each applicable Fund's investment, operational and other actual and potential risks.

*Stressed and Distressed Securities:* Clients invest in "stressed and distressed securities"—securities, private claims and obligations of entities that are experiencing significant financial



or business difficulties or have filed for Chapter 11 protection under the U.S. Bankruptcy Code. Types of investments which are suitable dependent on the specific strategy include but are not limited to loans, bonds, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded.

Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments can also be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading stressed and distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

Loans: Clients may invest in loans (in cash and synthetic form). The value of the loans may be detrimentally affected to the extent a borrower defaults on its obligations. Furthermore, circumstances could arise (such as in the bankruptcy of a borrower) that could cause a Client's security interest in the loan's collateral to be invalidated. Also, much of the collateral will be subject to restrictions on transfer intended to satisfy securities regulations, which will limit the number of potential purchasers if the Clients intend to liquidate such collateral. The amount realizable with respect to a loan may be detrimentally affected if a guarantor, if any, fails to meet its obligations under a guarantee. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted loans and, if applicable, taking possession of various types of collateral.

Clients may invest in corporate secured loans acquired through assignment or participations. In purchasing participations, Clients will usually have a contractual relationship only with the selling institution, and not the borrower. This means that Clients will not have the right to directly enforce the borrower's compliance with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. Clients generally will not directly benefit from the collateral supporting the related secured loan and generally will not be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof, the Clients generally will be treated as a general creditor of such selling institution, and will not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, Clients are subject to the credit risk of the selling institution as well as of the borrower. Certain of the secured loans or loan participations may be governed by the law of a jurisdiction other than a United States jurisdiction which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

Private Investments: Investments in the equity or debt of early-stage, private companies at various stages in their development involve a high degree of business and financial risk. Private companies with limited operating histories may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results

from period to period or may operate at a loss. Early stage companies may require additional capital after investment to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Further, the technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Chatham may not be represented on its portfolio companies' boards of directors, and each portfolio company will be managed by its own officers (who are not affiliated with Chatham). Chatham may not be in a position to exercise control over the management of the portfolio companies, and, accordingly, will have a limited ability to protect its position. Certain portfolio companies may depend upon managerial assistance or financing provided by its investors. The value of portfolio companies may depend upon the quality of managerial assistance provided by its investors and their ability and willingness to provide financial support. The use of leverage by portfolio companies may increase their exposure to adverse economic factors such as downturns in the economy or deterioration in its conditions or its industry. In the event any portfolio company cannot generate adequate cash flow to meet debt service or operating expenses, the Fund may suffer a partial or total loss of its capital invested in the company.

*Investments Longer than Term:* Clients may make investments that may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of the term of the Fund or otherwise. Although Chatham expects that all investments will be disposed of prior to the Fund's dissolution, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the Fund, Chatham will use its best efforts to reduce to cash such assets of the Fund as the general partner deems advisable, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the investors will occur.

*High Yield Securities:* Clients invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower rated securities.

*Private Equity:* Clients may invest in private equity securities. These investments may be highly illiquid and there can be no assurance that Clients will be able to realize such investments in a timely manner. For example, illiquidity results from legal, contractual, or other restrictions on its resale.

Investments in publicly-traded companies may also be subject to legal or contractual restrictions on resale, e.g. securities law restrictions on the sale of investments while in possession of material nonpublic information. It is possible that no significant return from the disposition of a private equity security investment will occur until a number of years from the date of acquiring such investment.

When estimating fair value, Chatham will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstances of the investments.

*High Risk Investments:* Clients invest in investments such as debt and equity securities, loans, private claims and other financial instruments and obligations of troubled companies which may result in significant returns to the Clients, but which involve a substantial degree of risk. Clients may lose their entire investment in a troubled company, may be required to accept cash or securities with a value less than the Clients' investment and may be prohibited from exercising certain rights with respect to such investment. Troubled company investments may not show any returns for a considerable period of time. In addition, troubled company investments may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the Bankruptcy Court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation.

Clients may have significant investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or result in a distribution of cash or a new security, the value of which may be less than the purchase price of the security to Clients, or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, Clients may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Clients may invest, there is a potential risk of loss by Clients of their entire investment in such companies.

*Event-Driven Investing:* There are significant business risks associated with event-driven investing. Due to the inherently speculative nature of this activity, the results may fluctuate from period to period, and, as part of a Client's investment strategy, are not expected to correlate with the direction of the equity markets. Accordingly, the results of a particular period will not necessarily be indicative of expected results in future periods.

Chatham's investment strategy is highly speculative and is not intended as a complete investment program. It is designed only for sophisticated investors who can bear the economic risk of loss of their entire investment and who have a limited need for liquidity in their investment. Chatham's investment strategy carries with it the inherent risks associated with investments in securities, as well as additional risks including, but not limited to, the use of short sales, leverage and investing in high yield and distressed securities. A detailed description

of the applicable risk factors are set forth in each Fund's offering documents and the Partnership Agreements for the Managed Accounts. There can be no assurance that a Client will achieve its investment objective.

*Potential Conflicts - Capital Structure:* Chatham may invest client assets in different securities issued by the same issuer. Investing in different parts of a company's capital structure could create conflicts among Chatham Clients, including among other things, potential conflicts in debt restructurings, buybacks, debt exchanges and covenant waivers. In these instances, Chatham will evaluate each situation and act in the best interest of its Clients.

*Inflation Risk:* Client accounts may be subject to inflation risk. Inflation risk is the risk that the value of investments or income from investments will be lower in the future as inflation decreases the value of money. As inflation increases, the value of the investments in a client's account can decline.

*Side Letters:* Chatham, the general partner, and/or the Board of Directors of a Fund has entered into side letters or other similar agreements with certain investors in connection with their admission to the Fund without the approval of any other investor. Such side letters or other similar agreements alter and/or supplement the terms of the Fund's governing documents in a manner that makes the terms applicable to such investors more favorable than those applicable to other investors.

In exchange for its significant investment or longer date locks, Chatham has entered into an agreement which grants the Managed Accounts rights including, without limitation, preferential withdrawal terms, fee rates and transparency rights as contractually applicable. Accordingly, such preferential rights could have a negative adverse impact on the management and valuation of the assets of Chatham's other Clients if such Managed Accounts were to request a liquidation of all or significant portion of its account.

*Force Majeure:* Portfolio investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to a fund or a portfolio company) to perform its obligations until it is able to remedy the force majeure event. In addition, forced events, such as the cessation of the operation of machinery for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to a portfolio company or a fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which

funds may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to funds, including if the investment in such portfolio companies is canceled, unwound or acquired (which could be without adequate compensation).

*Cybersecurity:* Investment advisers, including Chatham, must rely in part on digital and network technologies (“cyber networks”) to maintain substantial computerized data about activities for client accounts and otherwise conduct their businesses. Such cyber networks might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. Chatham maintains policies and procedures on information technology security, it has certain technical and physical safeguards intended to protect the confidentiality of its internal data, and takes other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, the risk remains that cybersecurity incidents could potentially occur, and such incidents, in some circumstances, might result in unauthorized access to sensitive information about Chatham or its clients or their investors, and/or cause damage to client accounts or Chatham’s activities for clients or their investors. Chatham will seek to notify affected clients and investors of any known cybersecurity incident that may pose a substantial risk of exposing confidential personal data about such clients or investors to unintended parties.

*Effects of Health Crises and Other Catastrophic Events:* Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on clients' investments and Chatham’s operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of Chatham and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide

All current and potential investors/clients should review the offering or governing documents for each Client in conjunction with this brochure for more complete information on the applicable risks associated with investing in these strategies.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or the integrity of the adviser's management. Neither Chatham nor any of its officers, directors, employees or other management persons, have been involved in any legal or disciplinary events that would require disclosure in response to this Item.

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

### *Pooled Investment Vehicles*

Chatham organizes and sponsors certain pooled investment vehicles which are managed by Chatham and are controlled by an affiliated General Partner entity ("GP Entity"). Chatham or the GP Entity will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds' investment activities. While the GP Entity is not separately registered as an investment adviser with the SEC, all of its investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the GP Entity are subject to the supervision and control of Chatham. Thus, the GP Entity, all of its employees and the persons acting on its behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the GP Entity.

### *Material Relationships or Arrangements with Industry Participants*

Principals and employees of Chatham may serve, from time to time, as directors or in a similar capacity with respect to companies the securities of which are purchased or held by Chatham ("Portfolio Companies"). In the event that Chatham or its principals or employees (i) obtains material non-public information with respect to any Portfolio Company on whose board of directors he or she serves or (ii) is subject to trading restrictions pursuant to the internal trading policy of such Portfolio Company, Chatham may be prohibited for a period of time from engaging in transactions in the securities of such Portfolio Company which prohibition may have an adverse effect of Chatham. Chatham maintains written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Chatham is meeting its obligations to clients and remains in compliance with applicable law. Principals and employees of Chatham also face conflicts of interest because such individuals may receive compensation, including fees and options, for serving as a director, or have other financial interests in the company. In such cases, Chatham endeavors to mitigate this conflict by passing all income earned from portfolio companies to the appropriate Clients. Situations may arise in which there are conflicts in such an employee's duties to clients and other shareholders that are not clients.



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

Chatham has developed and adopted a Code of Ethics that is applicable to all employees. Chatham's Code of Ethics is predicated on the principle that Chatham owes a fiduciary duty to its Clients. Among other things, the Code of Ethics requires employees to:

- Act as fiduciaries, putting the interests of clients ahead of the interests of the Firm and its employees, and fully disclosing all material conflicts of interest;
- Comply with all applicable laws and regulations;
- Periodically report personal securities transactions, and obtain pre-clearance before personally trading certain types of securities; and
- Promptly report any suspected violations of the Code of Ethics to the Chief Compliance Officer.

Employees are required to pre-clear all personal securities transactions with certain exceptions. Specifically, employees are not required to pre-clear transactions in certain types of securities that are exempt from the reporting requirements under SEC rules including treasury securities, certificates of deposits, commercial paper, money market securities and open-end mutual funds. Employees are also not required to pre-clear any transactions in accounts for which the employee does not maintain investment control or participate in making investment decisions. To mitigate any potential appearance of conflict, employees are prohibited from investing in the securities of companies that currently have high yield debt.

Chatham also maintains a restricted list which is used to track and monitor issuers for which Chatham or any employee possesses material, nonpublic information. Restrictions on such issuers extend to options, rights, and warrants relating to such issuer's securities. A security will be removed from restriction if the CCO determines that no insider trading issue remains with respect to such issuer (for example, if the information becomes public or no longer is material). Employees that receive inside information, even if accidentally or unintentionally, must report the receipt of such information to the CCO.

The CCO or his designee is responsible for reviewing the personal securities transaction reports submitted by employees.

A copy of Chatham's Code of Ethics is available to current and prospective Clients upon request.

## **Item 12. Brokerage Practices**

### *Best Execution*

Chatham's selection of a broker-dealer to execute Clients' transactions is based primarily upon the broker's ability to deliver best execution. Factors that the Firm may use in making this

determination include the price per unit of the security, the broker's execution capabilities, commission rates or transaction costs, the value of advice and research reports, the broker's ability to deliver prompt, accurate confirmations and on-time delivery of securities, the broker's ability to maintain confidentiality of Chatham's trading intentions, and any other relevant factors that impact the price or execution of a trade. The commissions or transaction costs (including spreads) charged by any broker may be greater than the amount another firm might charge if Chatham determines in good faith that the amount of such commission is reasonable in relation to the value of the brokerage services and research information provided by the broker.

It should also be noted that the Investment Manager may at times direct trades to brokers that employ friends or relatives of members of the Investment Manager (and its principals, employees and affiliates). The Investment Manager monitors this conflict of interest and to ensure that it is acting in accordance with its obligations as a fiduciary of the Fund.

#### *Research and Soft Dollars*

Although Chatham does not maintain any formal soft dollar or commission sharing arrangements, the Firm does execute securities transactions with various counterparties many of whom provide Chatham with access to proprietary research reports and other brokerage products and services (such as standard investment research, trading desk access, capital introduction events, etc.) which are used to assist with the management of all accounts at Chatham. It is our general understanding that the investment research and other products and services that are made available to all institutional investors doing business with such trading counterparties is done so on an unsolicited basis and without regard to the rates of commissions or compensation charged or paid by Chatham or the volume of business Chatham directs to such counterparties. Since these products and services are merely made available by trading counterparties as part of a bundled business package to Chatham, which may or may not use them, it is Chatham's understanding that such trading counterparties do not set discrete prices for such products and services. Therefore, Chatham does not believe it is "paying-up" for such proprietary research and services received by the firm from its various trading counterparties. Accordingly, Chatham does not separately compensate such broker-dealers for the provision of such services since the broker-dealers do not break out the costs for such services.

#### *Trade Aggregation and Allocation*

Chatham generally aggregates securities and other transactions on behalf of a number of client accounts at the same time. In addition, Chatham will also execute securities transactions alongside or interspersed between aggregated orders when Chatham believes that such execution will not interfere with its ability to execute in a manner believed to be most favorable to its Clients as a whole and over time. Chatham will not enter into transactions in which it knowingly and deliberately favors itself or a single Client over another Client; however, Chatham is given considerable discretion to trade for other accounts, and intends to do so to a significant extent.

When executing aggregate orders, trades will be allocated among accounts using procedures that Chatham considers fair and equitable. This can include making the allocation based on such considerations as cash availability, diversification requirements, duration, investment objectives, Client contractual or regulatory investment guidelines and restrictions, existing or targeted account



weightings in particular securities or sectors, lot size, account size, amount of existing holdings (or substitutes) of the security in the accounts, and investment time horizons. These factors provide substantial discretion to Chatham in allocating investment opportunities. In addition, Chatham will exclude certain accounts from an allocation if the size of the allocation would not satisfy certain minimum size thresholds established by Chatham, a Client or by the issuer itself for operational reasons.

Chatham's compliance personnel monitor the trade allocation process on a routine basis, including the review of periodic reports and other records, to ensure that trade allocations occur fairly and equitably over time, even though a specific trade may have the appearance or the effect of benefiting one account as against another when viewed in isolation.

Given all of the foregoing factors, the amount, timing, structuring, or terms of an investment by a Client may differ from, and performance may be lower than, investments and performance of other Clients, including but not limited to those Clients which may provide greater fees or other compensation (including performance-based fees or allocations) to Chatham.

#### *Cross Transactions*

As is consistent with Chatham's duty to seek to obtain best execution, Chatham reserves the right to cross trades between its Clients' accounts. A cross trade occurs when Chatham purchases and sells a particular security, or other investment product, between two or more of its Clients by instructing a specified broker-dealer to cross the trade.

There is no requirement that all Clients participate in cross trading and Chatham shall use its judgment to determine when specific Clients will participate. Chatham does not anticipate executing, or recommending the execution of, any cross trades for: (i) any Client account subject to ERISA, or (ii) any Fund that is deemed a proprietary account (e.g., whereby Chatham and/or any of its controlling persons maintain a beneficial interest in excess of 25% in such Fund).

Chatham may utilize cross trades during a month in order to rebalance its Clients' portfolios, including in response to risk or concentration limits, as well as a result of investor subscriptions or redemptions. Chatham may also execute cross trades when launching a new fund or managed account. If Chatham engages in such cross transactions, Chatham must ensure that all relevant Clients are treated fairly and equitably and in accordance with applicable regulatory requirements, bearing in mind that clients may have differing investment objectives, restrictions, strategies and liquidity profiles, among other things. In certain circumstances, such transactions may provide liquidity that the open market might not otherwise support. Cross transactions are typically executed by a prime broker of the Clients by way of book entry transfers. In limited cases, cross transactions may be executed by independent broker-dealers. Cross transactions executed by independent broker-dealers may affect the price of the security to the detriment or benefit of one or more funds or accounts.

In addition, Chatham does not receive any commissions or other compensation in connection with such cross transactions.

### *Trade and Clerical Errors*

Trade and other clerical errors resulting in gains will be for the benefit of Chatham's Clients and will not be retained by Chatham. Chatham will absorb the cost of any trade error if required to do so pursuant to the standard of care required by a specific Client or resulting from an Employee's failure to act in accordance with the standard of care applicable to the advisory relationship. In most cases, the standard of care will result in the Client bearing the cost of a trade error, except errors resulting from the Firm's willful misconduct, gross negligence, or material breach of its responsibilities, as such errors are considered by the Firm to be a cost of doing business.

Chatham, subject to its fiduciary obligations, will determine whether or not any trade or other clerical error is required to be reimbursed in accordance with such liability and exculpation provisions. Chatham, in its sole discretion, reserves the right to reimburse its Clients for any trade or other clerical error. Chatham's reimbursement to its Clients for any particular error will not constitute a waiver of any policy to cause a Client to bear the losses from other trade or other clerical errors. Chatham will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected.

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

All Client accounts are reviewed by Chatham's portfolio managers and other investment, operations and accounting personnel on a regular basis. Such reviews are performed to assure conformity with the objectives and guidelines of each Client and include, among others, cash and position reconciliations, sector exposures and the performance of each Client.

The Funds and Managed Account employ a fund administrator, which provides all investors with capital account statements on a monthly basis, and includes detailed account balances and return information. Chatham also provides investors with a risk report on a monthly basis and distributes a commentary letter to all investors on a monthly basis. On an annual basis, investors are sent the annual audited financial statements prepared by KPMG and Schedule K-1 of the applicable Fund.

In addition, Chatham provides certain investors with more frequent disclosure or enhanced reporting not contained in the above mentioned reports and statements including, but not limited to, monthly conference calls and enhanced portfolio transparency.

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

Chatham has entered into agreements on behalf of its Clients with certain brokers-dealers that act as prime brokers for the Clients. From time to time, Chatham's personnel speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by those prime brokers. These conferences and programs are a means by which the Firm can be introduced to potential investors in Funds.

Neither Chatham nor the Funds compensate prime brokers for organizing such "capital introduction" events or for any investments ultimately made by prospective investors attending

such events. While such events and other services provided by a prime broker may influence Chatham in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Clients, the Firm will not commit to allocate a particular amount of brokerage to a broker-dealer in any such situation.

Chatham compensates third-party solicitors or other promoters for referrals of clients or private fund investors. Chatham's arrangements with third-party solicitors or other promoters may vary. Any compensation paid pursuant to these arrangements creates an incentive for the third-party solicitor or other promoter to recommend Chatham, resulting in a material conflict of interest.

## **Item 15. Custody**

All cash and non-privately offered securities of Clients are held in custody by unaffiliated broker-dealers; however, Chatham has access to certain Client accounts since an affiliate serves as the General Partner of the Funds and the Managed Accounts. Limited partners and shareholders of the Funds will not receive statements from any custodians. Instead, the Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to each limited partner within 120 days of each Fund's fiscal year end.

## **Item 16. Investment Discretion**

Chatham has discretionary authority to determine, without obtaining specific consent from its Clients or its investors, the securities and amount to be bought or sold for Clients. Any limitations on authority are included in each Client's relevant governing documents (e.g., Confidential Private Offering Memorandum, Partnership Agreement, and Supplemental Agreement).

## **Item 17. Voting Client Securities**

Chatham has implemented written policies and procedures governing the voting of Client proxies. The policies and procedures were reasonably designed to ensure that Chatham votes Client securities in the best interest of Clients, and sets forth how Chatham addresses material conflicts of interest that arise between the Firm and its Clients.

In addition, the Firm maintains a record of all proxy votes cast on behalf of Clients. If a material conflict of interest over proxy voting arises between Chatham and a Client, Chatham employees will notify the Chief Compliance Officer of the conflict. All conflicts of interest will be resolved in the Client's best interest. The Chief Compliance Officer may consult with members of senior management or outside counsel to determine the appropriate resolution.

Chatham maintains a record of all proxy votes cast on behalf of its Clients. Investors can request a copy of the policy or information with respect to a specific proxy vote.

## **Item 18. Financial Information**

This Item is not applicable.