

**ADV Part 2A**

**Brochure**

**Dated March 30, 2023**

**Chatham Credit Management III, LLC  
Promenade, Suite 1900  
1230 Peachtree Street NE  
Atlanta, GA 30309  
with respect to:**

**Chatham Cascade Fund III LLC  
Chatham Cascade Fund QP III LLC**

**Chatham Credit Management III, LLC can be contacted by telephone at (770) 618-2100; and  
by fax to the attention of Brian G. Reynolds at (770) 618-2101**

**Chatham Credit Management III, LLC can be contacted on the internet at  
[chathamcapital.com](http://chathamcapital.com).**

**This Brochure provides information about the qualifications and business practices  
of Chatham Credit Management III, LLC. If you have any questions about the contents of  
this Brochure, please contact us at (770) 618-2100. 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 Chatham Credit Management III, LLC also is  
available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2    Material Changes**

The Funds have been liquidated and had zero assets as of December 31, 2021 and December 31, 2022. They will be legally dissolved following the release of final K1s..

This Brochure was previously updated as of March 30, 2022.

### Item 3

#### Table of Contents

ITEM 4	ADVISORY BUSINESS .....	1
A.	Advisory Firm and Principal Owner Brian Reynolds is the Owner .....	1
	The Funds.....	1
B.	Advisory Services .....	1
C.	Advisory services are tailored to the needs of the Funds.....	2
D.	No Wrap Fee Programs.....	2
E.	Assets under Management .....	2
ITEM 5	FEES AND COMPENSATION .....	3
A.	Management Fee .....	3
B.	Timing and Deduction of Management Fee .....	4
C.	Other Expenses .....	4
	Expenses Paid by the Manager .....	4
	Expenses Paid by the Funds.....	4
D.	Advance Payment of Management Fee .....	6
E.	No Compensation For Sales of Securities .....	6
ITEM 6	PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT.....	7
	Carried Interest.....	7
	Available Amounts .....	7
	Current Net Revenue.....	7
	Unreturned Contributed Capital.....	8
	Preferred Return.....	8
	Detailed Description of Carried Interest .....	8
	Payment of Carried Interest .....	9
ITEM 7	TYPES OF CLIENTS .....	10
ITEM 8	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	11
A.	Methods of Analysis and Investment Strategies .....	11
	Investment Approach .....	11
	Investment Process.....	13
	Monitoring Investments .....	13
	Limited Use of Leverage .....	14
	Rollover Investments .....	14
B.	Investment Strategy Risks.....	15
C.	Specific Security Risks .....	15

ITEM 9	DISCIPLINARY INFORMATION.....	16
ITEM 10	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	17
A.	No Broker-Dealer Registration .....	17
B.	No CFTC Registration .....	17
C.	Relationships with Related Persons .....	17
D.	No Recommendation of Other Advisors.....	17
ITEM 11	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	18
A.	Code of Ethics .....	18
B, C & D.	Conflicts of Interest .....	18
	Board of Advisors .....	20
ITEM 12	BROKERAGE PRACTICES.....	21
A.	No Broker Arrangements .....	21
B.	Aggregation Practices .....	22
ITEM 13	REVIEW OF ACCOUNTS .....	22
A.	Review of Investments.....	22
B.	Review of Specific Investments.....	22
C.	Reports to Investors .....	22
ITEM 14	CLIENT REFERRALS AND OTHER COMPENSATION .....	24
A.	Chatham Credit Management III, LLC does not receive economic benefits from someone who is not a client for providing investment advice to the Funds.....	24
B.	Chatham Credit Management III, LLC does not directly or indirectly compensate any person who is not a supervised person of Chatham Credit Management III, LLC, for client referrals .....	24
ITEM 15	CUSTODY .....	25
ITEM 16	INVESTMENT DISCRETION .....	26
ITEM 17	VOTING CLIENT SECURITIES .....	27
A.	Most of the securities held by the Funds are not voting securities .....	27
B.	Not applicable .....	27

ITEM 18	FINANCIAL INFORMATION .....	28
A.	Not Applicable .....	28
B.	Chatham Credit Management III, LLC is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds .....	28
C.	Not Applicable .....	28

Item 4      **Advisory Business**

A.      **Advisory Firm and Principal Owner**

Chatham Credit Management III, LLC is a Georgia limited liability company. Chatham Credit Management III, LLC was formed in 2006 and has been in business since April 2007. The managing member of Chatham Credit Management III, LLC is Chatham Credit Holdings LLC. The managing member and sole owner of Chatham Credit Holdings LLC is Brian Reynolds. Chatham Credit Management III, LLC, Chatham Credit Holdings LLC and Brian Reynolds have their principal offices in Atlanta, Georgia.

**The Funds**

Chatham Credit Management III, LLC is the fund manager to the following private funds:

- Chatham Cascade Fund III LLC; and
- Chatham Cascade Fund QP III LLC.

Chatham Credit Management III, LLC operates these funds as a single source of financing for investments and causes these funds to participate jointly in all investments in proportion to each fund's respective capital commitment.

We refer to these funds as the Funds in this Brochure.

B.      **Advisory Services.** Chatham Credit Management III, LLC manages the business and affairs of the Funds.

Chatham Credit Management III, LLC provides administrative and investment management services to the Funds, including:

- administration;

- location and origination of investments;
- evaluation of potential investments;
- transaction structuring;
- valuation;
- negotiation;
- documentation;
- continuing oversight of portfolio investments; and
- the other activities incidental to the operations of the Funds.

- C. **Advisory services are tailored to the needs of the Funds.** The advisory services offered by Chatham Credit Management III, LLC are tailored to the needs of the Funds. See Items 8 and 13 of this Brochure for a discussion of these advisory services. See Item 16 of this Brochure for a discussion of the limits on the types of securities that Chatham Credit Management III LLC can cause the Funds to invest in without Board of Advisors approval.
- D. **No Wrap Fee Programs.** Chatham Credit Management III, LLC does not participate in any wrap fee programs.
- E. **Assets under Management.** Chatham Credit Management III, LLC manages the assets of the Funds. The regulatory assets under management of the Funds as of December 31, 2022 and December 31, 2021 were approximately \$0.0 million.

Chatham Credit Management III, LLC has discretionary authority over the assets of the Funds. See Item 16 of this Brochure for a discussion of the limits on the discretionary authority of Chatham Credit Management III, LLC.

**Item 5        Fees and Compensation**

**A.        Management Fee.**

Chatham Credit Management III, LLC is entitled to a management fee and to a performance fee. These fees are provided for in the documents governing the Funds and are not negotiable.

This Item 5A describes the management fee. The performance fee is described in Item 6 of this Brochure.

The offering of interests in the Funds terminated on September 30, 2010. The period during which the Funds made investments ended on December 31, 2012.

We refer to this period as the Investment Period in this Brochure.

The Funds are permitted to make investments in existing Portfolio Companies after the end of the Investment Period. We refer to these types of investments as Follow-On Investments in this Brochure.

The Funds pay Chatham Credit Management III, LLC a management fee, which we refer to in this Brochure under the Management Fee.

Since the Investment Period has terminated, the Management Fee is:

- 1.5% per year of an amount equal to, as of any date
- the total investor capital contributions, minus
- the portion of investor capital contributions attributable to investments disposed of by the Funds



- plus 0.9% per year of the leverage deployed by the Funds

In general, the Funds do not use leverage to enhance returns on investment. The Funds previously had a capital call line of credit. See Item 8 under Limited Use of Leverage for a description of this line of credit. Leverage created by this line of credit has been included in calculating the Management Fee.

- B. Timing and Deduction of Management Fee.** The Management Fee is permitted to be paid semi-annually on the first day of January and July, or more frequently as determined by the fund manager. However, in practice the fund manager takes monthly advances on the Management Fee, but in no event will be paid more than five months in advance.

The Management Fee is in addition to the obligations of investors to fund their commitments. The Management Fee is deducted from the Funds.

- C. Other Expenses.**

**Expenses Paid by the Manager**

Chatham Credit Management III, LLC pays all of its ordinary administrative and overhead expenses, including:

- the expenses of obtaining office space, supplies and its administrative and operating costs; and
- compensation of its personnel.

**Expenses Paid by the Funds**

The Funds pay the expenses of their activities, which we refer to in this Brochure as the Fund Expenses, such as:

- the Management Fee;

- legal, auditing, insurance, consulting, annual meeting, website, investor communication and accounting expenses;
- expenses associated with the preparation of the financial statements, tax returns and K-1s of the Funds;
- expenses related to the capital call line of credit;
- out-of-pocket expenses of investments not consummated; and
- other expenses associated with acquiring, managing, holding, marketing and disposing of investments of the Funds, including extraordinary expenses (such as litigation, if any).

Costs relating to an investment in which the Funds co-invest with other investment vehicles (other than costs associated with the use of leverage by the other investment vehicles) are shared between the Funds and the other investment vehicles in proportion to each fund's participation in the investment.

From time to time, investors may be required to make capital contributions to the Funds for their share of any Fund Expenses if the Fund has insufficient cash to pay these expenses. Investors are not required to make an additional capital contribution for Fund Expenses to the extent the contribution would exceed the unused portion of the investor's commitment except to the extent that these amounts constitute the return of distributions previously made to investors. A capital contribution by an investor to pay Fund Expenses (other than returned amounts) reduces that investor's commitment.

D. **Advance Payment of Management Fee.** The Management Fee typically is paid a few months in advance, but in no event will be paid more than five months in advance.

If the Funds do not have sufficient cash to pay the applicable Management Fee, the investors are required to contribute an amount equal to their share of the fee. This contributed amount is in addition to the commitment of that investor.

E. **No Compensation For Sales of Securities.** Neither Chatham Credit Management III, LLC, nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

## **Performance Based Fees and Side by Side Management**

Chatham Credit Management III, LLC is entitled to a performance based fee under the documents governing the Funds.

### **Carried Interest**

In general, Chatham Credit Management III, LLC is entitled to a 20% allocation of profits. This allocation is calculated after a 7% per year preferred return to the investors and after a catch-up amount to Chatham Credit Management III, LLC.

We refer to this 20% allocation of profits as the Carried Interest in this Brochure.

The following describes the Carried Interest in more detail.

The following concepts are used in the more detailed explanation of the Carried Interest.

### **Available Amounts**

Chatham Credit Management III, LLC determines the cash (or other assets) available for distribution to investors after:

- paying or providing for the current obligations of the Funds; and
- setting aside reasonable reserves for anticipated obligations or losses of the Funds, for permitted reinvestment or for amounts due in respect of the Management Fee or Fund Expenses.

We refer to this cash (or other assets) as Available Amounts in this Brochure.

### **Current Net Revenue**

Chatham Credit Management III, LLC also determines the cash (or other assets) received by the Funds that:

- was received as interest, fees or other amounts

- that was not received as a return of principal or other return of capital to the Funds; and
- was allocated to revenue for the period in question.

Chatham Credit Management III, LLC then deducts current expenses for the period in question.

We refer to this cash or (other assets) as Current Net Revenue in this Brochure.

### **Unreturned Contributed Capital**

In this Brochure, we refer to the aggregate amount of capital that an investor has contributed to the Funds that has not previously been returned to that investor as the Unreturned Contributed Capital.

### **Preferred Return**

In this Brochure, we refer to a 7% per year return on the average Unreturned Contributed Capital as the Preferred Return.

### **Detailed Description of Carried Interest**

The following is a more detailed description of the Carried Interest using the concepts just discussed.

Chatham Credit Management III, LLC distributes Available Amounts that are Current Net Revenue:

1. first, 100% to the investors until the investors have received aggregate distributions equal to Unreturned Contributed Capital with respect to Management Fees and losses of capital incurred as a result of dispositions and write-downs of investments;

2. second, 100% to the investors until the investors have received aggregate distributions equal to their Preferred Return;
3. third, 100% to Chatham Credit Management III, LLC until Chatham Credit Management III, LLC (or its affiliate) has received (after giving effect to this distribution and all prior similar distributions) distributions equal to 25% of the aggregate amount of all distributions to investors with respect to the Preferred Return made on or before this distribution; and
4. thereafter, 80% to investors and 20% to Chatham Credit Management III, LLC (or its affiliate).

Chatham Credit Management III, LLC makes these distributions on a quarterly basis, within 45 days of the end of the quarter in question.

**Payment of Carried Interest**

Chatham Credit Management III, LLC has assigned its right to receive the Carried Interest to Chatham Cascade Carried Interest III, LLC.

Item 7

**Types of Clients**

Chatham Credit Management III, LLC acts as fund manager for the Funds and for Chatham Investment Fund III, LLC and Chatham Investment Fund QP III, LLC.

We refer to Chatham Investment Fund III, LLC and Chatham Investment Fund QP III, LLC as Fund III in this Brochure.

Chatham Credit Management III, LLC does not have any other clients.

Accordingly, all the clients of Chatham Credit Management III, LLC are private funds managed by Chatham Credit Management III, LLC.

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

- A.      **Methods of Analysis and Investment Strategies.** The Funds focus on small and middle-market companies. The Funds invest in junior debt as well as provide senior debt in the small and middle markets. The Funds also occasionally make opportunistic investments in syndicated debt in the primary and secondary markets.

The Funds have participated in the overflow from Fund III and Fund IV investments in small to middle market companies and opportunistic purchases of senior debt instruments in the secondary loan market. The Fund III investment period ended on December 31, 2011 (except for follow-on investments in existing Portfolio Companies). The investment period for Fund IV ended on December 31, 2017.

The Funds reserve the right to modify their investment strategies based on market conditions.

The investments the Funds have made involve a risk of loss. The Funds, and investors in the Funds, should be prepared to bear that loss.

**Investment Approach**

The Funds make opportunistic investments in lower and middle-market companies and selective purchases of syndicated loans.

Chatham Credit Management III, LLC uses a disciplined underwriting approach to identify opportunities to produce an attractive risk/return profile on senior loans and on junior debt financing.



Chatham Credit Management III, LLC emphasizes a user-friendly, adaptable approach in making its investments. Chatham Credit Management III, LLC is flexible as to the form in which capital is invested, so long as the needs of the portfolio companies can be met using our underwriting criteria.

In that context, Chatham Credit Management III, LLC is opportunistic. In certain cases the Funds may invest in convertible debt, preferred stock or common equity. However, without the approval of the Board of Advisors of the Funds (see Item 11 and Item 16 of this Brochure), the Funds will not invest more than 20% of their aggregate commitments in equity securities.

Investments may be made in profitable companies, companies in operational turnaround, leveraged buy-outs, early-stage companies and/or leveraged build-ups, among others. Companies may be in any industry, but Chatham Credit Management III, LLC has focused and intends to continue to focus on proven management teams in niche-oriented manufacturing, distribution, technology, service, retail, restaurant and health care businesses.

The Funds invest primarily in established companies. The Funds concentrate on private transactions, but in some circumstances might purchase securities of publicly held companies.

Without the approval of the Board of Advisors of the Funds (see Item 11 and Item 16 of this Brochure) each Fund may not invest more than 20% of its aggregate commitments in equity securities. Most of the investments of the Funds have involved leveraged buyouts, or acquisition financing.

## **Investment Process**

Chatham Credit Management III, LLC uses a disciplined credit underwriting process. This process includes financial modeling and comprehensive operational, industry and management analysis. Chatham Credit Management III, LLC structures and documents investments taking this analysis into account.

## **Monitoring Investments**

Once an investment has been made, Chatham Credit Management III, LLC monitors the performance of the Funds' Portfolio Companies using techniques similar to those used by large financial institutions. Representatives of Chatham Credit Management III, LLC receive and analyze detailed periodic financial reports and conduct regular meetings and discussions regarding Portfolio Company financial and operating performance in the context of industry developments as well as other factors such as the general state of the economy. As appropriate, Chatham Credit Management III, LLC also has regular discussions with Portfolio Company management. In most cases, the transaction documentation contains financial covenant tests to provide an early warning of performance problems. Chatham Credit Management III, LLC also has audits and consultant reviews conducted where applicable.

Chatham Credit Management III, LLC believes that this structuring methodology (including taking a secured position in most instances and having a comprehensive loan covenant package, including financial covenants) and these proactive portfolio monitoring procedures should result in enhanced recoveries in the event a Portfolio Company underperforms.

### **Limited Use of Leverage**

In general, the Funds do not use leverage to enhance returns.

The Funds previously maintained a capital call line of credit, which was extinguished at its maturity date, November 11, 2015. This credit line provided short term financing. This credit line was used to provide the Funds with the amounts of capital calls pending receipt of those calls from investors. This credit line was secured by unfunded investor commitments. The credit line had renewed annually and had a commitment of \$5.0 million.

Previously, Chatham Credit Management III LLC could have used this credit line:

- To accelerate the timetable for making a portfolio investment before the due date with respect to a capital call;
- To cover interim deal expenses before the closing of a portfolio investment; and
- To close a portfolio investment upon a default by one or more investors.

### **Rollover Investments**

Investments made by the Funds may refinance or replace investments by other investment vehicles sponsored by the principals of Chatham Credit Management III, LLC. These investments may involve the Funds paying the “equity kickers” and other returns due with respect to investments by other investment vehicles sponsored by the principals of Chatham Credit Management III, LLC.

The principals of Chatham Credit Management III, LLC recognize the potential for conflicts of interest in these types of investments. To protect against conflicts,

the Funds may not make these types of investments unless they have been approved by a majority of the members of the Board of Advisors.

- B. **Investment Strategy Risks.** The risks relating to the Funds, including risks relating to the investment strategy of the Funds, are explained in the Confidential Private Placement Memorandum dated February 2009 with respect to the Funds.
- C. **Specific Security Risks.** The risks relating to the Funds, including risks relating to securities acquired or proposed to be acquired by the Funds, are explained in the Confidential Private Placement Memorandum dated February 2009 with respect to the Funds.

Item 9

**Disciplinary Information**

There are no reportable events under this Item.

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

- A.    **No Broker-Dealer Registration.** Neither Chatham Credit Management III, LLC nor any of its supervised persons are registered, or have an application pending to register, as a broker-dealer, or a registered representative of a broker-dealer.
- B.    **No CFTC Registration.** Neither Chatham Credit Management III, LLC nor any of its supervised persons are registered, or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading adviser, or an associated person of any of these entities.
- C.    **Relationships with Related Persons.** Chatham Credit Management III LLC also manages Fund III. Through December 31, 2011, all of the investments by the Funds have been co-investments with Fund III. These investments have all been on the same terms for the Funds as for Fund III.

The Funds have made co-investments with Fund IV commencing May 2012 through the end of the Fund's investment period, which ended December 31, 2012. These investments have all been on the same terms for the Funds as for Fund IV. Any future follow-on investments will be on the same terms or the investment will be approved by the Board of Advisors.

Before establishing Fund III and the Funds, affiliates of Chatham Credit Management III, LLC established other collective investment vehicles. The Funds did not invest in the portfolio companies of those funds, or invest with those funds.

- D.    **No Recommendation of Other Advisors.** Chatham Credit Management III, LLC does not recommend or select other investment advisors for the Funds.

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

A.      **Code of Ethics.** Chatham Credit Management III, LLC has a code of ethics, which provides, among other things,

- Chatham Credit Management III LLC and its personnel comply with their fiduciary duties, and with applicable Federal securities and other laws;
- the access persons of Chatham Credit Management III, LLC report their holdings of securities as required by applicable regulations and the Chief Compliance Officer of Chatham Credit Management III, LLC will review those reports; and
- all personnel of Chatham Credit Management III, LLC will report any violations of the code of ethics to the Chief Compliance Officer of Chatham Credit Management III, LLC.

The Funds have a copy of the Code of Ethics of Chatham Credit Management III. The Code of Ethics is contained in the Compliance Manual for Chatham Credit Management III, LLC. Chatham Credit Management III, LLC and all advisors under common control with Chatham Credit Management III, LLC have a single Compliance Manual.

B. C.& D. **Conflicts of Interest.** Affiliates of Chatham Credit Management III, LLC are engaged in a variety of activities within industries in which the Funds invest. These affiliates engage in activities in the ordinary course of their respective businesses which may conflict with the interests of the Funds. These affiliates manage the activities of other investment vehicles they have sponsored, which includes significant involvement with those funds' portfolio companies.

Chatham Credit Management III, LLC, in its sole discretion, has the right to determine when and to what extent the Funds have co-invested with Fund III and co-invest in the future with other investment vehicles sponsored by affiliates of Chatham Credit Management III, LLC, subject to any limitations and restrictions imposed on the Funds or those other investment vehicles in their respective operating agreements, under the credit facilities of those other investment vehicles, or pursuant to the terms and conditions of any portfolio investment. The Funds may also invest in portfolio companies of other investment vehicles sponsored by affiliates of Chatham Credit Management III LLC. Such investments carry the risk that the capital of the Funds may be used to satisfy the additional capital needs of portfolio companies into which other investment vehicles sponsored by affiliates of Chatham Credit Management III LLC are unable or unwilling to invest further monies. The investment risk to investors in other investment vehicles sponsored by affiliates of Chatham Credit Management III, LLC in these circumstances is being partially defrayed or ameliorated by the capital of the Funds.

### **Board of Advisors**

The Funds have a single board of advisors, which we refer to in this Brochure as the Board of Advisors, comprised of at least three but not more than nine individuals.

The Board of Advisors is responsible for determining the following matters:

- The appropriateness of any action or inaction that may constitute or result in a conflict of interest between the Funds, on the one hand, and Chatham



Credit Management III, LLC and its affiliates, on the other, including rollover investments (see Item 8A of this Brochure under Rollover Investments);

- The replacement of a principal of Chatham Credit Management III, LLC, provided that any replacement shall be nominated by the remaining principals of Chatham Credit Management III, LLC;
- The replacement of Chatham Credit Management III, LLC and/or all of the principals of Chatham Credit Management III, LLC if Chatham Credit Management III, LLC or all of the principals of Chatham Credit Management III, LLC resign; and
- Any other matter submitted to the Board of Advisors by Chatham Credit Management III, LLC.

The Board of Advisors act by a majority vote. Determinations by the Board of Advisors are binding upon the investors.

A determination by the Board of Advisors on a transaction involving a potential conflict of interest needs to be approved by a majority of the members of the Board of Advisors not having an interest in the transaction (other than their investment in the Funds).

Item 12      **Brokerage Practices**

A.      **No Broker Arrangements.** In general, Chatham Credit Management III, LLC structures loan packages for investment by the Funds. However, the Funds and Chatham Credit Management III, LLC occasionally use broker-dealers for syndicated loan trading. The Funds do not incur commissions or other payments to broker-dealers in connection with investments.

1.      **No Soft Dollar Arrangements.** Chatham Credit Management III, LLC does not receive research or other products, other than execution, from a broker-dealer or a third party in connection with securities transactions by the Funds.
2.      **No Brokerage for Client Referrals.** In selecting or recommending broker-dealers, neither Chatham Credit Management III, LLC or a related party of Chatham Credit Management III, LLC receives client referrals from a broker-dealer or third party.
3.      **No Directed Brokerage.** Chatham Credit Management III, LLC does not routinely recommend, request or require that the Funds execute transactions through a specified broker-dealer. Chatham Credit Management III, LLC does not permit the Funds to direct brokerage.

B.      **Aggregation Practices.** Chatham Credit Management III, LLC operates the Funds as a single source of financing for investments, and causes the Funds to participate jointly in all investments in proportion to each Fund's respective capital commitments.

Chatham Credit Management III, LLC has operated the Funds as a single source of financing for investing in conjunction with Fund III until December 31, 2011

and after December 31, 2011 with Fund IV through the end of the Funds' investment period, which ended December 31, 2012.

Item 13      **Review of Accounts**

- A.      **Review of Investments.** Each principal of Chatham Credit Management III, LLC is responsible for communication with and monitoring of a specific number of Portfolio Companies.

Chatham Credit Management III, LLC reviews the investments of the Funds on a weekly basis. All principals of Chatham Credit Management III, LLC participate in these regular reviews.

- B.      **Review of Specific Investments.** Chatham Credit Management III LLC conducts a rigorous review of Portfolio Companies once a month, and spends significantly more time on underperforming investments. Chatham Credit Management III LLC reviews variances in cash flow, components of working capital and other items, and takes follow on actions as appropriate, including onsite meetings with Portfolio Company management and other measures.

- C.      **Reports to Investors.** The Funds provide investors in the Funds audited annual financial statements of the Funds within 120 days after the end of each fiscal year and quarterly investor reports within 60 days after the end of each quarter. These reports are provided in writing, in paper format and/or electronic format, in accordance with each investor's instructions.

Item 14      **Client Referrals and Other Compensation**

- A.      Chatham Credit Management III, LLC does not receive economic benefits from someone who is not a client for providing investment advice to the Funds.
- B.      Chatham Credit Management III, LLC does not directly or indirectly compensate any person who is not a supervised person of Chatham Credit Management III, LLC, for client referrals.

Item 15

**Custody**

The Funds do not distribute notice of qualified custodians or account statements to limited partners as the Funds are limited partnerships subject to annual audits which distribute audited financials within 120 days of the end of their fiscal year. These audited financials are prepared in accordance with generally accepted accounting principles (GAAP). The Funds' independent auditor is registered with and is subject to regular inspection by the Public Accounting Oversight Board in accordance with its rules. Upon liquidation, the Funds will distribute audited financials, prepared in accordance with GAAP, promptly after the completion of such audit to all limited partners.

**Investment Discretion**

In general, Chatham Credit Management III, LLC has discretionary authority over the assets of the Funds. However, in some cases, this discretionary authority is subject to limitations. Except to the extent approved by the Board of Advisors, the Funds cannot:

- (i) invest more than 25% of the aggregate investor commitments in any single Portfolio Company;
- (ii) invest more than 20% of the aggregate investor commitments in equity securities;
- (iii) make an investment with a stated maturity that exceeds eight years (exclusive of warrants, options or other equity interests in a Portfolio Company) after the date the Funds make that particular investment;
- (iv) invest more than 10% of aggregate committed capital to investments in any Portfolio Company not organized in the United States;
- (v) invest after the end of the Investment Period (except for follow-on investments in existing Portfolio Companies); or
- (vi) participate in hostile takeovers of public companies.

To the extent the Funds hold monies pending investment, these amounts need to be placed in specified short-term investments.

Item 17      **Voting Client Securities**

- A.      Most of the securities held by the Funds are not voting securities. Where the investments held by the Funds are voting securities, Chatham Credit Management III, LLC votes them in a manner which it believes is in the best interest of the Funds.

The Funds have a copy of the voting policy of Chatham Credit Management III, LLC.

- B.      Not applicable.



Item 18      **Financial Information**

- A.      Not Applicable
- B.      Chatham Credit Management III, LLC is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds.
- C.      Not Applicable.