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## Monarch Partners Asset Management LLC

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March 16, 2012

This Brochure provides information about the qualifications and business practices of Monarch Partners Asset Management LLC ["FIRM"]. If you have any questions about the contents of this Brochure, please contact us at 617-419-2202 or [hlawlor@monarchpartners.com](mailto:hlawlor@monarchpartners.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.

Monarch Partners Asset Management LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Monarch Partners Asset Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 16, 2012 is a new document prepared according to the SEC's new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

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In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Hank Lawlor, Chief Operating Officer and Chief Compliance Officer at 617-419-2200 or [hlawlor@monarchpartners.com](mailto:hlawlor@monarchpartners.com). Our Brochure is also available on our web site [www.monarchpartners.com](http://www.monarchpartners.com) also free of charge.

Additional information about Monarch Partners Asset Management LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Monarch Partners Asset Management LLC who are registered, or are required to be registered, as investment adviser representatives of Monarch Partners Asset Management LLC.

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## **Item 4 – Advisory Business**

Monarch Partners Asset Management LLC (“the Firm”) is an investment adviser providing investment management services to individuals, pension, profit sharing, trusts, estates, charitable organizations, corporations, and business entities. The Firm, depending upon the engagement, offers its services on a fee basis based upon assets under management. Prior to engaging the Firm to provide investment advisory services, the client will be required to enter into one or more written agreements with the Firm setting forth the terms and conditions under which the Firm shall render its services (collectively the “Agreement”).

The Firm manages accounts on a discretionary basis and has full authority to determine which securities are bought and sold. The Firm manages these discretionary assets in a small cap and mid cap value strategies. As of February 29, 2012, we managed \$106.6 million on behalf of our discretionary clients.

The firm is a 100% employee owned firm, with Wayne J. Archambo, being the principal owner. The Firm has been in business since 2010.

## **Item 5 – Fees and Compensation**

In the event a client determines to engage the Firm to provide investment management services, the Firm shall do so on a fee basis. If engaged, the firm shall charge an annual fee based upon a percentage of the market value of the assets being managed by the Firm. The annual fee shall vary (between 0.60% and 1.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered. The Firm’s annual fee shall be pro-rated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

The Firm’s annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, custodial fees and other related costs and expenses which shall be incurred by the client. However, the Firm shall not receive any portion of these commissions, fees, and costs. The Firm, in its sole discretion, may agree to charge a smaller management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, pro-bono activities, etc.), but expects to be in the range set forth above.

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

Monarch Partners Asset Management LLC does not currently charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

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In the future, the Firm would anticipate entering into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. The Firm will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (the “Advisors Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, the Firm shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for the Firm to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Firm has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 – Types of Clients**

Monarch Partners Asset Management LLC provides or anticipates providing portfolio management services to high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions. Our minimum account size is currently \$3 million for a separate account.

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

Monarch Partners manages Small Cap Value, SMID Cap Value and Concentrated Value Strategies, all utilizing a fundamental value investing approach. The Firm identifies undervalued companies that possess catalysts that will enhance shareholder value.

Monarch Partners Small Cap Value Equity invests predominantly in securities with market capitalizations between \$100million and \$2billion. The Firm invests in 50-90 equities, looking for undervalued securities, with sound business fundamentals, and a catalyst for change, that will occur over the next 6-12 months. Individual positions in the fund are capped at 5% of the strategy at market. Monarch Partners Small Cap Value Equity expects to be fully invested at all times. Cash is kept at 5% or less at all times.

Monarch Partners SMID Cap Value Equity invests predominantly in securities with market capitalizations between \$100 million and \$10billion. The Firm invests in 50-90 equities, looking for undervalued securities, with sound business fundamentals, and a catalyst for change, that will occur over the next 6-12 months. Individual positions in the fund are capped at 5% of the strategy at market. Monarch Partners Small Cap Value Equity expects to be fully invested at all times. Cash is kept at 5% or less at all times.

Monarch Partners Concentrated Value LP invests predominantly in securities with market capitalizations between \$100million and \$10billion. The Firm invests in their highest conviction 25-40 equities looking for undervalued securities, with sound business fundamentals, and a catalyst for change, that will occur over the

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next 6-12 months. Individual positions in the fund are capped at 10% of the strategy at market. Monarch Partners Concentrated Value Equity allows up to 15% cash, at any time.

As a fundamental analysis investor, Monarch Partners approach to investing subjects the client to business risk that is the risk that an individual stocks prices decline as the underlying business declines in value. Investing in securities involves risk of loss that clients should be prepared to bear.

## **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 your evaluation of Monarch Partners Asset Management LLC or the integrity of the Firm's management.

The Firm has no information applicable to this Item.

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

Monarch Partners Asset Management LLC previously was the General Partner to the Monarch Partners Concentrated Value Fund LP, a private investment fund managed by the Firm.

At December 31, 2011, the Monarch Partners Concentrated Value Fund LP closed.

Beyond the above, Monarch Partners Asset Management LLC does not have any "Other Financial Industry Activities and Affiliations".

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## Item 11 – Code of Ethics

Monarch Partners Asset Management LLC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Monarch Partners Asset Management LLC must acknowledge the terms of the Code of Ethics annually, or as amended.

Monarch Partners Asset Management LLC has limited its covered persons personal securities trading to selling positions that they owned as they joined the firm. Covered persons will not be able to purchase stocks or options. With this being said, the Firm anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which the Firm has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which the Firm, its affiliates and/or clients, directly or indirectly, have a position of interest. Monarch Partners Asset Management's employees and persons associated with the Firm are required to follow Monarch Partners Asset Management LLC's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of the Firm and its affiliates may not, trade for their own accounts in securities which are recommended to and/or purchased for the Firm's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the Firm will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to divest from their own personal accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the Firm's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between the Firm and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with the Firm's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. The Firm will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Monarch Partners Asset Management LLC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Hank Lawlor, Chief Compliance Officer, at 617-419-2200, or [hlawlor@monarchpartners.com](mailto:hlawlor@monarchpartners.com).

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It is Monarch Partners Asset Management LLC's policy that the Firm will not effect any principal or agency cross securities transactions for client accounts at this time. The Firm will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. We reserve the right to re-visit this policy in the future.

## **Item 12 – Brokerage Practices**

In general, Monarch Partners Asset Management LLC's policy regarding the selection of brokers and payments of commissions seeks best execution, and the degree of skill required by the broker-dealer. In selecting a broker-dealer, the Firm also takes into account certain factors specific to a particular broker-dealer such as trading capacity of the firm, its financial stability, industry reputation, its ability to achieve prompt and reliable executions at favorable prices, the operational efficiency at which it effects transactions, its responsiveness to the Firm's requests and the scope of its ancillary services. Such ancillary services include the quality of research coverage, economic or geopolitical coverage, bond capacity, back office and processing capabilities.

The commissions paid by the Firm's clients shall comply with the Firm's duty to obtain "best execution". However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Firm determines in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealers services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Firm will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests the Firm to arrange for the execution of securities brokerage transactions for the client's account, the Firm shall direct such transactions through the broker-dealers that the Firm reasonably believes will provide best execution. Transactions may be cleared through other broker-dealers with whom the Firm and the Financial Institutions have entered into agreements for prime brokerage clearing services. The Firm shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist the Firm in its investment decision-making process, generally referred to as "Soft Dollar Transactions". Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or



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services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest.

### **Item 13 – Review of Accounts**

For those clients to whom the Firm provides investment management services, the Firm monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's Chief Compliance Officer. All investment advisory clients are encouraged to discuss their needs, goals and objectives with the Firm and to keep the Firm informed of any changes thereto. The Firm shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with quarterly account holdings, transactions, and performance calculations from the broker-dealer or custodian for the client accounts. Those clients to whom the Firm provides investment advisory services will also receive a report from the Firm that may include such relevant account and/or market related information such as and inventory of account holdings and account performance on a quarterly basis.

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

Not Applicable.

### **Item 15 – Custody**

Monarch Partners Asset Management does not have Custody of any investor's accounts.

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

Monarch Partners Asset Management LLC usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, the Firm observes the investment policies, limitations and restrictions of the clients for which it advises.

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Investment guidelines and restrictions must be provided to Monarch Partners Asset Management LLC in writing.

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

Monarch Partners Asset Management LLC votes all proxies if instructed to do so by the client. The Firm has adopted a general policy to vote proxy proposals, amendments, consents, and resolutions relating to investments held in client accounts in a manner that serves the best interests of the client and the value of their investments. If the client so desires, they can vote proxies on their own behalf. A copy of our Proxy Voting Policies and Procedures is available upon request.

### **Item 18 – Financial Information**

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about Monarch Partners Asset Management LLC's financial condition. The Firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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

Not Applicable.