

# Clarion Capital Partners, LLC

## Part 2A of Form ADV The Brochure

110 East 59th Street, Suite 2400  
New York, NY 10022  
(212) 821-0170

<http://www.clarion-capital.com/>

**March 31, 2015**

This brochure provides information about the qualifications and business practices of Clarion Capital Partners, LLC (“Clarion” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer, Janice Chan, at (212) 821-0170. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Clarion is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

Clarion has not undergone any material changes since the last update to Form ADV Part 2A was made on March 31, 2014.

## Table of Contents

Table of Contents .....	2
Advisory Business .....	2
Fees and Compensation .....	3
Performance Based Fees and Side-by-Side Management .....	4
Types of Clients .....	4
Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Disciplinary Information .....	6
Other Financial Industry Activities and Affiliations .....	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	7
Brokerage Practices .....	7
Review of Accounts .....	8
Client Referrals and Other Compensation .....	8
Custody .....	8
Investment Discretion .....	8
Voting Client Securities .....	8
Financial Information .....	8

## Advisory Business

Clarion is an investment firm, founded in 1999, and primarily owned by Marc A. Utay and Eric D. Kogan. Clarion manages private equity focused Funds. Special purpose companies/vehicles may be organized to hold investments in portfolio companies for the Funds. The private investment Funds, along with related special purpose companies/vehicles, are referred to herein each as a “Fund” or collectively as the “Funds”. The Funds are organized to make primarily control-oriented private equity investments in diversified middle-market portfolio companies generally located in the United States. The Funds are long-term investment vehicles that require certain lock-up periods.

As of December 31, 2014, Clarion managed approximately \$323, 015, 000 in assets on a discretionary basis on behalf of the Funds.

In managing the Funds, Clarion formulates the investment objective, directs, and manages the investment of the Funds’ assets, and provides periodic reports to investors in the Funds. Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Clarion manages the assets of the Funds in accordance with the terms of the governing documents applicable to each Fund including a private placement memorandum and limited partnership agreement (each a “Governing Document” or collectively the “Governing Documents”).

From time to time, Clarion may offer co-investment opportunities alongside the Funds. In certain circumstances, service providers to the Funds or their affiliates may be offered the opportunity to co-invest. Clarion applies its discretion when allocating such opportunities to investors, company management and others, taking into account facts and circumstances which may include the nature of the transaction, speed of execution required, tax considerations, familiarity with and history of investing in the relevant industry, ability to provide strategic insights, and other factors believed relevant. A potential conflict of interest exists as non-investors may receive the ability to co-invest at Clarion's sole discretion. Clarion endeavors to remain informed regarding investor interest in co-investments by maintaining records of those investors who have expressed interest in co-investments.

## **Fees and Compensation**

Clarion, or an affiliated entity, receives an annual management fee and carried interest from each Fund. Management fees are payable quarterly in advance, based on investor commitments, at rates ranging from 1.75% to 2.00% per year depending on the Fund. Within each Fund, all investors other than affiliated persons are charged the same rate. After the end of the investment period and depending on the Fund, management fees are based on actively invested capital or commitments less aggregate returned contributions. Management fees and expenses may be reduced or waived at the discretion of the general partner of a Fund (each a "General Partner" or collectively the "General Partners").

Clarion may receive transaction fees, transaction termination fees, commitment fees, investment banking fees, portfolio company management fees, monitoring fees, advisory fees, and directors' fees. Depending on the Fund, fifty percent of such fees will be applied to reduce the quarterly management fee or fifty percent of such fees will be applied to reduce the management fees until \$2,000,000 has been received annually in the aggregate and thereafter eighty percent of such fees will be applied to reduce the management fees.

The Funds are subject to carried interest of up to 20% of profits on distributions derived from the disposition of investments after capital and preferred rate of return are distributed.

Detailed information regarding the fees charged to the Funds and lock-up periods are provided in the relevant Governing Documents. In addition to the management fee and carried interest distributions, investors will bear indirectly the fees and expenses charged to the Funds. Those fees and expenses will vary by Fund but typically include the following: audit and tax preparation fees, regulatory compliance consulting fees related to the Company's compliance with specific rules and regulations, accounting fees, attorney fees, custodial fees, insurance and regulatory fees, administrator expenses, annual meeting and Advisory Board expenses, bank fees, expenses related to the due diligence of portfolio companies (whether consummated or unconsummated), and other fees and expenses related to the respective Fund. Investors should review all fees charged by Clarion, its affiliates, and others as disclosed in Governing Documents to fully understand the total amount of fees to be paid by the Funds and, indirectly, the investors.

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

The General Partner of each Fund will receive performance-based compensation in the form of a carried interest distribution of up to 20% from the relevant Fund. Performance-based compensation may create an incentive for Clarion to make more speculative investments and/or different decisions regarding the timing and manner of the realization of such investments for the Funds than would be made in the absence of performance-based compensation. Clarion maintains a disciplined investment strategy in which due diligence is used to make investment decisions. Decisions involving the purchase and sale of investments involve the consent of the majority of the investment professionals.

## **Types of Clients**

Clarion provides advisory services to the Funds. The minimum capital commitment for an investment in a Fund is outlined in the relevant Governing Documents and is generally \$5.0 million. However, Clarion or the General Partner of the relevant Fund has discretion to accept less than the minimum capital commitment.

Investors will be required to make certain representations when investing in a Fund through the execution of a subscription agreement and other documents. Interests in the Funds are not registered under the Securities Act of 1933, as amended, and such Funds are not registered under the Investment Company Act of 1940, as amended. Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements either in private transactions within the US or in offshore transactions.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### *Methods of Analysis and Investment Strategies*

Clarion serves as an investment adviser to Funds with the strategy of making control-oriented private equity investments. Each of the Funds is managed according to the terms of its relevant Governing Documents. Clarion seeks to make primarily control-oriented private equity investments in a diversified portfolio of middle-market companies in industries such as business services, healthcare services, specialty financial services, consumer products, specialty retail, and media and entertainment. The Firm focuses on equity investments in the range of \$15-\$50 million with enterprise values of \$50-\$200 million. Clarion considers and uses a range of investment structures including leverage buyouts, growth equity, and recapitalizations.

Clarion performs extensive due diligence with top-tier advisors to identify companies that fit the Funds' investment profile. The Firm uses its extensive deal structuring experience to identify risks inherent in each investment to make informed investment decisions. Clarion develops working relationships with management teams whose character, culture, and organization are conducive to forming true, long-term partnerships. The Firm works closely with management and seeks to align interests with management both economically and strategically. At the initial

investment stage, Clarion and the management team work together to formulate strategic and operating plans.

### *Overview of Risks*

Acquiring an interest in the Funds involves a number of risks. An investment in the Funds may be 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 risk of an investment in the Funds. No guarantee or representation is made that the Funds will achieve their investment objective or that investors will receive a return of their capital.

All investing involves a risk of loss and the investment strategies offered by Clarion could lose money over short or long periods. The descriptions contained below include an overview of the material risks related to Clarion's investment strategies. Investors should carefully review the Governing Documents for each Fund to understand all relevant risks and potential conflicts of interest prior to making an investment.

- Dependence on key personnel.

The success of each Fund will depend on the financial and managerial expertise of the principals of Clarion. Any loss of one or more individuals could have a material adverse effect on the performance of the Funds. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases Clarion will monitor portfolio company management, management of each portfolio company will have day-to-day responsibility of such portfolio company.

- Financial market fluctuations.

Investments in portfolio companies subject the Funds to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations, and other factors.

- Illiquidity of investments.

The Funds will invest in instruments where there is likely to be no actively traded market. Moreover, many of the Fund's investments may be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, the Funds may find it more difficult to sell such instruments when Clarion believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Funds may be further limited. Finally, dispositions of investments may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

- Difficulty locating suitable investments.

The activity of identifying, completing, and realizing attractive investments is highly competitive and involves a high degree of uncertainty. Clarion faces competition from numerous competitors in all fields of activity. The Firm will be competing for investments with a variety of other investment vehicles, as well as individuals, financial institutions, and other institutional investors. Additional Funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that the Firm will be able to locate and complete investments which satisfy the investment objectives or that it will be able to invest fully the Funds' available capital.

- Nature of the Funds' investments.

The Funds' investments may be in equity or equity-related investments which by their nature involve business, financial, market, and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that Clarion will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. The securities owned by the Funds are mostly not publicly traded and are required to be fair valued by Clarion. When estimating fair value, Clarion will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of Clarion.

- General credit risks.

The Fund may invest in credit through either loans or securities. In the absence of achieving control, the Fund will need to rely on its rights as a creditor to achieve its returns. While loans originated or purchased by the Fund are intended to be secured by collateral, the Fund may be exposed to losses resulting from default and foreclosure.

## **Disciplinary Information**

Clarion and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an evaluation of the Firm or its employees.

## **Other Financial Industry Activities and Affiliations**

The Firm provides investment advice to the Funds. The General Partners of the Funds are affiliated with Clarion by common ownership. Otherwise, Clarion and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Clarion has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), which is predicated on the principle that Clarion owes a fiduciary duty to the Funds. Accordingly, employees of Clarion must disclose or avoid activities, interests, and relationships that run contrary (or appear to run contrary) to the best interest of the Funds.

Clarion endeavors to maintain current and accurate records of personal securities accounts of its employees in an effort to monitor all such activity. Generally, employees may not purchase or sell securities that are also held by the Funds, and must seek pre-approval from the CCO before purchasing/selling certain securities. Clarion’s Code of Ethics is available for review and will be provided to any investor or prospective investor upon request by contacting the CCO, Janice Chan, at (212) 821-0170.

Clarion, certain employees, or a related entity will have an investment in each Fund. For example, the General Partner for each Fund is 100% owned by Clarion and related persons. Therefore, Clarion, its employees, or a related entity participate in transactions effected for Funds. The foregoing relationships, fees, and any other actual or potential conflicts of interest arising therefrom are disclosed in its relevant Governing Documents.

Employees of the Firm may serve on the boards of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of the Funds, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual’s duties as an employee of Clarion and such individual’s duties as a director or officer of such portfolio company. In evaluating these situations, the Firm will consider all circumstances before coming to a decision.

## **Brokerage Practices**

The Funds invest primarily in privately-issued securities of portfolio companies. Thus, commissions are not ordinarily payable in connection with Fund investments.

To the limited extent Clarion transacts in public securities it intends to select brokers based upon the broker’s ability to provide best execution for the Funds. Clarion is generally authorized to make the following determinations, subject to the Fund’s investment objectives and restrictions, without obtaining prior consent from the relevant Fund or any of its investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

## **Review of Accounts**

All investments are carefully reviewed and approved by the Investment Committee which is comprised of all members of the investment team. Portfolio companies are continuously reviewed on ad-hoc basis by Clarion's investment team.

Clarion provides written quarterly and annual reports to each investor in the Fund. The quarterly report includes a summary of recent investment activities, valuations, and Fund financial statements. Clarion also provides audited financial statements to investors annually and holds an annual investor meeting.

## **Client Referrals and Other Compensation**

During a fundraising cycle for a Fund, Clarion may compensate placement agents or solicitors who introduce new investors that commit capital. The amount paid to a placement agent/solicitor is based on a percentage of the capital raised and/or retainer and all placement fees will be fully disclosed to investors. To the extent a Fund incurs placement fees for the use of a placement agent, one hundred percent of such fees will be applied to reduce the quarterly management fee.

## **Custody**

Clarion is generally deemed to have custody of each of the Funds' assets pursuant to Rule 206(4)-2 under the Advisers Act. The Firm complies with that Rule by providing that each of the Funds are subject to an annual audit, and the audited financial statements are distributed to each investor.

## **Investment Discretion**

Clarion generally has discretionary authority to determine, without obtaining specific consent from the Funds or its investors, the investments and amount to be bought or sold. Any limitations on authority are included in the Funds' Governing Documents. The Funds may enter into separate agreements, commonly referred to as "side letters", with certain investors, to waive certain non-economic requirements, than those specifically described in relevant Governing Documents. Under certain circumstances, side letters can create preferences or priorities for such investors with respect to other investors.

## **Voting Client Securities**

The Funds do not invest in securities that issue proxies. Therefore, Clarion does not vote proxies on behalf of the Funds.

## **Financial Information**

Clarion has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.