

**Item 1. Cover Page**

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

**Monitor Clipper Partners, LLC**

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June 29, 2015

This brochure provides information about the qualifications and business practices of Monitor Clipper Partners, LLC (“Monitor Clipper Partners”). If you have any questions about the contents of this brochure (“Brochure”), please contact us at (617) 638-1100 or SEC-Compliance@monitorclipper.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Monitor Clipper Partners is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

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

## **Item 2. Material Changes**

This Brochure, dated June 26, 2015, serves as an update to Monitor Clipper Partners' annual amendment Brochure, dated March 27, 2015. This Brochure contains updates to reflect new investment activity of an affiliate of the Advisor, as well as updates to all Items to more adequately reflect our current business practices.

Pursuant to SEC rules, Monitor Clipper Partners provides a summary of material changes to its Brochure within 120 days of the close of its fiscal year. Monitor Clipper Partners may provide further disclosures about material changes as deemed necessary. Additionally, Monitor Clipper Partners will provide to clients a new Brochure as necessary, without charge.

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## Item 4. Advisory Business

**A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

### Firm Description

Monitor Clipper Partners, LLC (“Monitor Clipper Partners”, the “Adviser” or the “Firm”) is a Boston-based private equity management firm that, together with its affiliates, provides investment advisory services to pooled investment vehicles which are exempt from registration under the Investment Company Act of 1940, as amended (collectively the “Main Funds”), and to co-investment vehicles (together “Clients”). Additionally, Monitor Clipper Partners also organizes or controls certain other “feeder” vehicles (each such vehicle, a “Feeder Vehicle”) organized to invest exclusively in a Main Fund. The Main Funds and Feeder Vehicles are collectively referred to as the “Funds.” Funds that invest side-by-side pro rata according to capital commitments are considered a “Fund family.”

Founded in 1998, the Funds make primarily long-term private equity investments in and provide capital and strategic support to middle market private companies. In 2015, Monitor Clipper Partners established an affiliated entity called Narrow Gauge Capital for the purpose of making direct sponsored investments. As of the date of this filing, this entity has made one direct sponsored investment, which is managed by Monitor Clipper Partners as a Client.

Each Fund has a general partner (“General Partner”). The General Partners of the Funds are affiliated with Monitor Clipper Partners and are deemed to be relying advisers with authority to make investment decision on behalf of each Fund and co-investment vehicle. Such affiliates are generally under common control with Monitor Clipper Partners and possess a substantial identity of personnel and/or equity owners with Monitor Clipper Partners. These affiliates are typically formed for tax, regulatory or other purposes in connection with the organization of the Funds, or serve as general partners of the Funds.

For certain of its Funds, Monitor Clipper Partners has a wholly-owned subsidiary, Monitor Clipper Partners GmbH (the “Subadvisor”), which maintains an office and employs investment professionals and support staff in Zurich. The Management Company contracts with the Subadvisor to assist Monitor Clipper Partners in sourcing, evaluating and managing investments outside the United States.

### Ownership

The principal owner of Monitor Clipper Partners, LLC is Monitor Clipper Partners (Cayman), L.P. More information about the owners of Monitor Clipper Partners is available in its Form ADV Part

1, Schedule A. The principal owners of the Narrow Gauge Capital affiliate are Adam Doctoroff, Travis Metz, Charles Yoon, and Daniel Jang, three of whom are also owners of Monitor Clipper Partners; the fourth is a senior employee of Monitor Clipper Partners.

**B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

The Funds make primarily long-term private equity and equity-related investments, as well as investments in debt instruments. In accordance with the Funds' respective investment objectives, investments have historically been made in companies doing business in North America and Europe. Going forward, it is expected that investments will be made only in companies whose primary operations are in the United States. Monitor Clipper Partners' advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. Narrow Gauge Capital's investment was made in accordance with the same provision of advisory services and the same objectives as those of Monitor Clipper Partners as described above.

Monitor Clipper Partners provides investment supervisory services to each Fund in accordance with a separate management agreement with such Fund (each, an "Advisory Agreement"), the limited partnership agreement (or analogous organizational document) of such Fund, and/or side letters entered into with certain investors in a Fund (collectively with the Advisory Agreement and organizational document, the "Governing Documents"). Narrow Gauge Capital provides investment supervisory services to its investment partnership in accordance with a separate agreement between the portfolio company and Narrow Gauge Capital.

Investments are made predominantly in non-public companies, although investments in public companies are permitted in certain instances. At least one senior principal of Monitor Clipper Partners or other individuals chosen by Monitor Clipper Partners serves on each portfolio company's respective boards of directors or otherwise acts to influence control over management of portfolio companies held by the Funds.

**C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

Investment advice is provided directly to the Funds and not individually to the investors in the

Funds. Services are provided to the Funds in accordance with the Governing Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents or offering documents of the applicable Fund. Investment advice for the Narrow Gauge Capital investment is provided directly to the direct sponsored investment.

At least one of the senior principals of Monitor Clipper Partners or other individuals chosen by Monitor Clipper Partners serves on each portfolio company's respective board of directors or otherwise acts to influence control over management of portfolio companies held by the Funds. Senior principals of Monitor Clipper Partners or other individuals chosen by Monitor Clipper Partners also serve on the portfolio company board of the Narrow Gauge Capital investment. Monitor Clipper Partners provides investment advice regarding individual deals rather than providing advice to individual investor needs, ensuring that each investment aligns with the standards established in the Governing Documents. The Firm does not seek or require investor approval regarding each investment. Monitor Clipper Partners has entered into side letters with or similar written agreements with investors that have the effect of establishing rights under or altering or supplementing the terms of the investment of certain investors in a Fund, thereby providing such investors with different or preferential rights or terms, including but not limited to, information rights, and liquidity or transfer rights. Side letters are typically negotiated prior to closing any Fund. Narrow Gauge Capital investment has entered into side letters with its investors which also have the effect of establishing rights under or altering or supplementing the terms of the investment of certain investors in a Fund, thereby providing such investors with different or preferential rights or terms, including but not limited to different fee structures, providing board observer rights, information rights, and liquidity or transfer rights.

**D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

Monitor Clipper Partners does not participate in wrap fee programs.

**E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.**

As of June 15, 2015, Monitor Clipper Partners manages a total of \$897,703,443 of client assets, all of which is managed on a discretionary basis.

## **Item 5. Fees and Compensation**

**A. Describe how you are compensated for your advisory services. Provide your fee**

**schedule. Disclose whether the fees are negotiable.**

### **Management Fees**

As compensation for investment supervisory services rendered to the Funds, Monitor Clipper Partners receives from each such Main Fund an advisory fee (each, a “Management Fee”). Management Fees paid by a Main Fund are indirectly borne by investors in such Main Fund, except for Feeder Funds that invest in such Main Fund, which are generally exempted from paying a Management Fee.

Each Fund that is not a “qualified purchaser” (a “Non-QP Fund”) for purposes of the Investment Company Act of 1940, as amended, has an “investment period” of generally five years, during which period the Management Fee paid by Non-QP Fund is generally 2.0% per annum of the aggregate amount of subscribed capital of such Non-QP Fund. Following the termination of a Non-QP Fund’s investment period, the Management Fee paid by such Non-QP Fund for the balance of the term of the Non-QP Fund is generally 1.50% per annum of the amount of capital that remains invested in such Non-QP Fund. Non-QP Funds that are also a feeder vehicle are typically not charged Management Fees.

Investors in the Narrow Gauge Capital investment are not charged a Management Fee.

The Management Fees and other fees and distributions described above are generally subject to waiver or reduction by Monitor Clipper Partners in its sole discretion, both voluntarily and on a negotiated basis with selected investors. Fees may differ from one Client to another, but are generally consistent among investors in the same Fund. The Management Fee for certain limited partners in the Funds who are employees of Monitor Clipper Partners, or family members of such employees, may be waived in Monitor Clipper Partners’ discretion. In addition, limited partners who also co-invest in a Monitor Clipper Partners investment are generally not charged a Management Fee on the co-investment portion of their investment. Those investors who are offered a co-investment opportunity but are not Fund limited partners may or may not pay a Management Fee.

**B. Describe whether you deduct fees from clients’ assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.**

Monitor Clipper Partners deducts fees from the Funds’ accounts. The Adviser is entitled to deduct Management Fees part way into the relevant semi-annual period, partially in advance and partially in arrears. In practice, Management Fees are only deducted as needed by the Adviser. Other fees are deducted in the Adviser or General Partner’s discretion; Monitor Clipper Partners and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other

compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation may give rise to conflicts of interest between the Funds, on the one hand, and Monitor Clipper Partners and/or its affiliates on the other hand.

**C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

### **Carried Interest**

The relevant Fund General Partner will receive a carried interest with respect to the Fund equal to 20% of all realized profits subject to an 8% compound preferred return that must first be returned to the investors, as more fully described in the applicable Fund's Governing Documents. The carried interest distributed to the General Partner is subject to a potential giveback at the end of life of the Fund if the General Partner has received excess cumulative distributions. For more information on Monitor Clipper Partners' carried interest fee, see Item 6, below.

### **Other Fees and Expenses**

In addition, Monitor Clipper Partners and its affiliates typically perform management, advisory, transaction-related, financial advisory and other services ("Related Services") for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with acquisitions, add-on acquisitions, mergers, refinancings, public offerings, sales and similar transactions ("Transaction Fees"). Generally, under the terms of the applicable Governing Documents, these Transaction Fees are net of out-of-pocket costs and expenses incurred by Monitor Clipper Partners in connection with consummated or unconsummated transactions or in connection with generating any such fees. These Transaction Fees can be substantial and are typically paid in cash. Although these fees are in addition to the Management Fees, Monitor Clipper Partners will generally reduce the amount of Management Fees paid by the applicable Fund in connection with the receipt of such fees. The amount and manner of such reduction is set forth in the Governing Documents of the applicable Fund. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds. Additionally, portfolio companies generally reimburse Monitor Clipper Partners for expenses (including without limitation travel expenses, which generally include expenses for first class travel, "blackcar" transportation, and meals and entertainment expenses) incurred by Monitor Clipper Partners in connection with its performance of services for such portfolio company; such reimbursed expenses are generally not included in the definition of "Transaction Fees" under the terms of the applicable Governing Documents, and such reimbursements are not subject to the sharing arrangements described above. From time to time, Monitor Clipper Partners agrees in its sole discretion to pay a portion of a transaction or other fee received from an actual or prospective portfolio company to a third party



(“Third Party Fee”), such as a consultant, advisor, finder, broker and/or investment bank. In such event, the Third Party Fee is not a fee that Monitor Clipper Partners is entitled to retain and therefore, Monitor Clipper Partners is not required under the terms of the applicable Governing Documents to share such Third Party Fee with the Funds.

Monitor Clipper Partners and its affiliates also engage and retain senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of Monitor Clipper Partners and who, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, such amounts will not be deemed paid to or received by Monitor Clipper Partners and its affiliates and such amounts will not be subject to the sharing arrangements described above.

The precise amount of, and the manner and calculation of, the Management Fees for each Main Fund are established by Monitor Clipper Partners, as modified by negotiations with investors in the applicable Fund, and are set forth in such Main Fund’s Governing Documents. The Management Fees and other fees and distributions described above are generally subject to waiver or reduction by Monitor Clipper Partners in its sole discretion. Fees differ from one Client to another, but are consistent within each Fund for all investors who pay fees.

The Management Fees paid by a Fund will generally be reduced by the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds. In addition, from time to time, Monitor Clipper Partners will waive or reduce all or a portion of the Management Fee to be paid by a Fund in full or partial satisfaction of any obligation of Monitor Clipper Partners and certain employees of Monitor Clipper Partners to invest in such Fund.

To the extent provided in the Governing Documents of the Funds, Monitor Clipper Partners will pay out of Management Fees certain operating expenses, including expenses on account of rent, utilities, office supplies, office equipment, certain travel and entertainment, compensation of its partners and employees (other than Carried Interest described in Item 6 below) and other routine administrative expenses relating to the services and facilities provided by Monitor Clipper Partners to the Funds. Consistent with the partnership agreements or other Governing Documents of the Funds, each Fund will bear all other expenses relating to it to the extent not borne by its portfolio companies, including legal, accounting, investment banking, consulting (including, but not limited to, consulting fees incurred by the applicable Fund for the benefit of its portfolio company), fees paid to third-party valuation agents, research, brokerage, finders’, custody, transfer, registration, advisory board, interest, taxes and extraordinary expenses, such Fund’s allocable share of expenses and fees generated in the course of evaluating potential investments, including investments which are not consummated, such Fund’s allocable share of expenses and fees incurred in the course of making investments, certain limited travel and entertainment, and other similar fees and expenses, as well as

any other fees or expenses incurred by Monitor Clipper Partners or such Fund in connection with the Fund's operations that are not specifically set forth above as being paid by Monitor Clipper Partners. In certain cases, a co-investment vehicle is formed in connection with the consummation of a transaction. If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction would therefore be borne by the Fund or Funds selected by Monitor Clipper Partners as proposed investors for such proposed transaction.

As mentioned above, investors in the Narrow Gauge Capital investment do not pay a Management Fee, however investors in Narrow Gauge Capital indirectly paid to a Monitor Clipper Partners' affiliate a transaction fee upon closing of the underlying investment and will also indirectly pay to the Monitor Clipper Partners' affiliate an ongoing monitoring fee.

**D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Management Fees are paid semi-annually, partially in advance and partially in arrears. The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of each relevant Fund and investors generally are not permitted to withdraw or redeem interests in any Fund.

**E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

Neither Monitor Clipper Partners nor any supervised person accepts compensation for the sale of securities or other products.

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

**If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or**

**your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.**

With respect to each Main Fund, a portion of the profits, if any, of such Main Fund is allocated to the capital account of its general partner as “carried interest” (the “Carried Interest”). Carried Interest paid by a Main Fund is indirectly borne by investors in such Main Fund and therefore, is borne indirectly by investors in any Feeder Vehicles that invest in such Main Fund if the Feeder Vehicle is subject to carry. Feeder Vehicles and certain other investors in such Main Funds incur lower or no Carried Interest. The General Partner of each Fund generally will receive a carried interest with respect to the Fund equal to 20% of all realized profits subject to an 8% compound preferred return to investors before the carried interest can be taken, as more fully described in the applicable Governing Documents. The carried interest distributed to the relevant General Partner is subject to a potential giveback at the end of life of the Fund if the General Partner has received excess cumulative distributions as provided in the Governing Documents.

The fact that a General Partner’s carried interest allocations are based on the performance of a Fund may create an incentive for a General Partner to make investments that are more speculative than would be the case in the absence of such distributions. This incentive is mitigated, however, due to the fact that any losses a Fund sustains will reduce the relevant General Partner’s carried interest distribution. The incentive is further mitigated by the fact that Monitor Clipper Partners’ ability to attract future investors is tied to the performance, in terms of actual cash returned to its investors, of its investments.

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

**Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

Monitor Clipper Partners currently provides investment supervisory services to the Funds and Clients. Investment advice is provided directly to the Funds and Clients and not individually to investors in such Fund or investment vehicle.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally “qualified purchasers” and/or “accredited investors” as defined in the 1940 Act. The Funds are not registered or required to be registered under the Investment Company Act of 1940, and its securities are not registered or required to be registered under the Securities Act of 1933 and are privately placed to qualified investors in the United States and elsewhere.

Investors in the Monitor Clipper Partner Funds and Clients include banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, funds of funds, limited partnerships and limited liability companies or other entities, and high net worth individuals.

Monitor Clipper Partners does not have a minimum size for a Fund, but minimum investment commitments are generally established for investors in the Funds as specified in each Fund's Governing Documents. Monitor Clipper Partners permits investments below the minimum amounts in its sole discretion.

Monitor Clipper Partners also may serve as the manager for co-investment vehicles that may invest in certain Fund portfolio companies, and may serve as investment manager for other investors in certain Fund portfolio companies. Monitor Clipper Partners will select the investors that are permitted to co-invest in a particular portfolio company in its sole discretion based on various factors, including those detailed in its Governing Documents and that may be outlined in its internal policies and procedures. While one or more limited partners in the Funds may be invited to co-invest in a Fund's portfolio companies, in Monitor Clipper Partners' sole discretion any or all of any co-investment opportunity may be offered to investors that are not limited partners in one or more of the Funds. Monitor Clipper Partners may, in its sole discretion, offer co-investment opportunities to some limited partners in its Funds while not offering them to other limited partners in its Funds, and may cause some Fund limited partners and/or other co-investors to bear a Management Fee and/or carried interest while not imposing a Management Fee and/or carried interest (or imposing a different Management Fee or carried interest) on other Fund limited partners and/or other co-investors. In Monitor Clipper Partners' sole discretion, some co-investment vehicles and/or co-investors may bear all or a portion of certain expenses (e.g., legal and other expenses associated with a portfolio company investment), while other co-investment vehicles and/or co-investors do not share in such expenses. In certain cases, co-investment opportunities may include opportunities to invest in Fund portfolio companies at a time when there is not a corresponding Fund investment or on different terms than any Fund investment; this typically occurs when a Fund sells a portion of its interest to an entity that is then considered a co-investor. Some co-investors may also be provided the opportunity have a representative sit, or an observer seat, on the board of directors or board of advisors of the portfolio company. Positions on boards of directors or advisers of such portfolio companies may provide such persons with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors.

Opportunities to invest in a portfolio company may be made available to select persons or entities, including, without limitation, strategic investors, lenders, deal sources, other private equity or venture capital firms, Fund investors, other persons or entities affiliated, associated or otherwise known to Monitor Clipper Partners or its personnel and unrelated third parties. These

may arise whenever Monitor Clipper Partners has the opportunity for an investment in an existing or prospective portfolio company and Monitor Clipper Partners determines that all or a portion of the applicable opportunity is not required to be offered to, or is not appropriate for, a Fund. Such determinations are based on the provisions of the applicable Governing Documents and such other factors as Monitor Clipper Partners may consider in its sole discretion, including those that may be specified from time to time in its policies on investment allocation and co-investments.

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

**A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

The Funds and Clients invest principally in leveraged control positions in middle market companies to which Monitor Clipper Partners believes it can add significant value. Investments are sourced through the combined networks and industry expertise of Monitor Clipper Partners' principals. The Funds also invest in growth capital opportunities where Monitor Clipper Partners can play an active, influential role in directing the company's strategy and operation. While Monitor Clipper Partners generally seeks to acquire private companies or divisions of public companies in negotiated settings, Monitor Clipper Partners will also pursue going-private transactions or participate in competitive sale processes where Monitor Clipper Partners believes that its strategy represents a tangible advantage relative to other potential acquirers.

Monitor Clipper Partners evaluates the attractiveness of an industry by examining the factors that impact the industry's long term margin structure: barriers to entry, threat of substitution, structure and power of suppliers, structure and power of customers, and intensity of rivalry among industry participants.

Monitor Clipper Partners targets companies in sectors where it can capitalize on industry expertise and improve enterprise value through strategic redirection, growth and/or operational improvement. Many of these companies share one or more of the following characteristics:

- Participate in industries in which Monitor Clipper Partners has considerable expertise;
- Involve decision makers or influencers with whom Monitor Clipper Partners has pre-existing relationships;
- Have current owners who wish to retain a significant stake in the business or who view management's preferences with regard to a new owner as important to their sale decision;
- Have management teams that are committed to the business and that seek to work with a private equity firm to help them drive fundamental enterprise value; and

- Are businesses to which Monitor Clipper Partners believes it can add significant value through specific initiatives to grow profitability and enhance equity value.

In evaluating potential investments, Monitor Clipper Partners adheres to the following four principles:

1. Focus on businesses that compete in attractive industries;
2. Within those industries, invest in businesses that have strong inherent competitive positions;
3. Build and invest alongside skilled, motivated management teams who are keen to work with an involved, value-adding equity partner; and
4. Invest in these businesses through transactions and structures that provide Monitor Clipper Partners with control or strong influence in directing the company's strategy and operations and attractive risk/reward characteristics.

**B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

Investing in securities involves a substantial degree of risk. A Fund is in a position to lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments. More information about the risks of a specific Fund or investment is detailed in that vehicle's Governing Documents.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include the following:

*Leveraged Nature of Investments* – While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. The Funds' investments from time to time involve significant leverage, as a result of which recessions, operating problems and other general business and economic risks would likely have a pronounced effect on the profitability or survival of the Funds' portfolio companies. Also, increased interest rates generally increase portfolio company interest expenses. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company.

*Highly Competitive Market for Investments* – The business of identifying and structuring transactions of the nature contemplated by the Funds is highly competitive. The Funds will be competing for investments with other private equity investment vehicles as well as other institutional investors. The size and number of private equity investment vehicles has grown dramatically in recent years, and it is possible that these trends will continue in the future. There can be no assurance that the

Funds will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve their targeted rate of return, or fully invest their committed capital. An investor in a Fund must rely upon the ability of Monitor Clipper Partners to identify, structure and implement investments consistent with the Fund's investment objective and policies.

*Financial Market Fluctuations* – General fluctuations in the market prices of securities will affect the fair market value of the investments held by the Funds. Instability in the securities markets may also increase the risks inherent in the Funds' investments. It is possible, but unlikely, that the ability of portfolio companies to refinance debt securities could depend on their ability to sell new securities in the public high yield debt market or otherwise.

*Long-Term Nature of Portfolio Investments* – It is anticipated there will be a significant period of time (up to five years) before the Funds have completed their investment programs. Investments typically take from three to seven years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures will likely not provide liquidity for a Fund's investments prior to that time. In light of the foregoing, it is likely that no significant return from the disposition of a Fund's investments will occur for a significant period of time after the first closing of the Fund.

*Illiquidity of Funds' Portfolio Investments* – It is anticipated that all or a substantial portion of the Funds' investments will consist of securities that are subject to restrictions on sale by the Funds because they were acquired from the issuer in "private placement" transactions or because the Funds will be deemed to be an affiliate of the issuer. Generally, the Funds will not be able to sell these securities publicly without the expense and time required to register the securities under the Securities Act of 1933, as amended (the "Securities Act"), or will be able to sell the securities only under Rule 144 or other rules under the Securities Act which permit limited sales under specified conditions. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. The above limitations on liquidity of the Funds' investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

*Other Activities of Principals of Monitor Clipper Partners* – The principals of Monitor Clipper Partners will devote such time as is necessary to conduct the affairs of the Funds in an appropriate manner. However, several of the principals of Monitor Clipper Partners will be engaged in some activities unrelated to a particular Fund, including, but not limited to, supervising the investments of other Funds. The performance of the Funds could be adversely affected by the other professional commitments of the principals of Monitor Clipper Partners.

*Contingent Liabilities on Disposition of Portfolio Investments* – In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of such company, and to indemnify the purchasers of such investment

if those representations are inaccurate. Monitor Clipper Partners will establish reserves as appropriate to provide for such contingent liabilities. In the event that the amount of such contingent liabilities exceeds the reserves and other assets of the Funds, the investors may be required to repay to the Funds or to pay to creditors of the Funds' distributions previously received by them.

*Adverse Consequences of Ownership of Controlling Interest in Portfolio Companies* – It is expected that the Funds will often own a controlling percentage of the common equity of portfolio companies which, depending upon the amount of equity owned by the Funds, contractual arrangements between the company and the Funds, and other relevant factual circumstances, could result in an extension to one year of the 90-day bankruptcy preference period with respect to payments made to the Funds. In addition, because of its equity ownership, representation on the board of directors and/or contractual rights, the Funds may often be thought to control, participate in the management of or influence the conduct of portfolio companies. This could expose the assets of the Funds to claims by a portfolio company, its other security holders, its creditors or governmental agencies.

*Formation of Successor Funds* – Pursuant to the terms of the Funds' Governing Documents, Monitor Clipper Partners, after the requisite percentage, as specified in the Governing Documents, of a Fund's subscribed capital has been invested, expended or reserved for investment or expenses, often establishes additional equity buyout funds, and there can be no assurance that the creation of such additional funds will not give rise to conflicts of interest between the limited partners of the respective funds.

*Receipt of Ancillary Fees* – Monitor Clipper Partners and its affiliates receive ancillary fees from portfolio companies, including commitment fees, consulting fees, break-up fees, topping fees, monitoring fees, and investment banking fees. Investors will get the benefit of only a portion of such fees.

*Special Risks Associated with Offshore Investments* – The Funds generally invest a portion of capital commitments in portfolio companies that are headquartered and that have their principal operations in western Europe and Canada. These investments involve special risks not typically associated with investments in the securities of U.S. issuers, such as (a) currency exchange risks, including the cost of converting investment cash flows from one currency into another and the possibility of fluctuations in exchange rates, and (b) tax-related issues, including the possibility of withholding taxes, confiscatory foreign taxes, and the possibility of double taxation of income earned overseas.

*Valuation of Assets* – There is no actively traded market for most or all of the securities owned by the Funds. When estimating fair value, Monitor Clipper Partners 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 Monitor Clipper Partners. However, the



process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values are likely to differ from values that would have been determined had an active market existed for such securities and could differ from the prices at which such securities will ultimately be sold. Third-party pricing information is generally not available for the Fund's securities. With respect to the Funds, the exercise of discretion in valuation by Monitor Clipper Partners sometimes gives rise to conflicts of interest, as the performance allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect performance calculations. This conflict is mitigated by the fact that payments of performance allocations can only occur upon realization events within the portfolio, that is, the Fund's sale of securities; performance allocations based on valuing the Funds' securities generates no cash payments of carried interest.

*Reliance on the General Partner and Portfolio Company Management* – Control over the operation of the Funds will be vested with the General Partner, and each Fund's future profitability will depend largely upon the business and investment acumen of the principals. The loss or reduction of service of one or more of the principals could have an adverse effect on a Fund's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund will depend on the actions of the General Partner. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on the Funds or one or more of its portfolio companies including potential acceleration of debt facilities.

*Projections* – Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by Monitor Clipper Partners in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

**C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

**Please see Item 8.B. above.**

## **Item 9. Disciplinary Information**

**If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all**

**material facts regarding those events.**

Like other registered investment advisers, Monitor Clipper Partners is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a limited partner's evaluation of Monitor Clipper Partners or the integrity of Monitor Clipper Partners' management. In November 2012, a jury in the trial of Hallmark Cards, Inc. against Monitor Clipper Partners awarded \$31.4 million to Hallmark Cards. The litigation arose from a Fund family's investment in Recycled Paper Greetings, Inc. and the alleged use of Hallmark trade secrets. The verdict was appealed and oral arguments were heard April 14, 2014. Unfortunately, the 8th Circuit Court of Appeals affirmed the verdict in favor of Hallmark Cards, Inc. Despite Monitor Clipper Partners' steadfast belief in its innocence, counsel advised that there was no further merit in pursuing appeals. The Fund family indemnified Monitor Clipper Partners for charges in excess of the balance of insurance coverage.

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

**A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Monitor Clipper Partners is not actively engaged in a business other than providing investment advisor advice to its Clients. Neither Monitor Clipper Partners nor any of its management is registered or has an application pending to register as a broker-dealer or associated person of a broker-dealer, and Monitor Clipper Partners does not anticipate such affiliations in the future.

**B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.**

Neither Monitor Clipper Partners nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing, and Monitor Clipper Partners does not anticipate such affiliations in the future.

**C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

- 1. Broker-dealer, municipal securities dealer, or government securities dealer or broker**
- 2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**
- 3. Other investment adviser or financial planner**
- 4. Futures commission merchant, commodity pool operator, or commodity trading advisor**
- 5. Banking or thrift institution**
- 6. Accountant or accounting firm**
- 7. Lawyer or law firm**
- 8. Insurance company or agency**
- 9. Pension consultant**
- 10. Real estate broker or dealer**
- 11. Sponsor or syndicator of limited partnerships.**

Monitor Clipper Partners has no arrangement with a related person who is a broker-dealer (except as mentioned in Item 14 below with regards to a placement agent relationship), investment company, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services or its investors.

Monitor Clipper Partners currently has one affiliated adviser, Monitor Clipper Partners GmbH, an investment adviser incorporated under the laws of Switzerland and doing business in the Swiss Confederation. The affiliated adviser provides material research, analysis and support to Monitor Clipper Partners’ advisory business. Further, as mentioned above in Item 4, Monitor Clipper Partners has established an affiliate entity, Narrow Gauge Capital, for the purposes of engaging in a direct sponsored investment.

Additionally, while not an identified relationship listed above, Monitor Clipper Partners has assumed the role of administrator to one of the investors in a Fund. In this capacity, Monitor Clipper Partners performs various administrative services, such as quarterly reporting and tax return preparation.

As mentioned in Item 4 above, Monitor Clipper Partners is affiliated with the General Partners of each of its Funds and such General Partners are registered with the SEC under the Advisers Act pursuant to Monitor Clipper Partners’ registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with Monitor Clipper Partners and serve as managers or General Partners of private investment funds and other pooled

vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Monitor Clipper Partners has and will continue to develop relationships with professionals who provide services it does not provide, including: legal; accounting; banking; tax preparation; insurance brokerage; investment management services; and other personal services. None of the above relationships, however, create a material conflict of interest with any of the Funds or limited partners.

From time to time, Monitor Clipper Partners may receive training, information, promotional material, meals, gifts, or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will Monitor Clipper Partners accept any benefits, gifts, or other arrangements that are conditioned on directing individual client transactions to a specific security, product, or provider. Similarly, the personnel of the Investment Manager and/or its affiliates may speak at conferences and programs for potential investors. Through such capital introduction events, prospective investors have the opportunity to meet with Monitor Clipper Partners. Neither Monitor Clipper Partners nor any Fund compensates individuals for organizing such events or for investments ultimately made by prospective investors attending such events.

**D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

Except as otherwise disclosed in this Item 10, Monitor Clipper Partners does not recommend or select other investment advisers for the Funds.

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

**A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.**

### **Code of Ethics**

Monitor Clipper Partners has adopted a written Code of Ethics that is applicable to all of its officers and employees, as well as certain independent contractors (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and

personal trading procedures, including certain pre-clearance and reporting obligations. Under the Code of Ethics, Adviser Personnel are required to file certain periodic reports with Monitor Clipper Partners' Chief Compliance Officer (the "CCO") as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps Monitor Clipper Partners detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: April E. Evans, Chief Compliance Officer (SEC-Compliance@monitorclipper.com).

**B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

#### **Participation or Interest in Client Transactions**

Monitor Clipper Partners and certain employees of Monitor Clipper Partners invest in the Funds, as direct investors in the Feeder Funds or otherwise. Monitor Clipper Partners generally reduces all of the Management Fee and Carried Interest related to investments held by such persons.

It is Monitor Clipper Partners' policy that it will not affect any principal or agency cross securities transactions for Client accounts. Monitor Clipper Partners will also not cause Clients to enter into securities trades with each other without the appropriate limited partner advisory board or Client consent. 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 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. As per the Governing Documents of each Fund in a Fund family, upon the final closing of the Funds in a Fund family, Monitor Clipper Partners effects a transfer amongst Fund family vehicles to result in the proper proportionate ownership of portfolio companies and the proper proportionate allocation of expenses and

contributions of capital.

With regard to Narrow Gauge Capital, the Governing Documents with the Narrow Gauge Capital investors provides that, in the event Narrow Gauge Capital were to raise a fund, a portion of each of Narrow Gauge Capital's investors' allocation of the portfolio company will be sold to such new fund.

### **Conflicts of Interest**

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that will be faced by a Fund. Other conflicts are disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

Monitor Clipper Partners, from time to time, establishes certain investment vehicles through which certain persons invest alongside one or more Funds in one or more investment opportunities. Such vehicles, referred to herein as co-investment vehicles, generally are contractually required, as a condition of investment, to exit their investments in each investment opportunity at substantially the same time and on substantially the same terms as the applicable Fund that is invested in that investment opportunity. Co-investment vehicles generally do not pay Management Fees or Carried Interest.

#### *Resolution of Conflicts*

In the case of many conflicts of interest, Monitor Clipper Partners' determination as to which factors are relevant, and the resolution of such conflicts, will be made using Monitor Clipper Partners' best judgment, but in its sole discretion. In resolving conflicts, Monitor Clipper Partners will generally consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless Monitor Clipper Partners believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering documents and/or Governing Documents for the Funds;
- (3) Each Fund Family has established an advisory board, consisting of representatives of investors not affiliated with Monitor Clipper Partners. The advisory boards meet as required to consult with Monitor Clipper Partners as to certain potential conflicts of

- interest. On any issue involving actual conflicts of interest, and where advisory board approval is not required, Monitor Clipper Partners will be guided by its good faith discretion after consultation with the relevant advisory board(s);
- (5) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*

From time to time, Monitor Clipper Partners may be presented with a situation when an investment is too large for a Fund family to make, thereby requiring co-investment. For situations involving co-investment opportunities that are too large for a Fund to invest, Monitor Clipper Partners will seek out co-investment partners as further described in Item 7 above. Any situations regarding allocation of investment opportunity to co-investors are made by the Firm's Investment Committee taking into account what is fair and equitable as well as what is dictated by the Governing Documents.

From time to time, conflicts will arise when a Fund Family makes investments in conjunction with an investment being made by another Fund Family. This can occur when one Fund Family is reaching the end of its investment period and another Fund Family is commencing its investment period. Generally speaking Monitor Clipper Partners only commences fundraising for a new Fund when the prior Fund is 75% invested. In the event an investment opportunity is determined to be suitable for more than one of the Fund families, once the Firm's Investment Committee approves the investment, the respective Fund families' advisory boards must also approve the investment. In these circumstances, the conflict of interest is the determination of the respective participation of each Fund family in the investment. Such conflicts are brought to each Fund Family's Advisory Board for review and approval. Terms of the investment are identical for each Fund participating in the investment.

*Troubled Situations*

Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring will often raise conflicts of interest. In certain circumstances, Funds will be prohibited from exercising voting or other rights, and are likely to be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided, each Fund will supply such additional capital in such amounts, if any, as determined by Monitor Clipper Partners.

*Diverse Membership*

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors typically relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest often arise in connection with decisions made by Monitor Clipper Partners or its affiliates, including with respect to the nature or structuring of investments, that are often more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, Monitor Clipper Partners and its affiliates will consider the investment and tax objectives of the applicable Fund and its investors as a whole, not the investment, tax or other objectives of any individual investor in such Fund.

#### *Business with Portfolio Companies and Investors*

Monitor Clipper Partners has an incentive to recommend the products or services of certain investors in the Funds or their related businesses to the Funds or their portfolio companies for use or purchase, even though the products or services recommended will not necessarily be the best available to the Funds or the portfolio companies.

Monitor Clipper Partners has service providers, including for example, investment bankers and outside legal counsel, who are investors in Funds and/or who provide services to businesses that are competitors of Monitor Clipper Partners. Monitor Clipper Partners has a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide Monitor Clipper Partners information about markets and industries in which Monitor Clipper Partners operates or is interested or will provide other services that are beneficial to Monitor Clipper Partners. There is a possibility that Monitor Clipper Partners, because of such belief or for other reasons, favors such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Members of a Main Fund's advisory board are officers or directors of, or otherwise affiliated with, investors in a Fund. Monitor Clipper Partners may from time to time utilize the services of investors and their affiliates on an arm's length basis, as it deems appropriate.

#### *Positions with Portfolio Companies*

Employees of Monitor Clipper Partners serve as directors of portfolio companies. They do not receive remuneration for providing these services. Were they to receive remuneration for providing these services, such remuneration would reduce the Management Fees owed by the applicable Funds to Monitor Clipper Partners. In addition, employees of Monitor Clipper Partners may leave the



employment of Monitor Clipper Partners or its affiliates and become an officer or employee of a portfolio company. Employees are prohibited from receiving consulting, management or other fees personally from portfolio companies.

**C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

### **Personal Trading**

The principals and employees of Monitor Clipper Partners may carry on investment activities for their own account and for family members, friends, or others who do not invest in the Funds, and may give advice and recommend securities to vehicles, which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar.

Monitor Clipper Partners employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding these securities or communicating material non-public information to others. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

A restricted list is maintained regarding issuers about which Monitor Clipper Partners has material non-public information. Pre-clearance is also required for certain personal securities transactions, including initial public offerings and certain limited offerings. In addition, supervised persons are required to submit annual reports of security transactions for their own accounts or any account in which they have a direct or indirect beneficial interest.

**D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Please refer to Items 11.A, 11.B and 11.C.

### **Item 12. Brokerage Practices**

**A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**

As Funds invest primarily in private equity ventures, Monitor Clipper Partners anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, Monitor Clipper Partners has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

For each of the Funds, Monitor Clipper Partners has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, Monitor Clipper Partners will seek “best execution” of the transaction. “Best execution” means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, Monitor Clipper Partners’ Executive Committee takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

- 1. Research and Other Soft Dollar Benefits.** If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.
  - a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.
  - b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients’ interest in receiving most favorable execution.
  - c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.
  - d. Disclose whether you use soft dollar benefits to service all of your clients’ accounts or only those that paid for the benefits. Disclose whether you seek to

allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

- e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.
- f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

Monitor Clipper Partners does not pay or receive research or other soft dollar benefits in connection with securities transactions for the Funds or any co-investment vehicles.

- 2. **Brokerage for Client Referrals.** If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.
  - a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.
  - b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.

Monitor Clipper Partners does not receive client referrals in connection with selecting broker-dealers.

- 3. **Directed Brokerage.**
  - a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.
  - b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

Monitor Clipper Partners does not engage in directed brokerage arrangements.

**B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

Because it does not engage in trading of public securities, Monitor Clipper Partners does not aggregate the purchase or sale of securities for client accounts. Monitor Clipper Partners does not anticipate engaging in significant public securities transactions; however, to the extent that Monitor Clipper Partners does engage in such transactions, orders will be aggregated whenever possible. Portfolio managers and traders often employ this practice of aggregating orders because larger transactions can enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. Monitor Clipper Partners will likely combine orders on behalf of Funds with orders for other Funds for which it has trading authority, or in which it has an economic interest. In such cases, Monitor Clipper Partners expects to aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

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

**A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly Monitor Clipper Partners' review of them is not directed toward a short-term decision to dispose of securities. However, Monitor Clipper Partners closely monitors the portfolio companies of the Funds and maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team of investment professionals on an on-going basis. The team generally includes those investment professionals assigned to the portfolio company. Moreover, Partners and other investment professionals of Monitor Clipper Partners monitor portfolio company performance through regular management meetings (which generally occur on Mondays), as well as detailed reviews that occur during mandatory management meetings scheduled three to five times per year.

**B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

The Chief Compliance Officer and the Firm principals review the accounts of the Funds on a regular basis and periodically check to confirm that each Fund is maintained in accordance with its stated business objectives. The Firm and/or the Chief Compliance Officer performs additional reviews in the event that a portfolio company needs subsequent financing, in the event of a potential acquisition or liquidity event, or if there were a serious performance issue at a portfolio company.

**C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

Investors in the Funds and Clients typically receive, among other things, a copy of audited financial statements of the relevant Fund within 90 days after the fiscal year end of such Fund, as well as quarterly performance reports within 45 days after each fiscal quarter end. Investors in the Funds also receive periodic updates on specific portfolio investments, as well as quarterly letters, materials provided on the website, and through annual investor meetings. All reports are sent to limited partners either electronically or by mail, as per each investor's preference. Monitor Clipper Partners will from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate. Investors in the Narrow Gauge Capital affiliate will receive a copy of the audited financial statements within 120 days after the fiscal year end of the Client, as well as quarterly performance reports within 45 days after each fiscal quarter end. Monitor Clipper Partners will from time to time, in their sole discretion, provide additional information relating to such affiliate to one or more investors in such affiliate as they deem appropriate.

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

**A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

Monitor Clipper Partners does not receive any monetary compensation or any other economic benefit from a non-Client for Monitor Clipper Partners' provision of investment advisory services to a client.

Monitor Clipper Partners receives compensation in the form of fees paid by the Funds, as disclosed in the Governing Documents and above in Items 5 and 6. Monitor Clipper Partners or certain of its affiliates may have the right to receive certain non-investment advisory fees in connection with the Funds' investments and portfolio companies, as described in the Funds' Governing Documents. For example, Monitor Clipper Partners may be entitled to receive (i) certain professional services or related fees from a portfolio company in connection with certain transactions, as well as Related

Services as defined in Item 5, above, and (ii) certain monitoring or consulting fees from a portfolio company for services provided to the portfolio company.

**B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

Monitor Clipper Partners is not currently in fundraising mode. For past Fund vehicles, however, the Firm has from time to time engaged one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Agreements with such placement agents were properly drafted to comply with Rule 206(4)-3 of the Advisers Act and any placement agents engaged by Monitor Clipper Partners were broker dealers in good standing with FINRA and the SEC. Any fees payable to any such placement agents were borne by Monitor Clipper Partners indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, were typically borne by the relevant Fund(s).

#### **Item 15. Custody**

**If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

The Investment Advisers Act of 1940 Rule 206(4) (the “Custody Rule”) requires that pooled investment vehicles advised by the adviser either undergo an annual generally accepted accounting principles (“GAAP”) financial statement audit by a Public Company Accounting Oversight Board (“PCAOB”) registered firm or be subject to a surprise custody examination, also by a PCAOB registered firm. Monitor Clipper Partners is deemed to have custody over Client funds because of the ability of its relevant General Partner to deduct fees from Fund accounts. The Firm has elected to undergo an annual GAAP financial statement audit for each of its Funds in order to meet the requirement of the Custody Rule. The Firm delivers to the Funds and their limited partner investors a copy of the annual audited financial statements within 120 days of the fiscal year end.

In addition, the Firm will obtain an annual financial audit for the Narrow Gauge Capital investment after its first year of operation and will deliver a copy of the audit to investors in the Narrow Gauge Capital investment within 120 days of fiscal year end.

Monitor Clipper Partners does not take physical possession of Client funds or securities; securities are held by the Firm's qualified custodians, which are listed in Form ADV Part 1, Schedule D, 7.A.1. Called capital is directly sent or wired into the respective Fund's bank accounts and the Firm receives monthly statements from the applicable qualified custodian regarding the custody and bank accounts of its Funds.

#### **Item 16. Investment Discretion**

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

Monitor Clipper Partners is retained on a fully discretionary basis and is authorized to determine and direct execution of portfolio transactions pursuant to the terms of each Fund's Governing Documents. To invest in the Fund, a limited partner must execute a subscription agreement with a Fund. The terms upon which Monitor Clipper Partners serves as an investment manager are established at the time each investor retains Monitor Clipper Partners as their investment manager. Monitor Clipper Partners is not required to contact an investor prior to transacting any business once an investor executes these documents. Investment advice is provided directly to the Funds and not to investors in the Fund individually. Monitor Clipper Partners has discretionary authority based on the Governing Documents to buy and sell securities and other investments on behalf of the Funds. The same discretionary authority described above applies in the case of the Narrow Gauge Capital investment.

To invest in a Narrow Gauge Capital investment, an investor must execute an agreement with a Narrow Gauge Capital affiliate. No limitations of authority have been placed on Monitor Clipper Partners from the Narrow Gauge Capital investment.

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

**A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

By virtue of the Fund Governing Documents, Monitor Clipper Partners has the authority to vote proxy statements on behalf of its Funds. The majority of "proxies" received by the Advisers will be

written shareholder consents or similar instruments for private companies. Monitor Clipper Partners' proxy policy seeks to ensure that the Advisers vote proxies in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Fund's investors through the principals' beneficial ownership interests in the Funds. The Firm will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, Monitor Clipper Partners may address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory committee on the proposed proxy vote, or through other alternatives as set forth in Monitor Clipper Partners' proxy policy.

Monitor Clipper Partners does not consider service on portfolio company boards by Monitor Clipper Partners personnel to create a material conflict of interest in voting proxies with respect to such companies. Monitor Clipper Partners consider its board service on portfolio company boards to be a reflection of its fiduciary duty. It is through board service that Monitor Clipper Partners ensures that portfolio companies are run and grown in a manner that is in the Funds' best interests. Further, Monitor Clipper Partners earns no board fees in exchange for board service.

**B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

For more information regarding Monitor Clipper Partners' Proxy Policy or information regarding how Monitor Clipper Partners voted proxies for particular portfolio companies, please contact April Evans, Monitor Clipper Partners' Chief Compliance Officer, at 617-638-1100, or [SEC-Compliance@monitorclipper.com](mailto:SEC-Compliance@monitorclipper.com).

## **Item 18. Financial Information**

**A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.**

- 1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.**
- 2. Show parenthetically the market or fair value of securities included at cost.**
- 3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.**



Monitor Clipper Partners does not require prepayment of more than \$1,200 in fees per client, six months or more in advance; thus this question is not applicable.

**B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

Monitor Clipper Partners does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients.

**C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

Monitor Clipper Partners has not been the subject of a bankruptcy proceeding.

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

Item 19 is not applicable to Monitor Clipper Partners.