

**Item 1 – Cover Page**

Monroe Capital Management Advisors, LLC

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This brochure provides information about the qualifications and business practices of Monroe Capital Management Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 312-258-8300. 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.

Additional information about Monroe Capital Management Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Monroe Capital Management Advisors, LLC may refer to itself as a "registered investment adviser." You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

## **Item 2 – Summary of Material Changes**

The last update to Monroe Capital Management Advisors, LLC’s Form ADV Part 2A (this “Brochure”) was in March, 2012. A summary of material changes since the last annual update of this Brochure is as follows:

- There have been no material changes since the last annual update of this Brochure.

Future Disclosure Brochure filings will address “material changes” since the date of this filing concerning Monroe Capital Management Advisors, LLC, which will either be delivered, or offered for delivery, to clients. A copy may also be downloaded from the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **IMPORTANT NOTE ABOUT THIS DISCLOSURE BROCHURE**

***This Disclosure Brochure is not:***

- ***an offer or agreement to provide advisory services to any person***
- ***an offer to sell interests (or a solicitation of an offer to purchase interests) in any Issuer***
- ***a complete discussion of the features, risks or conflicts associated with any Issuer***

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), Monroe Capital Management Advisors, LLC (the “Adviser”) provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in an Issuer, together with other relevant governing documents, such as the Issuer’s offering circular, prior to, or in connection with, such persons’ investment in the Issuer.

Although this publicly available Brochure describes investment advisory services and products of the Adviser, persons who receive this Brochure (whether or not from the Adviser) should be aware that it is designed solely to provide information about the Adviser as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant governing documents. More complete information about each Issuer is included in relevant governing documents, certain of which may be provided to current and eligible prospective investors only by the Adviser. To the extent that there is any conflict between discussions herein and similar or related discussions in any governing documents, the relevant governing documents shall govern and control.

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**Item 4 – Advisory Business**

Monroe Capital Management Advisors, LLC (the “Advisor”, “Firm”, “we”, “us” or “our”) is a Delaware limited liability corporation with its principal place of business in Chicago, Illinois. We serve as an investment advisor to a private investment fund and a separately managed account (together, the Fund and separately managed account shall be referred to herein as “clients” or, individually, as a “client”). We provide discretionary investment management services to the Fund and non-discretionary investment consulting services to the separately managed account. We were founded in 2006 and commenced investment advisory operations in that same year. Our principal owner and founder is Theodore L. Koenig.

The primary Fund we advise is a private investment fund and was offered and sold to investors under exemptions from applicable securities laws. Currently, the Fund we advise is comprised of one (1) private investment fund structure commonly referred to as a CLO.

We may adopt restrictions on the type of investments and exposures that we will make in a particular Fund, which are set forth in the offering documents and organizational documents of the Fund (the “Offering Documents”). The investment advice we provide to the Fund is dependent on the investment objectives of the respective Fund as set forth in the Fund’s governing documents. Such investment advice is not based upon the individual needs of the investors in the Fund. The information in this Brochure that describes or relates to the Fund is qualified in its entirety by the Offering Documents for the Fund. This Brochure is not a substitute for the Offering Documents and should not be treated as such.

We also may provide investment services to clients through separately managed accounts. When providing investment services to separately managed accounts, we generally tailor our advisory services to the individual needs of such clients, including any specific guidelines or restrictions as such clients may request.

In the future, we may provide investment advisory services to additional private investment funds as well as other types of clients.

Please see Item 8 – “Methods of Analysis, Investment Strategies and Risk of Loss” for a more detailed discussion of our investment objective and strategies.

As of December 31, 2012, we manage regulatory assets of \$400,149,638 on a discretionary basis and \$13,905,991 on a non-discretionary basis.

**Item 5 – Fees and Compensation**

We have a general fee schedule applicable to our clients or prospective clients. The specific fees we charge to the Fund are described in the Offering Documents of the Fund. The management fees are paid on a quarterly basis, for the costs of the investment advisory and administrative services we provide to the Fund. Fees are generally calculated and paid quarterly. We may also receive performance fees, in the future, based on a formula more fully described in the Offering Documents of the Fund.

The fees we charge clients with separately managed accounts are negotiated with each client, and may include a management fee, performance fee, or a combination of both. Fees charged to separately managed accounts are billed to the client and we do not have the ability to deduct the fees from such client's account.

#### **Item 6 – Performance-Based Fees**

A description of our fees, including a description of performance-based fees or allocations, is provided above in "Item 5 – Fees and Compensation."

#### **Item 7 – Types of Clients**

We serve as an investment advisor primarily to the Fund.

Investors in the Fund must generally be "accredited investors" (as defined in Regulation D under the Securities Act of 1933, as amended) and "qualified purchasers" (as defined in the Investment Company Act). As such, the Fund we manage is exempt from registration as investment companies under the Investment Company Act through the exemption provided by Section 3 (c)(7) of the Investment Company Act. Each Fund imposes minimum investment limits upon investors in the Fund (such limits can be found in the relevant Fund Offering Documents and must be a minimum of \$100,000).

We also provide non-discretionary investment advisory services to a client through a separately managed account. These clients are generally expected to be "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and at a minimum would meet the suitability requirements, discussed above, for investing in a Fund.

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

We generally seek to provide clients with consistently superior risk-adjusted rates of return through implementing detailed credit analysis.

In managing the Fund's portfolio, we rely upon fundamental analysis supplemented by quantitative analytics and portfolio management techniques. We generally purchase bank loan participations and other instruments. We invest primarily in United States issuers.

Our investment strategy and techniques are speculative, leveraged, involve a high degree of risk, and are suitable only for persons who are able to assume the risk of losing their entire investment. Please consider the risks summarized below.

#### **Risk Factors – The following are some of the more significant risk factors we face and are not all inclusive.**

Investment Approach and Strategies. Risk is inherent in all investing. No guarantee or representation is made that the investment approach we utilize will be successful. All investments risk the loss of capital. As is true of any investment, there is a risk that an investment will be lost entirely or in part. There can be no assurance that the specific investment strategies we use will produce profitable results. Markets

subject to random price fluctuations, rather than rational decisions, may generate a series of losing investments. There have been periods in the past when the markets have been subject to irrational price movements, and such periods may recur. No assurance can be given that our techniques and strategies will be profitable in the future.

Reliance on Corporate Management and Financial Reporting. The strategies we implemented rely on the financial information made available by issuers in which we invest. We have no ability to independently verify the financial information disseminated by the issuers and are dependent upon the integrity of both the management of these issuers and the financial report process in general. Recent events have demonstrated the material losses that investors such as the clients can incur as a result of corporate mismanagement, fraud and accounting irregularities.

Importance of Market Judgment. Our strategies rely on the market judgment and the exercise of discretion by our personnel.

Competition: Potential Saturation. We compete with numerous other investors, many of which have resources substantially greater than ours.

Volatility of Securities Markets. Securities prices may be volatile, and securities price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

Bank Loans. We invest in loans and loan participations originated by banks and other financial institutions. These investments may include highly leveraged loans to borrowers whose credit is rated below investment grade. Such loans are typically private corporate loans that are negotiated by one or more commercial banks or financial institutions and syndicated among a group of commercial banks and financial institutions. In order to induce the lenders to extend credit and to offer a favorable interest rate, the borrower often provides the lenders with extensive information about its business that is not generally available to the public. To the extent that we obtain such information and it is material and nonpublic, we will be unable to trade in the securities of the borrower until the information is disclosed to the public or otherwise ceases to be material, nonpublic information.

Fraudulent Conveyance Considerations. Various laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if an

issuer in which a client has an investment becomes insolvent, any payment made on such investment may be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency.

In general, if payments on an investment are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from a client, the client will bear the resulting loss.

#### **Item 9 – Disciplinary Information**

We do not have any material legal or disciplinary events to report.

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

We are not affiliated with any banks, broker-dealers or custodians. We serve as an investment advisor to the Fund, which is described in Item 1, above, and to a third-party institutional account.

#### **Item 11 – Code of Ethics**

We have adopted a Code of Ethics (the “Code”) for all of our employees, officers and directors. The Code describes our high standard of business conduct and fiduciary duty to our clients and reflects our policy to maintain the highest standards of service for our clients. The Code includes provisions regarding the confidentiality of investors and other client information, policies relating to communications with the media, how we address conflicts of interest, policies governing personal trading by our employees and prohibitions on insider trading, among other things.

Our employees, officers and directors are required to follow the Code. Our employees are allowed to make personal investments provided that they do so in accordance with the Code. The Code is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of the clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, many transactions require pre-clearance and further, our employees are prohibited from trading in securities when we are trading or considering a trade for our clients in the securities. Also, we maintain a restricted list of companies about which we have received, or anticipate receiving, confidential or material non-public information. Certain classes of securities, however, have been designated as “exempt transactions”, based upon a determination that these would not materially interfere with the best interests of our clients and do not require pre-clearance.

To ensure compliance with the Code, employee account statements are reviewed on a periodic basis and our compliance department confirms that necessary pre-approvals have been obtained and that personal trades have been effected in compliance with the Code. Our compliance department also reviews such information on an annual basis and tests samples of personal trading filings against monthly information on an annual basis and tests samples of personal trading filings against monthly information submitted by brokers and advisors. In addition to such review by our compliance department, all employees, officers and directors are required to acknowledge the terms of the Code annually and certify their compliance with the Code throughout the previous year.

We anticipate that, in appropriate circumstances, consistent with our investment objectives, we will cause accounts over which we have management authority to effect, and will recommend, the purchase or sale of securities in which we, our affiliates and/or other clients, directly or indirectly, have a position of interest. In such circumstances, the client accounts will share commission costs equally and receive securities at a total average price. We will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a *pro rata* basis to the extent reasonably practicable. Any exceptions will be explained on the order.

Our clients or prospective clients may request a copy of the Firm's Code by contacting us at [info@monroecap.com](mailto:info@monroecap.com).

#### **Item 12 – Brokerage Practices**

The Firm does not typically select or recommend broker dealers for transactions or direct client transactions to particular broker dealers. The securities that the Firm's clients purchase are typically acquired through bank trading desks and the fees for such transactions are determined by industry standards in the bank loan market.

#### **Item 13 – Review of Accounts**

The Firm periodically reviews its client's holdings. The Firm communicates via email regarding client holdings on a monthly basis.

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

The Firm does not solicit client referrals and does not compensate anyone who is not supervised by the Firm for securing a client relationship.

#### **Item 15 – Custody**

The Firm does not maintain custody of client funds or securities. A third-party custodian maintains custody of client funds and securities.

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

We exercise full investment discretion over the Fund. We receive discretionary authority, in writing, from an investor at the outset of an advisory relationship. The Fund establishes authority through the investment management agreement that we enter into with the approval of the Fund's Board of Directors. Such discretion is exercised in a manner consistent with the stated investment objectives and guidelines for the account.

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

The Advisor does not have the authority to vote client securities in corporate matters since the Fund does not invest in equity securities.



**Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients, and have not been the subject of a bankruptcy proceeding.