



**Monroe Capital**

## **Monroe Capital Management Advisors, LLC**

### **Form ADV Part 2 Brochure**

This Brochure (the “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 Monroe Capital Management Advisors, LLC at (312) 258-8300. 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.

Additional information about Monroe Capital Management Advisors, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Monroe Capital Management Advisors, LLC is 157073.

Monroe Capital Management Advisors, LLC is a registered investment adviser and may refer to itself as a “registered investment adviser.” Registration of an investment adviser does not imply any level of skill or training.

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Brochure prepared on March 30, 2015

## Item 2 Material Changes

This section of the Brochure will address only those “material changes” that have been incorporated since the last delivery or posting of this document on the SEC’s public disclosure website (IAPD). Monroe Capital Management Advisors, LLC most recent update to Part 2 of Form ADV was made on March 31, 2014.

### Material Changes:

Item 4 – Page 1:.....Revisions to Advisory Business and current assets under management (“AUM”)

Item 5 – Page 3:.....Revisions to Fees and Compensation

Item 6 – Page 5:.....Revisions to Performance-Based Fees and Side-By-Side Management

Item 7 – Page 7:.....Revisions to Types of Clients

Item 8 – Page 7:.....Revisions to Methods of Analysis, Investment Strategies and Risk of Loss

Item 10 – Page 12:.....Revisions to Other Financial Industry Activities and Affiliations

Item 11 – Page 13:.....Revisions to Code of Ethics

Item 12 – Page 19:.....Revisions to Brokerage Practices

Item 13 – Page 20:.....Revisions to Review of Accounts

Item 14 – Page 21:.....Revisions to Client Referrals and Other Compensation

Item 15 – Page 21:.....Revisions to Custody

Item 17 – Page 22:.....Revisions to Voting Client Securities

Monroe Capital Management Advisors, LLC will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, this Brochure may be requested by contacting Mr. David H. Jacobson, Chief Compliance Officer at (312) 258-8300 or [info@monroecap.com](mailto:info@monroecap.com).

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



## **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 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

### Background

Monroe Capital Management Advisors, LLC (the “Advisor”, “Firm”, “we”, “us” or “our”) is a Delaware limited liability company that is registered as an investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training. The Firm and its affiliated entities are located in Chicago, Illinois. The Firm was founded and commenced investment advisory operations in 2006. The Firm’s principal owner and founder is Mr. Theodore L. Koenig, Mr. Koenig is the Firm’s Chief Executive Officer. Other officers of the Firm include Messer’s, David H. Jacobson, as Chief Financial Officer and Chief Compliance Officer, Michael J. Egan, as Chief Operating Officer and Chief Investment Officer, Jeremy VanDerMeid, as Managing Director, and Thomas Aronson, as Managing Director. The Firm is an alternative fixed income manager, specializing in bank loans, high yield credit, fixed income securities, distressed debt, structured finance, and project finance. Since inception, the Firm has been in the structured and alternative credit markets, providing discretionary and non-discretionary portfolio management and investment advisory services to clients such as large institutions and high net worth individuals, mainly in the form of separate accounts and pooled investment vehicles. *See Item 10 – Other Financial Industry Activities and Affiliations for more information regarding the Firm’s affiliated entities.*

### Advisory Services

The Firm provides investment advisory services on a discretionary and non-discretionary basis to structured product vehicles (e.g., collateralized loan obligations “CLOs”) and separately managed accounts. As stated above, the Firm makes investment decisions in bank loans, high yield credit, fixed income securities, distressed debt, structured finance, and project finance. The Firm incorporates a sophisticated platform with an experienced team of investment professionals to identify opportunities in such assets while assessing and monitoring risk. Utilizing its expertise in the alternative fixed income space, the Firm acts as an investment adviser to structured product vehicles (including but not limited to CLOs and Collateralized Debt Obligations (“CDOs”)) (“Structured Product Vehicles”) and separate accounts (“Separate Accounts”) (together with Structured Product Vehicles and Separate Accounts, “Client Accounts” or “Clients”).

### Tailored Advice and Client-Imposed Restrictions

Investments for each Client are managed in accordance with the Client’s investment objectives, strategies, restrictions and guidelines and are generally not tailored to the individualized needs of any particular investor of the Client. Information about each Client, and the particular investment objectives, strategies, restrictions, guidelines and risks associated with an investment, is described in the offering memorandum or offering circular, operating or limited partnership agreement, or other governing documents (“Offering Documents”) which are made available to investors only through the Firm or another authorized party. Since the Firm does not provide individualized advice to investors (and an investment in a Client does not, in and of itself, create an advisory relationship between the investor and the Firm), investors must consider whether a particular Client meets their investment objectives and risk tolerance prior to investing.

The Firm may tailor its advisory services to the individual needs of Separate Account Clients. The Firm may agree with a Separate Account Client to manage such Client’s assets against a particular benchmark or pursuant to an investment management agreement, which include provisions related to management fees, investment strategy, investment guidelines, termination rights, proxy voting and sub-adviser, if applicable. Separate Account Clients should be aware, however, that certain restrictions can limit the Firms



ability to act and as a result, the Clients Account's performance may differ from and may be less successful than that of our other accounts.

Clients and Investors must consider whether a particular Firm advisory relationship is appropriate to their own circumstances based on all relevant factors including, but not limited to, the Client's own investment objectives, liquidity requirements, tax situation and risk tolerance. Prospective Clients are strongly encouraged to undertake appropriate due diligence including, but not limited to, a review of Offering Documents relating to the proposed investment program for the Separate Account or Structured Product Vehicle and to investigate additional details about Firm's investment strategies, methods of analysis and related risks, before making an investment decision or committing to a service provided by the Firm. See *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for a more detailed discussion of our investment objective and strategies.*

#### **Wrap Fee Disclosure**

Not applicable.

#### **Assets Under Management**

As of December 31, 2014, the Firm approximately managed regulatory assets of \$1,473,731,701 on a discretionary basis and \$212,658,669 on a non-discretionary basis.



## Item 5 Fees and Compensation

### Compensation

#### *Private Funds (Other than CLOs) Fees*

The Firm generally may charge both a management fee and a performance-based fee to private investment funds (the "Fund") it may manage. The management fees are generally a percent of assets under management per year, payable quarterly in arrears or in advance. Fees are based, in general, on the market value of the securities and cash in the portfolio on the appraisal date. Performance-based fees are generally a certain percent of any increase of the net asset value above a high watermark or a percentage of excess return above a fixed hurdle rate. Fees are negotiable. Each Fund's private placement memorandum describes its fee structure in detail. Please consult governing fund documents for additional information regarding such management fees. As of the date of this ADV, the Firm manages five Non-CLO Private Fund for which it receives management and performance fees.

#### *Private Funds (CLOs) Fees*

As compensation for its service as the collateral manager of CLOs, the Firm generally receives a Senior Management Fee, a Subordinated Management Fee and an Incentive Management Fee (collectively, the "Collateral Management Fees"). The Senior Management Fee has a higher priority in a CLO payment waterfall whereas the Subordinated Management Fee generally ranks below principal and interest payments to senior note holders in the payment waterfall. The Firm will generally earn a Subordinated Management Fee if over-collateralization and interest coverage tests have been satisfied for all senior CLO note holders. The Senior Management Fees and Subordinated Management Fees are typically paid by the CLO or its trustee quarterly in arrears, in accordance with its governing documents. Incentive Management Fees are typically paid later in a CLO's tenor by the CLO or its trustee in arrears if specific internal rates of return thresholds are achieved. Please consult a CLO's governing documents for additional information regarding such Collateral Management Fees.

#### *Separate Accounts*

The Firm generally charges its Separate Account Clients a base management fee or advisory fee, and a performance-based fee. The base management or advisory fees are disclosed in the respective Client's investment management agreement and are generally structured as a fixed fee amount per year or as a percentage of assets under management for which advice and consultation is provided or a percentage of funds deployed for investments. The level of service may vary depending on individual circumstances and thus, fees are negotiable depending on time, effort, and expertise involved. Fees are computed and payable quarterly in arrears or on such other basis as is mutually agreed with each Client.

From time to time, the Firm may also charge performance-based advisory fees, the terms of which are negotiated between the Firm and the Client. Such agreements shall comply with the provisions of Rule 205-3 of the Advisers Act.

The Firm may, in its sole discretion, charge lower management fees or waive account minimums based on certain criteria including product type, investment strategy, Client type, Client domicile, services provided, the Client's historical relationship with the Firm, number of related investment accounts, account composition or size, anticipated future earning capacity, current and anticipated future assets under management, marketplace considerations, early adoption of an investment strategy or investment in a



particular vehicle, client's operational or investment limitations or restrictions, level of client servicing required and other factors the Firm deems relevant. The Firm, in its sole discretion, may also waive or charge lower management and/or performance fees and waive account minimums for employees, including portfolio managers, affiliates or relatives of such persons. The Firm, or an affiliate, may also enter into "side letter" agreements with certain investors in private investment funds to provide more favorable investment terms to these investors than those described in a fund's offering documents. These terms may include waiver or reduction in management fees and/or performance fees or allocations, special rights to make future investments or withdrawals and supplemental reporting. Assets from related accounts in similar investment vehicles may be aggregated for fee calculation purposes according to the Firm's policies and procedures.

The Firm is limited in its ability to negotiate fees due, in part, to existing Client contracts, which require equivalent pricing. Under the terms of these agreements, the Firm is generally required to charge the same fee schedule to similarly-situated Clients. The Firm generally considers Clients to be similarly-situated if they are domiciled in the same country, are in the same investment vehicle managed as a component of the same investment composite, are of the same Client type, require a similar level of Client servicing and have a similar account size among other factors the Firm deems relevant.

### *Termination*

Upon termination of an investment advisory relationship or agreement with any Client who has paid in advance, the Firm will refund to such Client the pro-rata portion of any advance payment, net of any termination fee, if any, based on the number of days remaining in the billing period after the date of termination, provided that nothing else was specified in the individual Client contract.

### **Billing**

Generally, management fees are deducted from the Clients Accounts, in accordance with its governing documents.

### **Other Expenses**

Clients may be responsible for and do incur other expenses separate and apart from the Firm's investment management, performance or consulting fees. These expenses typically may include (i) costs and expenses with respect to any workout, restructuring, recapitalization, amendment, waiver or consent of or with respect to certain investments and the protection or enforcement of rights thereunder; (ii) costs and expenses in connection with the acquisition of director and officer insurance; (iii) legal, custodial, accounting, audit, and related costs and expenses; (iv) pricing service costs incurred in valuing investments; (v) expenses incurred in obtaining credit ratings on investments; (vi) out-of-pocket travel costs and related expenses incurred in connection with the management of certain investments or Fund offerings; (vii) any other expenses actually incurred on behalf of the Funds and Clients and paid by the Firm in connection with the management of certain investments; and (viii) certain other fees and expenses that may be authorized under a Fund's governing documents or investment management agreement.

### **Advance Billing**

The Firm may charge a management fee in advance or in arrears for any funds it may manage, calculated and paid in general in US Dollars. With respect to Separate Account, management fees may be paid quarterly or monthly, in advance or in arrears, as agreed to with the Client. Investors in the funds who





withdraw will generally not be refunded any portion of the management fee payable for that calendar quarter. For Separate Accounts that are terminated prior to the end of the period and where fees were paid in advance, the fees will be refunded only if agreed to by the parties or as specified in the respective contract.

### **Sales-based Compensation**

No supervised person accepts compensation for the sale of securities or other investment products.

This practice presents a conflict of interest and gives the Firm or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a particular Client's needs.

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

The Firm charges some clients Performance Fees (or Incentive Fees), i.e. a fee based on a share of capital gains or capital appreciation of the client's assets under management or a fee based on the realized IRR by the Clients from the funds invested by the Firm. Performance-based compensation may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation is calculated may, in certain circumstances, include unrealized appreciation and depreciation of investments that may not ultimately be realized.

The Performance Fee is charged by the Adviser (or its affiliate) in compliance with Rule 205-3 under the Advisers Act. The Management Fee and Performance Fee are negotiable. The Firm, in its sole discretion, may waive or reduce the Management Fee and/or the Performance Fee or amend any other restrictions with regard to investors that are employees or affiliates of the Adviser, relatives of such persons, and for certain strategic investors. The Firm believes that its compensation is competitive with compensation charged by other investment advisers for comparable services.

Performance fees are only charged to "qualified clients" in accordance with Rule 205-3 under the Advisers Act. In the future, not all compensation arrangements will necessarily include a performance component, and the rate and nature of the calculation of performance compensation and bonuses may vary.

Performance fee calculations and hurdle rates may differ from Client Account to Client Account which may result in certain conflicts of interest, such as motivating the Firm to invest Client Accounts in assets with heightened risk profiles that have the potential to produce relatively higher returns or causing the Firm to favor certain Clients over others.

In addition, the Firm may compensate or provide discretionary bonuses to portfolio managers that are based on, among other things, the performance of Client Accounts they manage or are otherwise responsible for, or based on the outcome of the specific advisory project. The Firm or its personnel or affiliates may have other pecuniary interests in the Firm's advisory Client's Accounts.

### **SPECIFIC CONFLICTS OF INTEREST AND THE FIRM PRACTICES DESIGNED TO MITIGATE SUCH CONFLICTS OF INTEREST**

Like all investment advisers who advise multiple accounts or funds having different fee structures, the Firm and its personnel face actual and potential conflicts of interest, including an incentive to favor those Client



Accounts in which the Firm or its personnel have greater pecuniary interests over other Client Accounts. Such conflicts of interest and the Firm's practices that are designed to mitigate such conflicts of interest are discussed below. As a general matter, the Firm addresses such conflicts by following a thorough, detailed, and consistent investment decision-making process and by regular reviews of investments by the Adviser's investment staff.

- **Allocation of Investments.** The Firm may have an incentive to allocate investment opportunities based on pecuniary interest. The Firm and its personnel will face a conflict of interest when considering how to allocate limited investment opportunities among Client Accounts having different fee structures or pecuniary interests, including Client Accounts in which an affiliate is an investor. Through its relevant policies and procedures, the Firm seeks to promote fair and equitable treatment of Client Accounts (including the allocation of investment opportunities), over time, based on considerations that are unrelated to pecuniary interests.
- **Compensation of the Firm and its Personnel.** The Firm and its personnel have an incentive to take on more risk when compensation is based on performance: The receipt of performance-based compensation and the payment of bonuses relating to performance of Client Accounts creates an incentive to make riskier investments than might be made in the absence of performance-based compensation, as such compensation generally allows participation in gains in excess of exposure to losses. On the other hand, performance-based compensation encourages an alignment of long-term investment interests between the Client and the Firm. Moreover, performance-based compensation may be subject to mechanisms designed to ensure that prior losses are recouped and/or a certain level of gains is achieved before any performance-based compensation accrues, such as loss carry forwards, hurdle rates, and/or high water marks. Furthermore, as discussed in more detail in *Item 13*, the Firm reviews the Client Accounts that it advises on a regular basis to monitor risk levels. In addition, engaging in high risk investment practices that cause adverse performance will have a negative impact on the receipt by the Firm of performance-based compensation and the receipt of discretionary bonuses paid to portfolio managers.
- **Performance-based Fees for Adviser and Valuations.** When the Firm's compensation is based on the value or performance of investments, the Firm has an incentive to value a position at a price higher than it might otherwise be valued or to accelerate or defer realizations. To the extent that performance allocations may be based on increases in the net assets of a Client's Account, the Firm's compensation would be based upon unrealized appreciation as well as realized appreciation. This means that the Firm may be compensated on performance that is ultimately not realized if positions decrease in value and are subsequently sold at a loss. The potential for inflated valuation of positions is increased when such positions are illiquid or otherwise lack a readily ascertainable market value. The Firm seeks to mitigate this conflict by valuing assets in accordance with its valuation policy, which is reasonably designed to assure that valuations are performed in a consistent and thorough manner that insulates the conflict. In general the Firm considers the views of outside experts, including third-party valuation firms, in determining the value of illiquid or other hard to value assets. The Firm further seeks, on a best effort basis, to receive third party valuations from broker/dealers for security holdings of the Firm's Client Accounts.
- **Cross-Transactions.** When the Firm engages in cross-transactions, it has an incentive to favor Client Accounts in which it has a greater pecuniary interest: the Firm may, from time to time, enter into cross-transactions between the various Client Accounts it advises. The Firm will conduct such transactions in accordance with policies to promote fairness to all participating accounts (e.g., by assuring that an appropriate price is assigned to the security being crossed). Where required by law or the governing documents for a Client Account, cross transactions are subject to Client consent prior to settlement. Information about said transaction, including the nature of the



rebalancing transaction, the price at which it will be effected and the Firm's position as principal, if applicable, are provided to allow the Client to determine whether or not to consent.

- **Other Conflict Mitigation Practices.** Many of the conflicts resulting from performance-based fees and side-by-side management are mitigated by the Firm's relevant policies and procedures. As a general principle, the Firm requires that potential conflicts of interest be addressed by placing Client interests before personal or proprietary interests. The Firm has also instituted policies to promote fair treatment of Client Accounts based on considerations unrelated to pecuniary interests to ensure that, wherever possible and over time, opportunities are allocated in a fair and equitable manner.

## Item 7 Types of Clients

The Firm serves as an investment advisor primarily to the private investment pool vehicles ("Funds").

Investors in the Funds must generally be "accredited investors", as defined in Regulation D under the Securities Act of 1933, as amended ("Securities Act") and "qualified purchasers", as defined in the Investment Company Act of 1940, as amended ("1940 Act"). As such, the Funds, the Firm manage is exempt from registration as investment companies under the 1940 Act through the exemption provided by Section 3 (c)(7) of the 1940 Act. Each Fund imposes minimum investment limits upon investors in the Funds (such limits can be found in the relevant Fund Offering Documents and must be a minimum of \$100,000).

The Firm also provides non-discretionary investment advisory services to Separate Accounts. These Clients are generally expected to be "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act 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

### Methods of Analysis and Investment Strategies

The Firm's team members have deep expertise in the structured and alternative credit markets, and a shared investment philosophy centered on sound fundamental analysis, active portfolio management and risk monitoring.

The Firm generally seeks to provide Clients with consistently superior risk-adjusted rates of return through implementing detailed credit analysis.

In managing the Client's portfolio of investments, the Firm relies upon fundamental analysis supplemented by quantitative analytics and portfolio management techniques. The Firm generally invests in directly originated loan instruments and purchases bank loan participations and other instruments. The Firm 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.



In addition to its internally developed proprietary systems, the Firm subscribes to a wide variety of research and data services specific to structured and alternative credit markets to support its efforts.

## **Investing Risks**

Investing in securities in general involves the risk of loss that investors should be prepared to bear. Each Client Account, if any, has risks which are specific to its particular investment strategies. For more information about the risks of each Firm Client, please see the Offering Documents for that particular Client Account. Generally, however, investors in the Firm's managed Structured Product Vehicles, Separate Accounts or Funds are exposed to, including but not limited to, the following risks:

**Price Volatility Risk.** The market value of the investments made by the Firm on behalf of Advisory Clients may decline unexpectedly with changes in market rates of interest, default risk, general economic or political conditions, industry or investment specific developments, or the condition of financial markets. Different parts of the market and different types of investments can react differently to these developments. Every investment has some level of market volatility risk.

**Asset Selection Risk.** The market value of the investments made by the Firm on behalf of Advisory Clients may decline due to the Firm's error in judgment as to the true value of the investment or adverse developments the Firm fails to anticipate.

**Foreign Investment Risk.** Investments made by the Firm for Advisory Clients in assets based outside the US face the risks inherent in foreign investing. Adverse political, economic or social developments could undermine the value of the investments or prevent them from realizing their full value. Financial reporting standards for companies based in foreign markets differ from those in the US. Additionally, foreign securities markets generally are smaller and less liquid than US markets. With respect to investments in non-US dollar denominated foreign securities, changes in currency exchange rates may affect the US dollar value of foreign securities or the income or gain received on these securities. Foreign governments may restrict investment by foreigners, limit withdrawal of trading profit or currency from the country, restrict currency exchange or seize foreign investments. Investments may also be subject to foreign withholding taxes. Foreign transactions and custody of assets may involve delays in payment, delivery or recovery of money or investments.

**Credit Risk.** Investments into debt instruments made by the Firm are subject to credit risk. Credit risk refers to the likelihood that an obligor will default in the payment of principal or interest on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and debt instruments that are rated by rating agencies are often reviewed and may be subject to downgrade. The value of a debt instrument may decline because of concerns about an obligor's ability to make principal or interest payments.

For certain Advisory Clients the Firm actively seeks to make investments in securitized products, which may be backed by collateral comprised of debt investments consisting of both investment grade securities, rated Baa or higher by Moody's or BBB or higher by S&P, and lower-rated investments (non-investment grade), rated lower than Baa by Moody's or lower than BBB by S&P (or, if not rated, of comparable quality), including but not limited to "leveraged loans" and "high-yield" bonds. These investments are regarded as "high-yield" or "junk" and are seen as predominately speculative with respect to the obligor's continuing ability to meet principal and interest payments.



Analysis of the creditworthiness of obligors/issuers/issues of lower-rated investments, loans or bonds, may be more complex than for obligors/issuers/issues of higher quality. The investments of the Firm might incur a loss due to losses of the collateral backing the investments.

***Nature of Investments — Illiquidity.*** Certain investments the Firm makes for Advisory Clients, e.g. investments into securitized products and smaller corporate debt/loan issuances are generally less liquid and subject to greater liquidity risk than other obligations. This may have an adverse impact on the market value of certain investments the Firm makes on behalf of Advisory clients, and the Firm's ability to exit them. In particular, the Firm may from time to time invest in restricted, as well as thinly traded, instruments and securities (including privately placed securities and instruments, which are assets which are subject to Rule 144A). There may be no trading market for these securities and instruments, and the Advisory Clients might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, funds may be required to hold such instruments and securities despite adverse price movements.

***Interest Rate Risk.*** Rising interest rates will cause the prices of existing bonds in the market to fall. Longer maturity bonds will typically decline more than those with shorter maturities. If the Firm's clients hold longer maturity bonds and interest rates rise unexpectedly, their price could decline. Falling interest rates will cause a client's portfolio income to decline, as maturing bonds are reinvested at lower yields. Clients should expect their monthly income to fluctuate with changes in its portfolio and changes in the level of interest rates.

***Prepayment Risk.*** Most high-yield securities, leveraged loans, and structured credit investments may be fully or partially be prepaid by the issuer prior to final maturity. Clients may experience reduced income when an issuer prepays an instrument held by the client earlier than expected. This may happen during a period of declining interest rates.

***High Yield Security Risk.*** Investments, directly or indirectly, in high yield securities can involve a substantial risk of loss. These securities, which are rated below investment grade, are considered to be speculative with respect to the issuer's ability to pay interest and principal and they are susceptible to default or decline in market value due to adverse economic and business developments.

***Non-Diversification Risk.*** The concentration of investments in anyone instrument or obligor would subject an Advisory Client to a greater degree of risk with respect to defaults by such instrument or obligor, and the concentration of investments in anyone industry or country would subject an Advisory Client to a greater degree of risk with respect to economic downturns relating to such industry or country. Any concentration with respect to any particular instrument, obligor, industry or country could ultimately result in significant losses to an Advisory Client of the Firm.

***Sovereign Risk.*** The Advisory Clients of the Firm may invest in certain non-U.S. debt or equity instruments. Accordingly, the status, interpretation and application of the laws of a non- U.S. jurisdiction, or any changes thereto, may decrease the value of such investments. The value of these investments may also be adversely affected by the overall economy and financial market of a non-U.S. jurisdiction, as well as the actions or inactions of a governmental entity in such jurisdiction. Moreover, the conditions in one country or geographic region could adversely affect investments in a different country or geographic region, including the United States, due to increasingly interconnected global economies and financial markets.

***Participations Risk.*** The Firm may acquire for its Advisory Clients interests in loans indirectly by purchasing a participation interest from a selling institution. Holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan. Participations in a selling institution's



portion of a loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, the Funds and Accounts will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. By holding a participation interest in a loan, the Advisory Client generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the Advisory Client will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan.

**Public and Private "Side" Risk.** Loans are negotiated, structured, administered and, as the situation arises, amended on the basis of the borrower providing its lenders with confidential information about the borrower's business. At times, such information may contain material, non-public information. Under applicable law, the Firm and its related persons are prohibited from improperly disclosing or using material, non-public information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client of the Firm. However, investors in loans may choose whether to receive borrower information that contains material, non-public information. Investors that choose to participate on the "private side" (i.e., investors that choose to obtain borrower information that contains material, non-public information) generally may not purchase or sell (but may continue to hold) the public securities of the borrower (e.g., high-yield bonds, convertibles, equities) until such time as the information in the Firm's possession is no longer deemed material, non-public information. The Firm may participate on either the "private side" or "public side" (i.e., choose to obtain borrower information that does not contain material, nonpublic information). However, if the Firm participates on the "public side" to avoid such trading restrictions, the Firm will not have access to borrower information that may be advantageous to a Fund or Account. Furthermore, other market participants could have possession of, and benefit from, such information.

**Risks Particular to Investing in CLO Securities.** Any CLO securities may not be registered under the U.S. Securities Act of 1933, as amended and the Issuer will not register under the U.S. Investment Company Act of 1940, as amended. There will be no market for CLO securities and their transfer will be restricted. Investors must be prepared to hold such securities for an indefinite period of time. Any CLO issuer will be a newly formed special purpose vehicle with limited assets. Any CLO securities will be limited recourse obligations of their issuer. CLO Securities will not be guaranteed by any other person. Accordingly, investors must rely on available collections from a CLO issuer's portfolio investments and will have no other source for payment of their securities. The subordination of any class of CLO securities will affect their right to payment in relation to the more senior securities. Interruptions in payments to subordinated classes may occur. Any CLO securities issued by a CLO issuer designated as subordinated notes will be unsecured obligations of a CLO issuer. If any event of default occurs and more than one class of CLO securities is then outstanding, the controlling class (which will generally be the most senior class of securities) will be entitled to determine the exercise of remedies and could pursue remedies that are adverse to the interests of subordinate classes. However, some rights of the controlling class to cause liquidation of the issuer's assets will be limited. Following acceleration of CLO securities, payments of interest proceeds and principal proceeds from the CLO issuer's assets will generally be applied on a strict seniority basis.

The issuer of any CLO securities will be highly leveraged, which will increase risks to investors, particularly to investors in more subordinated classes of such securities. A CLO issuer's portfolio investments will possess inherent risks, including, among other things, credit, prepayment, liquidity and interest rate risk, the financial condition of the underlying obligors, general economic conditions, market price volatility, the condition of certain financial markets, political events and developments or trends in any particular industry.





Most of a CLO issuer's portfolio investments will be rated below investment grade. Below investment grade investments are particularly susceptible to these risks. Insolvency, lender liability and equitable subordination considerations with respect to the CLO issuer's portfolio investments could adversely affect the issuer's rights with respect to its portfolio investments.

A CLO issuer's portfolio may be subject to concentration risk. The issuer's actual portfolio investments may differ from its expected portfolio investments. A CLO issuer's performance will depend, in part, on the portfolio manager's performance with respect to the purchase and sale of the issuer's portfolio investments. A portion of such portfolio investments may amortize or prepay. The reinvestment period may terminate early. The issuer may not be able to reinvest available funds in appropriate portfolio investments, and the longer the period before investment or reinvestment of its funds in portfolio investments, the greater the adverse impact may be on interest collections and distributions by the issuer. Illiquidity and market value volatility of the issuer's portfolio investments and its own investment restrictions may restrict its ability to dispose of investments in a timely fashion and for a fair price. CLO securities may be subject to optional or mandatory redemption under certain circumstances. In certain circumstances, a CLO issuer may amend the indenture relating to its CLO securities without the consent of the holders of its CLO securities. Reliable sources of statistics regarding prepayments, default and recovery rates and market value volatility may not exist for certain portfolio investments and existing information may not be indicative of future performance. The portfolio manager may have conflicts of interest as a result of the overall investment activities of it, its investment professionals and its affiliates. The portfolio manager's entitlement to fees may create incentives for it to make decisions that are contrary to the best interests of investors. The portfolio manager's performance history is no guarantee, and may not be indicative, of a CLO issuer's future results. Because of different portfolio restrictions, structures and market conditions, among other things, the issuer's performance may differ markedly from that of other vehicles whose portfolios are managed by the portfolio manager. No assurance can be given that any particular individual will be responsible for managing the issuer's portfolio for any length of time. The loss of key portfolio manager personnel could have a material adverse effect on the issuer.

Illustrative cash flows, yields or returns, scenario analyses, expected portfolio composition and other "forward-looking" statements are based on assumptions that are unlikely to be consistent with, and may differ materially from, actual events, and no assurance can be given as to actual results. Interest rate risk inherent in the structure, including interest rate mismatches between a CLO issuer's securities and its portfolio investments, could adversely affect the issuer's cash flows. The duration of more subordinated securities will be affected by the average life of more senior securities (which is expected to be shorter than their stated maturity).

The imposition of unanticipated withholding taxes on a CLO issuer's assets or tax on its net income (as a result of changes in law or other causes) could materially impair the issuer's ability to make payments in respect of the securities. Holders of CLO securities may be subject to withholding on payments from those CLO securities or forced transfer of those CLO securities for failure to provide the related CLO issuer with certain tax information. Ratings assigned to CLO securities only address credit risk and are not a guarantee of quality. In addition, rating agencies may change their published criteria relating to CLO securities or leveraged loans, resulting in a reduction of their ratings of the CLO securities.

***Nature of Investments — Other Risks.*** Investments in securitized products, structured or alternative credit products (including, but not limited to leverage loans and High-yield debt investments) may be subject to a variety of risks not generally associated with other debt obligations, including but not limited to structural risk, lender liability and certain other risks.



**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE INVESTMENT RISKS THE FIRM AND ITS CLIENTS ARE EXPOSED TO AS A PART OF THE FIRMS BUSINESS.**

## **Item 9 Disciplinary Information**

This Item requests information relating to legal and disciplinary events in which the Firm or any supervised persons, as defined by the Advisors Act, have been involved that are material to client's or prospective client's evaluations of the Firm's advisory business or management. There is no reportable material legal or disciplinary events related to the Firm or any of its supervised persons. In the ordinary course of the Firm's business, the Firm, its affiliates and employees have not in the past been subject to any formal or informal regulatory inquiries, subpoenas, investigations, legal or regulatory proceedings involving the SEC, or any other regulatory authorities, including private parties and self-regulatory organizations (SRO).

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

### **Affiliated Broker-Dealers**

The Firm is not registered, nor has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. The Firm has no existing or pending affiliations with a broker-dealer or a registered representative of a broker-dealer.

### **Affiliated CPO and/or CTA**

The Firm is not registered, nor has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. The Firm has no existing or pending affiliations with a futures commission merchant, commodity pool operator, a commodity trading advisor.

### **Relationship or Arrangements with Affiliates and/or Related Persons**

The Firm has material relationships with the following related investment advisers, each related adviser under Rule 203A-2(b) of the Advisors Act and each under common control of the Firm: (i) Monroe Capital Management, LLC; (ii) Monroe Capital Partners Fund Advisors, Inc.; and (iii) Monroe Capital Partners Fund II Advisors, Inc.

The Firm has a material relationship with Monroe Capital BDC Advisors, LLC a registered investment adviser. Both, Monroe Capital BDC Advisors, LLC and the Firm are affiliated under common control. Monroe Capital BDC Advisors, LLC is an investment advisor to a U.S. close-end investment company registered under the 1940 Act and operating as Business Development Company ("BDC").

The Firm has an affiliation with the following entities through common control, in addition, each are a general partner to a Firm sponsored private investment fund: (i) Monroe Capital Partners Fund, LLC (ii) Monroe Capital Partners Fund II, LLC; (iii) Monroe Senior Secured Direct Loan Fund, LLC; and (v) Monroe FCM Loan Fund, LLC.

There are inherent conflicts of interest when a related person provides services to an adviser and its clients, in that such arrangements may not be conducted at "arm's length" and that the Firm may have an incentive





to favor a related person over an independent third party. The Firm generally does not recommend non-affiliated investment advisers to Clients or prospective Clients. *See Item 11 – Code of Ethics for a discussion of the Firm's policies and procedures, which are designed to minimize conflicts of interest.*

### **Conflicts Related to Affiliations and Other Legal Restrictions**

The Firm may be restricted by law, regulation, or contract as to how much of a particular security it may invest on behalf of a Client, and as to the timing of a purchase or sale. For example, holdings of a security on behalf of the Firm's Clients may, under some SEC or state regulations, be aggregated with the holdings of that security by its affiliates. These holdings, on an aggregate basis, could exceed certain regulatory reporting thresholds unless the Firm, as well as its affiliates, monitor and restrict additional purchases.

## **Item 11 Code of Ethics**

A copy of the Firm's code of ethics ("Code of Ethics") is available upon request to Clients or prospective clients.

The Code of Ethics is based upon the premise that all Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory services. The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Firm; (3) observe the Firm's personal trading policies so as to avoid "front-running" and other conflicts of interests between the Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Firm's Chief Compliance Officer, and that personnel who violate the Code of Ethics are subject to sanctions by the Firm, up to and including termination.

**Standards of Conduct:** The Firm and its access persons are expected to comply with all applicable federal and state laws and regulations. Access persons are expected to adhere to the highest standards of ethical conduct and maintain confidentiality of all information obtained in the course of their employment and bring any risk issues, violations, or potential violations to the attention of the Chief Compliance Officer. Access persons are expected to deal with Clients fairly and disclose any activity that may create an actual or potential conflict of interest between them and the Firm or Client.

**Ethical Business Practices:** Falsification or alteration of records or reports, also known as a prohibited financial practice, or knowingly approving such conduct is prohibited. Political contributions or payments to government officials or employees may not be furnished on behalf of the Firm. The Firm seeks to outperform its competition fairly and honestly and seeks competitive advantages through superior performance not illegal or unethical dealings. Access persons are strictly prohibited from participating in online blogging, unapproved communication with the media, and the spreading of false rumors pertaining to any publicly traded company.

**Confidentiality:** Employees must maintain the confidentiality of the Firm's proprietary and confidential information, and must not disclose that information unless the necessary approval is obtained. The Firm has a particular duty and responsibility, as investment adviser, to safeguard Client information. Information concerning the identity and transactions of investors is confidential, and such information will only be disclosed to those Employees and outside parties who may need to know it in order to fulfill their responsibilities.



**Gift and Entertainment Policy:** Access persons are permitted, on occasion, to accept gifts and invitations to attend entertainment events. When doing so, however, employees should always act in our best interests and that of our Clients and should avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of our business relationship.

## **Personal Trading**

**Personal Trading Policy:** Access persons are allowed to trade reportable securities, however all transactions in reportable securities must be pre-approved by the Chief Compliance Officer or his/her designee. Except in very limited circumstances approved by the Chief Compliance Officer, access persons are not permitted to trade any security of which we or the Fund own any portion of the capital structure or that is on our restricted list without permission. Access persons who violate the personal trading policy are reprimanded in accordance with the sanctions provisions outlined in the Code of Ethics. Personal securities transactions are reviewed by the Chief Compliance Officer or his/her designee for compliance with the personal trading policy and applicable SEC rules and regulations.

**Prohibition against Insider Trading:** The Firm forbids any access person from trading, either personally or on behalf of others, including Clients advised by the Firm, on material non-public information or communicating material non-public information to others in violation of the law or duty owed to another party. This conduct is frequently referred to as “insider trading”. The concepts of material non-public information, penalties for insider trading, and processes for identifying insider trading are addressed in detail in the Compliance Manual and Code of Ethics.

**Reporting Requirements:** In compliance SEC rules, access persons are required to disclose all of their personal brokerage accounts and holdings within 10 days of initial employment with the Firm, within 10 days of opening a new account, and annually thereafter. Additionally, the last day of the month following each quarter-end, all access persons must report all transactions in reportable securities over which the access person had any direct or indirect beneficial ownership. Access persons are also required annually to affirm all reportable transactions from the prior year.

**Privacy Policy:** The Firm has adopted a privacy policy that explains the manner, in which the Firm collects, utilizes and maintains nonpublic personal information about Clients. The Firm recognizes and respects the privacy concerns of their potential, current and former Clients. The Firm is committed to safeguarding this information. As a member of the financial services industry, the Firm will provide this Privacy Policy for informational purposes to Clients and Employees and will distribute and update it as required by law. The Privacy Policy is also available to upon request.

**Collection of Information and Disclosure of Nonpublic Personal Information:** To provide Clients with effective service, the Firm may collect several types of nonpublic personal information about Clients, including: (i) information from forms that Clients may fill out, such as subscription forms, questionnaires and other information provided by Clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications; (ii) information Clients may give orally; (iii) information about transactions within the Firm, including account balances, investments and withdrawals; (iv) information about the amount Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Clients; and (v) information about any bank accounts Clients may use for transfers to or from separately managed accounts (if applicable).



**Disclosure of Nonpublic Personal Information:** The Firm does not sell or rent Client information. The Firm uses this information to conduct business with its Clients: to develop or enhance its products and services; to understand the financial needs of its Clients so that the Firm can provide such Clients with quality products and superior service; and to protect and administer its Clients' records, accounts and funds. The Firm does not disclose nonpublic personal information about its Clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, the Firm may share nonpublic personal information in the following situations: (i) to service providers in connection with the administration and servicing of the Firm; this may include attorneys, accountants, auditors and other professionals. The Firm may also share information in connection with the servicing or processing of Client transactions; (ii) to affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through the Firm and to introduce Clients to other products and services that may be of value to such Clients; (iii) to respond to a subpoena or court order, judicial process or regulatory authorities; (iv) to protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and (v) upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

**Protection of Client Information:** The Firm's policy is to require that all Employees, financial professionals and companies providing services on its behalf keep Client information confidential. The Firm maintains safeguards that comply with federal standards to protect Client information. The Firm restricts access to the personal and account information of Clients to those Employees who need to know that information in the course of their job responsibilities. Third parties with whom the Firm shares Client information must agree to follow appropriate standards of security and confidentiality. The Firm's privacy policy applies to both current and former Clients. The Firm may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

**Changes to Privacy Policy:** The Firm may make changes to its privacy policy in the future. The Firm will not make any change affecting any Client without first sending to that Client a revised privacy policy describing the change.

## **Potential Conflicts**

The Firm, its affiliates and their respective officers, directors, trustees, stockholders, members, partners and employees and their respective funds and investment accounts (collectively, the "Related Persons") engage in a broad range of activities, including activities for their own account and for the accounts of Clients. This section describes various potential conflicts that may arise in respect of the Related Parties, as well as how we address such conflicts of interest. The discussion below does not describe all conflicts that may arise.

Any of the foregoing potential conflicts of interest will be discussed and resolved on a case by case basis. Our determination as to which factors are relevant, and the resolution of such conflicts, will be made using our best judgment, but in our sole discretion. In resolving conflicts, we will take into consideration the interests of the relevant clients, the circumstances giving rise to the conflict and applicable laws. Certain procedures for resolving specific conflicts of interest are set forth below.

## **Allocation of Investment Opportunities**

The Firm acts as investment adviser to Client's that have similar investment objectives and pursue similar strategies. Certain investments identified by the Firm may be appropriate for multiple



Clients. Investment decisions for such Clients are made by the Firm in their best judgment, but in their discretion, taking into account such factors as they believe relevant. Such factors may include investment objectives, regulatory restrictions, current holdings, availability of cash for investment, the size of investments generally, and limitations and restrictions on a Client's Account that are imposed by such client. A particular investment may be bought or sold for only one Client or in different amounts and at different times for more than one but less than all Clients, even though it could have been bought or sold for other Clients at the same time. Likewise, a particular investment may be bought for one or more Clients when one or more other Clients are selling the investment. In addition, purchases or sales of the same investment may be made for two or more Clients on the same date. There can be no assurance that a Client will not receive less (or more) of a certain investment than it would otherwise receive if the applicable Related Advisors did not have a conflict of interest among clients.

In effecting transactions, it is not always possible, or consistent with the investment objectives of the Firm's various clients, to take or liquidate the same investment positions at the same time or at the same prices. Certain investment restrictions may limit the Firms' ability to act for a client and may reduce performance. Regulatory and legal restrictions (including restrictions on aggregated positions) may also restrict the investment activities of the Firm and result in reduced performance.

The Firm seeks to manage and/or mitigate these potential conflicts of interest described by following procedures with respect to the allocation of investment opportunities their Clients, including the allocation of limited investment opportunities. Our allocation policy is based on a fundamental desire to treat each Client account fairly over time.

It is the Firm's policy to allocate investments among the accounts of its Clients in a manner which it believes to be fair and equitable. Allocations of investment opportunities should not be based on any of the following, or similar, reasons: (i) to generate higher fees paid by one account over another, or to produce greater fees to the Firm; (ii) to develop a relationship with a Client or prospective Client; or (iii) to compensate a Client for past services or benefits rendered to the Company or any Employee of the Firm or to induce future services or benefits to be rendered to the Firm or any Employee of the Firm.

The Firm's policy, where an opportunity to purchase or sell an investment is appropriate for more than one Client, is to aggregate Client orders when doing so is likely to result in a better overall price or reduced cost for the Client trade. Consistent with its fiduciary duties, the Firm allocates trades to its Clients on an equitable basis as set forth in this policy. Each Client who participates in an aggregated order participates at the average price with all transaction costs shared on a pro rata basis pursuant to these written procedures.

In determining how an investment opportunity is allocated, the Firm may take into account the following considerations: (i) the size, nature and type of investment or sale opportunity; (ii) the investment guidelines and restrictions of the Client; (iii) regulatory and contractual requirements; (iv) pre-determined tactical plan of a Client or Clients and corresponding capital commitments; (v) the cash position of the Client; (vi) liquidity needs/constraints of the Client; (vii) asset/liability management; (viii) minimum trade denominations; (ix) a determination by the portfolio manager that the investment or sale opportunity is inappropriate, in whole or in part, for one or more of the Clients; (x) restrictions under ERISA or other applicable regulations; (xi) tax issues; (xii) the size of a Client's account; (xiii) client risk tolerance; and (xiv) such other factors as the portfolio manager deems relevant.



If all investment orders placed for Client accounts cannot be fully executed under prevailing market conditions, then the securities traded should be allocated among Client accounts a manner the Firm deems to be equitable, taking into account the size of the order placed for each account and any other relevant factors.

Client directed or other restrictions may affect the allocation of an order. If a client directed restriction is placed on a particular security or group of securities the order will be allocated to the other participating accounts as described above.

The Firm formulates written allocation plans in the form of order memoranda based on the investment guidelines, current exposure levels of each Client and other factors set forth above across the various Client accounts including any ERISA Accounts. When a new investment is being made, the Firm allocates investment opportunities among those Clients based upon the percentages determined by the plan.

### **Position Conflicts**

Another type of conflict may arise if we cause one Client account of the Firm to buy a security and another client account to sell or short the same security. Currently, such opposing positions are not permitted within the same account or within any accounts managed by the same portfolio manager without prior trade approval by the Chief Compliance Officer. In addition, transactions in investments by one or more affiliated client accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of other client accounts.

Generally, the Firm does not purchase, sell or hold securities on behalf of Clients contrary to the current recommendations made to other affiliated Client accounts. However, because certain Client accounts may have investment objectives, strategies or legal, contractual, tax or other requirements that differ (such as the need to take tax losses, realize profits, raise cash, diversification, etc.), the Firm may purchase, sell or continue to hold securities for certain client accounts contrary to other recommendations. In addition, the Firm may be permitted to sell securities or instruments short for certain Client accounts and may not be permitted to do so for other affiliated Client accounts.

### **Cross Trading**

In an effort to reduce transaction costs, increase execution efficiency, and capitalize on timing opportunities, we may execute cross trades, or sell a security for one affiliated client to another affiliated client, without interposing a broker-dealer. All cross trades are subject to the cross trade procedures set forth in our Compliance Manual. Cross trades, however, may present an inherent conflict of interest because we and/or our affiliates represent the interest of the buyer and seller in the same transaction. As a result, clients involved in a cross trade bear the risk that the price obtained from a cross trade may be less favorable than if the trade had been executed in the open market.

### **Trade Aggregation**

In some circumstances, the Firm may seek to buy or sell the same securities contemporaneously for multiple Client accounts. The Firm may, in appropriate circumstances aggregate securities trades for a Client with similar trades for other Clients, but are not required to do so. In particular,



the Firm may determine not to aggregate transactions that relate to portfolio management decisions that are made independently for different accounts or if the Firm determines that aggregation is not practicable, not required or inconsistent with Client direction. When transactions are aggregated and it is not possible, due to prevailing trading activity or otherwise, to receive the same price or execution on the entire volume of securities purchased or sold, the various prices may be averaged or allocated on another basis deemed to be fair and equitable. In addition, under certain circumstances, the Clients will not be charged the same commission or commission equivalent rates in connection with a bunched or aggregated order. The effect of the aggregation may therefore, on some occasions, either advantage or disadvantage any particular client.

From time to time, aggregation may not be possible because a security is thinly traded or otherwise not able to be aggregated and allocated among all affiliated client accounts seeking the investment opportunity or a client may be limited in, or precluded from, participating in an aggregated trade as a result of that Client's specific brokerage arrangements. Also, an issuer in which Clients wish to invest may have threshold limitations or aggregate ownership interests arising from legal or regulatory requirements or company ownership restrictions, which may have the effect of limiting the potential size of the investment opportunity and thus the ability of the applicable client to participate in the opportunity.

### **Conflicts Related to Valuation**

The Firm may have a role in determining asset values with respect to Client accounts and may be required to price an asset when a market price is unavailable or unreliable. This may give rise to a conflict of interest because the Firm may be paid an asset-based fee on certain Client accounts. In order to mitigate these conflicts, the Firm determines asset values in accordance with valuation procedures, which are set forth in the Firm's Compliance Manual.

### **Approach to Other Potential Conflicts**

Various parts of this Brochure discuss potential conflicts of interest that arise from our asset management business model. We disclose these conflicts due to the fiduciary relationship we have with our investment advisory Clients. As a fiduciary, the Firm owes its investment advisory Clients a duty of loyalty. This includes the duty to address, or at minimum disclose, conflicts of interest that may exist between different Clients; between the Firm and Clients; or between our employees and our Clients. Where potential conflicts arise, we will take steps to mitigate, or at least disclose, them. Conflicts that we cannot avoid (or chose not to avoid) are mitigated through written policies that we believe protect the interests of our Clients as a whole. In these cases – which include issues such as personal trading and Client entertainment – regulators have generally prescribed detailed rules or principles for investment firms to follow. By complying with these rules, using robust compliance practices, we believe that we handle these conflicts appropriately. These interactions are not static; our business is continually evolving and changes in the Firm's activities can lead to new potential conflicts. We review our policies and procedures on an ongoing basis to evaluate their effectiveness and update them as appropriate.





## **Item 12 Brokerage Practices**

### **Selecting or Recommending Broker-Dealers**

Consistent with its duty to obtain “best execution” for its Advisory Clients, the Firm exercises this discretion by seeking the best information, research and other services available. The Firm does not recognize an obligation to obtain the lowest priced execution regardless of qualitative considerations in selecting brokers or dealers to execute transactions, but will generally seek the most favorable total transaction costs under the circumstances. The Firm does not solicit competitive bids on each transaction to seek the lowest available commission costs, but rather may take into account the full range and quality of services that benefit Advisory Clients when selecting a broker.

In selecting brokers and negotiating commission rates, the Firm may take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although the Advisory Clients on whose behalf trades are entered may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or other services provided in return. Finally, it is noted that since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may result in higher transaction costs than would otherwise be obtainable.

### **Soft-Dollars Arrangement**

It is not the practice of the Firm to exclusively negotiate “execution only” commission rates, thus the Advisory Clients may be deemed to be paying for research and other services provided by the broker which are included in the commission rate.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a “safe harbor” that permits an investment manager to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. The Firm will limit the use of “soft dollars” to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e).

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); due diligence provided by third-party research providers and/or broker-dealers which the Firm may or may not execute trades through; certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services that may be required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.



Brokers may sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker may be less than the suggested allocations or may exceed the suggestions because total brokerage is allocated on the basis of all the considerations described above. A broker will not be excluded from receiving business simply because it has not been identified as providing research services.

In some instances, the Firm may receive a product or service that may be used only partially for functions within Section 28(e). In such instances, the Firm will make a good faith effort to determine the relative proportion of the product or service used to assist the Firm in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Firm in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Firm from its (or their) own resources.

The Firm has the right, at its discretion, to change the brokerage arrangements described above without further notice to investors.

As of the date of this ADV, the Firm does not use "Soft Dollars".

### **Brokerage for Client Referrals**

The Firm does not consider, in selecting or recommending a broker dealer, whether the Firm or a related person receives Client referrals from that broker-dealer.

### **Directed Brokerage**

The Firm does not accept Clients who require the Firm to execute transactions through a specified broker-dealer. Clients may recommend that the Firm uses their preferred broker-dealer(s). The Firm will use such broker-dealer(s) subject to its determination that said broker-dealer provides best execution of the client transactions.

### **Aggregation (Bunching) of Trades**

Transactions in investment advisory accounts are normally implemented on a consistent basis across accounts. In order to accomplish this, orders are aggregated (bunched) and allocated pro-rata to the nearest round lot. Bunching avoids placing competing orders, improves order management, and may, because of larger order size, permit some degree of price improvement relative to a series of individually placed orders. *See Item 11 – Code of Ethics for more information about Trade Aggregation conflicts of interest.*

## **Item 13 Review of Accounts**

### **Periodic Account Review**

Theodore L. Koenig, Managing Member and Chief Executive Officer, Michael J. Egan, Chief Operating Officer and Chief Investment Officer, Jeremy VanDerMeid, Managing Director and Portfolio Manager, Zia Uddin, Managing Director and Portfolio Manager, Thomas Aronson, Managing Director, and David H. Jacobson, Chief Compliance Officer and Chief Financial Officer of the Firm, are ultimately responsible for





the Advisory Clients. It should be noted that the Firm may delegate certain portfolio management and responsibilities to designated Firm employees.

The portfolio manager responsible for an Advisory Client ensures that account activity is reviewed on a regular basis and that account guidelines and certain account restrictions are being followed. The portfolio managers may designate other Firm employees to review accounts.

In addition, the Chief Compliance Officer will periodically review the trade policies and procedures to ensure that it represents the Firm's current practices and (to the best of its reasonable knowledge and belief) is in conformity with applicable law and regulations. The Firm has written trade allocation procedures in place which were designed to seek to ensure that all investors and Advisory Clients are treated fairly.

### **Client Reports**

Generally, Advisory Clients will receive monthly reports for their accounts. Depending on the contractual details of the engagement, the Firm may provide performance reports, holding reports and/or market commentary on a regular basis. Investors in the Firm's Structured Product Vehicles products will in general receive a monthly Trustee Report as well as quarterly Note Payment Reports provided by the trustee of the CLO managed by the Firm.

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

The Firm may compensate third parties for Client referrals (each a "Solicitor"). Before making payments for any referral, the Adviser requires each "solicitor" to enter into a written referral agreement. The Firm may pay the solicitor a portion of its own fee received from Clients introduced by that third-party marketer or salesperson for the length of the term of the Client's account with the Firm. Typically, this fee is representative of a percentage of assets under management and as a percentage of any other fees earned by the Firm calculated by an agreed-upon formula. The Adviser may also pay certain expenses incurred by the solicitor for services performed on behalf of the Adviser.

The solicitor is required to present to any prospective Client (other than potential hedge fund or private investment fund investors) a document including: the name of the solicitor; the name of the investment advisor he represents (e.g. Advisor); the nature of the relationship, including disclosure of any affiliation between the solicitor and the Advisor; a statement that the solicitor will be compensated by the Advisor, including the terms of that compensation arrangement; and the amount, if any, of the cost of obtaining the account that the client will be charged in addition to the Advisor's advisory fee, including the differential, if any, among Clients with respect to the amount of advisory fees if such differential is attributable to the existence of any arrangement pursuant to which the Advisor has agreed to compensate the solicitor.

All arrangements will comply with the conditions and requirements of Rule 206(4)-3 under the Advisers Act.

## **Item 15 Custody**

If needed, the Firm will maintain the assets of the Advisory Clients in accounts with a "qualified custodian" pursuant to Rule 206(4)-2 under the Advisers Act and notify clients in writing of the qualified custodian's name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information. In regards to the services the Firm provides currently to its



Advisory Clients, the Firm is of the view that it has custody for two private investment funds. The Firm may have custody over additional Advisory Clients in the future. The Firm maintains such assets of the Advisory Clients in accounts with a “qualified custodian” pursuant to Rule 206(4)-2 under the Advisers Act.

## **Item 16 Investment Discretion**

The Firm generally manages client assets in a discretionary basis with the authority to determine what investments are made for each Client, as well as when and how they are made. For certain Clients, their assets may be invested in one or more portfolios based on prior discussion in regards to a model portfolio, but Clients also may impose reasonable restrictions, limitations or other requirements with respect to their individual accounts as outlined in the respective investment guidelines of the Client's Account.

## **Item 17 Voting Client Securities**

### **Proxy Voting Authority**

The Firm understands and appreciates the importance of proxy voting and will generally manage the receipt of incoming proxies, maintain a log of all proxies, and place votes based on established policies and guidelines. In the course of exercising discretion to vote a proxy, the Firm will vote any such proxies in the best interests of Advisory Clients and in accordance with the procedures outlined below (as applicable).

Prior to voting any proxies, the Firm's Chief Compliance Officer will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Compliance Officer will then make a determination (which may be in consultation with a third-party compliance consultant) as to whether the conflict is material or not. If no material conflict is identified pursuant to its set procedures, the Chief Compliance Officer will, following discussion with the Firm's investment personnel, make a decision on how to vote the proxy in question.

The Firm also has the flexibility to abstain from a particular proxy vote when it is determined to be in the best interest of investors.

Please let the Firm's Chief Compliance Officer know if you have any questions about these procedures or if you would like detailed information of how any proxies were actually voted. The Chief Compliance Officer can be contacted at (312) 258-8300 or [info@monroecap.com](mailto:info@monroecap.com).

## **Item 18 Financial Information**

The Firm does not solicit prepayment of more than \$1,200 in fees per Client six months or more in advance, and thus has not provided a balance sheet according to the specifications of 17 CFR Parts 275 and 279.

There is no financial condition that is reasonably likely to occur that would impair the Firm's ability to meet contractual commitments to Clients. The Firm has not been the subject of a bankruptcy petition during the past ten years.

