

Form ADV Part 2A Brochure



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This brochure provides information about the qualifications and business practices of Monashee Investment Management, LLC ("Monashee"). If you have any questions about the contents of this brochure, please contact us at (617) 854-9197 or admin@monasheecap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Monashee is available on the SEC's website at www.adviserinfo.sec.gov. Registration as an investment adviser pursuant to the Investment Advisers Act of 1940 (the "Advisers Act") does not imply any level of skill or training.

Item 2: Material Changes

There have been no material changes to the Firm or its business model since the last annual update on January 21, 2018.

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Item 4: Advisory Business

Monashee Investment Management, LLC (“Monashee” or the “Investment Manager”), was established in September 2011, and provides investment management services on a discretionary basis to certain privately offered pooled investment vehicles. The principal owner is Monashee Holdings, LLC, which represents the interests of the managing principals, Gerald E. Coughlan and Thomas J. Wynn (the “Principals”) and a minority shareholder.

Monashee Capital GP LLC, a Delaware limited liability company, is the general partner (the “General Partner”) of Monashee Capital Master Fund LP, Monashee Capital Partners LP, Monashee International LTD, Monashee Pure Alpha Master Fund LP, Monashee Pure Alpha Offshore Fund, Ltd. and Monashee Pure Alpha Capital Partners LP and is responsible for their overall management. Monashee, a Delaware limited liability company that is an affiliate of the General Partner, is the investment manager to the Funds and is responsible for the management of the Funds’ portfolio pursuant to the terms of an investment management agreement between each of the Funds and the Investment Manager. Monashee Holdings, LLC is the sole member of Monashee and the General Partner. The Principals, each of whom indirectly controls a majority of the voting interests in the General Partner and the Investment Manager through their ownership interests in Monashee Holdings, LLC, are responsible for the management of the Funds’ portfolio. Monashee also serves as a subadviser to unaffiliated private funds (i.e. separately managed accounts).

Monashee has full discretionary authority with respect to the investment decisions for the Funds and the separately managed accounts, and its advice is made in accordance with the investment objectives and guidelines as set forth in each Fund’s confidential offering memorandum. For U.S. offerings, the Funds and the separately managed accounts are generally managed on a “pari-passu” basis, meaning that they are managed together and in the same style. For non-U.S. offerings, the Monashee Pure Alpha Master Fund LP and the separately managed accounts are managed “pari-passu”. However, securities in the Funds are not identical and allocations between the Funds are not always pro-rata due to Fund specific investment strategies, restrictions, and guidelines. All entities/accounts managed by Monashee will generally be referred to as “Funds” throughout this brochure. “Investor” refers to any limited partner in any of the above referenced funds or a separately managed accounts.

As of December 31, 2018, Monashee’s discretionary regulatory assets under management were approximately \$1,081,492,297.

Item 5: Fees & Compensation

Monashee receives fees for investment advisory services based on the amount of assets under management and as disclosed in the respective Fund offering documents and investment management agreements. The Funds are payable quarterly in advance. Fees for any separately managed accounts are negotiated on a case-by-case basis. Management fees are calculated by a third-party administrator and deducted from each investor's capital account. Investors in a Fund who withdraw at any time, other than at the end of a calendar quarter, shall not be reimbursed a portion of the management fee. The General Partner also receives from each Fund an annual performance-based allocation (refer to "Item 6 - Performance Based Fees and Side-by-Side Management" below for additional information).

Monashee has discretion to charge management fees that are different than what is disclosed in the applicable Fund offering documents and investment management agreements and which may be payable on different terms. Monashee has discretion to waive, reduce or rebate the management fee with respect to the investment of one or more investors without notifying the other investors in the applicable Fund, provided that no such waiver or reduction will adversely impact any other investor or cause such investor to bear a higher portion of the management fee than would bear absent such waiver, reduction or rebate.

Other Fees

- In addition to the management fee and Performance Allocation (as defined below), pursuant to the offering documents and investment management agreements, the Funds will bear expenses associated with their investments and operations. These include, among others: brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, research expenses (including related travel expenses), legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and variation margin, interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, legal expenses, audit and tax preparation expenses, accounting fees, fees and expenses of an administrator, fees and expenses for risk management services, insurance expenses including costs of any liability insurance obtained on behalf of the Fund, indemnification expenses, the management fee, regulatory costs and expenses (including filing and license fees), any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees, costs of reporting and providing information to investors in the applicable Fund, and costs of litigation or investigation involving Fund activities, and any extraordinary expenses.

Potential investors should review the offering documents of each Fund for additional disclosure regarding the expenses that will be borne by such Fund.

Item 12 further describes the factors that Monashee considers in selecting or recommending broker-dealers for transactions and determining the reasonableness of their compensation (i.e., commissions).

Item 6: Performance Fees & Side-by-Side Management

Monashee receives an annual performance allocation from each Fund (the “Performance Allocation”) in an amount equal to 20% of the excess net realized and unrealized profits over net realized and unrealized losses attributable to each Fund during each fiscal year (in each case, subject to a “high water mark”). If an investor withdraws completely or partially from a Fund at a time other than at the end of the fiscal year, the performance allocation with respect to that investor for that year will be determined with respect to the portion being withdrawn through the applicable withdrawal date. Monashee has discretion to charge performance allocations that are different than what is disclosed in the applicable Fund offering documents and investment management agreements and which may be payable on different terms.

The Performance Allocation may create an incentive for Monashee to make more speculative investments than would otherwise be made or make decisions regarding the timing and manner of realization of investments differently than if such allocations were not received.

Monashee recognizes that a conflict of interest could exist if, in any time period, one fee structure would cause higher fees to Monashee than the other fee structure, which may create an incentive to favor the account that would pay the higher fees. To address this conflict, Monashee typically allocates investment opportunities within each strategy on a pro rata basis, based on each Fund’s assets and investment strategy. In addition, separately managed accounts may impose additional investment restrictions which may impact allocation of investment opportunities. Monashee has policies and procedures in place for allocating investments to clients in a fair and equitable manner.

Side Letters

Monashee may enter into side letters with one or more investors in certain private funds which have established different rights or privileges with respect to various items, including but not limited to, liquidity, management fees, performance allocation fees, transparency, reporting, capacity and key man. Monashee may enter into such side letters without approval from, or notice to, any investor.

Item 7: Types of Clients

Monashee provides investment advisory services to privately-offered pooled investment vehicles and separately managed accounts. A minimum initial investment of \$500,000 is generally required to invest in Monashee Capital Partners LP and Monashee International LTD. A minimum initial investment of \$5,000,000 is generally required to invest in Monashee Pure Alpha Capital Partners LP and Monashee Pure Alpha Offshore Fund, Ltd. However, the General Partner, in its sole discretion, may accept an investment of a lesser amount or may decline to accept the subscription of any prospective investor. Investment minimums for separately managed accounts are in accordance with the agreed upon terms in the corresponding investment management agreement.

Generally, investors in Monashee Capital Partners LP and Monashee International LTD. must each be (i) an “accredited investor,” as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended, and (ii) a “qualified client,” as that term is defined in Rule 205-3 under the Advisers Act. Investors in Monashee Pure Alpha Capital Partners LP and Monashee Pure Alpha Offshore Fund, Ltd. must each be a “qualified purchaser” as that term is defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended. Investors in the Funds may include, but are not limited to, high net worth individuals, family offices, funds of hedge funds, endowments, foundations, trusts, estates, charitable organizations, pension plans, limited partnerships, limited liability companies and similar entities.

Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

The investment objective of each Fund is to seek to provide consistently stronger returns than the broader equity markets. Monashee intends to achieve this objective for each Fund by investing systematically in the equity securities of companies raising new equity capital globally or via secondary offerings, block trades, registered direct offerings and PIPEs where a significant shareholder seeks to sell a secondary position. Monashee will seek to capture the discount inherent in equity new issues, including both offerings by companies that are already publicly traded (“follow-ons”) and initial public offerings (“IPOs”).

Monashee seeks to harvest systematically the new issue discount which is a permanent feature of the global equity capital markets (“ECM”). Positions are acquired via both allocations and after-market purchasing. Monashee maintains a proprietary data base which provides real time insights into the deal dynamics of newly issued securities.

Monashee believes that its exclusive focus on this asset class is unique and provides investors with pure play exposure to the structural discount which exists in the equity new issue markets.

Investment in each Fund involves a significant degree of risk including the loss of capital. Each potential investor should carefully evaluate the following considerations before investing in either Fund.

Material Risks

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds advised by Monashee. These risk factors include only those risks Monashee believes to be material, significant or unusual and relate to particular significant investment strategies, methods of analysis or types of securities used by Monashee. For a more detailed list of risk factors applicable to a particular Fund, please refer to the relevant Fund's offering memorandum.

Risks of Purchasing Securities of Initial Public Offerings: Each Fund will purchase securities that are part of initial public offerings. The prices of these securities may be very volatile and the securities will have unseasoned trading. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for a Fund to trade these securities without unfavorably impacting their prices. Some of the equity securities in which a Fund invest are expected to be “new issues”. As such, investors that are “restricted persons” under applicable Financial Industry Regulatory Authority, Inc. (“FINRA”) rules will not be permitted to participate or to participate fully in the returns from such “new issues”.

See Item 12 Brokerage Practices for a further description the firm’s policy regarding the participation of “restricted persons” in “new issues”.

Competition; Availability of Investments Opportunities: The market for follow-ons and IPOs in which each Fund will invest are extremely competitive for attractive investment opportunities (including being oversubscribed or only available in very limited quantities) and, as a result, there may be reduced expected investment returns for the Funds. Among other factors, competition for suitable investments from other pooled investment vehicles and other investors may reduce the availability of these investment opportunities. There can be no assurance that Monashee will be able to gain access or successfully pursue these investment opportunities.

Small and Mid-Cap Issuers: A portion of each Fund’s assets are anticipated to be invested in securities of small and mid-cap issuers. While, in the Monashee’s opinion, the

securities of small and mid-cap issuers may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, small and mid-cap issuers often have limited operating histories, product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and, thus, may create a greater chance of loss than investments in securities of larger-cap issuers. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

PIPEs and Similar Investments: Each Fund may invest its assets in so-called “PIPE” transactions, in which a private purchase of common stock or a security convertible into common stock is anticipated to be followed shortly by a registered public offering of such common stock, or of common stock of the same class. As securities sold in a PIPE transaction will generally be restricted only for the period from the private sale until the issuer’s registration statement with the SEC covering resale of such securities becomes effective, the Funds may pay more for such securities than for other private placement securities. If the issuer is unable to obtain an effective resale registration statement for a PIPE, the PIPE will remain restricted under U.S. securities laws (subject to the availability of some other exemption) and Monashee may be unable to recover from the issuer an amount sufficient to compensate the Funds for the loss of liquidity of such security.

Equity Securities of Growth Companies: A portion of each Fund’s assets may be invested in equity securities of companies that Monashee believes have potential for capital appreciation significantly greater than that of the market averages, so-called “growth” companies. The market capitalization of the growth companies in which the Funds will invest may range from small to large capitalizations. Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations. Securities of growth companies may be traded in the OTC markets. While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volume than exchange-listed securities. The values of these securities may fluctuate more sharply than exchange-listed securities, and Monashee may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.

Transaction Execution and Costs: Purchases and sales of investments may be frequent and may result in higher transaction costs to the Funds. In addition, in many cases relatively narrow spreads may exist between the prices at which the Funds will purchase and sell particular positions. The successful application of Monashee’s investment strategy will therefore depend, in part, upon the quality of execution of transactions, such

as the ability of broker-dealers to execute orders on a timely and efficient basis. Although Monashee will seek to utilize brokerage firms that will afford superior execution capability, there is no assurance that all transactions will be executed with optimal quality. Furthermore, due to the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of the Funds, may therefore be expected to be a factor in determining future profitability of the Funds.

Item 9: Disciplinary Information

Monashee has no legal or disciplinary events to report that would impact the evaluation by an investor or prospective investor of Monashee's advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

None of Monashee, its partners, members or employees are registered, nor do any of the foregoing have any application pending to register, with the SEC as a broker-dealer or a registered representative of a broker-dealer.

The General Partner is an affiliate of Monashee and serves as general partner to each of the Funds. Monashee, the General Partner, their members, principals, managers, affiliates and employees may engage in other activities, including providing investment management and advisory services to other accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to each Fund and its affairs. Monashee, the General Partner, their members, principals, managers, affiliates and employees are not restricted from forming managed accounts or other investment partnerships or funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Funds and/or may involve substantial time and resources of one or more of the Monashee, the General Partner, their members, principals, managers, affiliates and employees. These activities could be viewed as creating a conflict of interest in that the time and effort of the Monashee, the General Partner, their members, principals, managers, affiliates and employees will not be devoted exclusively to the business of the Funds, but will be allocated between the business of the Funds and other business activities of the Monashee, the General Partner, their members, principals, managers, affiliates and employees.

Monashee and any of its affiliates may give advice or take action with respect to any of the other accounts (including those that have investment objectives and/or investment strategies similar to a Fund's) which may be the same as or differ from the advice given

or the timing or nature of any action taken with respect to investments of the Funds. Allocation of investment opportunities among the Funds and other accounts managed by Monashee or one of its affiliates, will be made by Monashee based upon the investment objectives and investment portfolio of each Fund and such other accounts.

The members, principals, managers, affiliates and employees of Monashee and the General Partner may trade in securities for their own accounts, subject to restrictions and reporting requirements as may be required by law or otherwise determined from time to time by the General Partner or Monashee as the case may be. As a result of differing trading and investment strategies or constraints, positions may be taken by members, principals, managers and employees of Monashee that are the same as, different from, or made at a different time than positions taken for a Fund. A Fund may engage in certain transactions with its affiliates provided the terms thereof are commercially reasonable.

Monashee has certain responsibilities with respect to valuing securities and other assets of each Fund. The General Partner has ultimate responsibility for valuing each Fund's securities. A conflict may arise with respect to this responsibility given the management fee to be paid to Monashee and the performance allocation to be earned by the General Partner. Such compensation arrangement may create an incentive for Monashee, to make investments that are riskier or more speculative than would be the case if such were not in effect.

Item 11: Code of Ethics

Monashee has adopted a Code of Ethics (the "Code") for all supervised persons of the firm describing its high standards of business conduct and fiduciary duty to its clients. The Code includes provisions relating to, among other things, the confidentiality of client information, a prohibition on insider trading, guidelines surrounding gifts and business entertainment items, personal securities trading, conflicts of interest. All supervised persons must acknowledge the terms of the Code initially upon hire as well as annually, or as amended.

The Monashee funds investment strategy is focused on initial public offerings (IPOs). Therefore, employees are prohibited from transacting in IPOs in their own personal accounts or any account in which they have a beneficial interest, including accounts for any immediate family or household members.

Employee personal trading is limited to treasury securities, municipal bonds, mutual funds, exchange trade funds (ETFs), and options on such securities. If the employee already holds the security they will not be required to sell it, but will not be permitted to sell such security without pre-approval.

Transactions are reported to the CCO in accordance with the reporting requirements outlined in the Code and personal trading is continually monitored in order to reasonably prevent conflicts of interest between Monashee and its investors.

We will provide a copy of the Code to investors upon request.

Principal and Cross Transactions

It is Monashee's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts.

Item 12: Brokerage Practices

Monashee considers best execution to encompass the most favorable overall cost or proceeds that can be reasonably obtained for a transaction under current circumstances surrounding the trade. The Monashee Funds participate in domestic and global Initial Public Offerings and Follow-on offerings where there is limited availability of shares (collectively "Limited Offerings"). Such participation is subject to the appropriateness of the security being offered for the Funds' investment strategy and the eligibility of client accounts to participate. These types of offerings are brought to market by a limited number of brokers, and as a result, may be the determining factor in the selection of a broker.

For other types of securities traded, Monashee has discretion over what securities and the amount thereof to be bought and sold, the broker or dealer to be used as well as the commission rates to be paid. In keeping with our fiduciary duties to the Funds, we seek "best execution" in effecting trades for the Funds. In general, this means we seek to effect transactions for the Funds in a way that the total cost or proceeds to the Funds of each transaction is the most favorable under the circumstances. "Best execution" is not measured solely by reference to commission rates or price. Paying a broker a higher commission than rates charged by other brokers may be appropriate when the difference in commission rates is reasonably justified by the value of the brokerage services obtained for the Funds. Nonetheless, Monashee pays the same commission rate for all trades, regardless of whether it receives soft dollar benefits.

The primary consideration in placing transactions with particular broker-dealers is to obtain execution in the most effective manner possible. Also taken into account are a variety of other factors, including financial strength, integrity and stability of the broker-dealer, the commissions to be paid, the quality comprehensiveness and frequency of available research and other products and services considered to be of value.

Monashee reserves the right to use soft dollars to pay for research and brokerage services so long as such usage meets the safe harbor criteria of Section 28(e) of the Securities Exchange Act of 1934, as amended, which provides, in summary, that it is not a breach of

fiduciary duty for an adviser to cause an account to pay a commission in excess of the lowest rate available if the adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided.

Currently, Monashee has three (3) soft dollar arrangements pursuant to which the Firm receives products and services created or developed by a third-party. The use of soft dollars may create conflicts of interest. First the use of externally-developed research supplements and may at time partially supplant the research we perform internally. Because the Funds are responsible for both research expenses and brokerage commissions, the cost of external research is borne by the Funds rather than the Adviser regardless of the means of payment. This may cause the Funds, and therefore investors, to pay higher commissions than those charged by other broker-dealers. Our use of external research, obtained through soft dollars, could be deemed to create a conflict of interest to the extent it creates an incentive for the Adviser to choose brokers-dealers based on an interest in receiving research and other services rather than the investors' interest in receiving most favorable execution. Soft dollar benefits are used to service all of Monashee's client accounts. The products and services received include, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; and statistics and pricing or appraisal services, discussion with research personnel, special execution capabilities, order of call and the availability of stocks to borrow for short trades.

Monashee does not currently participate in any directed brokerage arrangements and does not select brokers based upon client referrals.

Trade Aggregation and Allocation

Generally, the Funds and the separately managed accounts are managed on a "pari-passu" for U.S. offerings. For non-U.S. offerings, the Monashee Pure Alpha Master Fund LP and the separately managed accounts are managed "pari-passu". The Funds and sub-advised assets are managed with the intent of creating pro rata allocations based upon the net asset value and the notional value of the separately managed accounts. However, position weighting may vary over time due to capital flows of the Funds, Fund specific investment limitations and restrictions or other constraints that may limit our ability to purchase and sell securities or to maintain certain security weighting or position sizes. Execution prices for identical securities purchased or sold on behalf of multiple accounts in any one business day may be (but are not required to be) averaged. In such instances, allocation of prices, as well as expenses incurred in the transaction, will be made in a manner that Monashee considers to be equally as favorable to the Funds as to any other party.

In the case of Limited offerings, demand for shares may exceed the supply available for distribution. In addition, the amount of the issue allocated to the firm and the price may

not be known at the time an initial allocation to client accounts would normally be made. For these reasons, final allocation may not be feasible until after Monashee determines the amount and price of the shares allocated to Monashee by the underwriters.

New Issues

The Funds will purchase “new issues”, as defined in Rule 5130. Rules 5130 and Rule 5131 each identify certain persons may be restricted from participating in new issues (collectively, “Restricted Persons”), including FINRA members, other broker-dealers and their affiliates, certain personnel of broker-dealers, certain finders and fiduciaries and portfolio managers of certain entities and accounts, including collective investment accounts (which include hedge funds) and directors and executive officers of U.S. public companies and other companies that meet certain financial thresholds.

Both Rule 5130 and Rule 5131 permit a collective investment account that desires to purchase new issues to segregate the interests of Restricted Persons from non-Restricted Persons so that Restricted Persons do not participate in new issues purchased by the account. Neither Rule 5130 nor Rule 5131 prescribes a particular manner, however, for segregating such interests. The Funds intends to utilize such “carve-out” mechanisms as are necessary to comply with Rule 5130 and Rule 5131 and permit the Funds to participate in new issues without allowing Restricted Persons to benefit therefrom. The General Partner has the authority to exclude participation in new issues by any Partner who would be deemed to be a Restricted Person.

Both Rule 5130 and Rule 5131 also contain de minimis exemptions to accommodate accounts with only a small percentage of Restricted Persons. These exemptions will permit an account to purchase new issues without employing the carve-out mechanisms described above if Restricted Persons, in the aggregate, own less than 10% of the account, with respect to Rule 5130, and less than 25% of the account, with respect to Rule 5131. The Funds may, in the discretion of the General Partner, rely on such exemptions and may allocate such exemptions to the Principal’s investment in the Funds. The Funds may, in the discretion of the General Partner, rely on such exemptions and may allocate all or a portion of such exemptions to the Principal’s investment in the Funds.

As a matter of fairness to Partners that do not participate in the Funds’ investments in new issues, a use-of-funds charge may be debited to the capital account(s) of those Partners that participate in new issues and credited to all other Partners, *pro rata* in accordance with the aggregate capital account balances of such other Partners as of the beginning of each period in which the Funds’ investment portfolio includes investments in new issues. The debited amount would be equal to the interest on the funds used to purchase the new issues at the annual rate being paid by the Funds for borrowed funds during the applicable period. If funds have not been borrowed during that period, the annual rate will be the rate the General Partner, or its delegate, determines would have been paid if funds had been borrowed by the Funds during such period. For the

avoidance of doubt, the General Partner is not required to debit any such use-of-funds charge as described above.

Item 13: Review of Accounts

Portfolio reviews are primarily conducted by the Principals on a regular basis. The investment team, consisting of the Principals and Head of Trading continuously review investments in each Fund's portfolio to ensure that such Fund's investments are consistent with the investment objectives, philosophy, strategy and methodologies as set forth in such Fund's offering documents.

Monthly capital statements are prepared and sent to each investor by the Fund Administrator summarizing the investor's individual performance. Monthly performance updates, in the form of investor letters, are distributed by the Portfolio Managers of the Funds.

On an annual basis, each investor receives a copy of the applicable Fund's audited financial statements and tax reporting information. Monashee also provides additional information as requested by our investors provided that such requests are deemed reasonable in content and scope and that Monashee is prepared to supply the same level of information to other investors who may ask for similar information.

Item 14: Client Referrals and Other Compensation

Monashee has entered into an arrangement with Kiski Securities, LLC whereby Monashee will pay a referral fee for certain investors of the Monashee Funds introduced by such firm. All referral fees shall be paid solely from Monashee's investment management fee and shall not result in any additional charge to the investor.

Item 15: Custody

Monashee does not maintain physical possession of client cash and/or securities. However, as the investment manager and the General Partner for each of the Funds, Monashee does have access to cash and securities in the Funds, along with the authority to perform various acts that may be deemed to result in custody, as defined under Rule 206(4)-2 of the Advisers Act.

Consistent with the requirements under the Advisers Act, the assets of the Funds are held in an account maintained with our prime brokers, who are "qualified custodians" within the meaning of the Advisers Act. Our prime brokers are registered broker-dealers that hold Fund assets in separate accounts (or in a separate customer account with records

identifying the assets of the Funds in accordance with applicable broker-dealer and custodial bank regulation).

Securities are maintained at the prime brokers and cash is kept at the prime brokers in the Funds' bank accounts which are administered by the Funds' Administrator. The third-party administrator oversees all cash transfers into and out of the Funds.

The financial statements of the Funds are audited annually (in accordance with GAAP) by an independent public accounting firm that is registered with, and subject to regular inspection by, the PCAOB (the Public Company Accounting Oversight Board).

Copies of the audited financial statements are independently distributed to each of the investors in each Fund within 120 days of such Fund's fiscal year end. Each investor should carefully review these statements upon receipt.

Item 16: Investment Discretion

Monashee has full discretionary authority over all assets it manages for the Funds, consistent with the investment objectives and strategy described in each Fund's confidential offering memorandum and subject to any restrictions from time to time communicated by the Funds or otherwise set forth in such confidential offering memorandum. This discretionary authority is conferred on Monashee as set forth in the relevant Funds' limited partnership agreement and as provided in the power of attorney executed by investors in connection with their initial investment in the Funds. Monashee does not provide advisory services directly to investors in the Funds.

Item 17: Voting Client Securities

Monashee has proxy voting authority with respect to the Funds. In accordance with Rule 206(4)-6, we have adopted policies and procedures which are reasonably designed to ensure that proxies are voted in the best interests of our Funds/investors, to include addressing any material conflicts of interest, disclosure, and maintenance of books and records related to proxy voting.

Generally, Monashee does not intend to vote proxies. Given the holding periods of securities, we do not expect to be in a position to vote proxies. However, if a situation would arise where the CIO would deem it prudent to exercise our voting authority, all decisions will be made in the best interest of our clients.

If applicable, Monashee will use reasonable efforts to determine whether a potential conflict may exist with respect to voting proxies. Monashee is sensitive to conflicts of interest that may arise in the proxy decision-making process, and management has

identified various potential conflicts as part of our policies and procedures. Materiality determinations will be based on an assessment of the particular facts and circumstances and in consultation with outside legal counsel.

One or more of the following methods may be used to resolve a conflict, should one arise:

- In the case of a conflict of interest resulting from a particular employee's personal relationships, removing such employee from the decision-making process with respect to such proxy vote; or
- Any other method as is deemed appropriate under the particular facts and circumstances, given the nature of the conflict.

A copy of our Proxy Voting Policy and Procedures, as well as information related to how proxies were voted, may be obtained by phoning 617.854.9197.

Item 18: Financial Information

Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. Monashee has no financial commitment that impairs its ability to meet contractual or fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.