

ITEM 1: COVER PAGE

MONARCH ALTERNATIVE CAPITAL LP

FIRM BROCHURE
FORM ADV Part 2A

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This brochure provides information about the qualifications and business practices of Monarch Alternative Capital LP. If you have any questions about the contents of this brochure, please contact us at 212.554.1700 or visit www.monarchlp.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Monarch Alternative Capital LP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Monarch Alternative Capital LP is an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

ITEM 2: MATERIAL CHANGES

This item discusses only material changes to the previous annual update to this brochure prepared by Monarch Alternative Capital LP (the “Adviser” or “Monarch”) dated March 30, 2021. Monarch’s business activities have not changed materially since the last filing of the annual brochure on March 30, 2021, however, an increased focus on real estate investing is discussed in Item 4 and enhanced disclosures regarding industry relationships are presented in Item 10. This brochure will be updated on an annual basis and any material changes to it will be identified in this item.

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ITEM 4: ADVISORY BUSINESS

Monarch Alternative Capital LP (the “Adviser” or “Monarch”) is an investment adviser formed in Delaware with its principal place of business in New York, New York. The Adviser was formed on March 26, 2002. The Adviser is wholly owned by MDRA GP LP, which is majority owned both directly and indirectly by the Adviser’s four portfolio managers: Michael A. Weinstock, Andrew J. Herenstein, Christopher M. Santana and Adam Sklar.

The Adviser provides discretionary investment advisory services to its clients, which are pooled investment vehicles intended as investments for sophisticated investors such as institutional investors and high net worth individuals who are qualified to invest under applicable law (each such vehicle a “Fund” and collectively, the “Funds”). In addition, the Adviser has in the past provided and may in the future provide discretionary investment advisory services to private funds that are established by or in conjunction with third parties (“Third Party Funds” and together with the Funds, “Clients”). The Adviser provides and may in the future provide non-discretionary investment advisory services. It should be noted that any such future relationships may be subject to minimum investment size and other possible special requirements.

Clients may be structured as open end, closed end or hybrid funds. Clients typically are U.S. and non-U.S. limited partnerships or non-U.S. corporate entities that are not registered or required to be registered under the Investment Company Act of 1940, as amended (the “1940 Act”) or the Securities Act of 1933, as amended (the “Securities Act”). Interests in Clients are typically privately placed to qualified investors in the United States and elsewhere. These qualified investors are U.S. persons that are “Accredited Investors” and “Qualified Purchasers,” non-U.S. persons or “Knowledgeable Employees” as defined under applicable SEC rules and regulations.

The Adviser is focused on investing in distressed situations. Clients may invest in and hold a variety of instruments, including bank loans, public and private corporate bonds, municipal and sovereign debt, asset-backed securities, equity securities received in connection with debt restructurings or otherwise, real estate and private equity. Clients may also hold a variety of derivative instruments or short positions for investment and hedging purposes. The Adviser tailors its advisory services as described in the investment program of each Client’s private placement memorandum or organizational documents or as set forth in the investment management agreement with such Client (collectively, “Governing Documents”). Please refer to Item 8 for a more detailed description of the Adviser’s investment strategies and instruments held by Clients.

The Adviser manages each Client’s portfolio according to the terms of the Client’s Governing Documents. The terms upon which the Adviser serves as investment manager of a Client and the terms of such Client are generally fixed at the time a Fund is first offered or are generally negotiated before the Adviser is engaged. Such terms are set out in a Client’s Governing Documents, which may be amended from time to time. These terms, which vary among Clients, generally include restrictions or guidelines on the types of securities and other assets in which a Client may invest, as well as the amount of assets a Client may invest in any issuer, security type, industry or geography, among others. The Adviser is not obligated, although it has the authority, to structure any Client’s investment in order to address or give effect to the individual objectives or considerations of any investors or group of investors in that Client. While all of the Clients’ portfolios are managed utilizing a distressed debt and opportunistic credit strategy, the particular

investment targets and limitations are tailored for each Client and are reflected in the relevant Governing Documents. For example, certain Clients' strategies involve a diversified portfolio with a preference for senior distressed debt while maintaining flexibility to invest throughout the capital structure. Other Clients' strategies provide for an emphasis on longer-term credit opportunities and distress for control strategies. The Adviser also manages and may in the future manage Clients with non-diversified or co-investment strategies; Third Party Funds and certain other Funds from time to time request changes in concentrations of certain investments or investment classes within their portfolios and may request certain non-discretionary services in conjunction with their discretionary services. These Clients may have a greater degree of concentration of investments in individual companies, countries, or industries.

The Adviser does not assign specific individuals to manage specific Clients. The Adviser's portfolio managers manage each Client with the input of the broader investment team. Within Monarch's one-team model investment professionals develop specialization that may change depending on where the Adviser determines opportunity resides. Except as noted in the following sentence, no one investment professional is limited to solely covering a particular asset class or industry and the Adviser may create teams to focus on a particular area that includes investment professionals dedicated to that area. In particular, the Adviser has created a real estate focused team that sits within the broader investment team.

Persons reviewing this Form ADV Part 2A Brochure should not construe this as an offering of any of the Funds described herein. Any such offering will only be made pursuant to the delivery of a private placement memorandum to prospective investors.

The Adviser does not participate in wrap fee programs.

As of December 31, 2020, in respect of Clients that the registrant advises as of the date hereof and its proprietary account described below, the Adviser managed approximately \$8.564 billion in assets on a net asset value basis. Assets managed in connection with investing Clients structured as closed end funds include committed assets that may be drawn under the terms of the Governing Documents. Of these approximately \$8.564 billion in assets managed by the Adviser, approximately \$7.131 billion in assets are attributable to a proprietary account that does not actively trade its positions and is not expected to participate in new investment opportunities, although it has and is expected to participate in investments the purpose of which is to protect or enhance an existing position. A non-client co-investment vehicle is not included in these figures.

ITEM 5: FEES & COMPENSATION

Clients are generally charged a monthly or quarterly management fee in advance based on the net asset value of their assets under management with the Adviser, commitments or contributions. The management fee for certain closed end funds is charged on the lesser of net asset value (gross of any accrued incentive) or commitments. The Adviser had charged a commitment fee on undrawn capital commitments and may do so in the future. Clients that terminate investment advisory services or investors that are mandatorily redeemed from a Client before the end of a pre-paid billing period will generally be refunded any pre-paid fees for the period for which they did not receive services, unless otherwise provided in the Governing Documents. Management fees for Clients generally range from 0.75% to 2.0% on an annual basis, and lower fees may be available depending on various factors. Certain closed end funds may pay no management fees during all or a portion of the fund's harvest period. Commitment fees, if any, for Clients are 0.50% of unfunded commitments on an annual basis. Management fees and commitment fees are allocated for all purposes to investors in Clients that are subject to such fees and are charged gross of any accrued incentive allocation on the investor capital balance. Furthermore, Clients are charged a performance allocation or fee that, depending on the applicable terms, may be taken annually and/or upon distributions. The performance allocation for Clients generally ranges from 15% to 25% with varying hurdles or preferred return requirements, although the Advisor may charge higher or lower fees in the future. The performance allocation for open end Clients is generally based on net capital appreciation at the end of each fiscal year. Any incentive fee or allocation for open end Clients is also subject to a "net-loss carry forward" provision whereby a performance allocation or fee is not charged until losses from prior years have been recouped. The performance allocation for closed end Clients is based on the return to a Client's underlying investors and the achievement of a certain preferred rate of return that varies among Clients. Third Party Funds have also negotiated lower fees on certain co-investments and co-investments offered to certain investors will not bear any fees. In addition, Third Party Funds have been, and in the future may be, subject to a minimum amount of management fees for an initial period. As such, underlying investors should consult a Client's Governing Documents for a more complete discussion of the management fees and other compensation arrangements to which such investors are subject.

Each Client's Governing Documents note the fee and allocation arrangements available to investors, including any fee breaks based on investment size. Furthermore, the Adviser may permit Clients to waive, cap, rebate or reduce all or part of the fees or performance allocation with respect to certain investors without waiving, capping, rebating or reducing the fees or performance allocation with respect to other investors. Third Party Funds negotiate their fees with the Adviser. Third Party Funds may also negotiate provisions regarding various expenses such as formation, audit, administration, custodial or others.

The Adviser is generally granted the discretion to deduct its fees and allocations as incurred; however, certain Clients, generally Third Party Funds, authorize payment to the Adviser.

To the extent permitted by a Client's Governing Documents, underlying investors bear the costs and expenses associated with a Client's formation and the execution of its investment strategy. Accordingly, by investing in a Client, underlying investors bear the cost of the organization and offering of such Client and any related feeder funds, master fund and other special purpose vehicles, including external legal and accounting expenses and out-of-pocket expenses or

disbursements. In addition, investors also bear all expenses relating to a Client's operations, and such Client's pro rata share of the expenses relating to the operation of any master fund or other vehicles through which it may directly or indirectly invest. Such expenses generally include, but are not limited to:

- the management and incentive fee or allocation;
- fees paid to the administrator;
- fees paid to professional advisors (including consultants and administrators) regarding tax, accounting or legal matters related to the Client (including its relationship with each of its investors) or its investments;
- fees paid to any directors, registered office fees, bank service fees, investment or trading related fees, such as Bloomberg terminals, brokerage commissions or spreads, prime broker fees or custodian fees;
- all costs and expenses in connection with any credit facility entered into by a Client or other borrowing (including margin loans) undertaken by a Client, including the payments of any principal or interest;
- research expenses, consultants, operator or servicer fees, structuring and ongoing costs (e.g., expenses, fees and costs of third parties that provide specialized reporting, operational know-how or services, data and/or analysis, and in respect of entity formation, servicing and maintenance, including as related to directors, executors, or other governance structures or functions, whether on a one-off or on-going basis, as to specific companies, investments, sectors or asset classes in which the Client has made or may make an investment, or subscriptions to certain specialized publications) related to the analysis, purchase or sale of investments, whether or not the investment is consummated;
- due diligence (including, but not limited to, the engagement of specialized service providers relating to an investment, group of investments or strategy, tax or accounting consultants, legal or financial advisors and other consultants or advisors) and travel expenses (typically at commercial rates) related to the analysis, purchase or sale of investments and expenses associated with the formation and operation of vehicles established to make such investments (including employees of, or any taxes paid in respect of, such vehicles), whether or not the investment is consummated;
- expenses, including, but not limited to, fees for legal or regulatory advice, filing preparation software or submission costs, relating to filings with the SEC, such as Forms 13F, 13H, 13G/D, 3, 4 or 5, or other regulatory bodies, including non-U.S. or local jurisdictions (but, for the avoidance of doubt, excluding expenses relating to Form PF filings, annual reports under the AIFM Directive (as defined below), and the periodic filing of Annex IV under the AIFM Directive);
- professional liability insurance for the Adviser (i.e., D&O and E&O policies), Client filing and registration fees and service provider expenses, applicable taxes, or other operational fees or expenses;

- costs related to (for example, obtaining, developing, customizing, implementing, supporting or maintaining) technology, systems or services utilized with respect to a Client or its activities, including but not limited to internal fund accounting, data and risk management, trading (e.g., software supporting order management, general ledger or allocation processes), position or other data management, cash and position reconciliation, trade execution tracking, regulatory filings (including, for the avoidance of doubt, Form PF filings and Annex IV filings under the AIFM Directive) and investor report generation;
- expenses related to any limited partner advisory committee of a Client;
- expenses relating to the valuation or appraisal of investments and expenses associated with securities quotation services and products (e.g., Bloomberg, Intex, IDC, NYSE, and other similar services);
- expenses, including, but not limited to, fees for legal or regulatory advice or compliance services relating to anti-money laundering and know your customer laws, regulations or rules;
- any withholding or other taxes, together with any interest and penalties thereon (other than certain taxes that are withheld and treated as distributed to investors), to the extent such amounts are paid by the Client, or the Adviser on behalf of the Client or any other investor, and are not reimbursed by or collected from any investors;
- expenses relating to an investor communication portal; and
- other expenses related to the investment, financing, monitoring, enhancement, disposition or reporting of Client assets.

Clients generally pay the fees, costs and expenses of their service providers. No maximum level of fees has been established. In addition, certain service providers have a right to be reimbursed by Clients for certain out-of-pocket expenses.

The foregoing fees, costs and expenses may be charged on a recurring or one-off basis and may be calculated as a flat-fee or a percentage of assets or otherwise.

Notwithstanding the foregoing, each of the Adviser and its Clients currently bears a portion of the following expenses: (i) data and risk management systems, (ii) technology support services relating to certain systems utilized by Monarch (i.e., securities management, data management, cash and position reconciliation, trade execution tracking, and regulatory filing (including, for the avoidance of doubt, Form PF filings and Annex IV filings under the AIFM Directive) and investor report generation) and (iii) professional liability insurance (i.e., D&O and E&O policies). The Adviser, in its sole discretion, may determine the portion of such expenses borne respectively by the Adviser and its Clients.

The foregoing expenses or fees may be charged on a recurring or one-off basis and may be calculated as a flat-fee or a percentage of Client assets or otherwise.

Clients do not bear the cost of (i) any remuneration to employees or officers of the Adviser, (ii) expenses solely related to the Adviser or its affiliates unless specifically noted above or (iii) any expenses relating to holding an annual informational meeting of investors in the Clients.

Expenses incurred for the benefit of one or more Clients will generally be allocated as of the end of each month in which it is incurred pro rata in proportion to either (i) the size of each of such Clients or (ii) the relative exposure (actual or anticipated) of each of such Clients to the investment to which such expense relates; provided, that the Adviser (or its related persons) may allocate such expenses in any other manner they determine fair and reasonable in light of the circumstances and taking account of what is practicable. Other expense allocations may result from the Adviser's policies, which are available upon request. For example, pursuant to the Adviser's best execution policy, research expenses attributable to higher commissions (or larger spreads) will be borne by the Adviser's Clients participating in the applicable trades and such parties may be different from those participating in the trades benefitting from the research.

To the extent a Client incurs any expenses on behalf of, or by reason of particular circumstances applicable to, one or more but fewer than all of the investors, the general partner of such Client may determine that such expenses will be borne by only those investors on whose behalf such expenses are incurred or whose particular circumstances gave rise to such expenses.

The Adviser (or its related persons) may incur and pay in the name of and on the behalf of Clients, any expenses that it deems necessary or advisable. Such Clients will promptly reimburse the Adviser (or its related persons) for such expenses.

For the avoidance of doubt nothing herein is a limitation on the nature of expenses that Clients may indirectly bear in connection with any investment in a portfolio company. Portfolio companies are expected to have expense policies different from the Clients', including differences that permit certain expenses that would not be borne by the Clients if incurred by it or on its behalf by the Adviser.

If the Adviser receives fees other than management or incentive fees (e.g., director fees) in connection with a Client investment, the Adviser will apply a pro rata share of such fees (net of any unrecouped expenses, which the Adviser has elected to pay on behalf a Client) against management fees owed to the Adviser by such Client. The Client's pro rata share is generally based on its total relevant economic exposure (i.e., market value) to the investment, which depending on the circumstances may for these purposes comprise equity and/or debt to one or more issuers, relative to other Clients.

Amounts owed to the Adviser by a Client may also be reduced by an amount equal to any placement fees paid by the Client and may, in the Adviser's sole discretion, be reduced by an amount equal to any fees earned by the Adviser in connection with a Client's investments. Any such offset will generally occur upon actual receipt of cash by the Adviser related to such fees.

ITEM 6: PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

The Adviser (or its affiliated entities) charge performance based fees or allocations that are based on a share of capital gains or capital appreciation of a Client's assets. As a general matter, any performance based fees charged to a Client must comply with the requirements of Section 205 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and the rules thereunder. The amount, if any, of incentive fee or allocation to which Clients are subject varies. For example, some Clients have lower management fees but higher incentive fees or allocations than other Clients. In addition, incentive fees or allocations may be paid by Clients at different times such as annually or upon distributions exceeding various thresholds. Any given fee arrangement may be more or less advantageous depending on performance and timing of distributions. Prospective investors or Clients should note that incentive fees or allocations may create an incentive for the Adviser to select riskier or more speculative investments than would be the case in the absence of such compensation. Potential conflicts of interest may also arise with the allocation of limited investment opportunities to the extent that the Adviser may have an incentive to allocate investments that are more likely to generate excess distributions but that are also more risky or are expected to increase in value to principal accounts or preferred Clients, including Clients with higher incentive fee or allocation structures. The compensation arrangements referred to in this section present potential conflicts when the Adviser's interests may not be or may not be perceived to be aligned with the best interests of one or more of its Clients or their underlying investors. Improper activity could manifest itself in the form of inappropriate recommendations or investments allocated to certain Clients because the Adviser hopes the Client will attract additional investors or because it has been underperforming in an investment strategy. In addition, the Adviser will face a conflict of interest when pricing a position because marking it down could cause (i) a decline in a Client's performance and a decrease in fees to the Adviser or (ii) an increase in performance volatility, which can make the Client potentially less attractive to existing and prospective investors.

In its efforts to address these conflicts, the Adviser has implemented trade allocation and aggregation policies and procedures, which are available to investors and potential investors for review upon request, that mitigate the risk that investment opportunities are allocated other than fairly among Clients, proprietary accounts and co-investment vehicles. These policies and procedures take into account variations in investment programs, objectives, restrictions, liquidity, available cash, portfolio balance, anticipated inflows/outflows and other factors, but do not permit consideration of a Client's performance fee or incentive arrangement. As a general matter, allocations are subject to the Adviser's policy of generating capital for Clients with upcoming redemptions or distributions and investing capital of new Clients or those with excess liquidity resulting from in-flows. Clients may invest through special purpose vehicles to enhance the Adviser's ability to allocate opportunities in furtherance of this policy, among other things. The Adviser's compliance department regularly reviews Client transactions to confirm that allocations are done in a fair manner and in accordance with the Adviser's policies and procedures. The compliance department seeks the input of the Chief Financial Officer and Head Trader, or members of their teams as needed. The Adviser has also adopted valuation policies and procedures, which are available to investors and potential investors for review upon request, which mitigate the risk that investments are improperly marked. The policies and procedures provide for regular review and testing of pricing. Valuations of Client investments, which will affect the amount of management and incentive fees or allocations, may involve uncertainties and judgment

determinations, and if such valuations should prove to be incorrect, Client net asset value could be adversely affected. Other than as required by U.S. GAAP, the Adviser does not generally make retroactive adjustments to valuations to reflect new valuation information after a pricing period has closed, even though such information may result in more reliable pricing.

The Adviser may invest Client assets in parts of an issuer's capital structure different than those held in another Client's portfolio. The Adviser acknowledges there may be conflicts of interests in managing such investments, especially in distressed situations. For example, the Adviser from time to time appoints personnel to serve on various committees (generally unofficial), including creditor ad hoc committees, creditor steering committees, equity holders' committees or other groups to ensure preservation or enhancement of a Client's position as a creditor or equity holder in bankruptcy or insolvency proceedings or otherwise be engaged in financial restructuring activities in a variety of capacities. Such activities may result in the Adviser receiving confidential information that may, as a result of applicable securities laws or the internal policies of the Adviser, limit or otherwise constrain the Adviser's flexibility in purchasing or selling securities or other obligations with respect to other Client's portfolios. In an effort to avoid such restrictions or limitations, the Adviser may elect not to receive confidential information, which may be relevant to a Client's portfolio, that other market participants are eligible to receive or have received.

ITEM 7: TYPES OF CLIENTS

The Adviser manages pooled investment vehicles that permit investment only by sophisticated investors that are typically institutional investors or high net worth individuals. A description of each Client, including its operation and activities, management fees, performance-based fees/allocation, where applicable, and structure can be obtained from such Client's Governing Documents.

Other than for limited discretion advisory services, the Adviser generally requires that any new Third Party Fund seeking the Adviser's exclusive management commit to invest or subscribe for no less than \$100 million. Such Clients are generally required to maintain a minimum amount of assets to retain eligibility for such advisory services.

The Adviser or its related persons have entered into and in the future expect to enter into side letters or other similar agreements with investors in a Fund that have the effect of establishing rights under, or altering or supplementing the terms of, that Fund's Governing Documents. Such rights or terms in any such side letter or other similar agreement are not subject to approval by the Funds' other investors and may include, among other things, (i) different liquidity or notice periods, minimum investment amounts or fees or incentive allocations, (ii) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution of obligations of other investors with respect to, such investments) or expenses, (iii) the agreement of the Adviser or its affiliates to extend certain information rights or additional diligence, valuation or reporting rights to such investor, including, but not limited to, accommodating special regulatory or other circumstances of such investor, (iv) additional obligations and restrictions on the Adviser or its affiliates and the Fund with respect to the structuring of investments in light of the legal, tax and regulatory considerations of such investor, (v) different levels of preferred return and/or different claw back arrangements, (vi) other rights or terms in light of particular legal, regulatory, public policy or other characteristics of such investor, or (vii) confidentiality of investor information and dispute resolution. Monarch generally expects that side letters may be entered into with larger or legacy investors and investors with obligations to comply with specific regulatory or internal policy requirements, as well as with such other investors as the Adviser may deem appropriate. Investors who have side letters or similar arrangements may make independent investment decisions based on the information obtained pursuant to those arrangements. The terms of any such side letter or agreement generally will not be disclosed to other investors unless the Adviser or its affiliates have specifically agreed to do so with another underlying investor. The terms and conditions of certain side letters or similar arrangements differ with respect to material terms and confer favorable rights or waive obligations for investors with such letters.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

The Adviser seeks to capitalize on the dynamic and growing opportunity set in the distressed debt and opportunistic credit universe resulting from a supply-demand imbalance, rising default rates, economic concerns, and other factors. Like the markets in which it invests, the Adviser's processes and strategies also evolve and change. The Adviser draws upon the extensive experience of the Adviser's team, which includes over 25 years of researching, investing in, and restructuring distressed entities.

Monarch takes a flexible and opportunistic approach to investing by generally focusing on areas with limited competition, including small to mid-sized capital structures, less trafficked instruments in large situations and unique investment approaches within certain segments and industries.

The Adviser utilizes a research-driven approach to investing. Monarch seeks to develop a superior understanding over sellers of distressed investments, that may be unwilling or unable to hold distressed debt, by utilizing its expertise and conducting more research about the company, the capital structure and, as applicable, the restructuring or legal process. The Adviser approaches investing on a "bottom-up" basis meaning that the investment team seeks to invest in what it believes to be the most attractive distressed debt and opportunistic credit opportunities at a given time based on rigorous analysis of each individual investment rather than building the portfolio based on market factors such as the direction of the economy, interest rates, currencies and credit spreads.

Monarch frequently takes an active role in investments through (1) deep involvement in debt restructurings or other legal processes to influence the outcome and (2) taking control of companies when Monarch's investment team believes that such action is likely to enhance the value of Client investments. When Clients receive significant equity stakes in restructured companies, members of Monarch's investment team may join the board of directors of a restructured company or otherwise become actively involved to influence management and enhance the value of Client investments. Additionally, when active in the restructuring or legal process, the investment team typically participates in groups such as ad hoc creditors' groups and bank steering committees. Monarch's investment team may also participate in official Chapter 11 creditors' committees. The Adviser's ongoing process following the initial investment entails continual research and active involvement to identify additional opportunities for follow-on investments, support its efforts to influence the outcome of a restructuring or legal process and maximize the value of the investment.

An investment in securities or other financial instruments, including the portfolio companies and other investments held by Clients, involves a significant degree of risk. There can be no assurance that the investment's targeted returns will be achieved or that there will not be a loss of capital. A Client's losses will be borne solely by the underlying investors and not by the Adviser. Therefore, an investor should only invest in a Client if the investor can withstand a total loss of its investment.

Prospective Clients or investors in Clients should take note of the general aforementioned risk of loss and carefully review the various risks particular to the Adviser's investment strategy outlined below and in the applicable Client's Governing Documents. Not all risks are apparent or known,

so prospective Clients or investors in Clients should not assume that the following is a complete list of risks attendant to a Client's investment program.

Material, Significant or Unusual Risks Relating to Investment Strategies

General Investment Risks

All Client investments risk the loss of capital. A Client's investment program, refined research techniques, active participation in the reorganization process and targeted and portfolio-wide hedging activities may not successfully moderate this risk nor may a careful selection of loans, securities, equity interests, other financial instruments and assets. There can be no assurance that a Client's program will be successful or that investments purchased by a Client will increase in value. All prospective Clients or investors in a Client should consult their own legal, tax and financial advisors prior to investing in a Client or engaging the Adviser's investment advisory services.

Reliance on Key Management Personnel

The success of a Client will depend, in large part, upon the skill and expertise of the management of the Adviser. There is no assurance that the portfolio managers or other key members of the management of the Adviser will continue to be employed by the Adviser for any period. In the event of the death, disability or departure of any of such individuals, the business and the performance of a Client may be adversely affected. In addition, investors in Clients will have no opportunity to control the day-to-day operations, including investment and disposition decisions. Nor will they have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding investments to be made by the Adviser on behalf of such Client. Accordingly, Clients will be dependent upon the judgment and ability of the Adviser in investing and managing the Clients.

General Economic and Market Conditions

The success of the Adviser's activities is affected by general economic and market conditions, which are generally unpredictable and can be caused by a variety of economic, social, political, military, climatic and other factors.

The Adviser's investment advisory activities and operations, or the activities and operations of a Client, Client portfolio company or service provider, are subject to risks associated with unforeseen or catastrophic events, including terrorist attacks, natural disasters, and the emergence of a pandemic, which could create economic, financial, and business disruptions. These events could lead to operational difficulties that could impair the ability continue such activities and operations.

Catastrophic events have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, global health emergencies or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which Clients invest directly or indirectly and, in turn, could have a material adverse

impact on Clients. Losses from terrorist attacks, global health emergencies and natural disasters are generally uninsurable.

From time to time, countries have experienced outbreaks of infectious illnesses. Any spread of an infectious illness, public health threat or similar issue could reduce consumer demand or economic output, result in market closures, travel restrictions or quarantines, and generally have a significant impact on a particular country's economy, which in turn could adversely affect Client investments.

Epidemic or Pandemic Considerations.

There is a risk that a Client's investments could be, directly or indirectly, affected by one or more outbreaks of disease. As of the date of this Brochure, the 2019 novel coronavirus (i.e., SARS-CoV-2, and the resulting COVID-19 respiratory disease) is an ongoing epidemic in multiple countries, including the United States. It is possible that this coronavirus, or some future epidemic or pandemic, could have a negative impact on economic fundamentals (including disruption of global supply chains), consumer confidence, tourism and/or the performance of essential government services. It is not possible to predict the severity of the effect that any such future events would have on the U.S. and non-U.S. economies or the value of a Client's investments. Moreover, the effects of the current pandemic and any future event may impact investor behavior and as a result create liquidity pressures on open end vehicles, which may result in material and adverse effects to Clients.

Other Business Interruptions.

The Adviser's investment advisory activities and operations, or the activities and operations of a Client portfolio company and service providers, could be interrupted or adversely affected by extraordinary events or emergency situations, including, without limitation, outbreaks of infectious diseases, epidemics or pandemics, war, terrorism, failure of technology, disasters, government macroeconomic policies, or social instability. In order to mitigate the effects of these types of events, the Adviser may activate business continuity and disaster recovery plans. These plans may, for example, require employees to work and access information technology, communications or other systems remotely. The failure of these systems and/or disaster recovery plans for any reason could cause significant business interruptions in the Adviser's, a Client's and/or a portfolio company's operations.

Limited Diversification

Subject to applicable Client restrictions, the Adviser may concentrate investments in particular industries, geographic regions or companies. To the extent the Adviser concentrates a Client's investments in a particular issuer, a small number of issuers or issuers within one industry, a Client's portfolio may become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting those particular issuers or such industry. Accordingly, a Client may be subject to more rapid changes in value than would be the case if a Client were required to maintain a wide diversification among types of investments.

Volatile Markets

The market for bank loans, corporate debt, municipal debt and other credit-related investments has historically experienced levels of extreme volatility, and this volatility may recur. During such periods, markets may experience periods of very limited liquidity. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, political events, interest rate movements, natural disasters, and general economic conditions. Diverse markets may move rapidly in the same direction due to any one or a combination of these factors.

Investments in Emerging Markets

Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty, including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on realization of investments, repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economy; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the markets; (xii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xiv) certain considerations regarding the maintenance of Client investments with non-U.S. brokers and securities depositories.

Repatriation of investment income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries. A Client could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging market countries on interest or dividends paid on financial instruments held by a Client or gains from the disposition of such financial instruments.

In emerging markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter (“OTC”) markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision that is in place may be subject to manipulation or control. Some emerging market countries do not have mature legal systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary application or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. A Client may also encounter

difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts.

Potential Illiquidity of Portfolio Investments

The market value of Client investments will fluctuate with, among other things, changes in interest rates, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of Client investments. In addition, the lack of an established, liquid secondary market for some Client investments may have an adverse effect on the market value of those Client investments and on a Client's ability to dispose of them. Additionally, Client investments may be subject to certain other transfer restrictions that may contribute to illiquidity. Also, Client investments constituting a control position will generally be subject to additional transfer restrictions under federal securities and other laws by virtue of such control position, which may contribute to illiquidity. Therefore, no assurance can be given that, if a Client decides to dispose of a particular investment, it will be able to dispose of such investment at the prevailing market price, in a timely manner, or at all.

Inside Information

The Adviser or its affiliates are regularly in possession of material, non-public information concerning the issuer of securities or other instruments in which Clients have invested, or in which the Adviser intends to invest for its Clients. The possession of such information may limit the ability of other Clients to buy or sell such securities or other instruments. Accordingly, the Adviser may be required to refrain on behalf of its Clients from buying or selling such securities or other instruments at times when the Adviser might otherwise wish to cause a Client to buy or sell such securities or other instruments.

LIBOR Phase-Out Risk

The Clients' investments may utilize the London Interbank Offered Rate ("LIBOR"), which is scheduled to be phased out by the United Kingdom's Financial Conduct Authority in 2021. Although the outcome of LIBOR's redaction is presently unclear, benchmark rates such as Sterling Overnight Interbank Average Rate and Secured Overnight Financing Rate may replace LIBOR as prevailing indices. There can be no assurance that the Clients will be able to successfully utilize fallback provisions in documentation or amend documentation to account for uncertainty related to the floating rate of Clients' investments or that any such fallback provisions or amendments will effectuate the intended result without incident. The transition away from LIBOR to other reference rates may lead to increased volatility, fluctuations in value and illiquidity in LIBOR-related markets and investments and for investments in issuers that utilize LIBOR, especially if orderly transactions to alternative rate references are not successfully completed in a timely manner.

Enhanced Scrutiny and Regulation of Private Investment Funds

The Clients' ability to achieve its investment objectives, as well as the ability of the Clients to conduct its operations, is based on laws and regulations that are subject to change through legislative, judicial or administrative action. In the aftermath of the global financial crisis in 2008, for example, regulators in numerous jurisdictions adopted regulatory reforms with respect to their financial systems and securities markets. One such reform, the Dodd Frank Wall Street Reform and Consumer Protection Act (the "Reform Act"), which was enacted in 2010, significantly

revised and expanded the rulemaking, supervisory and enforcement authority of the Federal Reserve, the SEC and other regulators. The Reform Act also established a general framework for systemic regulation that continues to be developed and enacted over time, and may be the subject of significant modification or repeal under the current administration. Additional changes in the regulation of private investment funds may adversely affect the value of investments held by the Clients and the ability of the Clients to effectively employ their investment strategies and achieve their investment objectives. Many of the regulators to which the Clients, the Adviser or their respective affiliates are expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against a Client, the Adviser or their respective affiliates was small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of any such sanction could harm such Client, the Adviser or their respective affiliates' reputations which may adversely affect the Clients' investment performance by hindering its ability to obtain favorable financing or consummate a potentially profitable investment. There is also a material risk that regulatory agencies in the U.S. and beyond will continue to adopt burdensome new laws or regulations (including tax laws or regulations), or change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations, as the U.S. and global economies continue to struggle to improve. Any such events or changes could occur during the Clients' terms and may adversely affect the Clients and their ability to operate and/or pursue their investment strategies. In addition, as a result of highly publicized financial scandals, and the public perception that certain alternative asset managers (including private equity firms) contributed to the global financial crisis in 2008, investors have exhibited concerns over the integrity of the U.S. financial markets. There has been an active debate both nationally and internationally over the appropriate extent of regulation and oversight of private investment funds and their managers. As alternative asset managers become more influential participants in the U.S. and global financial markets, and the economy generally, the private funds industry has been subject to criticism by some politicians, regulators and market commentators, which could pressure lawmakers in the U.S. and internationally to impose stricter rules and regulations on private investment funds and sponsors, including the Adviser and its Clients. This enhanced oversight and regulation, and the perception of a need for significant additional rule-making by various governmental bodies, has created uncertainty in the financial markets and, in particular, the private funds industry. Any changes in the regulatory framework applicable to any Clients may impose additional expenses, require the attention of senior management or result in limitations in the manner in which the Clients' business is conducted. As a result, the Clients may invest in fewer transactions or incur greater expenses or delays in completing investments than they otherwise would have.

SEC Investigations

There can be no assurance that the Clients, the Adviser or their respective affiliates will avoid regulatory examination and possible enforcement actions or sanctions in the future. Even if an investigation or proceeding did not result in an enforcement action or sanction, the Clients, the Adviser or their respective affiliates may be subject to adverse publicity relating to the investigation, proceeding or imposition thereof. The adverse publicity relating to the investigation,

proceeding or imposition of any such potential enforcement action or sanction could harm the Clients, the Adviser or their respective affiliates' reputations which may adversely affect the Clients' investment performance by hindering its ability to obtain favorable financing or consummate a potentially profitable investment.

Non-U.S. Investments

Clients make investments in a number of different countries outside of the United States. With any investment outside of the United States, there exist certain economic, political, and social risks, including the risk of adverse political developments, nationalization, confiscation without fair compensation, civil unrest, or war, some of which are less prevalent in the case of investments in the United States. In addition, laws, regulations, and conditions in non-U.S. countries may impose restrictions or risks that are less prevalent in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. The Adviser will analyze risks in the applicable non-U.S. countries before making such investments, but no assurance can be given that political or economic conditions, or particular legal or regulatory risks, might not adversely affect an investment by a Client. Certain of the aforementioned risks may be increased with respect to any investments a Client may make in developing and emerging markets.

Regulatory Limitations on Investment Activity by European Regulators

The Alternative Investment Fund Managers Directive ("AIFM Directive") requires managers of alternative investment funds (such as the Adviser) to comply with certain obligations in respect of the acquisitions of controlling stakes in companies established in European Economic Area ("EEA") member states or the United Kingdom ("UK"), as a condition for offering investments in their funds to EEA investors and UK investors. These obligations include the requirements to make certain notifications and disclosures to the board of the portfolio company, its other shareholders, its employees and the relevant EEA member state regulator(s) and, as the case may be, the UK regulator.

In addition, the AIFM Directive restricts a manager's ability to facilitate, support, instruct, or vote in favor of, distributions, capital reductions, share redemptions and/or acquisitions of its own shares by the portfolio company in the first 24 months following the acquisition of control. In broad terms, these restrictions allow distributions only out of "distributable profits" (as determined in accordance with the applicable law in the relevant EEA member state or the UK) and then only if that portfolio company's net assets would remain at or above the level of the subscribed capital plus undistributable reserves. These restrictions may impact on the Clients' ability to structure its investments in EEA or UK portfolio companies efficiently or to exit an investment at an appropriate time and, as such, may adversely affect the Clients' ability to carry out certain of its investment strategies and achieve its investment objectives.

Furthermore, Regulation 2017/2402/EU (the "EU Securitisation Regulation" and as it forms part of the laws of England and Wales) restricts investments by alternative investment funds in certain structured products where the originator of such products does not retain a 5% economic interest therein. It is not currently clear under the EU Securitisation Regulation whether this limitation applies to managers of alternative investment funds outside of the EEA or the UK, but to the extent

this limitation is applied to such managers, the Clients' ability to invest in such products may be limited.

Withdrawal of the United Kingdom from the European Union

The United Kingdom held a referendum on June 23, 2016 at which the electorate voted to leave the E.U. The UK formally left the European Union (the "EU") on January 31, 2020 ("Brexit"), following which, a "transition" or "implementation period" immediately began pursuant to an agreement on the withdrawal of the UK from the EU, which ended on December 31, 2020 (the "IP Completion Day"). From IP Completion Day, the UK is effectively no longer treated as an EU Member State, the UK is no longer bound by the obligations stemming from the EU's international agreements (nor does it benefit from any such agreements as an EU Member State) and EU law no longer applies in the UK. Further, on December 30, 2020 the parties signed a Trade and Cooperation Agreement (as well as other associated agreements and declarations) (the "Brexit Agreement") on the future UK-EU relationship, which started to apply from IP Completion Day. The Brexit Agreement does not cover all of the areas and sectors of the UK-EU relationship that existed prior to IP Completion Day, with the UK-EU only agreeing to non-binding declarations and instruments for future negotiations in a number of key areas and sectors. This includes important areas such as financial services, government subsidies and taxation. Further, many aspects of the Brexit Agreement only provide for general frameworks but not the details, as the Brexit Agreement calls for further work to implement the general concepts and principles.

The Brexit Agreement does not make arrangements for the financial services sector after the IP Completion Day. As there are currently limited "equivalence" decisions under the EU regulatory framework, compliance with overlapping regulatory requirements may be required when carrying out cross-border activity from the UK-EU, among other things. In addition, restrictions on access to brokers, venues and other liquidity providers (e.g., as result of mandatory requirements on the trading of shares or derivatives on authorized or recognized trading venues only) when dealing on UK or EU markets, may affect transaction execution quality, and consequently have an adverse impact on the performance of Clients.

As a result of such events, trading or doing business in the UK-EU is likely to become more costly and burdensome, including as a result of various factors such as increased regulatory hurdles, additional bureaucracy and potential limitations or restrictions. The absence of mutual recognition or equivalence decisions in a number of sectors means that there may be significant barriers to continue trading in the same manner after IP Completion Day. The absence of any significant agreement on financial services post-IP Completion Day means that market access to the E.U. from the UK (or vice-versa) is likely to become limited or restricted and must be determined on a sector-by-sector basis for each jurisdiction. Non-compliance with the Brexit Agreement by either side may also result in retaliation by one party against other, making trading or conducting business in the UK-E.U. more costly or subject to unforeseeable disruption.

The economic and political consequences of the Brexit Agreement, and more generally the position of the UK as a state that is no longer a member of the E.U., are and will remain difficult to predict. The impact of such events on Clients is difficult to assess but they may negatively affect a Client's returns. There may be detrimental implications for the value of certain of a Client's investments, the ability to enter into transactions or to value or realize such investments or otherwise to implement Monarch's investment program. This may be due to, among other things:

(i) increased uncertainty and volatility in the UK and E.U. financial markets, (ii) fluctuations in the market value of the U.S. dollar, sterling and of UK and E.U. assets, (iii), fluctuations in exchange rates between sterling, the Euro and other currencies, (iv) increased illiquidity of investments located or listed within the UK or the E.U., (v) changes in the willingness or ability of financial and other counterparties to enter into transactions, or the price at which and terms on which they are prepared to transact, and/or (vi) changes in legal and regulatory regimes to which a Client, Monarch and/or certain of such Client's assets are or become subject. Therefore, among other things, it is possible that certain of a Client's investments may need to be restructured to enable Monarch's investment program to be pursued fully. This may increase costs or make it more difficult for Monarch to pursue its investment program.

Necessity for Counterparty Trading Relationships; Counterparty Risk

The Adviser establishes relationships for its Funds to obtain financing, access to derivative instruments and prime brokerage services that permit such Funds to invest in any variety of markets or asset classes over time; however, there can be no assurance that the Fund will be able to establish or maintain such relationships. Third Party Funds sponsored by third parties generally establish such accounts on their own behalf. An inability to establish or maintain such relationships could limit a Client's trading activities, could create losses, preclude the Client from engaging in certain transactions, financing, derivative intermediation and prime brokerage services, and could prevent the Adviser from trading at optimal rates and terms for such Client. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before a Client establishes additional relationships could have a significant impact on the Client's performance.

Most of the markets in which the Adviser effects transactions are not "exchanged-based", OTC or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of OTC markets exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, which could cause a Client to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Client has concentrated its transactions with a single or small group of counterparties. Generally, and subject to applicable law and regulatory considerations, a Client will not be restricted from dealing with any particular counterparties. The Adviser's evaluation of the creditworthiness of its counterparties may not prove sufficient. The lack of a complete evaluation of the financial capabilities of Client counterparties and the absence of a regulated market to facilitate settlement could increase the potential for losses by a Client.

The Reform Act grants the Commodity Futures Trading Commission (the "CFTC") and the SEC broad rulemaking authority to implement various provisions of the Reform Act, including comprehensive regulation of the OTC derivatives markets.

Presently, a substantial portion of OTC derivatives are executed in regulated markets and submitted for clearing to regulated clearinghouses. OTC derivatives trades submitted for clearing are subject to initial and variation margin requirements set by the relevant clearinghouse, as well

as possible margin requirements mandated by the SEC or CFTC. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. OTC derivative dealers also are required to post margin to the clearinghouses through which they clear a Client's trades instead of using such margin in their operations. This increases the OTC derivative dealers' costs, which costs are passed through to the Fund in the form of higher fees and less favorable trade pricing. In addition, a Client may also be required to post higher margin amounts to certain of the dealers with which it trades and that will increase the costs of a Client and reduce the amount of available capital with which to implement its investment strategy. The SEC and CFTC require a substantial portion of derivatives transactions that were historically executed on a bi-lateral basis in the OTC markets to be executed through a regulated securities, futures or swap exchange or execution facility and/or to be cleared. Other classes of may be required to trade on or through a regulated facility in the future.

Clearing and trading requirements may make it more difficult and costly for Clients to enter into OTC transactions. They may also render certain strategies in which Clients might otherwise engage impossible or so costly that they will no longer be economical to implement. Finally, the clearing requirement will centralize risk in a small number of clearing counterparties. While the derivatives clearing organizations' margin requirements will reduce the risk of default on contracts, the mere fact of centralizing and pooling risks at a small number of clearing organizations may increase the impact of the failure of a centralized counterparty.

Collateral Reuse Arrangements

A Client may (directly or indirectly) enter into trading arrangements with counterparties with respect to derivative contracts, securities lending and other similar agreements under which it provides collateral to such counterparties. It may do so under a title transfer arrangement, whereupon such investments will become the property of the person receiving collateral and the Client will have a right against the recipient of collateral for the return of equivalent assets (including the market value in cash of such investments). Such Client will rank as an unsecured creditor in relation thereto and, in the event of the insolvency of the counterparty, such Client may not be able to recover such equivalent assets in full. A Client may also provide collateral by granting a security interest. A Client may grant rights of rehypothecation and other reuse of such collateral to the receiving trading counterparty or broker. The treatment of such collateral varies according to the type of transaction and where it is traded. There are generally no restrictions on the re-use of collateral by such trading counterparties and brokers.

Execution Risks and Adviser Error

The execution of the trading and investment strategies employed by the Adviser for its Clients can from time to time require complex transactions, use of negotiated terms with counterparties such as in the use of derivatives and investments in less common or novel instruments. In each case, the Adviser will seek best execution and has execution and operational staff trained in the implementation of such transactions. However, in light of the complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties are inevitable and may result in losses to a Client. The Adviser endeavors to detect transaction errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a broker or other counterparty, the Adviser will evaluate the merits of potential

claims for damage against such brokers and counterparties and to the extent practicable in light of the benefit to the Client or other Clients of maintaining strong counterparty relationships, will seek to recover losses from those parties. The Adviser may choose to forego pursuing claims against brokers and counterparties on behalf of a Client for any reason including, but not limited to, the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its and its affiliates' business relationships with brokers and counterparties. In addition, the Adviser's own execution and operational staff may be solely or partly responsible for errors in placing, processing, and settling transactions that result in losses to a Client. The Adviser is not liable to any Client for losses caused by brokers or counterparties or by the Adviser's own negligence or contributory negligence. The Adviser will be liable to a Client only where it fails to meet the standard of care set for in the relevant Governing Documents or as otherwise required under the securities laws of the United States or any other applicable law. Except under certain circumstances described above, the cost of a trade error made by the Adviser will be borne directly out of the assets of the impacted Clients. The Adviser may also offset any errors resulting in a gain to any Client with errors resulting in a loss to such Client.

Co-Investments with Third Parties

A Client may co-invest with third parties, including investors in Clients, through joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of a Client may at any time have economic or business interests or goals which are inconsistent with those of the Client, or may be in a position to take action contrary to the Client's investment objectives. In addition, a Client may be liable for actions of its co-venturers or partners.

Contingent and Other Liabilities

Clients may, from time to time, incur contingent liabilities in connection with an investment. For example, the Adviser causes Clients to purchase revolving credit facilities that have not yet been fully drawn (commonly known as "revolvers"). If the borrower subsequently draws down on the facility, a Client would be obligated to fund the amounts due. A Client also may enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, and may, on the other hand, enter into agreements through which third parties offer default protection to the Client.

Lastly, in connection with the disposition of an investment, a Client may be required to make representations about such investment, including representations with respect to the business and financial affairs of the underlying company or other facts relevant to such instrument. A Client also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities, which may require the Client to maintain reserves or escrows to meet such a contingency or which may ultimately have to be funded by the Client, including after the dissolution of such Client, which may require that investors in the Client return amounts distributed to them to fund these obligations.

Leverage

A Client may borrow to enhance the efficiency and flexibility of its operations, including, for example, decreasing the frequency of capital calls, expediting the return of capital to investors and bridging portfolio events. A Client may, without limit, purchase securities on margin and may borrow funds from brokers, banks and other parties when the Adviser determines that such action is in the best interest of such Client. Additionally, the Fund may, without limit, achieve leverage in certain transactions through the use of structured financial products or targeted facilities, or by entering into short selling transactions. Any limits to the scope and duration of any borrowing are set out in each Client's applicable Governing Documents. Such leverage may fluctuate depending on market conditions.

The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the investments purchased or carried. Gains realized with borrowed funds may cause a Client's value to increase at a faster rate than would be the case without borrowings. If, however, investment results fail to cover the cost of borrowings, a Client's value could also decrease faster than if there had been no borrowings as a result of both borrowing costs and losses realized with borrowed funds. In addition, unanticipated increases in applicable margin requirements could adversely affect the liquidity of a Client and therefore adversely affect its performance. Similar considerations apply to direct borrowing by a Client.

Where a Client makes use of such borrowings to initiate long or short positions and the positions decline in value, it will usually be subject to a "margin call", pursuant to which it must either deposit additional funds with the lender or be subject to sanctions such as the mandatory liquidation of securities or a mandatory termination of all outstanding contracts with the lender and a claim for compensation for any losses incurred by the lender. The Client would normally satisfy such margin calls in cash or acceptable collateral from its assets and, to the extent that such collateral were insufficient, would liquidate certain assets to raise cash in order to satisfy the relevant margin call. In the event of a large margin call, Monarch might not be able to liquidate assets quickly enough to pay off the margin liability. In such a case, the relevant lender may have the right, in its sole discretion, to liquidate certain assets of the Client in order to enable the Client to satisfy its obligations to that lender.

The use of leverage creates special risks and may significantly increase a Client's investment risk. Leverage creates an opportunity for greater yield, IRR and total return but, at the same time, increases the Client's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the net asset value of the interests or shares in a Client to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the net asset value of the interests or shares in a Client may decrease more rapidly than would otherwise be the case. As the interests or shares in a Client rank for repayment after all other creditors of the Client, as the case may be, holders of interests or shares in a Client may not get back their full investment if there are insufficient funds to discharge creditors (including such holders of interests or shares in a Client who have redeemed their interests or shares in such Client but have not been paid their redemption proceeds) in full.

Litigation

Investing in higher-yielding and distressed investments can be a contentious and adversarial process, particularly in the case of restructurings. The Adviser's investment activities may subject Clients to the risks of becoming involved in litigation. This risk may be greater where the Adviser exercises control or significant influence over a company's direction. The expense of defending claims against Clients by third parties and paying any amounts pursuant to settlements or judgments are generally borne by Clients and would reduce net assets.

Bankruptcy and Other Proceedings

When a company or municipality seeks relief under the U.S. Bankruptcy Code (or has an involuntary petition filed against it), an automatic stay generally prevents (with limited exceptions) all entities, including creditors, from foreclosing or taking other actions to enforce claims, perfect liens or seize collateral securing such claims. Creditors who have secured claims against the company or municipality prior to the date of the bankruptcy filing must petition the court to permit them to take any action to protect or enforce their claims or their rights in any collateral. Secured creditors may be prohibited from exercising their rights against their collateral in various circumstances and generally subject to the broad discretion of the bankruptcy judge.

Security interests held by creditors are closely scrutinized and frequently challenged in bankruptcy proceedings and may be invalidated for a variety of reasons. For example, security interests may be set aside because, as a technical matter, they have not been perfected properly under the Uniform Commercial Code or other applicable law. If a security interest is invalidated or avoided, the secured creditor loses its secured status causing its claim to be treated as an unsecured claim. If this occurs, the holder of such claim may experience a significant loss of its investment. There can be no assurance that the security interests of instruments held by a Client will not be challenged vigorously and found defective in some respect, or that a Client will be able to prevail against such challenge. In addition, certain payments or transfers (including the granting of security interests) on account of antecedent or existing debt may be subject to avoidance as preferential or fraudulent transfers.

Moreover, debt may be disallowed or subordinated to the claims of other creditors if the creditor is found to have engaged in certain inequitable conduct resulting in harm to other parties with respect to the affairs of a company or municipality filing for protection from creditors under the U.S. Bankruptcy Code. If a creditor is found to have interfered with the debtor's affairs to the detriment of other creditors or shareholders, such creditor may be held liable for damages to injured parties. While a Client attempts to avoid taking the types of action that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that a Client will be able successfully to defend against them. It is also possible that claims acquired by a Client from third parties could be subject to equitable subordination or disallowance as a result of the inequitable conduct of prior holders of such claims. Such claims may also be subject to defenses or setoff relating to the prior holders. Additionally, in certain circumstances, debt obligations may be re-characterized as contributions to capital (i.e., equity) and, therefore, be structurally subordinated to the claims of all creditors.

While the challenges to liens and debt described above normally occur in a bankruptcy proceeding, the conditions or conduct that would lead to an attack in a bankruptcy proceeding could in certain circumstances result in actions brought by other creditors of the debtor, shareholders of the debtor or even the debtor itself or representatives of the debtor in other state or federal proceedings. There can be no assurance that such claims will not be asserted or that a Client will be able to successfully defend against them. To the extent that a Client assumes an active role to defend its claims in any legal proceeding involving a debtor, a Client may be prevented from disposing of securities issued by the debtor due to a Client's possession of material, non-public information concerning such debtor. In certain circumstances, a Client's active role in certain legal proceedings involving the debtor may itself restrict a Client's ability to dispose of its securities or other financial instruments. The Client may also incur significant costs with respect to any active role it plays in any legal proceeding to defend its claims.

Variable Investment Terms

Certain of Adviser's Clients have more favorable investment terms than other Clients and certain Fund investors have been provided with more favorable investment terms than other investors. The Adviser may in the future provide more favorable terms to new or existing Clients or Fund investors. Such favorable terms include, but are not limited to, access to portfolio, Client or Adviser information, management, withdrawal or redemption fees, incentive fees or allocations, minimum investment amounts and liquidity.

A combination of special transparency and liquidity rights may have an adverse impact on other Clients or their investors, particularly, with respect to withdrawing or liquidating assets. Because the portfolios of the Adviser's Clients may comprise significant amounts of common positions, the liquidation activities of one Client could affect the price and availability of the securities and instruments in which another Client invests. Likewise, withdrawals by one investor from a Client may negatively impact the portfolio to which other investors in such Client are exposed.

Illiquidity of Client Investments and Interests in a Client

The market value of Client investments will fluctuate with, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of Client investments. In addition, the lack of an established, liquid secondary market for certain Client investments may have an adverse effect on the market value of those Client investments and on a Client's ability to dispose of them. In addition, an investor's interests in a Client are not registered under the Securities Act or any other securities laws and, therefore, cannot be resold unless they are subsequently registered under such laws or registration thereunder is not required pursuant to an exemption from such registration or otherwise. Such interests are also subject to substantial restrictions on transferability under the Governing Documents, including consent of the Adviser. There is a limited market for such interests and there is no guarantee any such market will persist or be available for interests in a Client.

Shareholder Concentration

The Adviser's Funds may experience concentrations of investor holdings and presently one Fund has a single significant investor that is not an affiliate of the Adviser. If the investor submits a significant redemption request, such Fund or the related master fund would need to liquidate a large portion of its holdings, which could cause the value received to be less than it would be in a small sale and could cause the value of any remaining portion of such holdings, which may be held by other Clients, to decrease. Such a redemption request could also require the Adviser to sell certain positions in which it is confident and would not otherwise sell, to the potential detriment of remaining investors. Additionally, the investor's significant holdings may make it difficult for other investors in such Client as well as the relevant master-feeder arrangement to influence any investor vote.

Cross-Liability and Risks from Investments through Special Purpose Vehicles

The Adviser has established, and may in the future establish, special purpose vehicles through which certain investments are held for the benefit of one or more Clients. The Adviser will generally cause a Client to hold investments through a special purpose vehicle only where the Adviser has determined that the investment, tax, administrative or other benefits of holding an investment through a special purpose vehicle outweigh the expense and other potential costs of the special purpose vehicle. The interests of Clients in any such vehicle may give rise to joint, and not several, liability with respect to any claim against such vehicle. As such, judgments or creditor claims against such vehicles may impair the value of a Client's interests in such vehicles beyond its pro rata share of any given liability including, for example, if other Clients have wound-down operations or are otherwise unable to meet their obligations to such vehicles. When practicable, the Adviser will seek to limit recourse with respect to the liabilities of each Client to the assets of such Client; however, such limitation may be subject to various legal, regulatory or other constraints. As such, in the context of special purpose vehicles holding assets on behalf of multiple Clients, it is possible that losses sustained in respect of one Client in excess of the assets in such vehicle attributable to such Client will be charged against the assets in such vehicle attributable to another Client, including in the event the Adviser bears any such losses on behalf of a Client that has been dissolved and seeks indemnification for such liabilities from any remaining Clients.

In addition, special purpose vehicles have been and will in the future be used for tax efficient investment in foreign jurisdictions. Such vehicles allow the gains from certain investments to be offset by losses from certain other investments providing, over time, potential for an overall tax benefit to Clients in such special purpose vehicle. Where Clients have different exposures among the investments held in such vehicles, however, a Client may lose all or a portion of the benefit of certain tax losses as a result of offsetting gains in investments to which it has no, or a disproportionately smaller, exposure. Furthermore, the use of any such special purpose vehicles may not achieve the intended tax efficiencies, including, but not limited to, as a result of changes to tax treaties (or their interpretation) applicable to the jurisdiction of any such special purpose vehicles, which may adversely affect the Clients' ability to efficiently realize income or capital gains.

Under certain circumstances and in certain non-U.S. jurisdictions, the Adviser may determine that it is appropriate for a portfolio company to benefit, in whole or in part, from tax losses incurred by

another portfolio company. In such cases, the Adviser may cause the portfolio company seeking to benefit from the tax losses to compensate the other portfolio company for such use pursuant to policies adopted by the Adviser. To the extent a portfolio company is not fully compensated for the use of tax losses, a Client with a disproportionately higher exposure to such portfolio company, or disproportionately lower exposure to the portfolio company using such tax losses, would lose all or a portion of the benefit of those tax losses. Similarly, if the Adviser determines that no compensation agreement is appropriate – for example, if it is unclear that one portfolio company will have greater tax losses than the other – a Client with disproportionately higher exposure to the company with such relatively excess tax losses would lose all or a portion of the benefits of those tax losses.

Lastly, an investment acquired in more than one transaction may have portions exposed to different counterparties or different legacy holders. Where such an investment is acquired by a special purpose vehicle on behalf of more than one Client, the Adviser may determine not to differentiate among the various transactions that comprise such investment. As a result, each participating Client would participate in its respective portion of the aggregate investment rather than its respective portion of each transaction constituting such investment. In the event that any one of such transactions results in adverse rights or obligations as compared to the other transactions constituting the total exposure to the investment, the value of a Client's exposure to the investment would be less than what it might have been if the Adviser did differentiate such transactions and allocate exposure among Clients with respect to each transaction. A Client may also be in position, for example, to sell 100% of its exposure to an investment even if one transaction of the aggregate investments has not settled with respect to the special purpose vehicle.

When practicable, the Adviser will seek to limit recourse with respect to the liabilities of each Client to the assets of such Client; however, such limitation may be subject to various legal, regulatory or other constraints. As such, in the context of special purpose vehicles holding assets on behalf of multiple Clients, it is possible that losses sustained in respect of one Client in excess of the assets in such vehicle attributable to such Client will be charged against the assets in such vehicle attributable to another Client.

The Adviser has determined that it is in the interests of certain accounts to cross-collateralize certain investments with one or more other investments, including one or more investments in which a particular Client is not participating. In these situations, the assets of such Client would be subject to the claims of a creditor with respect to a particular portfolio investment whether or not the Client itself participated in that portfolio investment. The Adviser will only undertake such cross-collateralization where it reasonably believes that the overall benefit to the Client exceeds the potential costs and associated risks of such cross-collateralization. There is no guarantee, however, that the benefits of any particular cross-collateralization transaction would exceed any actual costs, particularly in the event of a default.

Short Sales

The Adviser's Clients sell financial instruments short for investment or hedging purposes. Selling financial instruments short runs the risk of losing an amount greater than the amount invested. Short selling is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a financial instrument may appreciate before the short position is closed out. A

short sale may result in a sudden and substantial loss if, for example, an acquisition proposal is made for the subject company at a substantial premium over market price. In addition, the supply of financial instruments that can be borrowed fluctuates from time to time. A Client may be subject to losses if a financial instrument lender demands return of the borrowed securities and an alternative lending source cannot be found or if a Client is otherwise unable to borrow financial instruments that are necessary to hedge its positions.

Personal Data

Certain aspects of the Adviser's Clients' investment strategies require the acquisition and review, whether directly or by representatives, of confidential personal data that is protected by federal, state and/or local law. The inadvertent disclosure of such information could result in significant liability to a Client on whose behalf the Adviser undertakes such a review, including but not limited to the obligation to provide credit monitoring services for any individual whose personal data was compromised. This personal data may be shared with agents of the Adviser that review the information in support of such strategy. A Client will bear its pro rata share of any losses arising out of an improper disclosure by such agents, which could be significant. In addition, parties providing a Client and Adviser such personal data require indemnification for any losses suffered in connection with the provision of such data. Clients could bear significant losses as a result of such indemnification.

Cybersecurity Risks

Information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser may have to make a significant investment to fix or replace them, the expense of which may be borne in whole or in part by Clients. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors. Such interruptions could harm the Adviser's or a Client's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance. The foregoing risks and consequences are also extant at any issuer in which a Client invests and could manifest as adverse performance of such investment.

Dependence on Information Systems

The Adviser's business is highly dependent on its communications and information systems. Any failure or interruption of these systems could cause delays or other problems in the Adviser's securities trading activities, which could have a material adverse effect on the operations of a Client and its ability to make distributions to investors.

Financial Fraud

Instances of fraud and other deceptive practices committed by senior management of certain companies or other issuers in which a Client may invest may undermine the Adviser's due diligence efforts with respect to such companies, and, if such fraud is discovered, negatively affect the valuation of such Client's investments. In addition, financial fraud may contribute to overall market volatility, which can negatively impact a Client's investment program.

Misconduct or Fraud

Clients are subject to the risk that any other person with access to Client assets, including without limitation, any service provider, could divert or abscond with Client assets, fail to follow the disclosed investment strategy, provide false reports of operations or engage in other fraud or misconduct.

Material, Significant, or Unusual Risks Relating to Types of Investments

General

Subject to their Governing Documents, Clients typically invest in a portfolio of primarily distressed and opportunistic credit investments (e.g., investments in defaulted, out-of-favor or distressed bank loans or other instruments). Certain investments may be in specific debt of companies that typically are highly leveraged, with significant burdens on cash flow, and therefore involve a high degree of financial risk. Clients may also make investments in companies that are experiencing financial or operational difficulties or are otherwise out-of-favor. Such companies' financial instruments may be considered speculative, and the ability of such companies to pay their debts on schedule could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments within such companies. Investments in companies operating in workout or bankruptcy modes also present additional legal risks, including fraudulent conveyance, voidable preference, recharacterization and equitable subordination risks.

Clients, from time to time, also invest in private debt, equity and warrants. These investments may include securities acquired with or without registration rights. Unregistered securities are highly illiquid and may not be freely traded.

Clients may invest a portion of their assets in non-U.S. issuers. Investing in financial instruments of non-U.S. issuers involves certain considerations comprising both risks and opportunities not typically associated with investing in United States issuers, including, without limitation, risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the United States dollar and the various non-U.S. currencies in which a Client's portfolio securities will be denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the United States and non-U.S. financial markets, including potential price volatility in and relative illiquidity of some non-U.S. financial markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, less government supervision and regulation, higher transaction costs and difficulty in enforcing contractual obligations; (iii) certain economic and political risks,

including potential exchange control regulations and potential restrictions on non-U.S. investment and repatriation of capital, political and social instability, expropriation, nationalization of issuers, voiding or non-performance of government contracts or obligations and (iv) the possible imposition of withholding taxes on income received from or gains with respect to such financial instruments.

Distressed Instruments

Investment in the instruments of financially or operationally troubled issuers involves a high degree of credit and market risk. There can be no assurance that such financially or operationally troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that a Client may incur substantial or total losses on its investments. During an economic downturn or recession, securities of financially or operationally troubled issuers are more likely to go into default than securities of other issuers. In addition, it may be difficult to obtain information about financially or operationally troubled issuers.

Investment in the instruments of financially or operationally troubled issuers is typically a part of a long-term investment strategy and, accordingly, Clients or investors in a Client should have the financial ability and willingness to remain invested for the long term. Instruments of financially or operationally troubled issuers are less liquid and more volatile than instruments of companies not experiencing such difficulties. The market prices of these instruments are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected for more liquid or less volatile instruments. In addition, many of a Client's portfolio investments are not widely traded and a Client's investment in such financial instruments is from time to time substantial relative to the market for such financial instruments. As a result, a Client may experience delays and incur losses and other costs in connection with the sale of its portfolio investments. In addition, a Client may be subject to restrictions on the sale of certain securities in the portfolio as a result of a Client's percentage of holdings of securities in such issuer or as a result of its access to confidential information.

Defaulted Instruments

Where Clients invest in the instruments of municipalities or companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation in the affairs of the issuer in order to protect its investment. This active participation may subject a Client to litigation risks or prevent (or otherwise limit) a Client from disposing of certain investments. In a bankruptcy or other proceeding, a Client as a creditor may be unable to enforce its claims or rights in any collateral or may have its claims or security interest in any collateral challenged, disallowed or subordinated to the claims or security interests of other creditors. While a Client attempts to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such claims will not be asserted or that a Client will be able to successfully defend against them. Even if a Client is ultimately successful, it may in the interim be required to post a bond pending an appeal that may limit its ability to deploy capital to other investment opportunities, which could adversely affect a Client. If a Client's investment in such financial instruments is significant, a Client may receive a higher proportion of post-reorganization financial instruments (as discussed below) than cash payments after any bankruptcy proceeding, reorganization or financial restructuring of a company.

Puerto Rico Investment Risk

The Adviser's investment strategy currently contemplates making investments in Puerto Rico, which currently faces challenging economic conditions as a result of a number of factors, including, but not limited to, a history of migration and resulting diminished labor force, the impact of the coronavirus pandemic, federal benefits that lag behind those provided to states, and the Puerto Rican government's large indebtedness. Measures implemented by the Puerto Rican government to address these economic challenges or in response to certain difficulties by the Puerto Rican government in accessing capital markets may include spending reductions, the imposition of new taxes, or other actions which could intensify Puerto Rico's economic challenges. Recovery values for government debt of an unincorporated territory can be difficult to derive. The U.S. Congress and the Biden-Harris Administration are monitoring the situation, and the 2021 American Rescue Plan provides considerable economic resources to Puerto Rico, but economic challenges continue, which may negatively impact Client investments in Puerto Rico.

High Yield, Low or Unrated Financial Instruments

Investments in "high yield" bonds and preferred stock or debt instruments that are unrated or rated in the lower categories by the various credit rating agencies (or in comparable non-rated securities). Financial instruments in the lower categories are subject to greater risk of loss of principal and interest than higher-rated instruments and are generally considered predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than instruments with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated instruments, the yields and prices of such instruments may tend to fluctuate more than those of higher-rated instruments. The market for lower-rated instruments is thinner and less active than that for higher-rated instruments, which can adversely affect the prices at which these instruments can be sold. In addition, adverse publicity and investor perceptions about lower rated instruments, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated instruments.

Post-reorganization Securities and Other Financial Instruments

Financial instruments received post-reorganization typically entail a higher degree of risk than investments in companies that have not undergone, and are not perceived as likely to undergo, a reorganization or restructuring. Moreover, post-reorganization instruments can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If the Adviser's evaluation of the anticipated outcome of an investment situation should prove incorrect, a Client could experience a loss. While a Client focuses on investing in senior instruments that typically receive cash or debt in a reorganization, a Client's investment approach will from time to time result in the receipt of post-reorganization equity, which may be subject to greater risk than debt.

Bank Loans and Participations

Bank loans and participations in bank loans have special risks associated with these obligations including, but not limited to, (i) the possible invalidation of an investment transaction as a voidable

transfer under relevant creditors' rights laws, (ii) environmental liabilities that may arise with respect to collateral securing the obligations, (iii) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality, (iv) limitations on the ability of a Client or the Adviser to directly enforce its rights, and (v) assertions of lender liability. The Adviser balances the magnitude of these risks against the potential investment gain prior to entering into each such investment. Successful claims by third parties arising from these and other risks would be borne by a Client.

Consistent with Monarch's allocation and aggregation policy, which is available for review upon request, Clients will generally share ratably in a given bank loan or participation across various counterparties and legacy ownership chains of such loan or participation ("Variable Paper"). Variable Paper is typically held indirectly through a special purpose vehicle pursuant to a participation agreement. As a result, trades in Variable Paper may be executed without regard to the particular allocation of any given piece of such Variable Paper. Monarch will seek to identify any material differences across Variable Paper and approach allocation of such Variable Paper as it would different positions; however, there can be no assurance that Monarch will successfully identify any such material differences or that such differences will not subsequently manifest. As a result, trading activity by one Client may cause another Client's exposure to certain Variable Paper to change over time and such change may, at any given time, be adverse to such Client.

Competition for Investment Opportunities

There is currently and will likely be competition for investment opportunities by investment vehicles and others with investment objectives and strategies identical or similar to the Clients' investment objectives and strategies. In addition, Clients generally have investment objectives and investment strategies similar to one another. The portfolio strategies employed by the Adviser for one Client could conflict and affect the prices and availability of the securities and instruments in which another Client invests. Certain investors have access to information that is not generally available to all investors. In addition, certain investors have more favorable liquidity terms than the terms generally applicable to all investors within a given Client and are able to request withdrawals or redemptions from such Clients at a time when others cannot.

Lender Liability Considerations and Equitable Subordination

There currently exist a number of judicial decisions in the United States that have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories. Generally, such lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of a Client's investments, a Client could be subject to allegations of lender liability.

In addition, under principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of other creditors, (iii) engages in fraud with respect to, or makes

misrepresentations to, other creditors or (iv) uses its influence to dominate or control a borrower to the detriment of other creditors of such borrower, a court may subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, which is referred to as “equitable subordination”. Because of the nature of certain of a Client’s investments, a Client could be subject to equitable subordination claims. A significant number of Client investments will involve investments in which a Client would not be the lead creditor. It is possible that lender liability or equitable subordination claims affecting a Client’s investments could arise without the direct involvement of a Client.

Control Positions and Non-Controlling Interests

From time to time, the Adviser, through its Client’s investments, directs control positions in certain Client portfolio companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The Adviser may also cause its Clients to hold a non-controlling interest in certain companies and, therefore, may have a limited ability to protect its position in such companies.

Risk of Liability for Underfunded Company Pension Plans

Clients may obtain a controlling interest in certain companies that may impose additional risks of liability under U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) for such company’s underfunded pension plans. Such liabilities may arise if a Client is deemed to be engaged in activities with respect to the company that go beyond passive investment, including, but not limited to, management of such company’s operations; authority with respect to the hiring, termination and compensation of such company’s employees and agents; and receipt of fees or other compensation that offset the management fee for services provided to such company by the Client or its affiliates, including the Adviser. If such liabilities were to arise, the Client might suffer a significant loss.

Distressed Municipal Debt Investing Risks

Investments in distressed municipal debt are subject to various risks that are not generally found in investments in other types of financial instruments. The assets underlying such municipal debt will typically have significant risks as a result of business, economic or legal uncertainties. They likely will be experiencing financial or operational difficulties or be otherwise out-of-favor. Such securities may be relatively illiquid and may be considered speculative. The ability of the Client to manage and rehabilitate the assets underlying such securities could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments related to such underlying assets. Any such underlying assets that are operating in workout or bankruptcy modes present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks. Prices of the portfolio investments may be volatile or difficult to gain third-party validation of, and a variety of other factors that are inherently difficult to predict or evaluate, such as domestic or international economic and political developments, may significantly affect the results of a Client’s activities and the value of its portfolio investments. As part of the Adviser’s strategy to restructure and

rehabilitate the assets underlying the municipal bonds in which Clients invest, a Client may hold various types of other securities, including secured and unsecured notes. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of, and return on, such portfolio investments. Certain risks specific to these types of investments are described below.

Municipal Revenue Bond Risks

Revenue bonds are municipal bonds that finance income-producing projects and are payable only from the revenue derived from a particular project, facility or specific revenue source. Unlike general obligation bonds, revenue bonds are not payable from the general taxing power of the municipality and holders of revenue bonds typically have no claims on the issuer's other resources.

Municipal revenue bonds carry a higher default risk than general obligation bonds. Not only are they not backed by the full faith and credit of a municipality, but the income from the projects funded by revenue bonds cannot be predicted with certainty. If the projects do not produce enough revenue, the bonds may default. The investments in municipal revenue bonds will be affected by local, state, regional and national factors. These may include economic or policy changes, erosion of the tax base, legislative changes (especially those regarding taxes) and the possibility of credit problems. Any such changes or events may adversely affect the value of Client investments.

Municipal General Obligation Bond Risks

Clients invest in distressed municipal general obligation bonds. The payment of interest and repayment of principal with respect to municipal general obligation bonds is secured by the full faith, credit and taxing power of the municipality that issues such bonds. Timely payments depend on the issuing municipality's credit quality, ability to raise tax revenues and ability to maintain an adequate tax base. Certain of the municipalities in which the Clients may invest may experience significant financial difficulties, which may lead to bankruptcy or default on such municipalities' obligations with respect to its general obligation bonds.

Derivative Instruments

Use of derivative instruments presents various risks which include the following:

- when used for hedging purposes, imperfect correlation between price movements of the derivative instrument and the underlying investment sought to be hedged, which may prevent a Client from achieving the intended hedging effect or expose a Client to loss,
- illiquidity, which may prevent a Client from being able to close out its positions at the desired time or price,
- incurrence of leverage, which generally will magnify the gains and losses experienced by a Client, and
- counterparty risk, in particular with respect to any derivative instruments that are not traded on an exchange or where contracts for investment are entered into between a Client and a market counterparty as principal (and not as agent). With respect to counterparty risk,

because certain purchases, sales, hedging, financing arrangements (including the lending of portfolio securities) and derivative instruments in which a Client will engage are not traded on an exchange but are instead traded between counterparties based on contractual relationships, a Client will be subject to the risk that a counterparty will not perform its obligations under the related contracts. Although a Client intends to pursue its remedies under any such contracts, there can be no assurance that a counterparty will not default and that a Client will not sustain a loss on a transaction as a result. The Client is also subject to the risk that a decrease in the net asset value of a Client may result in a Client defaulting under such contracts and losses to a Client.

Asset-Backed Securities

Clients may invest directly, through joint venture vehicles, structured vehicles or otherwise in a variety of assets, including mortgage-backed securities, home equity loans, commercial loans, installment sale contracts, credit card receivables or other assets. Clients may acquire exposure to such investments through asset-backed securities. Asset-backed securities are “pass-through” securities, meaning that principal and interest payments — net of expenses — made by the borrower on the underlying assets (such as credit card receivables) are passed through to a Client. The value of asset-backed securities, like that of traditional fixed income securities, typically increases when interest rates fall and decreases when interest rates rise. However, asset-backed securities and other exposures to similar assets underlying asset-backed securities differ from traditional fixed income securities because of their potential for prepayment. The price paid by a Client for its asset-backed securities, the yield a Client expects to receive from such securities and the average life of the securities are each based on a number of factors, including the anticipated rate of prepayment of the underlying assets. In a period of declining interest rates, borrowers may prepay the underlying assets more quickly than anticipated, thereby reducing the yield to maturity and the average life of the asset-backed securities. Moreover, when a Client reinvests the proceeds of a prepayment in these circumstances, it will likely receive a rate of interest that is lower than the rate on the security that was prepaid. To the extent that a Client purchases asset-backed securities at a premium, prepayments may result in a loss to the extent of the premium paid. In a period of rising interest rates, prepayments of the underlying assets may occur at a slower than expected rate, creating maturity extension risk. This particular risk may effectively change a security that was considered short or intermediate-term at the time of purchase into a longer term security. Since the value of longer-term securities generally fluctuates more widely in response to changes in interest rates than shorter term securities, maturity extension risk could increase the volatility of such securities. When interest rates decline, the value of an asset-backed security with prepayment features may not increase as much as that of other fixed-income securities, and, as noted above, changes in market rates of interest may accelerate or retard prepayments and thus affect maturities.

Non-agency residential mortgage backed securities (“RMBS”) and commercially mortgage backed securities (“CMBS”), collectively referred to as “MBS” represent an interest in, or an interest secured by, a single mortgage loan or a pool of mortgage loans. Investing in fixed rate MBS involves the general risks typically associated with investing in traditional fixed-income securities and investing in floating rate MBS involves risks typically associated with adjustable rate instruments, which in each case includes interest rate risk and credit rate risk. MBS also are subject to several risks created through the securitization process. MBS will be sensitive to delays

or reductions in payments, particularly in the case of a subordinated MBS. To the extent that an MBS provides for writedowns of principal, interest will cease to accrue on the portion of principal of a security that has been written down. In addition, a subordinate MBS is paid interest only to the extent that there are funds available to make payments. Subordinate tranches of such issuers also are subject to greater credit risk. An MBS may contain certain credit enhancement features intended to enhance the likelihood that holders of such securities will receive regular payments of interest and principal. There can be no assurance that the credit enhancement, if any, will adequately cover any shortfalls in cash available to make payments on such securities as a result of such delinquencies or defaults. Further, the risks of investing in an MBS involve all of the risks of the underlying mortgage loans, including the credit quality of the underlying loans, decreases in property values underlying the loans and the risk that borrowers will default on the mortgages underlying the MBS.

Loans of Portfolio Securities

A Client may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of the Client's assets. By doing so, the Client would attempt to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Client could experience delays in recovering the securities it lent. To the extent that the value of the securities the Client lent has increased, the Client could experience a loss if such securities are not recovered.

Recession-Related Risks and Currency Risks; Eurozone Risks

There are risks related to investing in all jurisdictions, including a risk of recession in any such jurisdiction. If a recession were to occur in one or more of such countries, a Client's investments, and indirectly such Client, could be materially impacted. Many countries have endured debt crises in the prior decade and, given recent events and ensuing market dislocation, are in the midst of or may soon experience such crises again, and despite measures undertaken to alleviate the financial instability resulting from such crises, concerns persist regarding the ability of certain countries to continue to service their sovereign debt obligations. Moreover, in Europe, there is incremental risk in respect of the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. These concerns may cause the value of the euro to fluctuate more widely than in the past and could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro currency entirely. The re-introduction of certain individual country currencies or the complete dissolution of the euro could adversely affect the value of a Client's euro-denominated assets and liabilities. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. Concerns over the effect of this financial crisis on financial institutions in Europe and globally could have an adverse impact on the capital markets generally, and more specifically on the ability of a Client, its investments and lenders to

the foregoing to finance their respective businesses and access liquidity at acceptable financing costs, if at all.

Risks of Real Estate Investments

Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties, financial condition of tenants, buyers and sellers of properties, quality maintenance, insurance and management services, and changes in operating costs. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws.

Changing market and economic conditions may make an intended investment strategy less profitable. There is no assurance that the operations of the Fund will be profitable or that cash from operations will be available for distribution to investors. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of a Client's investments. Moreover, such marketplace events may restrict the ability of a Client to sell or liquidate real estate investments at favorable times or for favorable prices. The marketability and value of the investments will depend on many factors beyond the control of the Adviser, including, without limitation, those enumerated above. Since investments in real estate generally are not liquid, there can be no assurance that there will be a ready market when the Adviser determines to sell properties.

Valuation Risk

Certain Client investments will be inherently difficult to value. Valuations are, to a degree, based upon the subjective approach of the valuer. As a result, valuations are subject to substantial uncertainty. In addition, there can be no certainty regarding the future performance of the Fund's assets. There is no assurance that the estimates resulting from a valuation process will reflect the actual sale price of an investment, even where such sales occur shortly after the valuation date. If a Client were to dispose of a particular investment, the realized value may be more than or less than the valuation of such investment. For example, the value of real estate may be materially affected by a number of factors, including without limitation, its location and the degree of competition from other real estate owners in its immediate vicinity, the financial condition of occupational tenants of a property and physical matters arising from the state of repair and condition of the property. Ultimate realization of an investment depends to a great extent on economic and other conditions beyond the control of the Adviser. While pricing information is generally available for distressed and private financial instruments, there is currently no centralized source for pricing information and reliable pricing information may at times, and for certain of the Clients' investments, not be available from any source. Prices quoted by different sources are subject to material variation. Valuations of the Clients' assets, which will affect the amount of the Adviser's management fee and applicable carried interest (including in a situation where the Client's general partner has been removed), may involve uncertainties and judgmental

determinations, and if such valuations should prove to be incorrect, the capital account balance of a Client could be adversely affected. Typically, prices for distressed assets become more unreliable when the issuer's financial condition deteriorates. A Client does not generally make retroactive adjustments to valuations to reflect new valuation information, even though such information may result in more reliable pricing. U.S. GAAP do not generally permit contingent gains to be included in the calculation of net asset value. As a result a Client may accept new capital at a time when its net asset value does not reflect any such contingent gains. In the event that such contingent gains materialize, previously existing investors will have their participation in such gains diluted by such new capital.

Margin Calls under Repurchase Agreements

The financial position of a Client may be adversely affected by margin calls under any repurchase agreements entered into by the Client, as applicable. Repurchase agreements allow counterparties, to varying degrees, to determine a new market value of the collateral to reflect current market conditions. If a counterparty determines that the value of the collateral has decreased, it may initiate a margin call and require the Client to either post additional collateral to cover such decrease or repay a portion of the outstanding borrowing, on minimal notice. A significant increase in margin calls as a result of spread widening could harm the liquidity of the Client, results of operations, financial condition, and business prospects. Additionally, in order to obtain cash to satisfy a margin call, a Client may be required to liquidate assets at a disadvantageous time, which could cause it to incur further losses and adversely affect results of operations, financial condition, and may impair its ability to maintain current level of profits.

Regulated Industries; Industries Relevant to National Security; Industries Restricted or Illegal in Certain Jurisdictions

Clients may be subject to certain restrictions when making or considering investments in regulated industries (e.g., banking, insurance, gaming or communications) or industries deemed relevant to national security. These restrictions may include, for example, limits on the size of the investment that may be made absent regulatory approval or licensure. Failure to comply with these restrictions could cause a Client and/or its investors to suffer disadvantageous effects. Accordingly, the Adviser may determine to impose restrictions or limitations on a Client's investments in such industries, such as restricting or limiting certain transactions or the exercise of certain of a Client's rights, limiting the amount of voting securities purchased for the Client or restricting the governance rights the Client possesses or exercises in connection with such investments. In addition, certain investors may be subject to United States or non-U.S. laws which restrict their ability to participate in certain investments, or which could cause an adverse effect on a Client, the Adviser or such investor to the extent such investor participates in those investments. In such situations, the Adviser may exclude an investor from participating in any such investment.

Other Investments

The Clients may from time to time undertake other kinds of investments, including, without limitation, emerging market debt securities, private debt or equity securities, convertible securities, warrants, futures and options, each of which involve special risks. Futures and options involve risks of pricing differences between the market value of the underlying securities and their

respective futures and options. In addition, a possible lack of a liquid secondary market for a futures or options contract and the resulting inability to close a futures or options position could adversely affect a Client. Risk arbitrage is subject to high risk because of the uncertainty of the outcome of an arbitrage situation, which may depend on the outcome of litigation, changes in the terms of a transaction or regulatory developments or actions. If the Adviser's evaluation of an anticipated outcome of an arbitrage situation should prove incorrect, a Client could experience substantial losses as a result of a decline in the market value of securities in which a Client holds a long position or an increase in the value of securities in which a Client holds a short position or both.

The foregoing risks do not purport to be a complete explanation of all the risks Clients face. Investors in a Client should review the applicable Governing Documents, and especially the risk factors set out in such Client's private placement memorandum or other offering document. A Client may have specific risk factors that are different from the ones set forth in this brochure.

ITEM 9: DISCIPLINARY INFORMATION

The Adviser is committed to observing the highest standards of integrity and regulatory compliance in all aspects of its work. The Adviser does not have any legal or disciplinary events that are material to the evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

Affiliates of Monarch, Monarch Alternative Capital GP LLC, Monarch Alternative Capital GP III LLC, Monarch Alternative Capital GP IV LLC, Monarch Alternative Capital GP V LLC, Monarch V Select Opportunities GP LLC, MCP V Co-Invest A GP LLC, MCP Holdings GP LLC, MCP Professionals GP LLC, Monarch Alternative Capital SOF GP LLC, MOIP – N GP LLC and MOIP – N2 GP LLC act as the general partner for certain Funds organized as limited partnerships. In addition, another affiliate of Monarch, Monarch Cayman GP Ltd acts as administrative general partner to certain Funds organized in Cayman Islands and AIPCO Investment GP I LLC acts as the general partner of a non-client co-investment vehicle organized in the Cayman Islands.

Monarch's wholly-owned subsidiary, Monarch Alternative Capital (Europe) Ltd ("Monarch UK"), provides research services to Monarch and is registered with the Financial Conduct Authority in the United Kingdom. Monarch UK shares the same control persons as the Adviser and either shares the same named officers as the Adviser or the named officers of Monarch UK are subject to the supervision of, and report to, the Adviser's executive officers. In addition, Monarch UK has limited discretion to execute trades on behalf of Clients. As set forth in Schedule R of Part 1A of this Form ADV, Monarch and Monarch UK are together filing this single Form ADV and Monarch UK as the relying adviser is thus considered to also be registered with the SEC on this Form ADV.

Monarch has claimed an exemption from registration with the CFTC with respect to its status as a commodities trading advisor pursuant to CFTC Rule 4.14(a)(8) and it, along with Monarch Alternative Capital GP LLC, Monarch Alternative Capital III LLC, Monarch Alternative Capital GP IV LLC, Monarch Alternative Capital GP V LLC, Monarch V Select Opportunities GP LLC, MCP V Co-Invest A GP LLC, MCP Holdings GP LLC, MCP Professionals GP LLC and Monarch Alternative Capital SOF GP LLC operate certain collective investment vehicles pursuant to an exemption from CPO registration under CFTC Rule 4.13(a)(3).

As part of the Adviser's business, the Adviser and its employees have developed various relationships with third parties that have the potential to raise conflicts of interest. Such third parties include, but are not limited to, investment bankers, dealers, placement agents, consultants, professional advisors (such as attorneys, bankruptcy advisers and accountants), investors in the Clients, co-investors, and current and former employees of the Adviser. The relationships may be working, economic or a mixture of both. Certain of such third parties will: introduce investment opportunities or investors to the Adviser; provide investment banking, directorship, consulting or advisory services to the Adviser, the Clients or portfolio companies; invest in Clients (including, in the case of current and former employees or other related parties, on a no fee, no carry basis); co-invest in portfolio companies; provide prime brokerage or other significant business or investment services to or otherwise transact with the Adviser, the Clients and portfolio companies.

Such third parties will in certain cases receive direct commercial compensation from a portfolio company, a Client or the Adviser for providing these services, which compensation and services are intended to be on an arm's-length basis and, except as specifically noted to the contrary, such amounts are not offset against the management fee of the relevant Client. The Adviser seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Adviser believes will align with the best interests of the Clients, and seeks to retain only consultants and service providers which it believes provide

a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at a lesser cost. In addition, the Adviser may face a conflict when allocating among Clients in light of the fact that certain of their investors, particularly large financial institutions, provide the Client(s) or the Adviser with prime brokerage or banking services. The Adviser may also face a conflict when determining the suitability of available investment opportunities for its Clients where the Adviser's personnel have a personal interest in a service provider engaged for the purpose of offering the Adviser investment opportunities or advising on portfolio investments.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

Monarch has adopted a Code of Ethics designed to address actual and potential conflicts that may arise from personal trading or other activities by Adviser personnel. Among other prohibitions and requirements set out in the Code of Ethics, Adviser personnel are generally not permitted to purchase or sell any security held by, or recommended to, Clients at the time of the contemplated transaction or at any time in the preceding sixty days. From time to time, the Chief Compliance Officer may direct or permit Adviser personnel to transact in an issuer in respect of which a Client has an interest, where such transaction is determined to be in the best interest of such Client because it would, for example, mitigate or alleviate a conflict of interest. Similarly, where there is unlikely to be any meaningful conflict (e.g., broad-based ETFs), the Adviser categorically permits such trading. Additionally, Adviser personnel are required to obtain prior approval from the Chief Compliance Officer (or his designee) and a portfolio manager before placing covered personal trading orders (i.e., most trades other than mutual funds or broad-based ETFs). Duplicate transaction statements related to personal trading in securities of certain of the Adviser's personnel are provided to the Adviser's compliance department by the broker with whom such personnel maintain a covered securities trading account (i.e., one that is not limited to mutual funds or certain other exempt securities) via an electronic feed to the Adviser's personal trading compliance system, or, in certain circumstances, they may be forwarded by such broker or the relevant personnel directly to the Adviser's compliance department.

The Adviser or certain of its personnel also regularly receive or provide usual and customary business meals, business entertainment, or gifts from or to persons with whom the Adviser does business. The Adviser has adopted procedures within its Code of Ethics that it believes are reasonably designed to help ensure that such activities do not affect its judgment on issues relating to managing Client accounts (for example, issues relating to the best execution of Client trading orders) and do not improperly influence third parties.

Included in the Adviser's Code of Ethics and in other written policies, are policies that the Adviser maintains regarding the use and dissemination of material non-public information. Such policies seek to monitor and control the flow of material non-public information with the aim of avoiding any misuse, whether by way of trading or disclosure. As a part of the Adviser's policies and procedures, the Chief Compliance Officer maintains a list of issuers about whom the Adviser may possess material non-public information or other confidential information (from whatever source) as well as the names of issuers in respect of which the Adviser may have agreed to a trading restriction or otherwise became restricted (the "Restricted List"). Depending on the particular circumstances, the Restricted List will subject identified instruments to certain trading restrictions or pre-clearance requirements, including restrictions on personal securities transactions. Trading by Clients in instruments on the Restricted List is monitored by the Adviser's compliance team.

Subject to any exceptions granted by the Chief Compliance Officer (or his designee), the policies and procedures described above and contained in the Code of Ethics will be strictly enforced.

If you would like to receive a copy of the Adviser's Code of Ethics, please contact Stacey Maman at 212.554.1729 or via email at Stacey.Maman@monarchlp.com.

The Adviser does not, in the ordinary course, purchase or sell investments for or to its Clients from itself or its related persons. The Adviser and its related persons have, however, in limited circumstances, engaged in such principal transactions with Client consent in order to provide liquidity to a Client at or near the end of its term. The Adviser or its related persons may do so in the future.

To facilitate the implementation of Client investment strategies, the Adviser uses certain special purpose trading vehicles, from which it does not collect any management fees or incentive fees or allocations, in which Clients invest. In addition, from time to time the Adviser causes Clients to purchase or sell instruments issued by companies on which its personnel serve as board members or in other similar capacities. To the extent the Adviser or its personnel receive any fees related to such service, such fees are rebated to Clients in a fair and equitable manner. Please see the response to Item 5 for additional information on fee rebating.

The Adviser may recommend to Clients the purchase or sale of instruments of an issuer in which the Adviser or its related persons, may also invest or currently be invested. However, as a general matter, Adviser personnel are not permitted to trade in securities held by a Client (as described in more detail above). Principals, officers or employees whose primary responsibilities are portfolio management, research analysis or trade execution may, subject to limitations in the Adviser's Code of Ethics, engage in personal securities transactions where the underlying traded security is within his or her sector of coverage. This personal trading can create a conflict of interest due to the perception that the Adviser is expending Client resources researching a particular investment or recommending a particular investment transaction because of a financial interest held in the underlying security by the Adviser, its affiliates, personnel or related persons. The Adviser has adopted policies and procedures reasonably designed to ensure that its activities are carried out in compliance with applicable regulatory requirements and to minimize potential conflicts of interest (e.g., review of Client transactions by the Adviser's compliance department, prior employee trade approval from its Chief Compliance Officer (or his designee) in regard to personal securities transactions, etc.). The Adviser has no obligation to recommend for purchase or sale by advisory Clients any investment that the Adviser, its affiliates, personnel or related persons purchase or sell for themselves.

ITEM 12: BROKERAGE PRACTICES

The Adviser selects brokers, dealers, banks and other financial intermediaries to effect transactions for Clients on the basis of a variety of factors, including but not limited to the following: the ability to effect prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the executing party; the quality, comprehensiveness and frequency of available research services considered to be of value; the availability (or lack of availability) of the investment; and the competitiveness of commission rates in comparison with other brokers satisfying the Adviser's other selection criteria. Based on the applicable investment strategy, a limited universe of execution parties may be able to offer investments or provide bids for existing Client positions. In such cases, the executing party offering the investment or making a bid may represent the only execution party for such transaction and would therefore be "best execution." Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services, as well as discussion with research personnel. The Adviser is authorized to pay higher prices for the purchase of financial instruments from, or accept lower prices for the sale of such instruments to, firms that provide it with such investment and research information or to pay higher commissions to such firms if the Adviser determines such prices or commissions are reasonable in relation to the overall services provided. In addition, the Adviser has and expects to continue to select such brokers from time to time to execute trades in financial instruments other than those in respect of which it received research from such broker, as it deems necessary or appropriate to provide compensation for such research. As a result, any given Client could pay trade compensation for the benefit of research in respect of an opportunity in which it will not participate. Soft dollar research services may include research reports on companies, industries, and securities; economic and financial data; financial publications; proxy analysis; trade industry seminars; computer databases; quotation services; and research oriented software and other services. Research services provided by firms for one or more Clients may be utilized by the Adviser in connection with its investment services for other Clients. The Adviser may endeavor to direct sufficient commissions and commission equivalents to firms that, pursuant to such arrangements, provide research services in order to ensure the continued receipt of services the Adviser believes are useful in its investment decision-making process. To the extent the Adviser receives research services with soft dollars, it may reduce its need to pay for such services with its own assets. The Adviser also pays for research in "hard dollars", which are reimbursed to the Adviser by the Clients. Any management fees and performance-based compensation paid to the Adviser are not reduced as a result of the receipt of brokerage or research services.

Certain Third Party Funds have in the past and may in the future limit the counterparties with which the Adviser may enter into certain transactions on their behalf.

From time to time, brokers (including prime brokers) may assist Clients in raising additional funds from investors, and representatives of the Adviser may speak at conferences and programs sponsored by such brokers for potential investors interested in investing in private funds which are sponsored by one of the Clients' prime broker or custodians or another third party. Through such "capital introduction" events, prospective investors in a Fund would have the opportunity to meet with representatives of the Adviser. Currently, none of the Adviser or the Clients compensate or intend to compensate any such brokers or custodians or other third parties for organizing such

events or for any investments ultimately made by prospective investors on account of attending such events, although they may do so in the future. While such events and other services provided by a broker may influence the Adviser in deciding whether to use such broker in connection with brokerage, financing and other activities of a Client, the Adviser will not commit to allocate a particular amount of brokerage to a broker in any such situation. Moreover, the Adviser and not the Client may be the principal beneficiary of those services.

The Adviser's personnel also may receive gifts and gratuities from executing counterparties. These gifts may include tickets to sporting events, meals and other entertainment, transportation, attendance at seminars or other educational training or informational events, logo items and other gifts that may be of substantial value. It is the Adviser's policy that gifts or entertainment of substantial value be reported to the Chief Compliance Officer or his designee.

The Adviser manages Clients that share similar, but not identical, investment strategies and objectives. As a result, any particular investment may be deemed suitable for one or more Clients, but not others. To the extent a particular investment is deemed to be generally suitable for more than one Client, the Adviser generally endeavors to allocate such investment pro rata to such Clients based on assets under management, however, various considerations may require a different allocation that the Adviser determines is fair under the circumstances to all Clients. For example, among others, the Adviser considers each Client's investment strategy, current risk profile, exposure to similar investments, availability of cash, liquidity need, ability to borrow and cost of borrowing. In addition, a Client's tax or regulatory status may prevent an allocation or change the nature or terms of the investment, as may particular restrictions placed by a Client or investors in a Fund. The Adviser may also determine that a particular pro rata allocation is too small to be meaningful or economic, or needs to be increased to avoid "odd-lots" or "minimum trading lots". Where more than one Client participates in an acquisition or disposition of an investment, the Adviser generally aggregates the purchase or sale among its Clients in a manner that would not give preferential treatment to any single Client. If all such transactions are not filled at the same price, Clients will, subject to certain exceptions set forth in the Adviser's Aggregation and Allocation Policy, receive an average of the prices for all transactions in that investment for a given business day.

Clients may purchase or sell assets from or to one another under special circumstances (although to date they have not so transacted directly without directing or consenting to such trade). Any such cross trades will generally be valued and priced for fair market value and on terms as favorable to each Client involved in the transaction as would be the case in a transaction with an independent third party and in accordance with any fiduciary obligation of the Adviser under applicable law. Certain investments are made through special purpose vehicles that enable the allocations of underlying opportunities on a non-pro rata basis among Clients invested in such special purpose vehicles. The Adviser has adopted a policy regarding the allocation of trades through such vehicles that is set forth in its Aggregation and Allocation Policy, which is available for review upon request.

ITEM 13: REVIEW OF ACCOUNTS

The Adviser generally holds daily meetings, which all investment professionals are required to attend and which are also attended by many non-investment professionals, to review recent transactions, present new ideas and review developments on current investments. In addition to these scheduled daily meetings, the Adviser's portfolio managers review Client accounts on a regular basis. While Clients generally hold debt investments until the completion of a restructuring or bankruptcy or other value creating event and post-restructuring equities until their market price reflects the investment team's view of the equity's fundamental value, the Adviser is responsive to changes in the relevant investment thesis that may prompt a sale at an earlier date. Members of the investment team monitor a real-time database of credits, and other micro- and macro-economic data to inform the portfolio managers of any changes that may affect portfolio decisions. In addition, the Adviser's personnel produce a variety of periodic, typically monthly, metrics to track the breakdown of Clients' accounts across capital structure, instrument type, industry and geography. The Chief Compliance Officer (or his designee) in conjunction with the Adviser's back-office staff conducts periodic trading reviews and monitors compliance with various Client investment guidelines and the Adviser's allocation policies.

Special reviews of Client accounts may also occur upon the occurrence of certain events, for example an event that disproportionately impacts a particular Client portfolio.

Third Party Funds generally receive transactional reporting at or near the time that trades are executed and are afforded full transparency to the relevant account's portfolio composition. Subject to specially negotiated arrangements, which may provide additional disclosures, investors in Funds generally receive regular estimated performance reports from the Adviser, monthly or quarterly statements from the administrator and annual audited financial statements. In addition, the Adviser generally provides Fund investors quarterly investor letters that include some performance attribution information. Moreover, the Adviser regularly makes its investor relations staff available to address Client inquiries as well as inquiries from underlying investors. Finally, the Adviser has hosted annual investor meetings and may do so in the future.

ITEM 14: CLIENT REFERRALS & OTHER COMPENSATION

Other than as stated elsewhere in this brochure, no other persons, other than Clients, provide any economic benefit to Monarch for providing investment advisory services to its Clients.

Certain service providers to a Client or its portfolio investments also have relationships with, provide or have provided goods or services to Monarch personnel or to organizations in which they have an interest. For example, the Adviser's personnel may have an interest in service providers engaged by the Adviser or its Clients whereby the service provider offers the Adviser or its personnel investment opportunities or investment advice in respect of portfolio investments. In some cases, these service providers provide discounts on services for one or more of these parties.

The Adviser has entered into and may in the future enter into certain solicitation arrangements for the purpose of introducing investors to the Funds. Pursuant to such arrangements, Monarch may make cash payments to the solicitor that constitute a portion of the fees that Monarch receives from each Fund investor referred by such solicitor. Such payments may also be made by such Funds, which will then be reimbursed by Monarch, including by way of a management fee credit. Such Fund investors will not be charged extra fees by Monarch, although they may pay fees directly to such solicitor.

ITEM 15: CUSTODY

The Adviser generally does not maintain direct custody of any Client's assets. However, Rule 206(4)-2 under the Advisers Act, broadly defines "custody" to also include holding indirectly Client funds or securities, or having any authority to obtain possession of them. As a result, the Adviser is considered to have custody of Client assets because the Adviser or its related persons serve in a capacity that gives them legal ownership of or access to each Client's funds or financial instruments or because the Adviser is authorized under the Client's Governing Documents to withdraw the Client's funds or financial instruments maintained with a third-party custodian upon instruction to the third-party custodian. Third Party Funds have and may enter into advisory arrangements that do not give rise to such custody over certain of the Third Party Fund's assets.

In accordance with Rule 206(4)-2, for each Client where the Adviser is considered to have "custody" of its assets, that Client's financial statements are subject to an annual audit conducted by an independent registered public accounting firm in accordance with U.S. GAAP and delivered to the underlying investors within 120 days of the Client's fiscal year end. Investments held in special purpose vehicles over whose assets the Adviser may be deemed to have "custody" are included in such audited financial statements and are generally not separately audited.

Underlying investors of any Client are encouraged to review the financial statements carefully.

ITEM 16: INVESTMENT DISCRETION

In most cases, Clients grant the Adviser discretionary trading and investment authority. Any limitations on this authority are set out in each Client's Governing Documents. Generally, any such limitations are not true restrictions but rather constitute investment directives and guidelines that the Adviser follows in the exercise of its discretion. Certain Clients, however, have established and may in the future impose concrete limitations on the Adviser's investment discretion. Please refer to Item 4 for additional information.

ITEM 17: VOTING CLIENT SECURITIES

The Adviser has the power to vote Client securities and other instruments and Clients generally may not direct the Adviser's vote in a particular situation. Generally, the Adviser votes all of its Clients' instruments in the same manner. The Adviser's policy is to vote in a manner that serves the best interests of its Clients overall. In the case of debt instruments, voting items typically pertain to amendment and consent requests, and bankruptcy or reorganization proposals. Clients do not always hold identical positions in an issuer, and as a result, a conflict may arise in respect of voting. In determining how to vote any proxy, the Adviser will consider the aggregate impact on the value of Client holdings, the anticipated costs and benefit, including, among other things, the effect on liquidity.

A conflict may also arise between the interests of Monarch and one or more of its Clients. If such a conflict arises, the Adviser may abstain from voting, vote as recommended by a third party service that the Adviser may choose to employ, or take such other action as mandated by its proxy policy, including voting as it, in good faith, determines is most fair and equitable.

A copy of the proxy policy will be provided to any Client upon request. All Clients are also entitled, upon request, to the record of proxies received and voted on their behalf by the Adviser since adoption of the policy.

To receive a copy of the proxy policy or information as to how proxies were voted, please contact Stacey Maman at 212.554.1729 or via email at Stacey.Maman@monarchlp.com.

ITEM 18: FINANCIAL INFORMATION

Not applicable.