

Item 1. Cover Page

Brochure of
Gruber & McBaine Capital Management, LLC

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This brochure provides information about the qualifications and business practices of Gruber & McBaine Capital Management, LLC (“GMCM”). If you have any questions about the contents of this brochure, please contact us at (415) 981-2101. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about GMCM also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Not applicable.

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Item 4. Advisory Business

GMCM is a California limited liability company that has been in business since 1997. It is the successor company to Gruber & McBaine Capital Management, Inc., an investment management business started in 1987 whose principals, Jon D. Gruber and J. Patterson McBaine are now the principals of GMCM. It serves as the general partner of investment limited partnerships and as the investment adviser to other accounts. GMCM's managers, controlling owners and portfolio managers are Jon Gruber and J. Patterson McBaine. As of January 1, 2011, GMCM had total discretionary assets under management of approximately \$477 million. GMCM only manages assets on a discretionary basis.

GMCM invests principally, but not solely, in equity and equity-related securities that are traded publicly and privately in U.S. and non-U.S. markets on behalf of its clients, but is authorized to enter into any type of investment transaction that it deems appropriate under the terms of the client's partnership or other account agreement.

The investors in the funds that GMCM manages have no opportunity to select or evaluate any fund investments or strategies. GMCM selects all fund investments and strategies.

To tailor its services to the individual needs of each individually managed account, GMCM:

- Manages each such account based on the client's financial situation and investment objectives and in accordance with any restrictions that the client imposes on managing the account. GMCM obtains this information from a client through interviews or written communications.
- At least annually, contacts each client (either in person or by telephone) and asks about any changes in the client's financial situation or investment objectives and whether the client desires to impose or modify any restrictions on managing the account.
- Notifies each client to contact GMCM if there are any changes in the client's financial situation or investment objectives, or if the client desires to impose or modify any restrictions on managing the account.
- GMCM makes itself reasonably available to clients for consultation.

Item 5. Fees And Compensation

GMCM's compensation is negotiable and varies, but typically GMCM charges an annual fee of 1% of assets under management, which amount is payable in quarterly or bi-annual installments at the beginning or end (depending on the provisions of each client's partnership or other account agreement) of each period based on the net market value of the client's account on the date the fee accrues and becomes payable. GMCM also typically is allocated from each limited partner in an investment limited partnership a performance allocation equal to 20% of net profits (including both realized and unrealized gains and losses) otherwise allocable to such limited partner, and receives from each other fund client a performance fee equal to 20% of net profits of the account (including both realized and unrealized gains and losses). Performance allocations and fees are assessed in arrears on a monthly or annual basis, and are only applied to the portion

of profits that exceeds the cumulative losses previously allocated to or incurred by clients. GMCM complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent required by applicable law. Performance allocations and fees may create an incentive for GMCM to make more risky and speculative investments than it would otherwise make. GMCM typically does not charge performance fees to its separately managed accounts.

GMCM typically deducts management fees and performance allocations and fees directly from client accounts but may bill a client for such amounts on request.

Accounts that invest in exchange-traded funds also pay, indirectly, investment advisory fees to the managers of those funds.

GMCM believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

The disclosure in this Item 5, together with the disclosure in Item 12, allows a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in an investment limited partnership of which GMCM is general partner, to use the “alternative reporting option” to report GMCM’s compensation as “eligible indirect compensation” on the Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

Relationships with GMCM’s investment partnership clients are terminable on expiration of the partnership’s term, dissolution of the partnership or on GMCM’s withdrawal as general partner. Each limited partner may withdraw from a partnership, on specified prior written notice, on any June 30 or December 31 that occurs on or after the day preceding the first anniversary of such limited partner’s admission to the partnership.

Except as may be otherwise negotiated in particular cases, the holder of an individually managed account may terminate the account by giving 30 days’ prior written notice.

In all cases, expenses, the pro rata portion of the management fee and the performance allocation or fee through the date of termination are charged to the account. All prepaid but unearned advisory fees are refunded on termination of a client’s account. An investor who withdraws from a fund on a date other than the last day of a management fee period, however, does not receive a refund of the management fee previously paid.

Each account is responsible for its own costs and expenses, including trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, accounting and bookkeeping fees and expenses, and the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services. GMCM bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. All or part of these costs and expenses may be paid, however, by securities brokerage firms that execute clients’ securities trades, as discussed in Item 12 below.

Item 6. Performance-Based Fees And Side-By-Side Management

GMCM manages accounts that pay performance-based compensation as described in Item 5 and accounts that do not pay performance-based compensation. Typically, an account that does not pay performance-based compensation pays a higher asset-based fee (for example, 2% instead of 1% per year). Regardless, GMCM has a conflict of interest if, in any time period, one fee structure would cause higher fees to GMCM than the other fee structure, because GMCM would have an incentive to favor the account that would pay the higher fees. To address this conflict, GMCM typically allocates all investment opportunities within each strategy on a pro rata basis, based on each account's assets. In addition, GMCM has policies and procedures to review client account investment allocations on a regular basis.

Item 7. Types Of Clients

GMCM provides investment advice to investment funds and other accounts. Investors in the funds are required to invest a minimum of \$500,000 or \$1,000,000 (depending on the fund), but GMCM may waive this minimum. GMCM generally requires a minimum of \$25,000,000 to open an individually managed account, but may waive this minimum. GMCM's separate account clients may include high-net-worth individuals, institutions, trusts, endowments and pension plans.

Item 8. Methods Of Analysis, Investment Strategies And Risk Of Loss

Investment Strategy

GMCM believes that judicious stock selection based on fundamental, often original research is the primary discipline and the key to long-term performance. GMCM conducts extensive proprietary research to complement and confirm its portfolio strategy and stock selection. Individual companies are generally selected as the result of a detailed fundamental analysis based on information such as corporate reports, business press, trade periodicals, technical newsletters and in-depth industry or company reports from Wall Street and market research firms. GMCM's analysts and portfolio managers also attend broker-sponsored conferences and road show presentations, makes company visits and conducts direct and frequent dialogues with top management. To validate further its decisions and minimize risks, GMCM actively solicits information and opinions from portfolio companies' customers, competitors, venture backers, outside board members and key research analysts.

GMCM generally seeks to diversify its clients' portfolios investments across many market sectors, including the technology, health care, consumer, financial and industrial sectors, and to include a mix of established and emerging growth stocks, special situations, turnarounds and undiscovered or neglected small capitalization stocks, small capitalization stocks being stocks with a market capitalization of less than \$200 million. Generally, select company-specific short positions are maintained to hedge the portfolio against down markets.

GMCM invests in, and sells short, securities, consisting principally, but not solely, of stocks, repurchase agreements, notes, bills, bonds, debentures, subscriptions, certificates of deposit, trust receipts, options, rights, warrants, scores (special claims on residual equity), primes (prescribed rights to income and maximum equity), interests in partnerships, certificates of interest or

participation in any profit-sharing agreement, American Depositary Receipts, equipment trust certificates (certificates backing bonds used to pay for new equipment), collateral trust certificates (certificates backing corporate bonds), bankruptcy claims, investment contracts and evidences of indebtedness and other securities and instruments that are traded publicly and privately. GMCM may invest in both listed and unlisted securities.

Client assets also may be invested in money market instruments or retained in cash if GMCM believes market conditions warrant this investment strategy. Such money market instruments consist of obligations of, or guaranteed by, the United States Government or its agencies or instrumentalities and repurchase agreements relating to such money market instruments. GMCM also engages in margin trading, hedging and other investment strategies.

The investment strategies summarized above represent GMCM's current intentions, are general in nature and are not exhaustive. There are no limits on the types of securities in which GMCM may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. GMCM may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and the economy generally, GMCM may pursue any objectives or use any techniques that it considers appropriate and in clients' interest.

Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that investors should consider before investing in any account that GMCM manages. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or investor may encounter. Potential investors in a fund should review such fund's offering circular carefully and in its entirety, and consult with their professional advisers before deciding whether to invest. The risks described below also generally apply to individually managed accounts. A potential client should discuss with GMCM's representatives any questions that such person may have before opening an account.

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.
- An account may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- GMCM may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. GMCM also may receive

material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.

- GMCM may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- GMCM may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. GMCM is not obligated to hedge a client's portfolio positions, and it frequently may not do so.
- An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- GMCM sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.
- Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. GMCM could be subject to such actions, even if they are baseless, and clients could incur substantial costs defending them.
- GMCM may use leverage by borrowing on margin, selling securities short and trading derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- GMCM may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which GMCM does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- GMCM may cause a client to enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- GMCM may cause clients to invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting

in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.

- GMCM may acquire for a client a large position in an issuer's securities but the client nevertheless is unlikely to have any control over the issuer's management. In addition, if GMCM holds a large position in an issuer's securities, it could depress the market for those securities.
- Some of an account's positions may be or become illiquid, in which case GMCM may not be able to sell such positions.
- An account may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- An account's investments may not be diversified. Therefore, a loss in any one position, industry or sector in which a fund has invested may cause significant losses.
- GMCM determines the value of securities and commodities held in client accounts, whether or not a public market exists for such instruments. If GMCM's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new investor in a fund might receive an interest that is worth less than the investor paid and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- GMCM and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss breached GMCM's fiduciary duty to the client or investor.
- There is not and will not be an active market for fund interests. It may be impossible to transfer any such interests, even in an emergency.
- A fund may not be able to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force GMCM to liquidate investments too rapidly, and may so reduce the size of a fund that it cannot generate returns or reduce losses.
- A fund may limit or suspend withdrawals or redemptions of an investor's assets from the fund.
- A fund may establish a reserve for contingencies if GMCM considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.

- If the assets that GMCM and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for GMCM to find attractive investments as the amount of assets that it must invest increases.
- No client or investor has been represented by separate counsel. The attorneys who represent GMCM or its manager do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.
- A fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- GMCM, an administrator or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of GMCM, a fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- The funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that GMCM must devote to regulatory compliance, to the detriment of investment activities.
- GMCM is not registered with the SEC as a broker-dealer. The equity interests in the funds are not registered under the Securities Act of 1933, and the funds are not registered investment companies under the Investment Company Act of 1940. GMCM believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, GMCM and any fund could be subject to expensive legal action and potential termination. In addition, investors in the funds do not have certain regulatory protection that they would have if these registrations were in place.
- GMCM's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
- GMCM's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- GMCM and its affiliates may spend time on activities that compete with a fund without accountability to investors, including investing for other clients and their own accounts. If GMCM receives better compensation and other benefits from managing other assets or client accounts compared to managing a fund, it has incentive to allocate more time to those other activities. These factors could influence GMCM not to make investments on a fund's behalf even if such investments would benefit the fund.

- GMCM may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and withdrawal or redemption rights that it does not provide to other investors or clients.

The above is only a brief summary of some of the important risks that a client or investor may encounter. Before deciding to invest in a fund that GMCM manages, you should consider carefully all of the risk factors and other information in the fund's offering circular or private offering memorandum.

Item 9. Disciplinary Information

Not applicable.

Item 10. Other Financial Industry Activities And Affiliation

Not applicable.

Item 11. Code Of Ethics, Participation Or Interest In Client Transactions And Personal Trading

GMCM has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, that establishes standards of conduct for GMCM's supervised persons. The Code of Ethics includes general requirements that GMCM's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and quarterly to report their personal securities transactions and holdings to GMCM's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Compliance Officer. Each supervised person of GMCM receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Clients and prospective clients may obtain a copy of GMCM's Code of Ethics by contacting Elizabeth D. Giorgis at (415) 981-2101.

Under GMCM's Code of Ethics, GMCM and its managers, members and employees may personally invest in securities of the same classes as GMCM purchases for clients and may own securities of issuers whose securities that GMCM subsequently purchases for clients. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, except as described in Item 12 regarding aggregating securities transactions, personnel of GMCM must pre-clear with GMCM all securities transactions in any of their personal accounts that are not managed by GMCM. Pre-clearance is not generally required for transactions in accounts of GMCM's personnel that GMCM manages, except that pre-clearance

is required for all transactions in private securities (including PIPEs) in all accounts of GMCM's personnel and their family members, including those accounts that are managed by GMCM. Accounts of GMCM's personnel that are managed by GMCM are generally traded on an aggregated basis with GMCM's third-party client accounts. GMCM and its managers, members and employees may also buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which GMCM does not deem appropriate to buy or sell for clients, and may buy securities that GMCM is selling for clients or sell securities that GMCM is buying for clients, based on personal investment considerations.

GMCM solicits investors who may or may not be GMCM's clients to invest in the investment funds that it manages. GMCM has an incentive to cause a client to invest in a fund instead of an individually managed account because of the reduced expenses and administrative burdens of managing a fund compared to an individually managed account, GMCM's performance compensation from a limited partnership receives more favorable tax treatment than that from an individually managed account, and fund investors have less transparency and liquidity than individual account clients. In addition, if a fund investor also has an individually managed account with GMCM that uses an investment strategy that is similar to that of the fund, the investor may use knowledge of the other account's portfolio to decide if and when to make an additional investment or withdraw or redeem assets from the fund at times when other fund investors would have made similar decisions had they had similar transparency.

Trade Allocation. Because GMCM manages more than one account, there may be conflicts of interest over GMCM's time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by GMCM. For example, GMCM has an incentive to allocate particularly favorable trades to accounts that pay performance-based compensation to GMCM rather than to accounts that do not. GMCM also has an incentive to allocate particularly favorable trades, or trades with significant profit potential, to personal accounts of its employees, or client accounts in which GMCM and/or its employees have significant interests, rather than to accounts of unaffiliated clients.

GMCM attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. GMCM may give advice and take action with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any particular client so long as it is GMCM's policy, to the extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients. GMCM is not obligated to acquire for any account any security that GMCM or its managers, members or employees may acquire for its or their own accounts or for the account of any other client, if in the absolute discretion of GMCM, it is not practical or desirable to acquire a position in such security for that account.

To the extent possible, all client accounts participating in a buy or sell program receive equivalent treatment based on the size of the client account. However, some client accounts are precluded from participating in certain transactions because of their particular investment strategies, objectives or restrictions, or because of trading restrictions imposed by their custodians. Other permissible reasons why *pari passu* allocations may not occur in every situation include:

-- tax considerations (taxable accounts may receive some different allocations from non-taxable accounts)

-- size of the client account

-- requirements imposed by the other party to the trade (for example, a requirement that the purchaser be a Qualified Institutional Buyer under Rule 144A or that the purchaser be able to accept physical delivery of the security)

-- commission costs of allocating limited purchases or sales among several client accounts

-- supply or demand for a security at a given price level

-- size of available position, and size of a client's existing position

-- liquidity requirements of a client account (a client account requests frequent withdrawals, a particular withdrawal is requested from a client account, a client account must meet a margin call, a client account is liquidated, or cash must be raised for a client account for some other reason)

-- opening of a new client account or addition of capital to an existing client account

-- a client's preference for privacy (for example, if a PIPE transaction will require publication of the investor's name in a prospectus and the investor refuses to permit such disclosure)

-- client's particular risk tolerance

In addition, certain investments in private securities, including most PIPEs offerings, require extensive documentation, which in most cases is administratively impracticable for smaller client accounts and causes GMCM not to allocate any part of those investments to those accounts.

Because investments in PIPE securities are illiquid and usually carry significant risk and heavy administrative burdens, GMCM's investments in PIPEs offerings are typically allocated solely or mainly to the investment funds that GMCM manager, and certain personal accounts of GMCM's employees and their family members. GMCM's other client accounts participate in PIPE offerings only infrequently. Investments in PIPEs may have a significant potential for gains, particularly over the longer term, in addition to their significant risk of loss. Because of PIPEs' profit potential, GMCM has significant conflicts of interest in allocating PIPEs investments, in that it may be motivated to allocate them to the accounts of its employees and their family members, and to client accounts in which it and its employees and their family members have significant interests, even in the infrequent cases where a PIPE is both appropriate and administratively feasible for other client accounts.

With respect to investments in securities sold in an initial public offering ("IPO"), GMCM allocates those securities pro rata among client accounts eligible to participate in such offerings. Personal accounts of GMCM and its employees and their family members, including such accounts that are managed by GMCM, are not permitted to participate in IPOs.

Item 12. Brokerage Practices

Brokerage and Execution Services; Soft Dollars. GMCM has complete discretion in selecting the broker that it uses for client transactions and the commission rates that clients pay such brokers. In selecting a broker for any transaction or series of transactions, GMCM may consider a number of factors, including, for example:

- net price, clearance, settlement and reputation;
- financial strength and stability;
- efficiency of execution and error resolution;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- special execution capabilities;
- order of call;
- offering to GMCM on-line access to computerized data regarding clients' accounts; and
- the availability of stocks to borrow for short trades.

GMCM may also purchase from a broker or allow a broker to pay for the following (each a "soft dollar" relationship):

- research reports, services and conferences, including third-party research fees;
- economic and market information;
- portfolio strategy advice;
- industry and company comments;
- technical data;
- periodical subscription fees (other than for mass-marketed publications);
- consultations;
- performance measurement data;
- on-line pricing;
- news wire and data processing charges;
- quotation services; and
- computer hardware and software.

GMCM may receive soft dollar credits based on principal, as well as agency, securities transactions with brokers or direct a broker that executes transactions to share some of its commissions with a broker that provides soft dollar benefits to GMCM.

During GMCM's last fiscal year, it acquired the following types of products and services with client brokerage commissions or markups:

- Reuters and Bloomberg quotation services, news and research
- research reports and services, including third party research
- on-line pricing (IDC)

GMCM has retained Merlin Securities LLC (“Merlin”) to serve as the prime broker for its clients. Merlin is introducing broker through JP Morgan Clearing Corp., which acts as the custodian of assets in GMCM’s client accounts. The prime broker acts as the broker for many of the client’s securities transactions and provides GMCM with a number of reports that reflect the client’s consolidated trading activities. The prime broker also provides GMCM with additional services at no additional cost to GMCM. These services may include: technology services, including internet access, information technology support, and disaster recovery systems; capital introduction services; portfolio reporting; and access to electronic communications networks. Although GMCM uses a substantial portion of these services for research and trading on behalf of its client accounts, some portion may be used for administrative purposes. Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees, if GMCM did not receive these services from the prime broker, GMCM would have to pay for them itself. GMCM is not required to direct any number or percentage of trades to any brokerage firm or to continue to use any brokerage firm as the prime broker for its clients, but GMCM has an incentive to do so based on the primer broker’s prior and continued services.

If a client directs GMCM to use a specific broker or has its account custodied with a broker that does not permit “trading away,” GMCM has not negotiated the terms and conditions (including, but not limited to, commission rates) relating to the services provided by such broker; GMCM does not have any responsibility for obtaining for the client from any such broker the best prices or particular commission rates with or through any such broker, and the client may not obtain rates as low as it might otherwise obtain if GMCM had discretion to select broker-dealers other than those chosen by the client. The client may not participate in aggregated securities transactions, as described below, and may trade after such aggregated transactions and receive less favorable execution.

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If GMCM uses commission dollars to pay for products or services that provide administrative or other nonresearch assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor.

GMCM may pay to a broker commissions and mark-ups that exceed those that another broker might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker provides. GMCM determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or GMCM’s overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. In addition, brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all of the

considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research services. The research and other benefits resulting from GMCM's brokerage relationships benefit GMCM's operations as a whole and all accounts that it manages, including those that do not generate the soft dollars that pay for such research and other benefits and accounts of clients that direct GMCM to use a broker that does not provide GMCM with soft dollar services. GMCM does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

GMCM's relationships with brokers that provide soft dollar services influence GMCM's judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. GMCM has an incentive to select or recommend a broker based on GMCM's interest in receiving soft dollar services rather than clients' interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that GMCM uses soft dollars to pay expenses it would otherwise be required to pay itself.

GMCM addresses these conflicts of interest by annually evaluating the trade execution services that GMCM receives from the brokers that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers. GMCM considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers, increasing or decreasing targets for each broker and the appropriate level of commission rates.

Trade Aggregation. GMCM customarily aggregates securities sale and purchase orders for a client with similar orders being made contemporaneously for other unaffiliated client accounts managed by GMCM and for accounts of affiliates of GMCM that are managed by GMCM ("affiliated client accounts"), provided that the trade is appropriate for all such accounts. Certain accounts managed by GMCM, such as Lagunitas Partners, are treated as "unaffiliated client accounts" by GMCM for purposes of certain trade allocation and aggregation policies, because they are open to investors unaffiliated with GMCM, even though GMCM and its principals and affiliates may collectively hold a significant or even a majority interest in such entities. GMCM generally allocates 60% of each aggregated trade on the long side to accounts of clients unaffiliated with GMCM, and 40% to affiliated client accounts (for short trades, this ratio is 70% to unaffiliated clients and 30% to affiliated clients). GMCM changes these percentages from time to time to reflect changes to the relative proportions of affiliated and unaffiliated client accounts. The 60%/70% portion is generally shared pro rata by all unaffiliated client accounts, although variations occur because of account size or when other factors make it inappropriate for all such accounts to participate pro rata. (See "Trade Allocation" above in Item 11.) The 40%/30% portion is shared among affiliated client accounts either pro rata or in varying percentages as determined by GMCM's principals. In addition, occasionally an account of an affiliate of GMCM that is not managed by GMCM may participate in the 40%/30% portion of an aggregated trade that is allocated to affiliated client accounts, but such participation does not reduce or otherwise affect the 60%/70% allocation to the unaffiliated clients. Except for those exceptional cases, GMCM does not aggregate trades for personal accounts of its affiliates with trades for client accounts unless the affiliate accounts are managed by GMCM.

GMCM ensures that no account is favored over any other account in the aggregation process, and that over the course of a buying or selling program, all client accounts receive equitable treatment. As a result of the aggregation of trades, however, the price any client receives on a single transaction may be less favorable than it would be if similar transactions were not being executed concurrently for other accounts.

Cross Trades. GMCM may cause a client to buy or sell securities directly from or to another client (a “cross trade”), if the accounts’ investment management agreements or applicable law (such as ERISA, in the case of accounts subject to ERISA) do not prohibit cross trades and GMCM determines that a cross trade is in the interests of both accounts. “Direct” cross trades are made directly by GMCM between two client accounts without the participation of a broker, and no commission is paid. “Indirect” cross trades are made between two client accounts by a broker, with minimal commissions paid. Cross trades may be effected for various reasons, including raising cash for the selling account, liquidating the selling account, accommodating withdrawals, realizing a tax gain or loss for the selling account, building a position in the security for the purchasing account, crossing a former “new issue” from a “new issue” account to a non-new issue account, and lowering the tax basis in the security for the purchasing account. GMCM determines the buying and selling parties to a cross trade based on an evaluation of which accounts’ strategies and particular needs are best served by the cross. Indirect cross trades are made at the market price at the time of the trade, and are made during the middle of the trading day (9:00 to 10:00 a.m.) to help ensure that they are not timed to unfairly benefit either party. Direct cross trades are made at a price determined by GMCM that is at or near the middle of the day’s trading range. Cross trades raise certain conflicts of interest; for example, when effecting a cross trade between two accounts with different fee structures, GMCM has an interest in improving the returns on the account that pays a higher performance-based fee to GMCM. GMCM recognizes its fiduciary duty to all client accounts, however, and monitors all cross trades to ensure that they are effected only in the best interests of the affected accounts.

Item 13. Review Of Accounts

Jon D. Gruber or J. Patterson McBaine, GMCM’s portfolio managers, review all accounts weekly. Those reviews take into account such matters as asset allocation, cash management, the prospects of individual securities and the market. The reviewers pay particular attention to changes in company earnings, industry outlook, market outlook and price levels. Each investor in a fund managed by GMCM receives a quarterly letter stating performance for the quarter and an annual letter discussing annual performance and investment outlook.

Item 14. Client Referrals And Other Compensation

GMCM may engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the client and GMCM complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

Item 15. Custody

The custodian of each individually managed account sends account statements at least quarterly to the client. Each client should carefully review those statements and compare them with any statements such client may receive directly from GMCM.

Item 16. Investment Discretion

GMCM has discretionary authority to manage investment accounts on behalf of clients pursuant to a grant of authority in each fund's limited partnership agreement or a limited power of attorney in each client's account agreement. Except for GMCM's limited partnership clients, such discretion is limited by the requirement that clients advise GMCM of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and
- any specific investment restrictions relating to the account.

A client must promptly notify GMCM in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct GMCM to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's investment objectives. In addition, a client may notify GMCM at any time not to invest any funds in the client's account in specific securities or specific categories of securities.

Item 17. Voting Client Securities

GMCM votes all proxies on behalf of each account over which GMCM has proxy voting authority based on GMCM's determination of such account's best interests. In determining whether a proposal serves an account's best interests, GMCM considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

GMCM abstains from voting proxies when GMCM believes that it is appropriate to do so.

If a material conflict of interest over proxy voting arises between GMCM and a client, GMCM will vote all proxies in accordance with the policy described above. If GMCM determines that this policy does not adequately address the conflict of interest, GMCM will notify the client of the conflict and request that the client consent to GMCM's intended response to the proxy solicitation. If the client consents to GMCM's intended response or fails to respond to the notice

within a reasonable time specified in the notice, GMCM will vote the proxy as described in the notice. If the client objects in writing to GMCM's intended response, GMCM will vote the proxy as the client directs.

A client can obtain a copy of GMCM's proxy voting policy and a record of votes cast by GMCM on behalf of that client by contacting GMCM. Elizabeth Giorgis, GMCM's Chief Compliance Officer, at (415) 981-2101.

Item 18. Financial Information

Not Applicable.

Item 19. Requirements For State-Registered Advisers

Not Applicable.

Privacy Policy

GMCM and the investment limited partnerships for which it serves as general partner:

- collect non-public personal information about their clients and investors from the following sources:
 - information received from clients or investors on applications or other forms, and
 - information about clients' or investors' transactions with GMCM, its affiliates or others;
- do not disclose any non-public personal information about their clients or investors or former clients or investors to anyone, except as permitted by law;
- restrict access to non-public personal information about their clients and investors to their employees who need to know that information to provide services to clients; and
- maintain physical, electronic and procedural safeguards that comply with federal standards to guard clients' and investors' personal information.