

Goodnow Investment Group, LLC

Form ADV Part 2A – Disclosure Brochure

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9 Old King's Highway South
Darien, CT, 06820
Peter J. Gavey, CFA: (203) 655-6272
pgavey@goodnow.com
www.goodnow.com

This brochure provides information about the qualifications and business practices of Goodnow Investment Group, LLC. If you have any questions about the contents of this brochure, please contact us at (203) 655-6272 or info@goodnow.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Goodnow Investment Group, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

This brochure is not an offering or solicitation of interests in funds managed by Goodnow Investment Group, LLC.

ITEM 2. MATERIAL CHANGES

The following material changes from our initial brochure filing dated March 7, 2011 were made to this brochure:

In Item 4 titled Advisory Business, we expanded the definition of Types of Advisory Services to be consistent with the Offering Memorandum of the Funds.

In Item 14 titled Client Referrals and Other Compensation, we added a client referral entity.

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ITEM 4. ADVISORY BUSINESS

Goodnow Investment Group, LLC ("Goodnow") is a Connecticut based limited liability company. We became an SEC registered investment advisor in January, 2006. Prior to becoming an SEC registered investment advisor we operated as Goodnow, Gray & Co. Goodnow, Gray & Co. was formed in 1969. We are 100% employee owned by eight individuals. The principal owners of our firm are Randall M. Heck, Bradley J. Purcell, and Peter J. Gavey.

We provide investment advisory services on a discretionary basis to five pooled investment funds. These funds are intended for accredited investors within the meaning of Regulation D of the Securities Act of 1933 that are also considered Qualified Clients as defined by Rule 205-3 of the Investment Advisers Act of 1940. Currently, we do not provide investment advisory services on an individual account basis. As a result, investors can only access our investment advisory services by investing in one of our funds. The five funds we currently provide investment advisory services to are: Goodnow, Gray & Co. (currently in liquidation), Thresher Partners, LP, Vertical Partners, LP, Old Kings Capital, LP and Old Kings Capital Offshore, Ltd. (each a "Fund" and collectively, the "Funds"). Thresher Partners, LP, Vertical Partners, LP, Old Kings Capital, LP and Old Kings Capital Offshore, Ltd. use a classical "hedged" strategy, seeking to reduce overall risk and volatility while generating above average returns.

While the Funds will focus primarily on investments in equity securities, the Funds have broad and flexible investment authority. Accordingly, the Funds' investments may at any time include, without limitation, long or short positions in common stocks, preferred stocks, stock warrants and rights, bonds, notes or other debentures, debt participations or trade claims, convertible securities, partnership interests, interests in other investment companies, currencies, commodities, forward contracts, futures contracts, options (including options written by the Funds), swaps and other securities or financial instruments of any sort. The Funds may also invest in cash or cash equivalents if we believe alternative opportunities do not exist. While the focus of the Funds is to invest in publicly-traded securities, the Funds may, from time to time, invest up to 10% of its assets (measured at the time of investment) in non-marketable securities including, but not limited to, private placements of equity and/or debt securities of private companies and investments in unregistered securities of publicly-traded companies (e.g. 144A securities, etc.).

Our investment approach for these funds emphasizes fundamental, bottom-up research of individual companies that focuses on the quality of the management team, the strength of the financial characteristics and valuation. Goodnow, Gray & Co. utilized a fund-of-funds approach. Goodnow, Gray & Co. is currently being liquidated. A detailed description of each Fund's investment objectives, risks, fees, expenses and terms are detailed in the respective Private Placement Memorandum for each Fund.

We make all investment decisions on behalf of the Funds. Our primary responsibilities for the Funds are to identify, review, and select investment opportunities that can achieve the Funds' investment objectives. We also provide certain administrative and management services to the Funds.

We currently do not provide investment advisory services to clients apart from our management of the Funds and do not participate in wrap fee programs.

As of December 31, 2011 we managed a total of \$423,824,413. Goodnow, Gray & Co., a fund we are currently liquidating, holds \$25,550,740 in assets. The remaining \$398,273,673 is held in Thresher Partners, LP, Vertical Partners, LP, Old Kings Capital, LP and Old Kings Capital Offshore Ltd. All of the assets we manage are managed on a discretionary basis.

For a further discussion of these and related items, see Item 7 (Types of Clients) and Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss).

ITEM 5. FEES AND COMPENSATION

Fees: We receive an annual management fee equal to 1.00% of each Fund's net assets. The management fee is paid quarterly, in arrears, based on the net assets of each Fund as of the last business day of the immediately preceding month. The management fee is deducted directly from each Fund. We may waive or reduce the management fee for employees, relatives of employees or certain strategic investors. A summary of the annual management fees paid by each fund follows:

Fund	Annual Management Fee
Goodnow Gray & Co. (in liquidation)	1.0% of net assets
Thresher Partners, LP	1.0% of net assets
Vertical Partners, LP	1.0% of net assets
Old Kings Capital, LP	1.0% of net assets
Old Kings Capital Offshore, Ltd	1.0% of net assets

Expenses: Each Fund is responsible for any additional expenses including, but not limited to: (i) investment expenses such as brokerage commissions, transaction costs, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, bank service fees and any other reasonable expenses related to the purchase, sale or transmittal of fund assets; (ii) legal, audit, tax and other professional expenses including third party administration expenses; and (iii) the costs of any liability insurance or fidelity bonds. To the extent that the Funds invest in money market or mutual funds, the internal fees paid to those separate managers are internal expenses which are fully disclosed in each prospectus. For a further discussion of these and other related items, see Item 12 (Brokerage Practices).

Incentive Allocation: We also receive an annual performance-based profit allocation equal to 20% of each Fund's annual net profits, if any, subject to a "loss carry forward" provision. This performance allocation is deducted from each investor's interest in the Fund and allocated to the general partner (Goodnow) at the end of the year or immediately prior to a withdrawal occurring prior to the end of any fiscal year. We may waive or reduce the performance fee for employees, relatives of employees or certain strategic investors. A summary of the annual incentive fee for each fund follows: For a further discussion of see Item 6 (Performance-Based Fees and Side-By-Side Management)

Compensation: No employee receives compensation beyond that received from the investment management fee and the annual performance-based profit allocation as discussed below.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We also receive an annual performance-based allocation equal to 20% of each Fund's annual net profits, if any, subject to a "loss carry forward" provision. This performance compensation is deducted from each investor's interest in the Fund and allocated to the general partner (Goodnow) at the end of the year or immediately prior to a withdrawal occurring prior to the end of any fiscal year. We may waive or reduce the performance fee for employees, relatives of employees or certain strategic investors. A summary of the annual incentive fee for each fund follows:

Fund	Annual Performance-Based Allocation
Goodnow Gray & Co. (in liquidation)	20% of net profits, subject to a loss carry forward
Thresher Partners, LP	20% of net profits, subject to a loss carry forward
Vertical Partners, LP	20% of net profits, subject to a loss carry forward
Old Kings Capital, LP	20% of net profits, subject to a loss carry forward
Old Kings Capital Offshore, Ltd	20% of net profits, subject to a loss carry forward

Under a “loss carry forward provision”, no deduction from an investor’s account for such 20% reallocation will be made from the capital account of an investor with respect to a fiscal year until any net loss previously allocated to the capital account of such limited partner has been offset by subsequent net profits allocated to the capital account of such investor. Any such loss carry forward will be subject to reduction for withdrawals.

Since we manage multiple client accounts, we have adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts and the allocation of investment opportunities. We review investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, we generally allocate positions across client accounts pro rata based upon the size of the client accounts, however, as described below, allocations may differ among client accounts based on certain factors. Because of the difference in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in positions held.

ITEM 7. TYPES OF CLIENTS

We provide investment advisory services to five pooled investment funds. These five vehicles are the Funds discussed above.

Each Fund has a required minimum initial investment amount. For Goodnow, Gray & Co., Thresher Partners, LP and Vertical Partners, LP, the minimum initial investment amount is \$250,000. For Old Kings Capital, LP and Old Kings Capital Offshore, Ltd, the minimum investment amount is \$1,000,000. As general partner of these Funds, we maintain the right to adjust these minimums.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Our investment strategy emphasizes bottom-up, fundamental security analysis. Our analysis attempts to identify businesses whose stocks are mispriced by the market. We perform our own, independent research and seek to build:

- 1) a long portfolio of attractive, well-managed businesses that have superior return and operating characteristics, yet trade at reasonable valuations;
- 2) a short portfolio of unattractive, poorly-managed businesses that have inferior return and operating characteristics, and trade at unsustainable valuations.

We use multiple sources to gather information to support our analysis. Some of those sources include:

- Financial newspapers and magazines
- Inspections of corporate activities
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Company press releases

The majority of our investments are in publicly traded, U.S. equities. This includes exchange traded equities and over-the-counter traded equities. Occasionally, we will invest in equity warrants, foreign traded equities, options on equity securities, U.S government securities and exchange traded funds (ETFs).

We implement our investment strategy through long-term purchases (securities held at least a year), short-term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions and options.

General risks

The Funds may be deemed to be a speculative investment and are not intended as a complete investment program. They are designed only for sophisticated persons who are able to bear the risk of an investment in the Funds. The following risks should be carefully evaluated before making an investment in any of the Funds:

Market Risks

The profitability of a significant portion of the Funds' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Goodnow will be able to predict accurately these price movements.

Short Sales

Short selling, or the sale of securities not owned by the Funds, necessarily involves certain additional risks. Such transactions expose the Funds to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Funds in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Funds might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Options

While the Funds generally have minimal exposure to options, purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks.

Small Cap Stocks

At any given time, the Funds may have significant investments in small capitalization companies, some of which may be less seasoned in nature. Although Goodnow believes that opportunities exist to take advantage of market inefficiencies within this asset class, these securities can often involve greater risks than securities of larger companies.

High Risk Investments

The Funds may invest in business enterprises involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of its entire investment in such companies.

Non-U.S. Securities

Occasionally, the Funds may invest in non-U.S. securities. Investing in securities of non-U.S. companies which are generally not denominated in the U.S. Dollar involves certain considerations not typically associated with investing in securities of United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Concentration of investments in certain countries, of course, may increase the Funds' risk of loss.

Currency Risks

Investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Consequently, such investments may increase the risk to investors of losing all or a substantial portion of their investment.

Custody Risks

There are risks involved in dealing with the custodian or prime broker who settles Fund trades. The Funds maintain a custody account with its prime brokers and primary custodians (the "Prime Brokers"). Although Goodnow monitors the Prime Brokers and believes that they are appropriate custodians, there is no guarantee that the Prime Brokers, or any other custodians that the Funds may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, it is likely that, in the event of a failure of a broker-dealer that has custody of Fund assets, the Fund would incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

The Funds and/or the Prime Brokers may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets. The Prime Brokers may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Funds as a result of the bankruptcy or insolvency of any such sub-custodian. The Funds may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Funds. Under certain circumstances, including certain transactions where the Funds' assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime broker, or where the Funds' assets are held at a non-U.S. custodian, the securities and

other assets deposited with the custodian or broker may not be clearly identified as being assets of the Funds and hence the Funds could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of the Funds to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Funds may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the Funds' rights to its assets in the case of a bankruptcy or insolvency of any such party.

Counterparty Risk

To the extent the Funds invests in swaps, "synthetic" or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, the Funds take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Any such default by a trading counterparty could result in losses to the Funds due to the delay of settlement of a transaction, loss of market gains or, in certain circumstances, loss of a portion of the full amount of the notional value of the transaction.

Leverage

While the use of certain forms of leverage, including margin borrowing, structured products or derivative instruments, can substantially improve the return on invested capital, such use may also increase the adverse impact to which the investment portfolio of the Funds may be subject.

Borrowings will usually be from securities brokers and dealers and will typically be secured by the Funds' securities and other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the Funds' obligations and if the Funds were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the Funds' obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the Funds' borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Funds' profitability.

We may find it difficult or impossible to obtain leverage for the Funds. Since the Funds use leverage as part of its investment strategy, the Funds could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in us being forced to unwind positions quickly and at prices below what we deem to be fair value for the positions.

Lack of Liquidity of Fund Investments

The Funds may occasionally invest in non-public, restricted and illiquid securities. At various times, the markets for securities purchased or sold by the Funds may be "thin" or illiquid, making purchase or sale of securities at desired prices or in desired quantities difficult or impossible. There may be no market for unlisted securities traded by the Funds. In some cases, the Funds may be contractually prohibited from disposing of such securities for a specified period of time. Further, the sale of any such investments may be possible only at substantial discounts and such investments may be extremely difficult to value.

ITEM 9. DISCIPLINARY INFORMATION

We have never experienced any legal or disciplinary events, or complaints requiring disclosure.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS
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We are not affiliated with a broker/dealer and do not have any other financial industry activities or affiliations beyond our role as general partner for the five funds mentioned above.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

We have adopted a code of ethics which describes the general standards of conduct that we expect of all personnel. We recognize and believe that:

- High ethical standards are essential for our success and to maintain the confidence of our clients
- Long-term business interests are best served by adherence to the principle that the interests of our clients come first
- We have a fiduciary duty to our clients to act solely for their benefit

Potential conflicts of interest with clients may arise in connection with the personal trading activities of our personnel. Accordingly, we have adopted a code of ethics and policies governing personal securities transactions containing provisions designed to (1) prevent improper personal trading; (2) identify conflicts of interest; and (3) provide a means to address any actual or potential conflict of interest between our personnel and our clients. Failure to uphold the code of ethics may result in disciplinary sanctions, including termination of employment. Investors may obtain a copy of our code of ethics by contacting our Chief Compliance Officer (Peter J. Gavey) by e-mail at pgavey@goodnow.com or by telephone at (203) 655-6272.

All employees must accept in writing the terms of the firm's Code of Ethics upon employment and annually thereafter.

Misuse of Material Non-Public Information

We have a policy against the use of material non-public information. Employees may not convey material non-public information nor use it in placing personal securities trades or trades for the Funds.

Personal Securities Trading

We permit our employees to own securities in their personal accounts. The funds may also own the same securities that our employees own in their personal accounts. We have established procedures intended to limit conflicts of interest in cases where we buy or sell securities held by, or under consideration for the Funds.

It is the responsibility of each employee to ensure that a particular securities transaction being considered for his or her personal account is not subject to a restriction contained in the code of ethics or otherwise prohibited by any applicable laws.

Employees must obtain the prior written approval of the Chief Compliance Officer before engaging in any transaction in his or her Personal Account. The Chief Compliance Officer may approve the transaction if the Chief Compliance Officer concludes that the transaction would comply with the provisions of the code of ethics and is not likely to have any adverse economic impact on the Funds.

Further, employees are required to provide the Chief Compliance Officer with proof of holdings and securities transactions in their personal accounts. These reports are reviewed on a periodic basis to ensure compliance with our policies.

Outside Business Activities

Employees shall not serve as a director (or similar position) on the board of any company unless the employee has received written approval from the Chief Compliance Officer.

Participation or Interest in Client Transactions

As discussed above, all employees must receive pre-approval from the Chief Compliance Officer before trading in their own account. The Chief Compliance Officer will not grant approval for an employee to trade a security if the Funds are also trading that same security. Pre-approved trades are valid for a period of 24 hours.

We do not trade for our own account.

The employees of Goodnow have a significant amount of capital invested in the Funds.

ITEM 12. BROKERAGE PRACTICES
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The Funds have appointed two prime brokers. The prime brokers maintain on deposit the Funds' cash, securities, and other investments in brokerage accounts.

Purchases and sales of securities through brokers involve a commission to the broker. Purchases and sales of securities from dealers serving as market makers include the spread between the bid and the asked price.

In placing securities transactions with brokers, we seek to obtain best execution, which requires us to take into account the circumstances of each specific transaction. In selecting a broker for each specific transaction, we will use our best judgment to choose the broker most capable of providing "best execution". Brokers are selected on the basis of our evaluation of the overall value and quality of the services provided by the broker. Multiple factors go into our decision. In seeking the best price and execution quality, we consider not only the commission rate, spread or other compensation paid, but also the price at which the transaction is executed, bearing in mind that it may be in our clients' best interest to pay a higher commission, spread or other compensation in order to receive better execution.

Examples of some of the specific factors we generally consider when deciding which brokers to utilize when entering into security transactions include, but are not limited to:

- Quality of execution - accurate and timely execution, clearance and error/dispute resolution

- Reputation, financial strength and stability
- Block trading and block positioning capabilities
- Willingness to execute difficult transactions
- Willingness and ability to commit capital
- Access to underwritten offerings and secondary markets
- Ongoing reliability
- Overall costs of a trade (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of the Adviser's knowledge of negotiated commission rates currently available and other current transaction costs
- Nature of the security and the available market makers
- Desired timing of the transaction and size of trade
- Confidentiality of trading activity
- Market intelligence regarding trading activity
- Research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities.

Our application and the importance of the specific criteria will vary depending upon the nature of the transaction, the market in which it is affected, and the extent to which it is possible to select from among multiple brokers or dealers capable of effecting the transaction. When we use direct market access, we assess whether the execution venues included in our order execution policy provide for best execution.

An Approved Broker List will be established based on the factors listed above. The Approved Broker List will be reviewed by the Adviser less than annually to determine whether all of the broker-dealers listed continue to demonstrate the ability and commitment to provide the Adviser with best execution, in light of the changing needs and trading history of the Funds. New broker-dealers may be added to the Approved Broker List on the approval of the Chief Compliance Officer

Soft Dollars

The Funds are authorized to pay higher commissions to brokers than the minimum rates obtainable in the marketplace, or to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities. The Funds will make these payments to brokerage firms that provide us with investment and research information (even though the research services may not be for the exclusive benefit of the Funds) if we determine such commissions or prices are reasonable in relation to the overall services provided.

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; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants or other information or services. We are not required to weigh these factors equally. Information so received is in addition to and not in lieu of services required to be performed by us, and our fee is not reduced as a consequence of the receipt of any supplemental research information.

We have the option to use soft dollars generated by the Funds to pay for the research related services described above or to have these paid directly by the Funds. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate

assistance to such managers in the performance of investment decision-making responsibilities. We will not use soft dollar credits generated by the Funds to pay for any goods or services outside of this safe harbor.

Section 28(e) of the Securities Exchange Act of 1934 allows us to use soft dollar credits generated by the securities transactions conducted on behalf of the Funds to pay for expenses that we might otherwise have to pay ourselves. As a result, we will not have to pay these expenses directly. This may give us an incentive to select brokers or dealers for transactions of the Funds, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by us rather than giving exclusive consideration to the interests of the Funds. However, we only use soft dollars to pay for expenses that would otherwise be borne by the Funds.

Any use of soft dollars requires approval of the Chief Compliance Officer. We generally seek to allocate soft dollar benefits pro rata among the Funds.

Although we are authorized to allocate transactions to brokers who assist in the distribution of the Funds' interests, it is our policy not to do so. However, we are not prohibited from using the services of a broker-dealer that has made a referral of potential investors or with which we or our principals have other business dealings provided that the dealings are disclosed to the Chief Compliance Officer and the broker-dealer provides best execution. Subject to the foregoing, we may have an incentive to select or recommend a broker based on investor referrals, rather than just best execution.

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer, and we do not permit clients to direct brokerage.

Aggregation of Transactions

We generally aggregate trades of our clients when consistent with the clients' investment objectives and restrictions. If an aggregated order is not completely filled, shares purchased or sold will generally be allocated pro rata based on assets under management by clients participating in the aggregated transaction.

Our trade allocation policy seeks to allocate trades in a manner that treats the Funds fairly. From time to time, we may allocate trades and securities on a non-pro rata basis in order to rebalance the Funds' portfolios and for other legal, regulatory, tax, accounting, business and practical reasons.

For a further discussion of these and related items, see **Item 8** (Methods of Analysis, Investment Strategies and Risk of Loss) and **Item 11** (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading).

ITEM 13. REVIEW OF ACCOUNTS

Randy Heck and Brad Purcell are the portfolio managers for the Funds. They are responsible for making all investment decisions for the Funds. They continuously review the Funds. In addition, the Chief Compliance Officer reviews the stated guidelines of each Fund as described in the offering documents. These reviews monitor the holdings of the Funds in light of trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions. Before deciding to purchase or sell a particular security for a Fund, each security is reviewed and analyzed in full.

Investors in each Fund receive the following reports:

Performance review: On a quarterly basis we provide a qualitative and quantitative review of each Fund's performance. Included in this review is a discussion of the factors that impacted the Fund's performance both on a positive and negative basis. This review is distributed to investors in the Funds generally within 30 days after each quarter end.

Statement of Capital Changes: On a quarterly basis we provide a capital balance of each investor's interest in a Fund. Included in this statement is the investor's beginning capital balance, contributions or withdrawals, net profitability and ending capital balance. This statement is distributed with the Performance review generally within 30 days after each quarter end.

Estimated taxes: At least once a year we provide investors with an estimate of their taxable income. This report includes at a minimum, each investor's estimated long-term realized gains, short-term realized gains and ordinary income for the year. This report is generally distributed in December of each year.

Audited financials & K-1: Our accountants prepare and we distribute on an annual basis audited financial statements and Schedule K-1 information. This information is generally distributed to investors by early March of each year.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

We have a relationship with Thomas Weisel Partners, LLC, Westport Capital Markets, LLC and Commonwealth Financial Network whereby we compensate each firm for any investor they refer into any one of the Funds. We do not execute any trades through either of these brokers. This compensation is the sole responsibility of Goodnow.

ITEM 15. CUSTODY

We are the general partner for the Funds and have access to the assets of the Funds. Therefore, we are deemed to have custody of the Funds' assets, which requires additional controls. On an annual basis all of our Funds are audited by an accounting firm subject to oversight and inspection by the Public Company Accounting Oversight Board (PCAOB) as required, with copies of the audited statements sent to investors. For investors in Thresher Partners, LP, Vertical Partners, LP, Old Kings Capital, LP and Old Kings Capital Offshore, Ltd, the audited statements are sent to investors within 120 days of the Funds' fiscal year end. For investors in Goodnow, Gray & Co., because of its fund-of-funds status, audited financial statements are sent within 180 days of the Fund's fiscal year end.

ITEM 16. INVESTMENT DISCRETION

The Limited Partnership Agreement for each Fund grants us investment discretion, granting us the authority to place trades without requiring receipt of a client's permission prior to placing each trade.

ITEM 17. VOTING CLIENT SECURITIES

We, as a matter of policy and as a fiduciary to the Funds, have responsibility for voting proxies for portfolio securities consistent with the best economic interests of the Funds. Policies and practice include the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to investors about the voting of proxies for their portfolio securities and maintaining relevant and required records.

All proxies received by us are sent to the Chief Compliance Officer. The Chief Compliance Officer will:

- Keep a record of each proxy received;
- Discuss with the portfolio manager the proposed voting decision;
- The Chief Compliance Officer is responsible for completing the proxy and returning the proxy in a timely and appropriate manner.

Conflicts of Interest

The Chief Compliance Officer will identify any conflicts that exist between the interests of Goodnow and the Funds. This examination will include a review of our relationship with the issuer of each security and any of the issuer's affiliates to determine if the issuer is a Goodnow investor or has some other relationship with Goodnow or another investor.

If a material conflict exists, we will determine whether voting in accordance with the voting guidelines and factors described above is in the best interests of the Funds.

Investors may obtain information about how we voted Fund securities. Upon request, a written copy of the proxy policies and procedures may be obtained free of charge by contacting Chief Compliance Officer (Peter J. Gavey) by e-mail at pgavey@goodnow.com or by telephone at (203) 655-6272.

ITEM 18. FINANCIAL INFORMATION

We charge our management fees quarterly in arrears, as such, we are not required to provide a balance sheet.

We are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients

We have not been the subject of a bankruptcy petition at any time during the past ten years.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

As a Registered Investment Adviser with the Securities & Exchange Commission, we are not required to be registered with any state.