

Form ADV, Part 2A – The Brochure
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Marcato Capital Management LLC
235 Pine Street, Suite 1650
San Francisco, CA 94104
Tel: (415) 796-6350 Fax: (415) 796-6388

This brochure provides information about the qualifications and business practices of Marcato Capital Management LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (415) 796-6350 or email info@marcatocapital.com. This information has not been approved or verified by the SEC or by any state securities authority.

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Item 2. Material Changes

The following summary only discloses material changes made to the brochure since the Adviser's initial brochure, which was filed on March 31, 2011.

In addition to the clients discussed in the initial brochure, the Adviser also serves as the investment manager to a private pooled investment vehicle sponsored by an unaffiliated third party. The brochure has been updated to reflect this additional client as well as to provide additional information regarding the Adviser's policies and procedures.

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Item 4. Advisory Business

Marcato Capital Management LLC, a Delaware limited liability company (the “Adviser”) provides investment management services to private pooled investment vehicles that are offered to investors on a confidential, private placement basis. The investment vehicles are structured as U.S. limited partnerships and non-U.S. corporations. In connection with providing these investment management services, the Adviser has been appointed as investment adviser with discretionary trading authorization.

The Adviser’s principal place of business is located in San Francisco, California. The Adviser commenced operations as an investment adviser on October 1, 2010 and has been registered with the SEC since October 8, 2010. Richard T. McGuire is the sole principal owner of the Adviser.

The Adviser serves as the General Partner to Marcato, L.P. (“Marcato LP”) and Marcato II, L.P. (“Marcato II” and collectively with Marcato LP, the “Onshore Funds”), each a Delaware limited partnership. Limited Partnership interests in the Onshore Funds are offered on a confidential, private placement basis, pursuant to Section 3(c)(7) and Section 3(c)(1) of the Investment Company Act of 1940, as amended (the “Investment Company Act”) generally to “accredited investors” as defined under the Securities Act of 1933, as amended (the “Securities Act”), and, in the case of Marcato LP, “qualified purchasers” as defined under the Investment Company Act.

The Adviser serves as the Investment Manager to Marcato International, Ltd. (“Marcato Ltd”) and Marcato International Master Fund Ltd. (“Marcato Master” and collectively with Marcato Ltd, the “Offshore Funds”), each an investment fund organized under the laws of the Cayman Islands. Shares in the Offshore Funds are offered on a private placement basis to individuals and entities who are not “U.S. Persons,” as defined under Regulation S of the Securities Act and U.S. tax-exempt entities (or entities substantially comprised of U.S. tax-exempt entities).

Finally, the Adviser manages a side car vehicle, which was formed for the explicit purpose of owning securities related to a single issuer and which is sponsored by an unaffiliated third-party (the “side car vehicle”). In this capacity the Adviser is solely responsible for making portfolio management decisions and submitting trades for execution.

The Onshore Funds, Offshore Funds, and the private pooled investment vehicle for which the Adviser serves as the Asset Manager shall collectively be referred to herein as the “Funds” and an investor in a Fund shall be referred to as an “investor.”

As of March 1, 2012, the Adviser had approximately \$453,475,008 of client regulatory assets under management. As of that date, the Adviser managed all such assets on a discretionary basis.

Item 5. Fees and Compensation

Asset-Based Compensation

The Onshore Funds and Marcato Master pay the Adviser an asset-based fee equal to 0.375% (1.5% annual rate) of the net asset value of each series of shares or interests, payable in advance at the beginning of each calendar quarter. The asset-based charge is pro-rated for any period that is less than a full calendar quarter and is adjusted for contributions/subscriptions and withdrawals/redemptions occurring during the quarter. The Adviser has full authority to waive or modify the asset based charge. The Adviser's employees do not pay fees on their investments in the Funds.

The side car vehicle pays the Adviser a management fee based on a percentage of the net asset value of the account quarterly in arrears based on the net asset value of as of the last business day of each quarter.

The primary investment manager of the side car vehicle calculates and distributes the management fee owed to the Adviser, which does not hold responsibility for middle and back office functions for the side car vehicle. The Adviser deducts the asset-based fee from the other client accounts by instructing the client's custodian.

Performance-Based Compensation

As of December 31 of each year, and at any time there is a redemption, withdrawal or transfer of equity by an investor, each share or interest in the Onshore Funds and Marcato Master is subject to a Performance-Based allocation equal to 20% of any net profits (including realized and unrealized gains and losses), if any, attributable to such share or interest, subject to a loss carry-forward provision. For this purpose, net profits are reduced by the asset-based charge after taking into account all items of income, loss and expenses. The Adviser has full authority to waive or modify the Performance-Based Compensation. The Adviser's employees do not pay performance-based compensation on their investments in the Funds.

The Adviser receives a carried interest distribution from the side car vehicle upon the complete distribution of the portfolio holding.

Any Performance-Based Compensation is designed to comply with Section 205 of the Investor Advisers Act of 1940, as amended (the "Advisers Act"), and rule 205-3 thereunder.

In addition to paying asset-based fees and being subject to Performance-Based Compensation, client accounts are also subject to other investment expenses such as legal, compliance (including expenses related to compliance software), audit and accounting expenses (including third-party accounting services, if any); organizational expenses; administrator fees and expenses; investment expenses such as commissions, research fees and expenses (including Bloomberg and similar subscriptions and data services and research-related travel); risk management expenses (including expenses related to risk management software); order management systems, as well as other analytical systems; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; the fees and expenses of the directors of the client, if applicable; and any other expenses related to the purchase, sale or transmittal of client assets. The side car vehicle is subject to other expenses as described in the applicable investment advisory agreement. In summary, the side car vehicle is responsible for all trading costs and expenses associated with its investment portfolio.

In addition, clients incur brokerage and other transaction costs. Please refer to Item 12 of this Brochure for a discussion of the Adviser's brokerage practices.

Certain Funds employ a master-feeder structure. When client assets are invested in a master-feeder structure, the feeder funds bear a pro rata share of the expenses associated with the related master fund.

Item 6. Performance-Based Fees and Side-by-Side Management

As of December 31 of each year and at any time there is a redemption, withdrawal or transfer of equity by an investor, each share or interest in the Onshore Funds and Marcato Master is subject to a Performance-Based allocation equal to 20% of any net profits (including realized and unrealized gains and losses), if any, attributable to such share or interest, subject to a loss carry-forward provision. For this purpose, net profits are reduced by the asset-based charge after taking into account all items of income, loss and expenses. The Adviser has full authority to waive or modify the Performance-Based Compensation. The Adviser's employees do not pay performance-based compensation on their investments in the Funds.

The Adviser receives a carried interest distribution from the side car vehicle upon the complete distribution of the portfolio holding.

Any Performance-Based Compensation is designed to comply with Section 205 of the Advisers Act, and rule 205-3 thereunder. The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including those with different management and performance-based fee terms, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that the Funds generally participate in investment opportunities pro rata based on asset size and require that, when orders are aggregated, the participating accounts receive the average effective execution price. However, certain factors, including (1) differing investment objectives and restrictions, and (2) cash flows due to subscriptions and redemptions could result in investment decisions that only impact particular Funds. Finally, the Adviser's procedures also require the objective allocation of limited-supply investment opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

Item 7. Types of Clients

The Adviser provides investment advisory services to Marcato LP, Marcato II, Marcato Ltd. and Marcato Master. All initial and additional subscription minimums are disclosed in the respective offering memorandum of each these private pooled investment vehicles.

The Adviser also serves as investment manager to a side car vehicle sponsored by an unaffiliated third-party. In this capacity the Adviser is solely responsible for the making portfolio management decisions and submitting trades for execution.

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

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The Adviser will seek to achieve its investment objective through a patient, value-oriented investment strategy that emphasizes fundamental analysis and extensive research in the selection of a limited number of investment opportunities deemed to be uniquely attractive.

The Adviser employs the following investment strategies:

Buy and Hold. The Adviser engages in a buy and hold investment strategy wherein the Adviser buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

Equity. The Adviser uses equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments may involve significant economic leverage and may, in some cases, involve significant risks of loss.

Fundamental Value. The Adviser engages in a fundamental value investment strategy wherein the Adviser attempts to invest in securities the Adviser believes are undervalued by the market.

Activist Strategy. The Adviser's investment strategy may involve shareholder activism that could include attempts to influence portfolio companies. There is a risk that the intended strategy for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the Adviser's purchase of the securities and the anticipated results. During this period, a portion of the Adviser's capital would be committed to the securities purchased, and the Adviser may finance some portion of such purchases with borrowed funds on which clients must pay interest. Additionally, if the anticipated results do not in fact occur, the Adviser may be required to sell the investment at a loss. Moreover, there may be instances where the Adviser will be restricted in transacting in or redeeming a particular investment as a result of the size of its investments or its activist investment strategy.

The methods, strategies and investments described above involve the risk of loss to clients, who must be prepared to bear the potential loss of their entire investment. No guarantee or representation is made that the Funds will achieve their investment objectives. The Funds assume the following risks, among others, as described in greater detail in the offering memorandum of each Fund:

Material Risks Relating to Investment Strategies.

Lack of Diversification. Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

Issuer-Specific Changes. Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers.

Relative Value Risk. In the event that the perceived mispricing underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, client accounts may incur a loss.

Short Selling Risk. The Adviser's investment program includes a significant amount of short selling. Short selling transactions expose the Adviser 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 Adviser 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 Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Risks Associated with the Types of Securities Primarily Recommended.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

Security Futures and Options. In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the client's account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

Derivatives. Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

The Adviser serves as the General Partner to the Onshore Funds. The Adviser serves as the Investment Manager to the Offshore Funds.

Each of the Onshore Funds and Offshore Funds has entered into and may, in the future, enter into agreements with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Fund. The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the investor's investment in the Fund, an agreement by an investor to maintain such investment in the Fund for a significant period of time, or other similar commitment by an investor to the Fund.

The Adviser and Richard McGuire have entered into an arrangement with an initial investor (the "Initial Investor"), whereby the Initial Investor agreed to provide a significant capital contribution to the Funds. In consideration for such capital contribution, the Initial Investor is entitled to receive a percentage of the asset-based fees and performance-based fees incurred by the Funds and has received certain additional rights.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser to put the interests of the Adviser's clients before its own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Current and prospective clients and investors may obtain a copy of the Code by contacting Richard Van Doren, Jr. (the Adviser's Chief Compliance Officer) by email at rich@marcatocapital.com, or by telephone at (415) 796-6350. See below for further provisions of the Code as they relate to the preclearance and reporting of securities transactions and holdings by access persons.

Employees are generally prohibited from acquiring, disposing, or engaging in short selling of Covered Securities in any personal account, which generally includes the personal accounts of family members living in the same household. "Covered Securities" include: debt and equity securities; options on securities, on indices, and on currencies; all forms of limited partnership and limited liability company interests, including interests in private investment funds (such as hedge funds), and interests in investment clubs; foreign unit trusts and foreign mutual funds; and exchange traded funds ("ETFs"). However, the Adviser allows employees to acquire and/or dispose of municipal bonds, foreign unit trusts and foreign mutual funds, and ETFs.

In addition, with the prior written approval of the CCO, an employee may: (1) dispose of any Covered Securities held by the employee prior to the date on which the Code became applicable to that employee; and (2) acquire any Covered Security that is issued in a limited offering (i.e., an offering that is exempt from registration under the Securities Act pursuant to Section 4(2), Section 4(6), Rule 504, Rule 505 or Rule 506 thereunder).

In certain limited instances as described directly above, the Adviser and/or its employees may give advice and take action for their own accounts that may differ from advice given and action taken on behalf of the Funds. In addition, the Adviser and/or its employees may invest in third-party private investment funds that invest in some of the same securities the Adviser invests in on behalf of the Funds. Further, from time to time, the Adviser and/or its employees may have an investment position or interest in the same securities recommended to or owned by the Funds. As such, the Adviser may purchase or sell for the Funds securities of an issuer in which the Adviser and/or its employees also have an investment position or interest. Finally, the Adviser and/or its employees may hold an interest in securities prior to the Funds initiating a position in such securities.

Although, the Adviser believes it has appropriately limited employees' personal trading to types of securities that present lower potential compliance risks and potential conflicts of interest, allowing employees to hold or trade the same securities as the Funds still presents various potential conflicts of interest. For example, employees could theoretically attempt to time their personal trades to benefit from any potential impact the Funds' trades might have on the price of a security or otherwise attempt to obtain a more favorable purchase, sale, short, or cover price than the Funds obtain. In addition, employees and the Funds could potentially take opposing positions (i.e., an employee account takes a long position when a private fund account takes a short position, or vice versa) and thus the employee could potentially experience a conflict between acting in his/her own best interest versus the Funds' best interest. Further, employees could devote excessive time/use limited resources towards managing their personal trading accounts and thus neglect the Funds' accounts. Finally, employees may have an incentive to cause the Funds to invest in companies in which the employees already have an interest, especially if the employees believe that such an investment by the Funds may increase the value of their personal stake.

The Adviser, in the course of its investment management may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser is prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser has

no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it complies with applicable law.

Item 12. Brokerage Practices

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, and offering to the Adviser on-line access to computerized data regarding a client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Best Execution Committee meets approximately quarterly to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

The Adviser receives research or other products or services other than execution from a broker-dealer in connection with client securities transactions. This is known as a "soft dollar" relationship. Except for services that represent a disclosed client expense, the Adviser limits the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); and advice from and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. Research products and services include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Best Execution Committee meets quarterly to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination is viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser does not have to pay for or produce the products and services acquired using client commissions. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services and not necessarily based solely on the best interests of its clients.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities and thus may benefit other client accounts. The Adviser does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired financial news letters and trade journals and data services providing market data, company financial data and economic data.

In determining whether to direct client brokerage transactions to particular broker-dealers, the Adviser's Best Execution Committee meets approximately quarterly to review and evaluate the soft dollar practices of the Adviser and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

The Adviser has entered into "client commission arrangements" pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

In some instances, the Adviser obtains a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser makes a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities is paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) is paid for by the Adviser from its own resources. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients because the use of soft dollars to pay for products or services reduces the hard dollars the Adviser must pay out of its own pocket to obtain such products or services.

From time to time the Adviser may participate in capital introduction programs arranged by prime brokers or accept investors that were recommended by a prime broker. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it has fulfilled its duty to seek best execution on behalf of the Funds. In no event will the Adviser select a prime broker or broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser or for affording the Adviser with the opportunity to participate in capital introduction programs.

The Adviser may receive gifts and entertainment from broker-dealers and prime brokers. In no event will the Adviser select a prime broker or broker-dealer as a means of remuneration for gifts and entertainment received from such parties. The Adviser's Chief Compliance Officer and Best Execution Committee monitor the Adviser's trading practices to detect and prevent or mitigate, through disclosure or otherwise, conflicts of interest such as this.

The Adviser often purchases or sells the same security for multiple clients at the same time and using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted at the same time for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of the sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts receive the average effective execution price and pay their pro rata share of commission costs, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be

allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this generally results in a pro rata allocation to all participating clients, who would incur their pro rata share of commission costs and receive the average effective execution price.

Item 13. Review of Accounts

Each client account is reviewed by the portfolio manager, along with the research analysts of the Adviser, on a daily, weekly, monthly and quarterly basis to determine whether securities positions should be maintained in view of current market conditions. In addition, the Chief Financial Officer reviews the portfolios and positions on a daily basis to ensure compliance with the portfolio and individual security restrictions imposed by the governing documents, if any, associated with each client. In addition to the Chief Financial Officer, the Adviser's independent, third-party administrator reconciles the positions on a daily basis.

Investors in the Onshore Funds and Offshore Funds receive unaudited reports of the performance of the Fund at least monthly, as well as audited year-end financial statements annually.

The reports provided to the primary investment adviser of the side car vehicle are described in the investment advisory agreement governing the relationship. The side car vehicle includes a single investment position also held by the Funds.

Item 14. Client Referrals and Other Compensation

The Adviser may receive certain research or other products or services from broker-dealers through “soft dollar” arrangements. These “soft-dollar” arrangements potentially create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients.

In addition, from time to time the Adviser may participate in capital introduction programs arranged by prime brokers or accept investors that were recommended by a prime broker. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it has fulfilled its duty to seek best execution on behalf of the Funds. In no event will the Adviser select a prime broker or broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser or for affording the Adviser with the opportunity to participate in capital introduction programs.

Please see Item 12 for further information on these practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

Item 15. Custody

This Item is not applicable.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients, which consist of private pooled investment vehicles. Investors generally cannot place limitations on the Adviser's discretionary authority with respect to the Funds. The primary investment adviser of the side car vehicle has placed specific limitations or restrictions on the Adviser's discretionary authority with respect to the side car vehicle.

Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement (e.g., limited partnership agreement) that sets forth the scope of the Adviser's discretion.

The Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement or other agreement and any associated written investment guidelines), (ii) the amount of securities to be purchased or sold for the client account, (iii) the brokers, dealers, or other counterparties to use in execution securities transactions, and (iv) the commission rate negotiated with such brokers, dealers, or other counterparties. Because of differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions. The Adviser's portfolio manager submits an allocation statement to the Adviser's back office describing the allocation of securities to (or from) client accounts for each order submitted. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and/or (viii) account liquidity, including account requirements for liquidity and the timing of cash flows in the account. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on the total assets of each account eligible to invest in a particular type of investment (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

The Adviser has in the past and may in the future effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for participating accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. All "rebalancing" transactions: (i) are effected for cash consideration at the prevailing market price at the close on the immediately preceding business day of the particular securities, (ii) do not involve restricted securities or securities for which market quotations are not readily available, and (iii) if executed through a broker generally do not involve any brokerage commission fee (except for customary transfer fees and certain non-U.S. equities and U.S. options where customary brokerage fees must be paid) or other remuneration.

The Adviser has a potentially conflicting division of loyalties and responsibilities regarding the accounts participating in cross transactions. In addition, the potential for self-dealing that could arise, such as through price manipulation or the dumping of unwanted securities into client accounts. The conflict is heightened when the Adviser, its employees, and/or their family members have invested in a Fund or in multiple Funds to varying degrees. The Adviser's Chief Compliance Officer monitors allocation determinations to detect and prevent allocations and cross trades that would appear to advantage or disadvantage a particular client account. In addition, cross transactions are not permitted in certain instances for benefit plan or other similar accounts that are subject to ERISA.

Certain cross trades may involve a client owned more than 25% by the Adviser and its controlling persons. Such trades are treated as principal trades that require disclosure and consent prior to execution on a trade-by-trade basis. Principal trades involve similar potential conflicts of interest described above for cross trades only the conflicts may be deemed to be heightened due to the fact that the Adviser and/or its controlling persons own

more than 25% of some or all of the participating client accounts. In such cases, the Adviser shall obtain all required consents.

If it appears that a trade error has occurred, the Adviser reviews the relevant facts and circumstances to determine an appropriate course of action. Both gains and losses resulting from trade errors will be borne by the Funds unless an error is the result of bad faith, gross negligence, or willful misconduct by the Adviser. The fact that the Adviser makes the determination as to whether an error results in bad faith, gross negligence, or willful misconduct represents a conflict of interest because the determination decides whether the Adviser or the Funds bear the cost of losses due to trade errors. In order to mitigate this conflict, the CCO and the portfolio manager will reach a consensus on such determinations. To the extent that a consensus cannot be reached, the Adviser reserves the right to consult with outside counsel to assist in making the determination as to whether the Adviser or the Funds should bear the impact of losses due to trade errors.

Item 17. Voting Client Securities

The Advisor has adopted written proxy voting policies and procedures in accordance with Rule 206(4)-6 of the Advisers Act. In voting proxies for the Funds, the Advisor is guided by general fiduciary principles. The Advisor's goal is to act prudently and in the best interest of the Funds, and accordingly of investors in the Funds. The Advisor seeks to consider all positive and negative consequences its vote could have on the value of the investment. When the Advisor votes proxies, the Advisor does so in a manner that it believes will be consistent with efforts to maximize the value of the Funds' positions. In its discretion, the Applicant may choose not to vote on a particular proxy.

If the Adviser encounters an identifiable conflict of interest with respect to a particular vote, with sufficient time before a vote, the Adviser's Managing Member and CCO will determine how to vote the proxy consistent with the best interests of the Funds and in a manner not affected by the conflict of interest. The Managing Member and CCO may opt for a voting procedure by which guidance is sought from outside legal counsel on matters involving a material conflict of interest.

Investors may not direct the Adviser as to how vote in a particular solicitation.

Clients and investors may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Richard Van Doren, Jr. (the Adviser's Chief Compliance Officer) by email at rich@marcatocapital.com or by telephone at (415) 796-6350.

Item 18. Financial Information

This Item is not applicable.