

Goodnow Investment Group, LLC

Form ADV Part 2A – Disclosure Brochure

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This brochure (the “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 Goodnow 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 (the “SEC”) 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.

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

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a confidential offering memorandum and related subscription materials.

ITEM 2. MATERIAL CHANGES

Each year Goodnow will make routine updates and/or clarifying changes to this Brochure. Only material changes will be noted in this section.

The following material changes from Goodnow's brochure filing dated March, 2012 were made to this brochure:

In Item 14 titled "Client Referrals and Other Compensation", Goodnow 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. Goodnow became an SEC registered investment advisor in January, 2006. Prior to becoming an SEC registered investment advisor Goodnow operated as Goodnow, Gray & Co. Goodnow, Gray & Co. was formed in 1969. Goodnow is 100% employee owned by eight individuals. The principal owners of Goodnow are Randall M. Heck, Bradley J. Purcell, and Peter J. Gavey.

Goodnow provides investment advisory services on a discretionary basis to private investment funds that are offered to investors on a private placement basis (each the “Fund” and collectively, the “Goodnow Funds”). Currently, Goodnow does not provide investment advisory services on an individual account basis. As a result, investors can only access Goodnow’s investment advisory services by investing in one of the Goodnow Funds:

- Long/Short Funds. Thresher Partners, LP, a Delaware limited partnership, Vertical Partners, LP, a Delaware limited partnership, Old Kings Capital, LP, a Delaware limited partnership and Old Kings Capital Offshore, Ltd, a Cayman Islands exempted company (collectively the “Long/Short Funds”).
- Long Only Fund. Old Kings Capital Long Only, LP, a Delaware limited partnership (the “Long Only Fund”).
- Liquidating Fund. Goodnow, Gray & Co., a Connecticut limited partnership (the “Liquidating Fund”).

As of December 31, 2012, Goodnow’s assets under management were as follows:

• Long/Short Funds.	\$471,884,371
• Long Only Fund.	\$858,512
• Liquidating Fund.	<u>\$23,914,270</u>
Total net assets under management:	\$496,657,153

All assets are managed on a discretionary basis.

Goodnow currently does not provide investment advisory services to clients apart from the management of the Goodnow Funds.

Goodnow also does not participate in any wrap fee programs.

Goodnow makes all investment decisions on behalf of the Goodnow Funds. Goodnow’s primary responsibilities, subject to the terms of their respective governing documents, is to identify, review, and select investment opportunities that can achieve the Fund’s investment objectives. Goodnow also provides certain administrative and management services to the Goodnow Funds. Other than any limitations set forth in the governing documents of the Goodnow Funds, Goodnow’s investors may not impose restrictions on Goodnow related to investing in certain securities or types of securities.

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

Management Fees: Goodnow receives a fixed annual management fee. The management fee is paid quarterly, in arrears, based on the value of the net assets of each Fund as of the last business day of such

calendar quarter. The management fee is deducted directly from each Fund. Goodnow may waive or reduce the management fee for employees, relatives of employees or certain strategic investors.

Incentive Allocation: Goodnow receives an annual performance-based profit allocation equal to each Fund's annual net profits (after management fees), 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. Goodnow may waive or reduce this performance fee for employees, relatives of employees or certain strategic investors. Any incentive fee or performance-based profit allocation charged complies with the requirements of Section 205 of the Investment Advisers Act of 1940, as amended, and Rule 205-3 thereunder. For a further discussion see Item 6 (Performance-Based Fees and Side-By-Side Management). A summary of the fees for each fund follows.

Management Fee and Incentive Allocation/Fee – Long/Short Funds

The Long/Short Funds pay Goodnow a quarterly management fee for investment advisory services equal to $\frac{1}{4}$ of 1% (1% per annum) of each investor's capital account or the net asset value of each series of each class of shares held by an investor, as applicable, as determined at the end of each calendar quarter.

At the end of each fiscal year or upon the redemption of an investor, Goodnow is entitled to an incentive allocation/fee equal to 20% of the net capital appreciation or the increase in the net asset value of each series of each class of shares for such fiscal year after deducting the management fee for such fiscal year, subject to a loss carryforward.

Management Fee and Incentive Allocation/Fee – Long Only Fund

Investors in the Long Only Fund have the option to choose from two fee options.

Series A Fee Option – Series A investors pay Goodnow a quarterly management fee for investment advisory services equal to $\frac{1}{2}$ of 1% (2% per annum) of each investor's capital account as determined at the end of each calendar quarter.

Series B Fee Option – Series B investors pay Goodnow a quarterly management fee for investment advisory services equal to $\frac{1}{4}$ of 1% (1% per annum) of each investor's capital account as determined at the end of each calendar quarter. At the end of each fiscal year or upon the redemption of an investor, Goodnow is entitled to an incentive allocation equal to 20% of the net capital appreciation after deducting the management fee that is in excess of the total return during that period of the Russell 3000 Index, subject to a loss carryforward.

Management Fee and Incentive Allocation/Fee – Liquidating Fund

The Liquidating Fund pays Goodnow a quarterly management fee for investment advisory services equal to $\frac{1}{4}$ of 1% (1% per annum) of each investor's capital account as determined at the end of each calendar quarter.

The Liquidating Fund has made investments in other private investment partnerships or similar vehicles. The Liquidating Fund compensates the investment managers of such private investment partnerships in connection with such investments on terms that may include management or other asset-based fees and/or performance-based fees or allocations. Investors in the Liquidating Fund are not charged or allocated an incentive fee by Goodnow.

Below is a summary of the fees paid to Goodnow

Fund	Management Fee	Incentive Allocation
Long/Short Funds	1% per annum of net assets	20% incentive allocation of net profits
Long Only Fund		
Series A	2% per annum of net assets	None
Series B	1% per annum of net assets	20% incentive allocation of net profits above the performance of the Russell 3000
Liquidating Fund	1% per annum of net assets	None

All Management Fees and Incentive Allocations/Fees are set forth in detail in each Fund's offering memorandum.

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.

The securities transactions of the Goodnow Funds generate brokerage commissions which are paid by the Goodnow Funds to the applicable brokerage counterparty. For a further discussion see Item 12 (Brokerage Practices).

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

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

Goodnow receives performance-based allocations/fees from the Goodnow Funds. Such compensation may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation is calculated on a basis that includes unrealized appreciation of each Goodnow Fund's assets, it may be greater than if such compensation were based solely on realized gains. Performance-based allocations/fees may differ between the Goodnow Funds and among investors in each of the Goodnow Funds due to hurdle rate, loss carry forward provision and timing of when an investor invested in such Goodnow Fund. In addition, the Long Only Fund was formed and funded in 2012 with capital provided solely by Goodnow. There were no –non-Goodnow investors in the Long Only Fund during 2012. For these reasons, a conflict of interest may develop with respect to the allocation of investment opportunities among the Goodnow Funds. Goodnow is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures intended to address conflicts of interest relating to the management of multiple accounts and the allocation of investment opportunities. Goodnow reviews 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 regularly compared to determine whether there are any unexplained significant discrepancies.

ITEM 7. TYPES OF CLIENTS

Goodnow provides investment advisory services to the Goodnow Funds discussed above. The investors in the Goodnow Funds may include, among others, high net worth individuals, corporations, trusts, charitable institutions, foundations, fund-of-funds and other U.S. and international investors.

The offering memorandum for each Fund sets forth the required minimum amounts for investment by investors in such Fund. For Goodnow, Gray & Co. (in liquidation), Thresher Partners, LP and Vertical Partners, LP, the minimum initial investment amount is \$250,000. For Old Kings Capital, LP, Old Kings Capital Offshore, Ltd, and Old Kings Capital Long Only LP, the minimum investment amount is \$1,000,000. As general partner of the Goodnow Funds, Goodnow maintains the right to waive these minimums.

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

Following is a general overview of the method of analysis, investment strategy and risks associated with an investment in any of the Goodnow Funds. A more detailed description of each can be found in the offering materials of each Fund. The investment strategies Goodnow pursues are speculative and entail substantial risks. Investors in the Goodnow Funds should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any of the Goodnow Funds will be achieved.

The investment strategy of the Goodnow Funds emphasizes bottom-up, fundamental security analysis, attempting to identify businesses whose stocks are mispriced by the market. Goodnow attempts to achieve the investment objective of each Fund by emphasizing: (i) independent research, (ii) fundamental due diligence focused on cash flow performance, and (iii) valuation discipline. Goodnow performs its own, independent research and will use multiple sources to gather information to support its analysis. Some of those sources include, but are not limited to:

- 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

While the Goodnow Funds have broad and flexible investment authority, the majority of investments are in publicly traded, equities and equity-related securities of U.S. companies. This includes exchange traded equities and over-the-counter traded equities. Occasionally, Goodnow will invest in equity warrants, foreign traded equities, options on equity securities, U.S government securities and exchange traded funds (ETFs).

Goodnow implements its 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), and short sales.

The investment strategy of the Goodnow Funds is as follows:

- Long/Short Funds. The portfolios of the Long/Short Funds are allocated to long and short positions. On the long side, Goodnow seeks businesses that have a unique or dominant position within an industry, a management team that has a history of creating value and understands the concept of capital allocation, and solid financial characteristics. On the short side, Goodnow seeks companies where there are significant misperceptions about the sustainability of earnings growth, companies that suffer from deteriorating competitive conditions or companies with inferior businesses managed by sub-par management teams.

While the focus of the Long/Short Funds is to invest in publicly-traded securities, they may from time to time invest to a limited extent 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.).

- Long Only Fund. The Long Only Fund's investments will be similar to the long positions of Old Kings Capital, LP, one of the Long/Short Funds. As such, investments of the Long Only Fund will include all of the above investments with the exception of short positions.

While the focus of the Long Only Fund is to invest in publicly-traded securities, it may from time to time invest to a limited extent 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.).

- Liquidating Fund. Goodnow, Gray & Co has been in liquidation since April, 2009. No new investments are made in the Fund. Remaining investments include non-marketable, private placement securities.

General Risks

Investing in the Goodnow Funds involves a risk of loss that investors must be prepared to bear. The Goodnow Funds are designed only for sophisticated persons who are able to bear the risk of an investment in the Funds. The following risk factors do not purport to be a complete description of the risks involved in an investment in the Goodnow Funds. For a more complete description of the risks involved in investing in any given Fund, refer to the offering memorandum of each Fund. The following risks should be carefully evaluated before making an investment in any of the Goodnow 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 Goodnow will be able to predict accurately these price movements.

Short Sales

Short selling, or the sale of securities not owned by the Goodnow Funds, necessarily involves certain additional risks. Such transactions expose the Goodnow 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 Goodnow 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 Goodnow 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 Goodnow 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 Goodnow 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 Goodnow 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 Goodnow 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 Goodnow 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 Goodnow Funds may invest, there is a potential risk of loss by the Goodnow Funds of its entire investment in such companies.

Non-U.S. Securities

Occasionally, the Goodnow 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 Goodnow 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 Goodnow 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 Goodnow 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 Goodnow 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 Goodnow Funds as a result of the bankruptcy or insolvency of any such sub-custodian. The Goodnow 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 Goodnow Funds. Under certain circumstances, including certain transactions where the Goodnow 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 Goodnow 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 Goodnow Funds and hence the Goodnow 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 Goodnow 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 Goodnow 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 Goodnow Funds' rights to its assets in the case of a bankruptcy or insolvency of any such party.

Counterparty Risk

To the extent the Goodnow Funds invest 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 Goodnow 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 Goodnow 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 Goodnow Funds may be subject.

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

Goodnow may find it difficult or impossible to obtain leverage for the Goodnow Funds. Since the Goodnow Funds use leverage as part of its investment strategy, the Goodnow 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 Goodnow being forced to unwind positions quickly and at prices below what Goodnow deems to be fair value for the positions.

Lack of Liquidity of Fund Investments

The Goodnow Funds may occasionally invest in non-public, restricted and illiquid securities. At various times, the markets for securities purchased or sold by the Goodnow 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 Goodnow Funds. In some cases, the Goodnow 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.

Regulatory Risk

Regulatory changes are likely to occur and some of these changes may adversely affect the Goodnow Funds, perhaps materially. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future regulatory change on the Goodnow Funds could be substantial and adverse.

ITEM 9. DISCIPLINARY INFORMATION

Goodnow has never experienced any legal or disciplinary events, or complaints requiring disclosure.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Goodnow is not affiliated with a broker/dealer and does not have any other financial industry activities or affiliations beyond its role as general partner for the Goodnow Funds

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

Code of Ethics

Goodnow has adopted a code of ethics which describes the general standards of conduct that it expects of all personnel. Goodnow recognizes and believes that:

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

Potential conflicts of interest with clients may arise in connection with the personal trading activities of Goodnow personnel. Accordingly, Goodnow has 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 Goodnow personnel and its clients. Failure to uphold the code of ethics may result in disciplinary sanctions, including termination of employment. Investors may obtain a copy of Goodnow's code of ethics by contacting its Chief Compliance Officer (Peter J. Gavey) by e-mail at pgavey@goodnow.com or by telephone at (203) 655-6272.

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

Misuse of Material Non-Public Information

Goodnow has 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 Goodnow Funds.

Personal Securities Trading

Goodnow permits its employees to own securities in their personal accounts. The Goodnow Funds may also own the same securities that Goodnow employees own in their personal accounts. Goodnow has established procedures intended to limit conflicts of interest in cases where Goodnow employees buy or sell securities held by, or under consideration for the Goodnow 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 Goodnow 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.

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 personal 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.

Goodnow does not trade for its own account.

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

ITEM 12. BROKERAGE PRACTICES

Trading and Execution

Goodnow has full discretion to manage the Goodnow Funds, including the authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the broker-dealers to be used for a particular transaction, and commissions or mark-ups/mark-downs paid. 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, Goodnow seeks to obtain best execution, which requires Goodnow to take into account the circumstances of each specific transaction. In selecting a broker for each specific transaction, Goodnow will use its best judgment to choose the broker most capable of providing “best execution”. Brokers are selected on the basis of Goodnow’s evaluation of the overall value and

quality of the services provided by the broker. Multiple factors go into Goodnow's decision. In seeking the best price and execution quality, Goodnow considers 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 its 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 Goodnow generally considers 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.

The 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 broker-dealers capable of effecting the transaction. Goodnow will select and approve broker-dealers to execute client transactions based on a totality of circumstances, including any and all of the factors outlined above. This means that a broker-dealer offering the most favorable commission or spread may not be selected to execute a particular transaction. Goodnow need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. When Goodnow uses direct market access, Goodnow assesses whether the execution venues provide for best execution.

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

Soft Dollars

Under Section 28(e) of the securities Exchange Act of 1934, an investment adviser is permitted to pay a higher commission rate to brokers than the minimum rates obtainable in the marketplace if the adviser determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker.

Some examples of research products and related services that Goodnow received from brokers in the past year include written reports and analyses concerning specific securities, companies, or sectors; access to company management, industry consultants, and industry experts; analytical software; newswire services; and other products and services (e.g., data and pricing services) providing us lawful and appropriate

assistance in the performance of our investment decision-making responsibilities. Goodnow is 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 Goodnow, and Goodnow's fee is not reduced as a consequence of the receipt of any supplemental research information.

Goodnow has the option to use soft dollars generated by the Goodnow Funds to pay for the research related services described above or to have these paid directly by the Goodnow 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. Goodnow will not use soft dollar credits generated by the Goodnow Funds to pay for any goods or services outside of this safe harbor.

Section 28(e) of the Securities Exchange Act of 1934 allows Goodnow to use soft dollar credits generated by the securities transactions conducted on behalf of the Goodnow Funds to pay for expenses that Goodnow might otherwise have to pay themselves. As a result, Goodnow will not have to pay these expenses directly. This may give Goodnow an incentive to select brokers-dealers for transactions of the Goodnow Funds, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by Goodnow rather than giving exclusive consideration to the interests of the Goodnow Funds. However, Goodnow will only use soft dollars to pay for expenses that would otherwise be borne by the Goodnow Funds. In addition, research services obtained by the use of commissions arising from a given Fund's transactions may be used by Goodnow to service accounts other than the Fund that generated the commissions. Goodnow is not required to allocate the benefits provided with a particular soft dollar expenditure to a particular Fund. Goodnow may also engage in "commission sharing", which is a practice whereby Goodnow pays a broker-dealer for trade execution and requests that the broker-dealer allocate a portion of the commissions to third-party providers of research.

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

Prime Brokers

The Goodnow Funds use multiple prime brokers. The prime brokers clear the Funds' securities transactions which are effected through other brokerage firms. The prime brokers generally maintain the Funds' securities and other assets and receive no separate fee for providing that service. Goodnow is not committed to continue these prime brokerage relationships for any minimum period, and may establish additional prime brokerage relationships at any time.

Client Referrals and Directed Brokerage

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

Goodnow does not recommend, request or require that a client direct Goodnow to execute transactions through a specified broker-dealer, and Goodnow does not permit clients to direct brokerage.

Aggregation of Transactions

Goodnow generally aggregates trades of the Goodnow Funds when it is consistent with each Funds' 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 the Funds participating in the aggregated transaction.

Goodnow's trade allocation policy seeks to allocate trades in a manner that treats the Goodnow Funds fairly. From time to time, Goodnow may allocate trades and securities on a non-pro rata basis in order to rebalance the Goodnow 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

Goodnow performs various daily, weekly, monthly, quarterly and periodic reviews of each Goodnow Fund. Such reviews are performed by Goodnow investment and operations professionals.

Investors in each Fund receive the following reports:

Performance review: On a quarterly basis investors in the Long/Short Funds and the Long Only Fund receive 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. Semi-annually, investors in the Liquidating Fund receive a qualitative review of the Fund's liquidation status.

Statement of Capital Changes: On a quarterly basis investors in the Long/Short Funds and Long Only Fund receive 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. Semi-annually, investors in the Liquidating Fund receive a capital balance of each investor's interest in the Fund.

Estimated taxes: At least once a year Goodnow provides 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: Audited financial statements and Schedule K-1 information is distributed to all investors on an annual basis. This information is generally distributed to investors by early March of each year for the Long/Short Funds and Long Only Fund and by the end of June for the Liquidating Fund.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Goodnow has a relationship with Thomas Weisel Partners, LLC, Westport Capital Markets, LLC, Commonwealth Financial Network, and UBS Financial Services, Inc. whereby Goodnow compensates each firm for any investor they refer into any one of the Goodnow Funds. Goodnow does not execute any trades through any of these brokers. This compensation is the sole responsibility of Goodnow.

Goodnow does not receive economic benefits from non-clients for providing investment advice or any other advisory services.

ITEM 15. CUSTODY

Goodnow, as the general partner of the Goodnow Funds, is deemed to have custody of the assets of the Goodnow Funds. Account statements related to the Goodnow Funds are sent by qualified custodians to Goodnow. The assets of the Goodnow Funds are held in custody by unaffiliated broker-dealers or banks acting in the capacity of a qualified custodian pursuant to the Advisers Act.

On an annual basis all of the Goodnow 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 of the Goodnow Funds grants Goodnow investment discretion including the authority to place trades without requiring receipt of a Fund's permission prior to placing each trade.

ITEM 17. VOTING CLIENT SECURITIES

Goodnow, as a matter of policy and as a fiduciary to the Goodnow Funds, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the Goodnow 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 Goodnow 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 Goodnow Funds. This examination will include a review of Goodnow's 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, Goodnow will determine whether voting in accordance with the voting guidelines and factors described above is in the best interests of the Goodnow Funds.

Investors may obtain information about how Goodnow voted. 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

Goodnow charges its management fees quarterly in arrears, as such, Goodnow is not required to provide a balance sheet.

Goodnow is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

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

Brochure Supplement

Randall M. Heck

Goodnow Investment Group, LLC

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Randall M. Heck: (203) 655-6272
randy@goodnow.com
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March 6, 2013

This brochure supplement provides information about Randall M. Heck that supplements the Goodnow Investment Group, LLC brochure. You should have received a copy of that brochure. Please contact Peter Gavey at (203) 655-6272 if you did not receive Goodnow Investment Group, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Randall M. Heck is available on the SEC's website at www.adviserinfo.sec.gov.

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Randall M. Heck, born 1960

Business Background:

2006 – present

Member, Goodnow Investment Group, LLC

1995 – 2006

General Partner, Goodnow, Gray & Co. (predecessor firm to Goodnow Investment Group, LLC)

1992 – 1995

Analyst, Goodnow, Gray & Co.

1983 – 1992

Managing Director, Gabelli & Co.

Education:

1982

McDaniel College, Bachelors of Arts

1984

Columbia University, Masters of Business Administration

DISCIPLINARY INFORMATION

There are no legal or disciplinary events material to a client's or prospective client's evaluation of Mr. Heck.

OTHER BUSINESS ACTIVITIES

Mr. Heck is not actively engaged in any other investment-related business or occupation.

ADDITIONAL COMPENSATION

Mr. Heck does not receive any economic benefit from a non-client for providing advisory services.

SUPERVISION

Mr. Heck is co-portfolio of Goodnow's investment advisory activities. He shares the portfolio management responsibility with Bradley J. Purcell. The portfolio managers work together in formulating investment ideas for the portfolios, thus providing a degree of joint supervision on each other's investment decisions. In addition, the Chief Compliance Officer is responsible for monitoring the investments of the portfolios for compliance with stated investment objectives and investment parameters. The firm's Chief Compliance Officer is Peter J. Gavey. Mr. Gavey is also the firm's Chief Operating Officer and a member of the management committee of Goodnow Investment Group, LLC. Mr. Gavey can be reached at (203) 655-6272.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Goodnow Investment Group, LLC is registered with the Securities and Exchange Commission (which is not an indication of approval by that agency), so it is not required to complete this section.

Brochure Supplement

Bradley J. Purcell

Goodnow Investment Group, LLC

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March 6, 2013

This brochure supplement provides information about Bradley J. Purcell that supplements the Goodnow Investment Group, LLC brochure. You should have received a copy of that brochure. Please contact Peter Gavey at (203) 655-6272 if you did not receive Goodnow Investment Group, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Bradley J. Purcell is available on the SEC's website at www.adviserinfo.sec.gov.

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Bradley J. Purcell, born 1960

Business Background:

2006 – Present	Member, Goodnow Investment Group, LLC
1999 – 2006	General Partner, Goodnow, Gray & Co. (predecessor firm to Goodnow Investment Group, LLC)
1991 – 1999	Senior Vice President, Lazard Freres & Co.
1987 – 1991	Vice President, Gabelli & Co.
1984 – 1987	Director of Research, Market Guide Inc.

Education:

1983	Stanford University, Bachelors of Arts
1989	Columbia University, Masters of Business Administration

DISCIPLINARY INFORMATION

There are no legal or disciplinary events material to a client's or prospective client's evaluation of Mr. Purcell.

OTHER BUSINESS ACTIVITIES

Mr. Purcell is not actively engaged in any other investment-related business or occupation.

ADDITIONAL COMPENSATION

Mr. Purcell does not receive any economic benefit from a non-client for providing advisory services.

SUPERVISION

Mr. Purcell is co-portfolio of Goodnow's investment advisory activities. He shares the portfolio management responsibility with Randall M. Heck. The portfolio managers work together in formulating investment ideas for the portfolios, thus providing a degree of joint supervision on each other's investment decisions. In addition, the Chief Compliance Officer is responsible for monitoring the investments of the portfolios for compliance with stated investment objectives and investment parameters. The firm's Chief Compliance Officer is Peter J. Gavey. Mr. Gavey is also the firm's Chief Operating Officer and a member of the management committee of Goodnow Investment Group, LLC. Mr. Gavey can be reached at (203) 655-6272.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Goodnow Investment Group, LLC is registered with the Securities and Exchange Commission (which is not an indication of approval by that agency), so it is not required to complete this section.

Brochure Supplement

Edward B. Goodnow

Goodnow Investment Group, LLC

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www.Goodnow.com

March 6, 2013

This brochure supplement provides information about Edward B. Goodnow that supplements the Goodnow Investment Group, LLC brochure. You should have received a copy of that brochure. Please contact Peter Gavey at (203) 655-6272 if you did not receive Goodnow Investment Group, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Edward B. Goodnow is available on the SEC's website at www.adviserinfo.sec.gov.

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Edward B. Goodnow, born 1925

Business Background:

2006 – Present	Member, Goodnow Investment Group, LLC
1969 – 2006	General Partner, Goodnow, Gray & Co., (predecessor firm to Goodnow Investment Group, LLC)
1967 – 1969	Andresen & Co.
1950 – 1967	Vice President, Kidder Peabody & Co.

Education:

1949	Princeton University, Bachelors of Arts
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DISCIPLINARY INFORMATION

There are no legal or disciplinary events material to a client's or prospective client's evaluation of Mr. Goodnow.

OTHER BUSINESS ACTIVITIES

Mr. Goodnow is not actively engaged in any other investment-related business or occupation.

ADDITIONAL COMPENSATION

Mr. Goodnow does not receive any economic benefit from a non-client for providing advisory services.

SUPERVISION

Mr. Goodnow is the portfolio manager for Goodnow, Gray & Co. Goodnow began liquidating Goodnow, Gray & Co in March of 2009. As of December 31, 2012, the majority of the Fund's assets have been distributed back to investors. No new investments are being made in Goodnow, Gray & Co. The remaining investments are in the process of being liquidated and will be distributed to investors when liquidity is achieved. The Chief Compliance Officer is responsible for reviewing the remaining liquidation of the Fund. The firm's Chief Compliance Officer is Peter J. Gavey. Mr. Gavey is also the firm's Chief Operating Officer and a member of the management committee of Goodnow Investment Group, LLC. Mr. Gavey can be reached at (203) 655-6272.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Goodnow Investment Group, LLC is registered with the Securities and Exchange Commission (which is not an indication of approval by that agency), so it is not required to complete this section.