

**Item 1: Cover Page**

**GRUENSTEIN INVESTMENTS LLC**

**Part 2A of Form ADV: Firm Brochure**

Gruenstein Investments LLC

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This brochure provides information about the qualifications and business practices of Gruenstein Investments LLC (the “Firm”). If you have any questions about the contents of this brochure, please contact us at 212-410-1800 or david@gruenstein.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about the Firm also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration does not imply a certain level of skill or training.

**Item 2.       Material Changes**

Gruenstein Investments LLC last updated Part 2A of its Form ADV on March 29, 2023. Since the time of that filing, there have been no material changes to Gruenstein Investments LLC's operations.

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#### **Item 4. Advisory Business**

A. Gruenstein Investments LLC (the “Firm”) was established in 2018 as a Delaware limited liability company managed by David Gruenstein (the “Principal”). The Firm is controlled and owned by the Principal.

The Principal spent more than 35 years practicing law at Wachtell, Lipton, Rosen & Katz. He handled a broad variety of complex civil litigation and regulatory enforcement matters, giving counsel to numerous corporate clients (including investment advisers). The Principal received an A.B. from Columbia College in 1977, with a major in probability and statistics, and subsequently a J.D. from Harvard Law School in 1980. His legal career has included working on a variety of complex issues including those with a quantitative aspect, for example, constructing (and deconstructing an adversary’s) complex damage or other expert analysis, and analyzing trading activity and markets. Since leaving Wachtell Lipton in January 2017, and prior to commencing the advisory business of the Firm, the Principal served as Senior Advisor to Steinberg Asset Management LLC (“Steinberg”).

The Principal remains a member of the New York legal bar, but is not currently and does not intend in the future to practice law generally or in connection with the Firm or its business.

B. The Firm provides its investment advisory services to both a private fund client and to various managed account clients. The Firm’s private fund client is Gruenstein Partners LP, a Delaware limited partnership (the “Fund”), which invests primarily in the common stock or American Depositary Receipts (“ADRs”) of publicly-traded companies in the U.S. and other developed countries. The Fund may invest in other securities, as determined by the Firm, including for example options, fixed income securities, and money market instruments. The Fund may at times as part of its strategy hold a significant portion of its assets in cash, money market instruments, and other short-term high quality investments. The Fund offers its limited partner interests only on a private placement basis exempt from the registration requirements of the U.S. Securities Act of 1933, as amended (the “1933 Act”), pursuant to its confidential private placement memorandum, as supplemented from time to time (the “PPM”), and limited partnership agreement, as amended from time to time (the “LPA”). The Firm will have discretionary authority over the assets of the Fund. Offers to invest in the Fund will be made only by the Fund’s PPM and LPA. This document is not an offer to sell or a solicitation of offers to buy any limited partner interests or other securities of the Fund. Full information on the investment strategy, fees, expenses, risks, and potential conflicts of interest of the Fund are set forth in the PPM and LPA.

In addition, the Firm advises various managed accounts, to which the Firm provides wealth management advice and other advisory services to individuals and entities (collectively, “Managed Accounts”). The Firm may provide advisory services to Managed Accounts on both a discretionary and a non-discretionary basis. Managed Account clients will include both tax-exempt investors, such as retirement accounts, and investors subject to income tax, such as individuals who may be accredited persons. The Firm’s Managed Account clients include, for example, (a) members of the Principal’s family (which may include trusts and estate planning vehicles formed by members of the Principal’s family), and (b) other individuals and entities with historical relationships with the Principal (investors described in (a) and (b) are referred to as “Friends & Family” investors).

C. The Firm tailors its advisory services to the Fund in accordance with the Fund's investment objective and strategy as disclosed in the PPM. The Firm also tailors its wealth management advice and other services that the Firm provides for Managed Accounts to individual circumstances including the taxable or non-taxable nature of the client, client goals and risk tolerances, and the needs of the client for, among other things, cash flow and stability in the portfolio. The Firm in the past has offered and in the future may offer a Managed Account investing in a single security for which it has a performance fee arrangement. Managed Account clients may impose restrictions on investing in specified securities or types of securities, as mutually agreed with the Firm. The Firm does not, however, tailor its advisory services to the individual needs or any specified investment mandates of the investors in the Fund and those investors may not impose restrictions on investing in certain securities or types of securities.

D. The Firm does not participate in any wrap fee programs.

E. As of December 31, 2023, the Firm has \$50,155,225 of regulatory assets under management, of which \$47,778,813 are managed on a discretionary basis and \$2,376,412 are managed on a non-discretionary basis.

#### **Item 5. Fees and Compensation**

A. The Fund pays the Firm for its advisory services. The Fund will pay to the Firm or one of its affiliates a special profits allocation equal to ten percent of the profits of the Fund, subject to customary "high water mark" provisions. The Fund will also pay to the Firm or one of its affiliates an annual management fee equal to one percent of the net asset value of the Fund on a capital account by capital account basis. Further information on the fees and profits allocations paid by the Fund is set forth in the PPM and LPA. The Fund waives or discounts fees and profit allocations with respect to Friends & Family and other investors.

The Firm's basic fee for Managed Accounts is one percent per annum of the total assets under management of the Managed Accounts. This fee has been and remains subject to negotiation, including that the client and the Firm may agree to change the structure of the fee from an annual management fee to a performance-based fee, and the fee may be waived in whole or in part. The Firm anticipates that the fees that it charges Managed Account clients will vary based upon, for example, the historical relationship between the clients and the Principal and the particular services provided by the Firm to various clients.

B. The Firm deducts management fees from client accounts quarterly in arrears and the profits allocation annually or upon an earlier withdrawal. Alternatively, clients may elect to receive a bill in respect of fees incurred and payable to the Firm.

C. In addition to the compensation payable to the Firm described above, our clients pay their own ongoing direct investment and operating expenses. The list below details some of these expenses but does not include every possible expense clients may incur.

- investment expenses such as brokerage commissions, dealer mark-ups, option payments, other payments due under investment contracts and arrangements, research expenses, including interest on margin accounts and other indebtedness;

- other expenses related to the purchase, sale or transmittal of assets;
- fees and expenses charged by mutual funds or other exchange traded funds in which clients might invest, such as management fees and transaction costs;
- banking costs, custodial fees and currency conversion costs; and
- any other expenses which we reasonably determine to be directly related to the investment of our clients' assets.

The Firm has agreed with certain clients that the Firm will pay select expenses otherwise allocated to such clients. Such arrangements will continue indefinitely or for a certain period of time, as determined by the Firm and each such client. As a general matter, the Firm may, but is under no obligation to, bear certain expenses on behalf of any or all of its clients from time to time.

D. Clients do not pay any management fees or profits allocations in advance.

E. Neither the Firm nor any of its principals or employees receives any compensation for the sale of securities or other investment products, including charges or fees from the sale of mutual funds.

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

The Firm or one of its affiliates will be entitled to a special allocation of ten percent of the profits of the Fund. In other words, the Firm or one of its affiliates will receive a ten percent share of the current income, capital gains or other profits attributable to the Fund. The Managed Accounts will be charged fees, if any, as set forth in Item 5 above. As a result, the Firm and the Principal are subject to conflicts of interests. For example, the Firm has an incentive to favor the Fund (and any Managed Account paying a performance fee), because the Firm will receive ten percent of the profits attributable to the Fund, but will not receive a share of profits for certain other clients. For example, the Firm will have an incentive to allocate more attractive investments to the Fund, because the Firm or one of its affiliates will receive 10% of the profits generated by those investments for the Fund. It will be possible for the Firm to favor the Fund over Managed Accounts, or to favor Managed Accounts over the Fund. However, in an effort to mitigate the risk that such conflicts of interest will arise, the Firm carefully monitors the services that it provides to the Fund and Managed Accounts to make sure that the Firm treats all clients fairly.

#### **Item 7. Types of Clients**

As noted in Item 4 above, the Firm provides advice to the Fund, a pooled investment vehicle, and various Managed Accounts of high-net worth individuals and/or their families, related estate planning vehicles and other entities including trusts. The Principal acts as trustee for trusts for the benefit of certain families with which the Principal has an historical relationship. In order to avoid potential conflicts that may arise in these cases, the Firm does not accept as clients or investors in the Fund trusts for which the Principal serves as trustee (excluding trusts for the benefit of the Principal's family). At this time, there are no pre- set minimum account sizes. Rather, the Principal will determine on a case-by-case basis whether the account size is adequate.

## **Item 8. Method of Analysis, Investment Strategies and Risk of Loss**

A. The Principal seeks to use and adapt the analytic and fact-gathering skills he developed in his career as a lawyer, and thereby to make investment decisions based on a personal process. In addition, the Principal has been a long-time investor on behalf of his family and, following his legal career, the Principal has been purchasing equity securities of publicly-listed companies. (While practicing law at his former firm, the Principal was generally prohibited from investing in individual publicly-listed companies.) While the Principal expects to make changes in his practices over time, he expects to use the same basic method of analysis and investment strategies that he employed (and continues to employ) investing for his own family.

In providing advisory services to clients, the Firm aims not to be limited based by any fixed philosophy or process, but rather to formulate advice and to manage accounts in the exercise of its discretion, on a case-by-case basis, based on the facts and circumstances that the Firm deems pertinent. While such broad discretion will be exercised, and the Firm may take advantage of opportunities (including short-term trading opportunities) that arise, the following summarizes how the Firm generally approaches investment decision-making at present.

The Firm's primary focus is the selection of equity investments, principally the common shares of publicly-listed U.S. companies or ADRs of foreign companies in developed markets. The Firm has authority to employ leverage, but does not anticipate using such authority to carry substantial leverage, absent unusual circumstances. Similarly, the Firm has authority to purchase or sell options or derivatives, but has used such authority only in unusual circumstances.

While the Firm intends to take concentration into account as one factor in investment decision-making, the Firm is not bound by specific concentration limits, except as may be agreed with Managed Account clients, and has concentrated positions. The Fund may at times as part of its strategy as determined by the Firm hold a significant portion of its assets in cash, money market instruments, and other short-term high-quality investments.

The Firm invests generally for absolute returns with a long-term time horizon on a fully-netted basis. Thus, the Firm seeks to achieve positive returns, independent of market benchmarks, in the long-term in real terms on a fully-netted basis—i.e., after netting for all fees, expenses and costs, including inflation and taxes.

While the reasons for individual investments will vary, the Firm generally seeks to achieve such absolute, long-term, fully-netted returns by constructing a portfolio that (inclusive of cash, high quality short-term debt and money market instruments) attempts to achieve, and balance, three objectives:

- The first objective (“Capital Preservation”) seeks preservation of capital on a fully-netted basis. This requires growth in the portfolio in nominal terms sufficient to compensate for all fees, expenses and other costs, including inflation and taxes, so that the portfolio can be sold in the long run and generate the same buying power as the client originally invested.
- The second objective (“Spending Capacity”) seeks to enable the investor to withdraw a reasonable annual return after a period of time, without impairing capital (consistent with the Capital Preservation objective). This Spending Capacity objective too is defined on a

long-term, fully-netted basis. Thus, this Spending Capacity objective requires growth in nominal terms sufficient to generate annual returns in the long-term that, net of all fees, expenses and costs of any nature (including inflation and taxes), will constitute a reasonable return on the original investment (while preserving the buying power of the original investment). The Spending Capacity objective does not include a requirement for annual returns in the initial years after a client invests. The Spending Capacity objective is expected to be met, at least in part, by dividends.

- Finally, the third objective (“Growth”) seeks growth, again on a long-term fully-netted basis, beyond what is necessary to meet the first two objectives of Capital Preservation and Spending Capacity. Achieving Growth thus requires real capital appreciation beyond Capital Preservation, and the amounts required to pay a portion of a reasonable annual return on a fully-netted basis in the long-term (as defined in the Spending Capacity objective).

In trying to achieve, and balance, these three objectives, the Firm seeks to identify what the Principal calls “ballast stocks” and “booster stocks,” and to invest, at reasonable prices, the portfolio (exclusive of high quality short-term debt and money market instruments) principally in these two categories of stocks.

Ballast stocks are so named because, when selecting these stocks, the first two objectives are given greater priority (relative to booster stocks discussed below). Investing a substantial portion of invested capital in ballast stocks thus aims to provide a degree of stability for the portfolio, viewed as a whole, by giving greater priority (relative to booster stocks) to Capital Preservation and Spending Capacity when investing the ballast portion of the invested capital. Because of how the Firm defines Capital Preservation and Spending Capacity, ballast stocks are not necessarily value stocks, and value stocks are not necessarily ballast stocks. Rather, ballast stocks are selected based on (among other factors) a judgment that they are likely over the long-run to grow in nominal terms sufficiently to preserve capital (on a fully-netted basis) and to pay a reasonable annual return (again on a fully-netted basis).

Booster stocks are so named because, when selecting these stocks, the Growth objective is given greater priority (relative to ballast stocks described above). This portion of the portfolio aims to enhance the prospect for substantial real (fully-netted) capital appreciation while (if successful) also helping the overall portfolio achieve the Capital Preservation and Spending Capacity objectives.

While the percentage of ballast and booster stocks will vary in the discretion of the Firm, the Firm generally seeks to allocate client capital between ballast stocks and booster stocks, in an effort to control risk. (If a stock qualifies as both ballast and booster, it is generally classified as a ballast stock for these purposes.) These classifications are inherently uncertain and matters of judgment. In addition, the classification of a stock as ballast or booster is subject to change. Moreover, there can be no assurance that these objectives, or any of them, will be satisfied, even as to the portion of capital invested in ballast stocks. Notwithstanding these efforts to control risk, investing in securities, including ballast securities, involves risk of loss that clients should be prepared to bear.



The methods of analysis and investment objectives the Firm uses in formulating wealth management advice or other services focus on absolute, fully-netted, long-term returns, except as may be tailored (as described above) to individual circumstances. Apart from any investments in ballast and booster stocks, the focus for Managed Accounts would be on individual and family needs and preferences, and on overall portfolio composition including selection of, and allocations to, other investment advisers, ETFs, mutual funds, Treasuries, municipal bonds, other fixed income investments and other securities.

B. Please see below for a detailed explanation of some of the significant risks associated with the investment strategies the Firm employs. This summary does not describe all of the risks associated with an investment in the Fund or a Managed Account or all risks associated with our strategies. Although no summary can fully describe all of these risks, the PPM of the Fund contains a more complete description of the risks associated with an investment in the Fund.

*Lack of Operating History.* The Firm is a recently-formed entity which does not have a long operating history for prospective investors to evaluate prior to making an investment managed by the Firm.

*Reliance on Key Person.* The Firm is substantially dependent on the services of its sole portfolio manager, the Principal, who has limited experience or training in investment management, and who for most of his career was a full-time lawyer. In the event of the death, disability, departure or insolvency of the Principal, the business of the Firm will be adversely affected. The Principal will devote such time and effort as he deems necessary for the management and administration of the Firm's business. However, the Principal is not restricted from engaging in other business activities in addition to Firm, and consequently may not devote all time to Firm business.

*Investment Judgment and Market Risk:* The success of the Firm's investment programs depends, in large part, on correctly evaluating future price movements of potential investments. The Firm cannot guarantee that it will be able to accurately predict these price movements and that its investment programs will be successful.

*Investment and Trading Risk:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. Also, changes in the general level of interest rates may negatively affect clients' results.

*Financial Markets and Regulatory Change:* The instability in global financial markets and general rise in stock market levels has increased the risks associated with the investment activities and operations of hedge funds or other investment vehicles, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the hedge fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to clients' interests.

*Foreign Securities.* The Firm intends to invest in ADRs and in other securities of foreign

companies on behalf of clients. Investing in foreign securities involves certain risk factors not typically associated with investing in U.S. securities, such as fluctuation between exchange rates and the costs of converting from one currency to another. In addition, there may not be much information available regarding foreign securities because foreign companies and governments may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of the U.S. There also might be a greater risk of political, social or economic instability and the possibility that foreign taxes may be imposed on clients' income. Finally, when investing in foreign bonds, there is always a risk that their issuer will default and be unable to pay the interest and/or principal payments due on the bonds, as the financial stability of foreign issuers may be more precarious than that of U.S. issuers. Some ADRs are subject to periodic service fees, or "pass-through fees," intended to compensate the agent bank for providing custodial services. These charges, if any, generally run \$0.01 to \$0.03 per share. Information on any such fees should be available in the ADR prospectus.

*Illiquid Investments.* The Firm is authorized to make illiquid investments on behalf of clients. Illiquid investments are investments that are not heavily traded and cannot easily be converted to cash. If clients require cash and the Firm must sell illiquid investments at an inopportune time, the Firm might not be able to sell illiquid investments at prices that reflect its assessment of their value or the amount paid for them.

*Swaps and Other Derivatives.* The Firm has the discretion to invest in swaps and other forms of derivative contracts on behalf of clients. A derivative is a financial instrument that is a contract between two parties, the value of which is linked to another security or commodity, or an "underlying asset." In the event the Firm does make such investments, some of the derivatives in which the Firm trades would be over-the-counter, meaning they are privately negotiated between two parties, as opposed to being traded on an exchange. Over-the-counter transactions typically involve significant transaction costs.

A swap is a type of derivative in which counterparties agree to exchange one stream of cash flow for another, each stream being based on an underlying asset. For example, an investor realizing returns from an equity investment can swap those returns into less risky fixed income cash flows without having to sell its equities. Swaps are particularly sensitive because various market variables affect the values of the cash flows, causing them to change.

Any derivative contract typically involves leverage, as it exposes clients to potential gain or loss from a change in the price of an underlying asset in an amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the price of the underlying asset can result in losses to clients that are more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in a derivative contract. Finally, derivative contracts pose particular risks because, ultimately, their success depends in part on the counterparty's financial condition.

*High Yield, Low or Unrated Securities.* The Firm has authority to invest in "high yield" bonds and preferred stock or low or unrated debt securities which are unrated or rated in the lower categories by the various credit rating agencies (or in comparable non-rated securities) on behalf of clients. Securities in the lower categories are subject to greater risk of loss of principal and interest than higher-rated securities, and are generally considered to be speculative in terms of the issuer's ability to pay interest and repay principal. Because investors generally perceive that there may be

greater risks associated with the lower-rated securities, the yields and prices of these securities may fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold.

*Leverage.* Subject to applicable margin and other limitations, the Firm borrows funds at times in order to make additional investments for clients. Borrowing involves risk to clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, the value of the securities purchased with the borrowed amount can decline below the amount borrowed. Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of clients to be greater than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of clients will be less than would otherwise be the case. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

*Options.* The Firm has the discretion to purchase or write call and/or put options on behalf of clients. There are risks associated with the sale and purchase of options. Call options are the right to buy a security at a certain price within a defined time period. Put options are the right to sell a security at a certain price within a defined time period. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security never reaches the designated price within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price within the set time period. A writer of a call option risks losses including in circumstances where the underlying security rises in value. A writer of a put option risks losses including by virtue of having to purchase underlying shares at a higher price than the shares may be sold.

*Initial Public Offerings.* Should the appropriate opportunity arise, the Firm may consider purchasing securities of companies in initial public offerings or shortly thereafter for clients. Special risks associated with these securities include, but are not limited to, a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for clients to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings operate in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

*Futures Contracts.* The Firm is authorized to invest in futures contracts or other commodities interests. Futures prices are highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested.

*Exchange Traded Funds, Mutual Funds and Other Similar Instruments.* The Firm buys shares of exchange traded funds (“ETFs”), mutual funds and other similar instruments on behalf of clients. Both ETFs and mutual funds are investment companies registered under the Investment Company Act of 1940, as amended. Generally, an ETF holds a portfolio of common stocks designed to track the performance of a particular index, while a mutual fund will also hold a securities portfolio, but unlike an ETF is typically actively managed. Investments in ETFs, mutual funds and other instruments involve certain risks generally associated with investments in a broadly-based portfolio of stocks including the risk that the general level of stock prices may decline, which would adversely affect the value of each unit of the ETF, mutual fund or other instrument. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or differences between the ETF and the index with respect to the weighting of securities or number of stocks held. A mutual fund may likewise underperform as compared to the index or other benchmark against which its performance is being measured. Because ETFs, mutual funds and pools that issue similar instruments bear various fees and expenses, clients’ investments in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. Such expenses are generally allocated to client accounts, as discussed in Item 5.C above.

*Money Market Funds.* A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share, however, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission notes that “While investor losses in money market funds have been rare, they are possible.” In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation (“FDIC”) insured savings account (money market funds are not FDIC insured). Money market fund rates are also variable. Because money market funds are generally considered safer than other investments like stocks, long-term average returns on money market funds tend to be less than long-term average returns on riskier investments. Over long periods, inflation can eat away at your returns.

*Hedging Risk.* Hedging strategies are intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit, and may even increase losses. The Principal may utilize financial instruments for clients to hedge against fluctuations in the value of its investments caused by such things as changes in exchange rates, interest rates, commodity prices and fluctuations in the equity markets in general. Hedging does not eliminate fluctuations in the investment’s value or prevent losses, but establishes other positions designed to gain from the underlying causes of such fluctuations or losses. Hedging also limits the opportunity for gain if the value of an investment increases. Moreover, an attempt to hedge against a risk may simply fail, or cost more than the protection it provides. For example, the cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly, options on highly volatile securities may be more expensive than losses caused by the related fluctuations in those securities.

*Inflation and Interest Rate Risk.* Security prices and portfolio returns will likely vary in response to inflation and interest rates changes. Inflation causes future dollars to be worth less and may reduce the purchasing power of a client’s future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed-income investments to decline.

*Cybersecurity Risk.* With the increased use of technologies such as the internet and the dependence on computer systems to perform business and operational functions, portfolios (such as the Fund) and their service providers may be prone to operational and information security risks resulting from cyber-attacks and/or technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Firm or a custodian, or other affiliated or third-party service provider may adversely affect the Fund or other clients. For instance, cyber-attacks may interfere with the processing of transactions, affect the ability to calculate net asset values, cause the release of private investor information or confidential information, impede trading, cause reputational damage, and subject the Firm or its clients to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. Cyber-attacks may render records of assets and transactions and other data integral to the functioning of the Firm inaccessible or inaccurate or incomplete. The Firm may also incur substantial costs for cybersecurity risk management in order to prevent cyber incidents in the future. The Firm and its clients could be negatively impacted as a result. While the Firm has established business continuity plans and systems designed to minimize the risk of cyber-attacks through the use of technology, processes and controls, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified given the evolving nature of this threat. The Firm (on its own behalf and on behalf of its clients) relies on third-party service providers for many of its day-to-day operations, and will be subject to the risk that the protections and protocols implemented by those service providers will be ineffective to protect the Firm from cyber-attack. Similar types of cybersecurity risks also are present for issuers of securities in which the Firm invests, which could result in material adverse consequences for such issuers, and may cause investments in such securities to lose value.

*Force Majeure or other Risks.* Investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, failure of technology, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a service provider) to perform its obligations until it is able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows available from a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries such as the United States in which clients may invest. Prolonged changes in climatic conditions may also have significant impact on the revenues, expenses and conditions of certain client investments.

The Firm encourages its clients as well as their investors, as applicable, to consider the various risk factors described above in this Item 8. While the Firm does not recommend primarily any single type of security, and the Firm's clients can hold a diverse range of investments, any investment is accompanied by varying degrees of risk and clients. As such, clients and investors in the Fund alike must be prepared to assume any potential loss.

## **Item 9. Disciplinary Information**

- A. Neither the Firm nor any management person has been involved in any criminal or civil actions in a domestic, foreign or military court.
- B. Neither the Firm nor any management person has been subject to an administrative proceeding before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.
- C. Neither the Firm nor any management person has been subject to a proceeding before any self-regulatory organization.

## **Item 10. Other Financial Industry Activities and Affiliates**

- A. Neither the Firm nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Firm nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor.
- C. The Firm manages investments for, and otherwise provides investment advisory services to, the Fund, which is a related person of the Firm.

Gruenstein GP LLC, a Delaware limited liability company, which is majority owned and controlled by the Principal, serves as the general partner of the Fund.

The Firm has entered into a services agreement with Steinberg (the “Services Agreement”), whereby Steinberg provides certain non-exclusive bookkeeping, accounting, trading, reporting and other support services to the Firm, and has in the past provided office space to the Firm, for mutually agreed upon fees paid by the Firm to Steinberg.

There is a possibility that the Firm’s clients could be impacted in the event of an issue of receipt of material nonpublic information (“MNPI”) by the Firm from Steinberg resulting in a trading restriction. Both Steinberg and the Firm have procedures designed to prevent insider trading. These include a procedure that in the event of an issue of an employee of Steinberg coming into receipt of MNPI, the employee is required to notify Steinberg’s Chief Compliance Officer (who is also Chief Compliance Officer of Gruenstein Investments LLC) so that the Chief Compliance Officer is enabled to take appropriate action. The Firm also has a procedure requiring the Firm to notify the Chief Compliance Officer in the event it becomes aware of an issue of receipt of MNPI from Steinberg.

Gruenstein Investments LLC provides investment advisory services to clients that are related persons of one of the broker-dealers used by the Firm for execution. That brokerage relationship pre-exists these clients’ determination to retain Gruenstein Investments LLC as an investment adviser. Gruenstein Investments LLC retains complete discretion to direct trades for these or any other accounts to this or any other broker-dealer.

Neither the Firm nor its management persons has any other relationship or arrangements with other

financial services companies that are material to its advisory business, its clients or the investors in the Fund.

D. As part of its overall services to its Managed Account clients, the Firm does not currently, but may in the future, recommend or select unaffiliated investment advisers for investment by certain Managed Account clients. Nevertheless, the Firm does not believe that this will create a material conflict of interest between those clients and the Firm. The Firm does not receive compensation directly or indirectly from unaffiliated advisers that creates a material conflict of interest or have other business relationships with them that creates a material conflict of interest.

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

A. The Firm has adopted a Code of Ethics pursuant to the SEC's rule 204A-1. The Code of Ethics includes the Firm's policies as they relate to personal investment and trading by principals and employees. The Code of Ethics requires employees to report securities holdings and to receive pre-approval before engaging in certain personal securities transactions. The Code of Ethics defines material and nonpublic information and the restrictions on trading on this information, and sets forth the responsibilities of all supervised persons relative to insider trading. Among other things, the Firm imposes certain restrictions and reporting requirements on all employees and principals relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons.

Firm employees may not purchase or sell any security on their own behalf or on behalf of others, including family members, unless the transaction is pre-cleared with our Chief Compliance Officer; however, employees may make deposits in checking and savings accounts and purchase, sell or trade in certificates of deposit, commercial paper and other similar money market instruments, treasury securities, shares of unaffiliated open-ended stock and bond mutual funds, certain agency debt securities (such as Fannie Mae and Freddie Mac), municipal bonds and securities held in accounts managed by third-party investment advisers in which the employee has no investment discretion without receiving pre-clearance from our Chief Compliance Officer.

The Firm's personal trading policy and procedures also require that employees report and certify personal securities transactions on at least a quarterly basis, certify personal securities holdings over which such employees have a direct or indirect beneficial interest on an annual basis, enable direct provision of account information from brokers to the Firm's compliance consultant, and certify compliance with such policy and procedures.

The Firm also maintains certain policies and procedures designed to prevent principals and employees from misusing material non-public information. The Firm will furnish a copy of the Code of Ethics to current and prospective clients or investors in the Fund upon request.

B. Principals and employees of the Firm do not recommend to clients, nor do they buy or sell for clients' accounts, securities in which they have a material financial interest.

C. Firm principals or employees are permitted to invest in the same security as clients. The Firm recognizes that this could create a conflict of interest if principals and employees receive more favorable execution prices than do clients because principals' and employees' trades might have

driven up the market prices of target securities. However, the Firm has attempted to mitigate the risks associated with this type of situation through broad personal securities trading restrictions contained in the Code of Ethics, and by requiring pre-approval of most securities transactions, but there can be no assurance that all of these risks can be eliminated.

## **Item 12. Brokerage Practices**

Unless the client has directed the use of a particular broker, the Firm has discretion to select a broker or brokers and negotiate commissions for its clients. When selecting a broker, the Firm considers relevant factors such as execution capability, the financial stability and reputation of brokerage firms, the responsiveness of the broker to the Firm, the information systems offered by such broker, existing relationships with the broker and the research, brokerage and other services provided by the broker.

The Firm's consideration for the best execution of its client's transactions includes qualitative considerations and will not necessarily result in the lowest possible commission cost. The Firm need not solicit competitive bids and does not have an obligation to seek the lowest available commission or to combine or arrange orders to obtain the lowest brokerage commission rates available on transactions for its clients. If the amount of commission charged by a broker is reasonable in relation to the value of the brokerage functions and services provided by such broker to the Firm, the Firm may direct brokerage transactions to such broker notwithstanding the fact that such broker charges higher commissions than those another broker might charge.

Certain clients may direct the Firm to utilize a particular broker to execute some or all transactions for the client's account. In such circumstances, the client is responsible for negotiating the terms and arrangements for the account with that broker-dealer. Clients who, in whole or in part, direct the Firm to use a particular broker to execute transactions for their accounts should be aware that doing so may adversely affect the Firm's ability to execute such transactions in the manner it would for its other clients for whom it chooses brokerage services (e.g., the Firm will generally place such trades after the completion of trades on behalf of clients that do not direct their brokerage).

### **Soft Dollars**

The Firm and/or its affiliates may receive research, information or other services in accordance with the safe harbor established under Section 28(e) of the Securities Exchange Act of 1934, as amended, from one or more brokers. The receipt of any such research, information or other service is considered a "soft dollar" benefit.

### **Trade Errors**

The Firm has established trading error procedures which require the resolution of all errors to be made in accordance with the Firm's fiduciary duties. In addition, the Firm has engaged Steinberg under the Services Agreement to conduct trade settlement and to monitor for potential trade errors. While the Firm endeavors to minimize the occurrence of trade errors, in the event a trade error does occur, the Firm's policy is to resolve such error in a manner designed to ensure that any related losses are not ultimately borne by the Firm's clients. The Firm prohibits the use of soft dollars to resolve trade errors. To the extent that the Firm can demonstrate that a broker-dealer was partly or entirely responsible for a trade error, such broker-dealer may be asked to bear part or all



of the cost of the error, and the Firm will retain documentation showing the broker-dealer's responsibility.

### **Item 13. Review of Accounts**

The Principal typically reviews client accounts weekly, or more frequently if triggered by economic or market conditions, in a manner consistent with the investment goals of the clients' accounts.

The Firm provides, or arranges for the provision of, quarterly unaudited performance reports to clients and investors in the Fund. The Firm's auditor audits year-end results of the Fund, and forwards these statements to investors in the Fund within 120 days of year-end. All reports are in written form, including by way of electronic delivery.

### **Item 14. Client Referrals and Other Compensation**

The Firm and its Principal (and any other employees) do not receive any economic benefit from non-clients for providing advisory services to clients.

The Firm and its Principals (and any other employees) do not compensate anyone for client referrals.

### **Item 15. Custody**

Under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "Custody Rule"), the Firm and its affiliate acting as the general partner of the Fund are deemed to have custody of the securities and other assets of the Fund even though they do not physically hold the securities and other assets of the Fund, and the Fund's securities and assets are not held or registered in the name of the Firm.

The Firm complies in relation to the Fund with the provisions of the Custody Rule because the Fund is audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and audited financial statements are distributed to each investor in the Fund within 120 days of the end of the Fund's fiscal year.

The Firm's Managed Account clients will receive regular account statements directly from a qualified custodian with the required information in accordance with the Custody Rule. The Managed Account assets under the Firm's management are held at Pershing Advisor Solutions LLC or another qualified custodian.

### **Item 16. Investment Discretion**

Pursuant to the governing documents of the Firm's clients, the Firm has complete investment authority with respect to all securities owned by the Fund and the majority of its Managed Account clients, and investors in the Fund and those Managed Accounts do not place any limits on this authority. To assume this authority, investors subscribing to the Fund agree to grant the Firm discretionary authority over the Fund's assets in their subscription agreements and in the Fund's governing documents and Managed Account clients grant the Firm a power-of-attorney for this purpose in their Managed Account agreements. Certain Managed Account clients, however, retain

the ultimate discretion to buy or sell securities for their accounts.

#### **Item 17. Voting Client Securities**

A. The Firm follows an established policy to vote proxies on behalf of clients (clients may direct otherwise in an agreement with the Firm). The purpose of this policy is to further the best interests of clients. The Firm makes its proxy voting policy, together with information regarding how it has voted past proxies, available to clients and investors in the Fund upon written request.

Neither Firm clients nor any investor in the Fund may direct the Firm's vote with respect to any particular solicitation.

If the Firm determines that a conflict of interest exists with respect to a particular issuer, the Principal will determine whether the conflict of interest is material. If the Principal determines that the conflict of interest is not material, the Firm may vote proxies notwithstanding the existence of the conflict. If the Principal determines that the conflict of interest is material, the Firm will resolve the conflict in one of several possible ways before voting the proxy, such as by engaging a third party to recommend a vote with respect to the proxy.

#### **Item 18. Financial Information**

The Firm does not require, nor does it solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

The Firm does not believe any financial condition exists that is reasonably likely to impair its ability to meet contractual commitments to clients.

The Firm has never been the subject of a bankruptcy petition.

The Firm has operated at a loss since the formation. The Principal has provided funds to the Firm to enable it to continue operating despite losses. The Principal intends, but is not required, to continue this funding. The Firm could have difficulty operating and providing services to clients if the Principal were to become unwilling or unable to continue this funding.