

BROCHURE OF

Grunion Capital Management, LLC

A Delaware limited liability company registered with the Securities and Exchange Commission as an Investment Adviser (CRD # 145364)

Grunion Capital Management, LLC
888 Prospect Street, Suite 201
La Jolla, CA 92037
www.grunioncapital.com

Tel. 858-454-6690
Fax. 858-454-6695

THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF GRUNION CAPITAL MANAGEMENT, LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 858-454-6690 OR MSOTTOSANTI@GRUNIONCAPITAL.COM.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION, NOR THE STATE OF DELAWARE, NOR ANY STATE SECURITIES AUTHORITY, HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THIS BROCHURE. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. ADDITIONAL INFORMATION ABOUT GRUNION CAPITAL MANAGEMENT, LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

The date of this Brochure is:

March 29, 2011

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other such documents containing information about our Firm.

Material Changes to Brochure

Grunion Market Neutral Fund, LP, a Delaware limited partnership, was launched in February 2011.

Grunion Capital Management, LLC switched its adviser registration from the State of California to the Securities and Exchange Commission in July, 2010.

Item 3.

TABLE OF CONTENTS

Part 2A – Firm Brochure

Item number	Page number
Item 1 – Cover Page	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	6
Item 6 – Performance-Based Fees and Side-by-Side Management.....	8
Item 7 – Types of Clients.....	10
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss...	10
Item 9 – Disciplinary Information.....	19
Item 10 – Other Financial Industry Activities and Affiliations.....	21
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	22
Item 12 – Brokerage Practices.....	26
Item 13 – Review of Accounts.....	32
Item 14 – Client Referrals and Other Compensation.....	33
Item 15 – Custody.....	33
Item 16 – Investment Discretion.....	34
Item 17 – Voting Client Securities.....	34
Item 18 – Financial Information	35
Item 19 – Requirements for State-Registered Advisers.....	35

I. Part 2A – FIRM BROCHURE

Item 4. Advisory Business:

- (A) **Operational and Organizational Information:** Grunion Capital Management, LLC (“Grunion,” “Firm” or the “General Partner”), a Delaware limited liability company, is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). Firm is the general partner of the Grunion Fund, LP and of the Grunion Market Neutral Fund, LP (each a “Partnership” and collectively the “Partnerships”). Each Partnership is a limited partnership organized under the Delaware Revised Uniform Limited Partnership Act. As stated on the cover page of this Brochure, registration as an investment adviser does not imply a level of skill or training. Firm has been in business since 2006 and began operations in January 2007. As the principal member, manager, and controlling person of Firm, Mark Sottosanti (“Principal”) controls all of the Partnerships’ operations and activities.

Advisory Support Services Provider: Firm may compensate Coastwise Capital Group, LLC (“CCG”), an independent investment adviser registered with the SEC, for advisory support services as outlined in the services agreement between the two firms. These services may include any of the following functions: (a) CFO/COO functions for Firm; (b) investor relations (such as the facilitation of oral and written communications with current and potential investors of the Partnerships and other clients); (c) portfolio analysis/trading support for Firm, the Partnerships and other clients; (d) administration/operational support for Firm, the Partnerships and other clients (such as performing due diligence on potential investors to ascertain if they are qualified to invest in a Partnership; and (e) other related activities, as reasonably requested by Firm. As such, a conflict of interest may exist with respect to incentives of CCG to refer clients to Firm. In addition, the shared employees will not dedicate their full time services to Firm.

- (B) **Types of Advisory Services Offered:** Firm provides investment management services relating to pooled investment vehicles for the purpose of investing and trading in a wide variety of securities and financial instruments, domestic and foreign, primarily focusing on publicly traded equity securities. Firm has discretion over the management of the Grunion Fund, LP’s affairs and has discretionary investment authority over its assets. Firm and the Grunion Market Neutral Fund, LP have entered into a sub-advisory

agreement with CCG, pursuant to which CCG has discretionary investment authority over the Grunion Market Neutral Fund, LP's portfolio, subject to the overall control of Firm. Firm may replace CCG at any time in its sole discretion.

Firm also provides investment management services to separately managed accounts. Each separately managed account has a privately negotiated investment management agreement based upon the objectives and needs of the client and each account is managed in accordance with those objectives and needs. In general, separately managed accounts will be managed *pari passu* to one of the Partnerships.

Note: For purposes of this Brochure, "Client" may include pooled investment vehicles, investors in such vehicles (also known as "Limited Partners"), and/or separately managed account clients.

Firm does not hold itself out as specializing in a particular type of advisory service. Please review Firm's investment guidelines, specified below under "Client Investment Guidelines and Parameters."

- (C) **Client Investment Guidelines and Parameters:** The following is a general description of the principal types of trades and investments which Firm currently contemplates engaging in, certain trading techniques that it may employ, the investment criteria that it plans to apply, and the guidelines that it has established regarding the composition of its investment portfolio. The following description is merely a summary and you should not assume that any descriptions of specific activities are intended in any way to limit the types of investment activities Firm may undertake:

The Partnerships' investment objectives are to seek consistent superior long-term absolute returns through long and short positions in equities, exchange-traded funds ("ETFs") and options, while also attempting to preserve capital and mitigate risk through diversification of investments and hedging activities, and, in the case of the Grunion Market Neutral Fund, maintaining a relatively neutral portfolio profile. No assurance can be given, however, that the Partnerships will achieve their objectives, and investment results may vary substantially from period to period.

- (D) **Wrap Fee Programs:** Firm does not participate in wrap fee programs.

(E) **Client Assets Under Management:** (rounded to the nearest \$100,000)

(i) Discretionary: \$58.5 million as of March 1, 2011.

(ii) Non-discretionary: \$0 as of March 1, 2011.

Item 5. Fees and Compensation:

(A) **Generally:** All fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation, customary market rates, specialized guidelines, and other performance/incentive fee arrangements with the Client.

Management fees for pooled investment vehicles and separately managed accounts are calculated based on a percentage of the value of the assets under management (referred to herein as “Management Fees”).

In addition, Firm may collect incentive fees and/or allocations based on the performance of investments. Please refer to Item 6, below, for a more detailed description of performance or incentive fees and/or allocations and related conflicts of interest.

(B) **Payment of Fees:** Management Fees are billed periodically as specified in the relevant investment services agreement or applicable pooled vehicle transaction document.

Partnerships: For its services to a Partnership, Firm shall receive Management Fees ranging between approximately 1% and 2% annually of each investor’s share of a Partnership’s net asset value, payable monthly in arrears as of the last day of each month. A *pro rata* Management Fee will be charged to investors on any amounts permitted to be invested during any month. No part of the Management Fee will be refunded in the event that an investor withdraws all or any of the value in the investor’s capital account during a quarter. Firm, in its sole discretion, may waive or reduce the Management Fee with respect to one or more investors for any period of time, or agree to apply a different Management Fee for that investor.

Separately Managed Accounts: Firm charges a Management Fee based on a percentage of the market value of the assets under management. Firm receives a mutually agreed upon Management Fee as specified in the relevant investment management agreement, and Management Fees are billed as specified in the

relevant investment management agreement. Alternatively, the Management Fee may be waived in lieu of higher performance based allocations and/or fees.

- (C) **Additional Fees and Expenses:** The Partnerships may pay or reimburse Firm and/or its affiliates for all organizational and initial offering expenses of the Partnerships, including, but not limited to, legal and accounting fees, printing and mailing expenses and government filing fees (including blue sky filing fees). The Partnerships shall pay or reimburse Firm and its affiliates for: (i) all expenses incurred in connection with the ongoing offer and sale of interests, including, but not limited to, documentation of performance and the admission of Limited Partners; (ii) all operating expenses of the Partnerships such as tax preparation fees, governmental fees and taxes, administrator fees, communications with Limited Partners, and ongoing legal, accounting, auditing, bookkeeping, consulting and other professional fees and expenses; (iii) all Partnership research, trading and investment related costs and expenses (e.g., brokerage commissions, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges); and (iv) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims, assertion of rights or pursuit of remedies, by or against the Partnerships, including, without limitation, professional and other advisory and consulting expenses and travel expenses, and whether or not pursuant to bankruptcy or other legal proceedings, or participation in informal committees of creditors or other security holders of an issuer.

Separately managed account Clients will also bear any agreed upon expenses as set forth in the relevant investment management agreement.

Termination of Services: Termination terms for the Partnerships are specified in the relevant offering documents. Generally, services may be terminated effective as of the last day of any quarter, upon at least 30 days' prior written notice to Firm, and in such other amounts and at such other times as Firm may determine in its sole discretion. For separately managed accounts, termination terms are specified in the applicable investment management agreement.

- (D) **Fees Paid in Advance:** Firm does not permit Clients to pay any fees in advance.

- (E) **Additional Compensation of Supervised Persons:** No supervised person accepts compensation for the sale of securities or other investment products.
- (i) This practice presents a conflict of interest and gives Firm or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a particular Client's needs. Firm endeavors to disclose herein all conflicts of interest which could impair the rendering of unbiased and objective advice. Lower fees for comparable services may be available from other sources. N/A
 - (ii) All Clients have the option to purchase investment products that Firm recommends through other brokers or agents that are not affiliated with Firm and/or not used by Firm. N/A
 - (iii) If commissions provide more than 50% of Firm's revenue or compensation, disclose: N/A
 - (iv) Firm does/does not reduce advisory fees to offset the commissions and/or markups that it receives, as follows: N/A

Item 6. Performance Based Fees and Side-By-Side Management:

Partnerships: In addition to the Management Fee, Firm is compensated for its investment management services through an incentive allocation and/or fee, also known as a performance-based allocation and/or fee ("Performance Fee"). Under this arrangement, an investor will be charged a fee contingent upon the performance within the investor's account. The Performance Fee will be tied to the capital appreciation within the account as evaluated at the end of each applicable period. The Performance Fee will be payable annually, in arrears. Firm shall also receive the Performance Fee upon any withdrawal by an investor, whether voluntary or involuntary, and upon dissolution of a Partnership. The Performance Fee will be calculated at 20% of net capital appreciation attained within the investor's account (net of all expenses, including any commissions, etc.). Firm, in its sole discretion, may waive or reduce the Performance Fee with respect to any investor for any period of time, or agree to modify the Performance Fee for that investor. Firm may, in its discretion, reallocate a portion of the Performance Fee to certain investors.

Separately Managed Accounts: Firm may receive from Clients a mutually agreed upon performance fee or allocation, as specified in the relevant investment management agreement. Typically, the performance fee or

allocation will be comparable to that of the Partnerships and will be calculated at 20% of net capital appreciation attained within the Client's account (net of all expenses, including any commissions, etc.). Clients who reside in the United States and who are charged performance fees or allocations are required to be qualified clients as defined under the Investment Advisers Act of 1940 (the "Advisers Act").

Generally: In order for Firm to receive a Performance Fee, Firm must achieve capital appreciation within the account. Firm will charge Performance Fees in adherence to a high water mark, which means that no Performance Fee will be earned unless the performance exceeds the previously achieved high water mark where Performance Fees were charged. The high water mark will be used in order to prevent a scenario whereby Firm could receive a Performance Fee merely for recouping prior losses. A full description of the entire fee arrangement will be disclosed to the Client in such Client's investment management agreement. Fees generally are deducted directly from the Client's account, as specified in the relevant investment management agreement. Firm's receipt of Performance Fees is intended to align Firm's interests with those of Firm's Clients and to provide Firm with a greater incentive to manage assets well. The nature of the Performance Fee, however, creates a potential conflict of interest among Firm, its associated persons, and Clients.

Such fees will be structured and charged in a manner consistent with the requirements of applicable law, including the Advisers Act and ERISA. An incentive fee arrangement may create an incentive for Firm to make investments that are riskier or more speculative than would be the case in the absence of a Performance Fee. Where any part of Firm's compensation is based in part on the unrealized appreciation of securities or instruments for which market quotations are not readily available, Firm shall disclose how such securities or instruments will be valued and the extent to which the valuation will be determined independently. To the extent Firm values any such securities or instruments it has a conflict of interest as Firm will receive higher Management Fees and Performance Fees if it gives such securities and instruments higher valuations. Firm does not represent that the amount of the Performance Fees or the manner of calculating the Performance Fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The Performance Fees charged by Firm may be higher or lower than the Performance Fees charged by other investment advisers for the same or similar services.

In addition, in the event that Firm manages an account from which it collects Performance Fees and also manages at the same time an account from which it does *not* collect Performance Fees, Firm has an incentive to favor accounts for which it receives Performance Fees because it will

receive a greater profit from the accounts that are charged Performance Fees. Therefore, Firm has an incentive to allocate investments that are expected to be more profitable to accounts from which it collects Performance Fees, on the one hand, and that are riskier on the other hand, since in both scenarios, Firm may receive greater fees if the investment generates a positive return. Notwithstanding the foregoing, Firm does not favor accounts that pay Performance Fees.

Item 7. Types of Clients:

Firm's Clients are separately managed accounts and private investment funds whose investors are individuals and institutions. The minimum investment in a Partnership is \$500,000, and the minimum subsequent investment is \$100,000. In each case, however, Firm has sole discretion to accept lesser amounts. Separately managed account terms are individually negotiated.

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

- (A) **Methods of Analysis and Investment Strategies:** Firm's investment objective is to seek consistent superior long-term absolute returns through long and short positions in equities, exchange-traded funds ("ETFs") and options, while also attempting to preserve capital and mitigate risk through diversification of investments and hedging activities and maintaining a relatively neutral portfolio profile. No assurance can be given, however, that the Partnership will achieve its objective, and investment results may vary substantially from period to period. Firm's investing strategy is to identify situations where the valuation of a company or sector presents a low-risk/high-reward trading opportunity, and/or does not reflect the impact of catalysts that are expected to occur over a short or long timeframe. Firm intends to identify these opportunities through a combination of street, industry and primary research, and intends to buy or sell equities, equity options, or ETFs with the goal of maximizing profit potential while minimizing downside risk. Firm may be net long or net short at any time within the pre-defined risk control parameters, and therefore Firm does not expect results to correlate with traditional market benchmarks.

The Partnerships combine the following investment strategies as they attempt to capture investment opportunities with high risk/reward potential:

Stock Selection: Using fundamental analysis and other indicators to identify opportunities with low risk and high potential reward,

the Partnerships intend to take long or short positions in individual equities and options. Depending on the logic behind the trade and subsequent developments, these positions could be held for anywhere from days to years.

Sector Analysis: Using fundamental analysis of industry dynamics, the Partnerships intend to take sector specific long or short positions in an industry using ETFs, equities and/or options. These positions will generally be held for anywhere from a few weeks to several months, or longer.

Short Term Market Timing Strategies (Grunion Fund, Primarily): Using a proprietary approach which combines technical and fundamental indicators, this Partnership shifts its overall positioning between net long and net short positions, in an attempt to capture short term (1-5 day) market movements.

Options (Grunion Market Neutral Fund, Primarily): This Partnership intends to sell covered calls and covered puts on long and short equity positions respectively in an attempt to generate profits and further hedge the portfolio.

Additional information on other features of the Partnerships' investment program is set forth below:

Concentration: Although Firm will generally seek to limit the position sizing of its investments, Firm believes that in order to sustain superior investment results, it may be necessary to concentrate a Partnership's portfolio from time to time. Thus, a Partnership may have limited diversification. There is no limit to the concentration or diversification a Partnership may have, however the Partnerships have established risk controls regarding maximum position sizing.

Options: Firm may utilize derivative securities, primarily options. Firm may purchase and write put and call options that are traded on national securities exchanges or over-the-counter markets, as well as on electronic communications networks ("ECNs"). Options can be used in many ways, such as to increase market exposure (i.e., for purposes of leverage), to reduce overall market exposure (i.e., for hedging purposes), to increase a portfolio's current income, or to reduce the cost basis of a new position. The Partnerships may also utilize certain options, such as various types of index or "market basket" options, in an effort to hedge against certain market-related risks, as Firm deems appropriate. Firm believes that the use of options and other derivatives should help

reduce risk and enhance investment performance.

Leverage: A Partnership may increase the number and extent of its “long” positions by borrowing (e.g., by purchasing securities on margin). Entering into short sales also increases a Partnership’s use of leverage. Moreover, the amount of any borrowing by a Partnership may also be limited by regulations imposed by the Federal Reserve Board (“FRB”) and by the availability and cost of credit. Firm does not expect that a Partnership will incur indebtedness in connection with its operations, other than interest on margin debts or deposits with respect to securities positions.

Other Investments: Firm may also invest some of a Partnership’s assets in short-term United States Government obligations, certificates of deposit, commercial paper and other money market instruments, including repurchase agreements with respect to such obligations, to enable a Partnership to make investments quickly and to serve as collateral with respect to certain of its investments. If Firm believes that a defensive position is appropriate because of expected economic or business conditions or the outlook for security prices, or Firm determines that opportunities for investing are unattractive, then a greater percentage of a Partnership’s assets may be invested in such obligations. A Partnership may also engage in securities lending activities. From time to time, in the sole discretion of Firm, cash balances in a Partnership’s brokerage account may be placed in a money market fund.

Although the strategies and asset allocations utilized by the Partnerships are primarily centered on publicly traded equity securities, Firm intends to follow a flexible approach in order to place the Partnerships in the best position to capitalize on opportunities in the financial markets. Accordingly, Firm may employ other strategies and may take advantage of opportunities in diverse asset classes if they meet Firm’s standards of investment merit.

Separately Managed Accounts: Firm generally implements similar investment strategies on behalf of its separately managed account Clients, primarily through the use of automated or manual pari passu trading.

Investing in securities involves risk of loss that Clients should be prepared to bear.

(B) Risks Associated with Firm's Investment Strategies:

Investments in Securities and Other Assets Believed to Be Undervalued: The General Partners' investment program contemplates that a portion of the Partnerships' portfolio may be invested in securities and other assets that the General Partner believes to be undervalued. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Returns generated from the Partnerships' investments may not adequately compensate for the business and financial risks assumed. Such investments can sometimes include bonds and other fixed income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact on their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Partnerships may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Partnerships' funds would be committed to the investments made, thus possibly preventing the Partnerships from investing in other opportunities.

Investments in Small Capitalization and Unseasoned Companies: The General Partner may invest a portion of the Partnerships' portfolios in companies that have small market capitalization and/or unseasoned companies (such as spin-offs of large companies). Such companies generally have potential for rapid growth, but they often involve higher risks because they may lack the management experience, financial resources, product diversification and/or competitive strength of larger and/or more established companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Partnerships may have to sell portfolio holdings of such companies at discounts from quoted

prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

Volatility of Currency Prices: The profitability of the Partnerships' portfolios depends, in part, upon the General Partner correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Partnerships cannot guarantee that the General Partner will be successful in accurately predicting currency price and interest rate movements.

Leverage: When deemed appropriate by the General Partner and subject to applicable regulations, the Partnerships may incur leverage in their investment programs, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Partnerships. If the interest expense on this leverage were to exceed the net return on the investments made with borrowed funds, the Partnerships' use of leverage would result in a lower rate of return than if the Partnerships were not leveraged.

If the amount of leverage which a Partnership may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of such Partnership's portfolio will have disproportionately large effects in relation to such Partnership's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional leverage will generally cause the net asset value of the Partnerships to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the leveraged capital fails to cover their cost to the Partnerships, the net asset

value of the Partnerships will generally decline faster than would otherwise be the case.

Certain of the Partnerships' trading and investment activities in securities and other financial instruments may be subject to FRB margin requirements, which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the assets managed by the Partnerships, the Partnerships might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the Partnerships' trading activities, the Partnerships, and not the Limited Partners personally, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Short Sales: The General Partner's investment program contemplates that a portion of the Partnerships portfolio will be invested in selling securities short. Although the General Partner may sell short a variety of assets, such as bonds and currencies, it expects most short trades to be in equity securities. Short selling involves the sale of a security that the Partnerships does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Partnerships must borrow securities from a third party lender. The Partnerships subsequently return the borrowed securities to the lender by delivering to the lender securities they previously owned or by purchasing securities in the open market. The Partnerships must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are

borrowed, the lender typically retains its right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the Partnerships a fee for the use of the Partnerships' cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Partnerships may be subject to substantial losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

Options and Other Derivative Instruments: The General Partner will invest in options and derivative instruments, including buying and writing "uncovered" puts and calls. The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options and swap agreements also depends upon the price of the securities, currencies or other assets underlying them. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Additionally, the Partnerships are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument or asset at the exercise price.

If a put or call option purchased by the Partnerships were permitted to expire without being sold or exercised, the Partnerships would lose the entire premium they paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to the Partnerships at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by the Partnerships at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Partnerships of all or a substantial portion of their assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

Hedging Transactions: Investments in financial instruments such as forward contracts, options, commodities and interest rate swaps, caps and floors, and other derivatives are commonly utilized by investment funds to hedge against fluctuations in the relative values of their portfolio positions as a result of changes in currency exchange rates, interest rates and/or the equity markets or sectors thereof. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio

positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Partnerships to hedge against a fluctuation at a price sufficient to protect the Partnerships' assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying instruments or assets. Accordingly, options on highly volatile instruments or assets may be more expensive than options on other instruments or assets and of limited utility in hedging against fluctuations in their prices.

The General Partner is not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedges are implemented, their success is dependent on the General Partners' ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

Investments in Non-U.S. Investments: From time to time, the Partnerships may invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Foreign securities and other assets often trade in currencies other than the U.S. dollar, and the Partnerships may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the Partnerships' net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An

increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Partnerships' investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Partnerships' foreign currency holdings. If the Partnerships enter into forward foreign currency exchange contracts for hedging purposes, they may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Partnerships enter forward contracts for the purpose of increasing return, they may sustain losses.

- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

Risk of Default or Bankruptcy of Third Parties: The Partnerships may engage in transactions in securities, commodities, financial instruments and other assets that involve counterparties. Under certain conditions, the Partnerships could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, instruments and/or assets were to become illiquid. In addition, the Partnerships could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Partnerships do business, or to which securities, instruments and/or assets have been entrusted for custodial purposes.

Separately managed account Clients are subject to substantially similar risks as those described in Item 8.(B) above.

(C) **Security-Specific Risks:** Please refer to Item 8.(B) above.

Item 9. Disciplinary Information:

Legal and disciplinary events in which Firm or any supervised persons have been involved that are material to a Client's or prospective client's evaluation of Firm's advisory business or management are listed below (see response after each event).

- (A) A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which Firm or a management person:

- (i) Was convicted of, or pled guilty or nolo contendere (“no contest”) to: (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses. **N/A**
- (ii) Is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses. **N/A**
- (iii) Was found to have been involved in a violation of an investment-related statute or regulation. **N/A**
- (iv) Was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order. **N/A**
- (B)** An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which Firm or a management person:
- (i) Was found to have caused an investment-related business to lose its authorization to do business. **N/A**
- (ii) Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority:
- a. Denying, suspending, or revoking the authorization of Firm or a management person to act in an investment-related business. **N/A**
- b. Barring or suspending Firm’s or a management person’s association with an investment-related business. **N/A**
- c. Otherwise significantly limiting Firm’s or a management person’s investment-related activities. **N/A**

- d. Imposing a civil money penalty of more than \$2,500 on Firm or a management person. **N/A**
- (C) A self-regulatory organization (SRO) proceeding in which Firm or a management person:
 - (i) Was found to have caused an investment-related business to lose its authorization to do business. **N/A**
 - (ii) Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500. **N/A**

Item 10. Other Financial Industry Activities and Affiliations:

- (A) Firm has no existing or pending affiliations with a broker-dealer or a registered representative of a broker-dealer.
- (B) Firm has no existing or pending affiliations with a Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), or Commodity Trading Advisor (CTA).
- (C) Firm and/or its management persons have a relationship or arrangement that is material to its advisory business or to its Clients with any related person as discussed below:
 - (i) Broker-dealer, municipal securities dealer, or government securities dealer or broker. **N/A**
 - (ii) Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund). **N/A** except as discussed at Item 4.(A) and 4.(B).
 - (iii) Other investment adviser or financial planner: *As discussed at Item 4.(A) and 4.(B), Firm has an arrangement with Coastwise Capital Group, LLC ("CCG"), an independent investment adviser registered with the SEC. Firm may compensate CCG for advisory support services as outlined in the services agreement between the two firms. These services may include any of the following functions: (a)*

CFO/COO functions for Firm; (b) investor relations (such as the facilitation of oral and written communications with current and potential investors of the Partnerships and other clients); (c) portfolio analysis/trading support for Firm, the Partnerships and other clients; (d) administration/ operational support for Firm, the Partnerships and other clients (such as performing due diligence on potential investors to ascertain if they are qualified to invest in a Partnership; and (e) other related activities, as reasonably requested by Firm. As such, a conflict of interest may exist with respect to incentives of CCG to refer clients to Firm. In addition, the shared employees will not dedicate their full time services to Firm.

- (iv) Futures commission merchant, commodity pool operator, or commodity trading advisor. **N/A**
- (v) Banking or thrift institution. **N/A**
- (vi) Accountant or accounting firm. **N/A**
- (vii) Lawyer or law firm. **N/A**
- (viii) Insurance company or agency. **N/A**
- (ix) Pension consultant. **N/A**
- (x) Real estate broker or dealer. **N/A**
- (xi) Sponsor or syndicator of limited partnerships. **N/A**

(D) Please refer to Item 10.(C)(iii) above.

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

A copy of the code of ethics (“Code of Ethics”) is available upon request to Clients or prospective Clients.

- (A) The Code of Ethics is based upon the premise that all Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of Firm; (3) observe Firm’s personal trading policies so as to avoid “front-running” and other conflicts

of interests between Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by Firm's Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by Firm, up to and including termination.

Participation or Interest in Client Transactions: Firm recognizes that the personal securities transactions of its employees demand the application of a high code of ethics, and Firm requires that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, Firm believes that if investment goals are similar for Clients and for employees of Firm, it is logical and even desirable that there be common ownership of some securities. Firm and its related persons may invest their personal funds in the Funds. Therefore, in order to address conflicts of interest, Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors and employees (hereafter in this section, "Employees") for their personal accounts. In order to monitor compliance with its personal trading policy, Firm has adopted a quarterly securities transaction reporting system for all of its Employees. For purposes of the policy, an Employee's "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including Firm's Client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

Associated persons of Firm may recommend to Clients the purchase or sale of investment products in which it or a related person may have some financial interest, including but not limited to, the receipt of compensation. Records will be maintained of all securities bought and sold by associated persons and related persons.

Additionally, the Code of Ethics sets forth Firm's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that Firm and each of its Employees has to each of its Clients. The Code of Ethics is circulated at least annually to all Employees, and each Employee, at least annually, must certify in writing that he or she has received and followed the Code of Ethics and any amendments thereto.

Other Activities of Firm and its Affiliates: Neither Firm, nor any affiliate or employee, is required to manage Client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing Client accounts, Firm, and its respective affiliates or employees may provide investment advice to other parties and may manage other accounts in the future.

Trade Error Policy: Firm has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, Firm will use reasonable efforts to correct the error. If the error cannot be corrected, Firm does not intend to make any adjustment, regardless of whether the error works to the benefit or detriment of the Fund. Firm will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected or attempted to be corrected.

Privacy Policy: Firm has adopted a privacy policy that explains the manner in which Firm collects, utilizes and maintains nonpublic personal information about Clients, as required under federal legislation.

Collection of Information and Disclosure of Nonpublic Personal Information: To provide Clients with superior service, Firm may collect several types of nonpublic personal information about Clients, including:

- Information from forms that Clients may fill out, such as subscription forms, questionnaires and other information provided by Clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications;
- Information Clients may give orally;
- Information about transactions within Firm, including account balances, investments and withdrawals;
- Information about the amount Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Partnerships; and

- Information about any bank accounts Clients may use for transfers to or from separately managed accounts.

Firm does not sell or rent Client information. Firm uses this information to conduct business with its Clients: to develop or enhance its products and services; to understand the financial needs of its Clients so that Firm can provide such Clients with quality products and superior service; and to protect and administer its Clients' records, accounts and funds. Firm does not disclose nonpublic personal information about its Clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, Firm may share nonpublic personal information in the following situations:

- To service providers in connection with the administration and servicing of Firm; this may include attorneys, accountants, auditors and other professionals. Firm may also share information in connection with the servicing or processing of Partnership transactions;
- To affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through Firm and to introduce Clients to other products and services that may be of value to such Clients;
- To respond to a subpoena or court order, judicial process or regulatory authorities;
- To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and
- Upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

Protection of Information:

Firm's policy is to require that all employees, financial professionals and companies providing services on its behalf keep Client information confidential.

Firm maintains safeguards that comply with federal standards to protect Client information. Firm restricts access to the personal and account information of Clients to those employees who need to know that information in the course of their job responsibilities.

Third parties with whom Firm shares Client information must agree to follow appropriate standards of security and confidentiality. Firm's privacy policy applies to both current and former Clients. Firm may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

Changes to Privacy Policy:

Firm may make changes to its privacy policy in the future. Firm will not make any change affecting an individual without first sending that individual a revised privacy policy describing the change.

- (B) If Firm or a related person recommends to Clients, or buys or sells for Client accounts, securities in which Firm or a related person has a material financial interest, describe Firm's practice and discuss the conflicts of interest it presents. Describe generally how Firm addresses conflicts that arise. *Please refer to Item 11.(A).*
- (C) If Firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that Firm or a related person recommends to Clients, describe Firm's practice and discuss the conflicts of interest this presents and generally how Firm addresses the conflicts that arise in connection with personal trading. *Please refer to Item 11.(A).*
- (D) If Firm or a related person recommends securities to Clients, or buys or sells securities for Client accounts, at or about the same time that Firm or a related person buys or sells the same securities for Firm's own (or the related person's own) account, describe Firm's practice and discuss the conflicts of interest it presents. Describe generally how Firm addresses conflicts that arise. *Please refer to Item 11.(A).*

Item 12. Brokerage Practices:

- (A) **Selection of Broker-Dealers:** Securities transactions for the Partnerships are executed through brokers selected by Firm in its sole discretion and without the consent of the Partnerships. In placing portfolio transactions, Firm will seek to obtain the best execution for the Partnerships, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special

execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying Firm's other selection criteria. Separately managed account Clients shall bear brokerage costs as set forth in the relevant investment management agreement.

- (i) **"Soft Dollar" Policy:** In addition to research services, Firm may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of clients. These benefits may take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, quotation equipment and services, the availability of stocks to borrow for short trades, custody, travel, record keeping and similar services. These other services may also include payment of all or a portion of the clients' or Firm's or its affiliates' administrative costs and expenses of operation, such as office rent; office equipment and supplies; utilities (e.g., electricity, gas, oil, water); taxes; storage; employee salaries, including, but not limited to, bonuses, contingent salaries, and any other form of compensation determined by Firm, and benefits (including medical, dental and worker's compensation insurance); temporary help; recruiting services; newswire and quotation equipment and services (e.g., Reuters, Bloomberg, Bridge, First Call); data processing charges; periodical subscription fees (e.g., The Financial Times, The Wall Street Journal, The New York Times, Investors Business Daily); computer equipment used for brokerage or research purposes (e.g., computers, computer hardware, software, hard drives, monitors, PDAs, LANs) and related technical support, repair and maintenance; television and

cable services used for research purposes; telephone and facsimile charges, equipment and installation and maintenance costs (e.g., telephones, telephone lease, telephone and facsimile lines, cellular phones used for business purposes, telephone call recording equipment, headsets, cordless phones, speaker phones, telephone switchboards and monthly and long distance telephone charges); facsimile machines and facsimile rental and repair costs; account record-keeping and related clerical services; printing services; messenger services; postal and courier expenses; car service; expenses incurred in connection with investigating and researching issuers of securities and attending research conferences (e.g., airfare, car rentals, taxi fares, conference fees and related expenses, hotel accommodations and meals); economic consulting services; placement fees and other marketing costs; legal and accounting fees; and other reasonable expenses as determined by Firm.

The foregoing benefits may be available for use by Firm in connection with transactions in which clients will not participate. The availability of these benefits may influence Firm to select one broker rather than another to perform services for clients. Nevertheless, Firm will attempt to assure either that the fees and costs for services provided to clients by brokers offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers not offering such services or that clients also will benefit from the services.

Firm has the option to use “soft dollars” generated by clients to pay for the research and non-research related services described above. The term “soft dollars” refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment adviser’s clients. 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, as amended (the “Exchange Act”), 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 the investment adviser in the performance of investment decision-making responsibilities. In the event Firm elects to use its soft dollars for payment of all or a portion of Firm's or its affiliates' administrative costs and expenses of operation such as office rent, office equipment and supplies, utilities, employee benefits and salaries, newswire and quotation equipment, data processing charges, periodical subscription fees, computer equipment, telephone and facsimile charges and equipment costs, record-keeping services, consulting fees, issuer due diligence expenses, placement fees and other marketing costs, and legal and accounting fees, as more fully described above, such uses of soft dollars are not within the safe harbor afforded by Section 28(e) of the Exchange Act.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of Firm or its affiliates creates a conflict of interest between Firm and clients because the clients pay for such products and services that are not exclusively for the benefit of clients and that may be primarily or exclusively for the benefit of Firm. To the extent that Firm is able to acquire these products and services without expending its own resources (including management fees paid by clients), Firm's use of soft-dollars would tend to increase Firm's profitability. In addition, the availability of these non-monetary benefits may influence Firm to select one broker rather than another to perform services for clients. Firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on a client's interest in receiving the most favorable execution. Moreover, Firm may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits. In the event that Firm uses soft dollar benefits, Firm will use such benefits to service all client accounts rather than only those accounts that paid for the benefits.

The offering documents for Funds specifically authorize these practices to the fullest extent permitted by law.

- a. When Firm uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Firm receives a benefit because Firm does not have to produce or pay for the research, products or services. *Please refer to Item 12.(A)(i).*
- b. Firm may have an incentive to select or recommend a broker-dealer based on Firm's interest in receiving the research or other products or services, rather than on Clients' interest in receiving most favorable execution. *Please refer to Item 12.(A)(i).*
- c. Firm may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). *Please refer to Item 12.(A)(i).*
- d. Firm may use soft dollar benefits to service all Clients or only those Clients that paid for the benefits. Firm may or may not seek to allocate soft dollar benefits to Clients proportionately to the soft dollar credits the accounts generate. *Please refer to Item 12.(A)(i).*
- e. The types of products and services Firm or any related persons acquired with Client brokerage commissions (or markups or markdowns) within Firm's last fiscal year were: *Please refer to Item 12.(A)(i).*
- f. The procedures Firm used during its last fiscal year to direct transactions to a particular broker-dealer in return for soft dollar benefits Firm received were: *Please refer to Item 12.(A)(i).*

(ii) **Brokerage for Client Referrals:**

- a. Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to Firm, provided that any such fee or commission will be paid solely by Firm or its affiliates and no portion thereof will be paid by Clients. As a result, Firm may have an incentive to select or recommend a broker based on Firm's

interest in receiving Client referrals rather than on Clients' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit Firm but will provide an insignificant (if any) benefit to Clients, Firm will have a conflict of interest with Clients when allocating Client brokerage business to a broker who has referred investors to a Client. To prevent Client brokerage commissions from being used to pay referral fees, Firm will not allocate Client brokerage business to a referring broker unless Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to Clients.

- b. The procedures used during the last fiscal year to direct Client transactions to a particular broker-dealer in return for Client referrals were: *Please refer to Item 12.(A)(i).*

(iii) **Directed Brokerage:**

- a. Firm does not recommend, request, or require a Client to direct Firm to execute transactions through a specified broker-dealer.
- b. Firm does not permit a Client to direct Firm to execute transactions through a specified broker-dealer, except, for a separately managed account Client, if agreed to in the relevant investment management agreement.

Separately managed account Clients will be subject to brokerage practices in a similar fashion to those stated above in this Item 12.

- (B) **Aggregation of Orders:** Transactions implemented by Firm for accounts may be effected independently or on an aggregated basis. Firm anticipates that it may decide to purchase or sell the same securities for several Clients at approximately the same time. Firm will aggregate orders when it believes aggregation may prove advantageous to Clients. When Firm aggregates Client orders, the allocation of securities among Client accounts will be done on a fair and equitable basis. Typically, the process of aggregating Client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders

among Clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and execution cost and will be allocated among Firm's Clients in proportion to the purchase and sale orders placed for each Client account on any given day. When Firm aggregates Client orders for the purchase or sale of securities, including securities in which its associated person(s) may invest, Firm will do so in a fair and equitable manner. It should be noted that Firm does not receive any additional compensation or remuneration as a result of aggregation.

Allocation of Trades: Firm may at times determine that certain securities will be suitable for acquisition by Clients and by other accounts managed by Firm, possibly including Firm's own accounts or accounts of an affiliate. If that occurs, and Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which Firm deems advisable, Firm will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which Firm considers them to be suitable. Firm may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Item 13. Review of Accounts:

- (A) All accounts managed by Firm are reviewed on at least a monthly basis by the chief compliance officer of Firm to assure conformity with Client objectives and guidelines. In addition, accounts are reviewed in light of emerging trends and developments as well as market volatility. Separately managed account Clients are responsible for keeping Firm informed as to any personal changes in their financial condition. Firm cannot make any material changes to such Client's portfolio if it is not informed of the Client's particular developments.
- (B) The calendar is the main triggering factor of a review of an account, although more frequent reviews may be also be triggered by, among other things, Client capital injections and/or withdrawals. From an investment management perspective,

reviews may be triggered by economic factors, analyst commentary, news, and financial results of a portfolio company.

- (C) Each investor in a Partnership will receive the following: (i) annual financial statements of a Partnership, audited by an independent certified public accounting firm; (ii) in the discretion of Firm or an affiliate of Firm, a periodic letter and/or report discussing the results of a Partnership; (iii) copies of such investor's Schedule K-1 to a Partnership's tax returns; and (iv) other reports as determined by Firm or an affiliate of Firm in its sole discretion. Additionally, within 120 days of year end, Partnership investors receive GAAP-compliant audited financial statements. Separately managed account Clients receive such reports as are agreed upon with the relevant Client.

Item 14. Client Referrals and Other Compensation:

- (A) Firm does not receive, from any non-client, any economic benefit associated with advising Clients.
- (B) Firm may direct some Partnership brokerage business to brokers who refer prospective investors to the Partnership. Because such referrals, if any, are likely to benefit Firm and its affiliates but will provide an insignificant (if any) benefit to Limited Partners, Firm will have a conflict of interest with the Partnership when allocating Partnership brokerage business to a broker who has referred investors to the Partnership. To prevent Partnership brokerage commissions from being used to pay investor referral fees, Firm will not allocate Partnership brokerage business to a referring broker unless Firm determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to the Partnership.

Item 15. Custody:

Firm maintains Client funds and securities at a qualified custodian. As stated above in Item 13, Review of Accounts, Firm and the qualified custodian will send monthly account statements directly to Clients, which Clients should carefully review. The Partnerships send GAAP-compliant audited financial statements to their investors within 120 days of their fiscal year-end.

Item 16. Investment Discretion:

Firm has discretion over the management of the Grunion Fund, LP's affairs and has discretionary investment authority over its assets. Firm and the Grunion Market Neutral Fund, LP have entered into a sub-advisory agreement with CCG, pursuant to which CCG has discretionary investment authority over the Grunion Market Neutral Fund, LP's portfolio, subject to the overall control of Firm. Firm may replace CCG at any time in its sole discretion (also see Item 4.(A) and (B)).

Item 17. Voting Client Securities – Proxy Policy:

- (A) **Partnerships:** Firm monitors corporate actions of those securities it has purchased on behalf of its Clients. A record of the proxy votes cast will be made and retained by Firm. Clients can obtain information on how the proxies were voted and a detailed description of Firm's policies and procedures regarding proxy voting by requesting such information from the Chief Compliance Officer.

Firm understands and appreciates the importance of proxy voting. To the extent that Firm has discretion to vote the proxies of its advisory Clients, Firm will vote any such proxies in the best interests of Clients and in accordance with the policies of its proxy voting provider and the procedures outlined below.

In evaluating how to vote a proxy, Firm will first determine whether there is a conflict of interest related to the proxy in question between Firm and its Clients. This examination will include (but will not be limited to) an evaluation of whether Firm (or any affiliate of Firm has any relationship with the company (or an affiliate of the company) to which the proxy relates outside an investment in such company by a Client of Firm. If a conflict is identified and deemed "material" by Firm, on a Proxy Voting Committee organized by Firm, Firm will determine whether voting in accordance with these proxy voting guidelines is in the best interests of affected Clients (which may include utilizing an independent third party to vote such proxies). With respect to material conflicts, Firm will determine whether it is appropriate to disclose the conflict to affected clients and investors and give Clients the opportunity to vote the proxies in question themselves, if applicable.

- (B) **Separately Managed Accounts:** Firm's general policy is to not vote proxies on behalf of separately managed accounts, unless specifically negotiated and set forth in the individual investment management agreement. In the absence of such an agreement

whereby Firm does vote proxies, it is the responsibility of each such Client to vote all proxies for securities held in the separately managed account. Such Clients will receive proxies directly via their preferred delivery method, which is established at the time that the Client opens the account with Firm.

Item 18. Financial Information:

- (A) Firm does not solicit prepayment of more than \$1200 in fees per Client six months or more in advance, and thus has not provided a balance sheet according to the specifications of 17 CFR Parts 275 and 279.
- (B) Because Firm has discretionary authority over and/or custody of Client funds or securities, Firm has disclosed, as follows, any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients: *None*.
- (C) Firm has not been the subject of a bankruptcy petition during the past ten years.

Item 19. Requirements for State-Registered Advisers: N/A

II. Part 2B – BROCHURE SUPPLEMENT FOR SUPERVISED PERSONS

Cover page for

Mark E. Sottosanti

Grunion Capital Management, LLC
(CRD # 145364)

888 Prospect Street, Suite 201
La Jolla, CA 92037

Tel. 858-454-6690
Fax. 858-454-6695

This supplement provides information about Mr. Sottosanti that supplements the Grunion Capital Management, LLC brochure (our “Brochure”). You should have received a copy of our Brochure. Please contact Mr. Sottosanti if you did not receive our Brochure or if you have any questions about the contents of this supplement.

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

The date of this Brochure is

March 29, 2011

Item 2. Educational Background and Business Experience:

Mark E. Sottosanti, born 1971, currently serves as Managing Member of Grunion Capital Management, LLC (“Firm”).

Education Background:

Mr. Sottosanti graduated from the Wharton School at the University of Pennsylvania with a BS in Economics in 1993.

Business Background:

Mr. Sottosanti has actively evaluated and implemented investment strategies using his own assets since 1995. After receiving money management requests from friends and family, Mr. Sottosanti launched Grunion Fund, LLC (which was converted into the Grunion Fund, LP) in January 2007 to manage his own assets along with those of a few outside investors. Mr. Sottosanti also serves as the Chief Compliance Officer for Firm. Additionally, Mr. Sottosanti started and ran two small businesses from 1993 to 1999, and was an executive at Provide Commerce from 1999 to 2009. At Provide Commerce, he helped grow revenue organically, as well as through M&A activities, from \$5 million to \$400 million while leading various business units and departments.

Item 3. Disciplinary Information:

Mr. Sottosanti (the “supervised person”) has not been involved with any legal or disciplinary events material to a client’s or prospective client’s evaluation of the supervised person.

Item 4. Other Business Activities:

- (A) The supervised person is not actively engaged in any investment-related business or occupation, including being registered, or having an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”), or commodity trading advisor (“CTA”), nor is the supervised person an associated person of an FCM, CPO, or CTA.
- (B) The supervised person is not actively engaged in any business or occupation for compensation not discussed in response to Item 4.(A), above, that provides a substantial source of the supervised person’s income or involves a substantial amount of the supervised person’s time.

Item 5. Additional Compensation:

The supervised person does not receive, from any non-Client, any economic benefit associated with advising Clients (such as sales awards and prizes, any bonus that is based on number or amount of sales, client referrals or new accounts, not including salary).

Item 6. Supervision:

Mr. Sottosanti is the sole Managing Member of Firm. As such, no other employee supervises or monitors his performance, activities or the advice he provides to Clients. Mr. Sottosanti understands that he owes a fiduciary duty to Clients and therefore must serve the interests of Clients with a high standard of care and diligence in accordance with Firm's internal policies and procedures. He recognizes that he must be particularly sensitive to situations in which the interests of a Client may be in conflict, either directly or indirectly, with his own or those of Firm. Mr. Sottosanti takes his compliance obligations seriously. He may consult with Firm's external legal counsel or external compliance and operational support consultants (if any) as needed.

Item 7. Requirements for State-Registered Advisers: N/A

Cover page for

Eugene Auh

Grunion Capital Management, LLC
(CRD # 145364)

888 Prospect Street, Suite 201
La Jolla, CA 92037

Tel. 858-454-6690
Fax. 858-454-6695

This supplement provides information about Mr. Auh that supplements the Grunion Capital Management, LLC brochure (our “Brochure”). You should have received a copy of our Brochure. Please contact Mr. Sottosanti at 858-454-6690 if you did not receive our Brochure or if you have any questions about the contents of this supplement.

The date of this Brochure is

March 29, 2011

Item 2. Educational Background and Business Experience:

Eugene Auh, born 1977, currently serves as Associate Portfolio Manager of Grunion Capital Management, LLC (“Firm”).

Education Background:

Mr. Auh graduated from Yale University with a BA in Economics in 1999.

Business Background:

Prior to joining Firm, Mr. Auh was a Principal and Portfolio Manager at Downtown Associates from 2003-2008, a concentrated long/short hedge fund that peaked at \$650 million in assets under management. Previously, from 2002-2003, he was an analyst at Glenhill Capital, a long/short hedge fund that peaked at more than \$2 billion in assets under management. Mr. Auh was a co-founding associate of Robertson Stephens Capital Partners, an opportunistic merchant banking fund within FleetBank Robertson Stephens, from 2001-2002. From 1999-2001, he was an analyst at Robertson Stephens technology M&A.

Item 3. Disciplinary Information:

Mr. Auh (the “supervised person”) has not been involved with any legal or disciplinary events material to a client’s or prospective client’s evaluation of the supervised person.

Item 4. Other Business Activities:

- (A) The supervised person is not actively engaged in any investment-related business or occupation, including being registered, or having an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”), or commodity trading advisor (“CTA”), nor is the supervised person an associated person of an FCM, CPO, or CTA.
- (B) The supervised person is not actively engaged in any business or occupation for compensation not discussed in response to Item 4.(A), above, that provides a substantial source of the supervised person’s income or involves a substantial amount of the supervised person’s time.

Item 5. Additional Compensation:

The supervised person does not receive, from any non-Client, any economic benefit associated with advising Clients (such as sales awards

and prizes, any bonus that is based on number or amount of sales, client referrals or new accounts, not including salary).

Item 6. Supervision:

Mr. Auh is supervised by Mr. Sottosanti.

Item 7. Requirements for State-Registered Advisers: N/A