

Castine Capital Management, LLC

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This brochure provides information about the qualifications and business practices of Castine Capital Management, LLC ("Castine"). If you have any questions about the contents of this brochure, please contact us at 617.310.5190. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

Registration as a registered investment adviser pursuant to the Investment Advisers Act of 1940, as amended, (the "*Advisers Act*") does not imply any level of skill or training.

This document is not an advertisement for the advisory services of Castine, nor an offer to sell or the solicitation of an offer to purchase interests in any fund managed by Castine.

Item 2: Material Changes

Castine has updated this Form ADV Part 2A (brochure) as part of the annual amendment process. There have been no material changes to the Firm's business practices in the past year and therefore no material changes have been made to this brochure.

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Item 4: Advisory Business

Castine, established in 2003, provides investment management services on a discretionary basis to privately offered pooled investment vehicles exempt from registration under the Investment Company Act of 1940, as amended (collectively, the “Castine Funds”). Investment advice is provided directly to the Funds. Castine does not provide investment advice to investors in the Funds. We may, in the future, organize additional investment vehicles or manage separately managed accounts that follow an investment program similar to or different from the investment program of the Castine Funds. The members of Castine are Paul Magidson, Ostrom Enders and Jonathan Cohen.

As of December 31, 2012 regulatory assets under management were approximately \$596,219,585.

Item 5: Fees and Compensation

Management Fees

Castine receives management fees as compensation for performing advisory services to the Funds equal to 1.0% of the net assets of the Funds. The management fee is payable quarterly after the first day of each calendar quarter based on the value of the net assets of the Funds as of the first day of such quarter.

Although the management fee is not negotiable, Castine, in its sole discretion, may waive or reduce the management fee for limited partners that are principals, employees or affiliates of the General Partner or the Management Company, relatives of such persons, and for certain large or strategic investors.

The capital account of an investor admitted to a Fund on a day other than the first day of the calendar quarter is charged a pro rata portion of the management fee corresponding to the number of months remaining in the quarter. Similarly, in the event of any withdrawal by an investor as of a date other than the last day of the calendar quarter, the investor's capital account would be credited with a pro rata portion of the management fee corresponding to the number of months remaining in the quarter. In the case of a termination of our investment management agreements with the Funds prior to the end of a calendar quarter, the management fee for such period would be pro-rated to the date of such termination with any excess payment refunded to the Funds and credited to investor capital account balances.

Other Fees

In addition to the management fee, each investor bears its allocable share of expenses associated with the operations of the Funds including, but not limited to, legal, accounting, auditing and other professional expenses, research expenses, third party administrative expenses, investment expenses such as commissions (further described in Item 12), custodial fees, bank service fees and other expenses related to the purchase, sale or transmittal of fund assets. The Funds will bear organizational expenses, including the expenses of the initial offer and sale of limited partnership interests.

Potential investors should review the appropriate Fund offering documents for complete disclosure of investor fees and expenses.

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

In addition to the management fee, investors in the Castine Funds are subject to an incentive fee which is payable to Castine Management GP, LLC (the “General Partner” and an affiliate of Castine).

A portion of net profits initially allocated to each investor's capital account is reallocated to the capital account of the General Partner as of the end of each fiscal year. In the event that a limited partner withdraws or is required to retire at any time other than at the end of a fiscal year, the Incentive Allocation will be made with respect to such partner on the applicable withdrawal or retirement date. The incentive allocation is subject to a loss carryforward provision as outlined in the Fund offering documents.

The General Partner, in its sole discretion, may waive or reduce the Incentive Allocation for limited partners that are principals, employees or affiliates of the General Partner or the Management Company, relatives of such persons, and for certain large or strategic investors.

We recognize that the management of funds or accounts with differing terms related to performance-based fees could create potential conflicts of interest, including the risk that an adviser may favor one account over another. The Castine Funds are not subject to this conflict since they share the same fee structure and are managed pursuant to a single investment strategy.

Item 7: Types of Clients

Castine provides investment management services to the following privately offered pooled investment vehicles (the Castine Funds): Castine Partners, LP, a Delaware limited partnership, Castine Partners II, LP, a Delaware limited partnership and Castine Offshore Fund, Ltd., a Cayman Islands exempted company.

A minimum initial investment of \$500,000 is generally required to invest in any of our funds. However, Castine has discretion to decrease or waive the minimum initial investment as long as the investor qualifies to invest based on all other suitability and regulatory requirements as applicable to each fund.

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

Investment Objective and Strategy

The investment objective of the Funds is to achieve long-term capital appreciation through investment primarily in publicly traded equity securities of United States financial institutions. The Funds may utilize leverage, short positions, derivative instruments such as options, and other investment strategies. There is no assurance that our strategy and methodologies will be successful over any given period of time or that the Funds will achieve their investment objectives.

Methods of Analysis

A combination of fundamental analysis and industry perspective determine individual positions in the Funds. In selecting investments, we search for companies that have strong or recovering fundamentals or are undervalued in relation to their investment potential. We emphasize bottom-up, fundamental research in identifying such opportunities. We also seek to benefit financially from short positions. Short positions serve as a partial hedge against the Funds' long positions and are also used to profit from the identification of deteriorating fundamentals or a negative catalyst at a particular company.

Risks Associated with Investment in the Funds

Investors should consider investment in the Funds to be a speculative investment and one that is not intended to be a complete investment program. The Fund is suitable only for sophisticated persons who can bear the economic risk of loss of their entire investment and who have limited need for liquidity in their entire investment. There can be no assurances that the Funds will achieve their investment objective. Investors should carefully evaluate the following considerations, in conjunction with complete details outlined in the Fund offering documents, before investing in a Fund.

Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is a risk that the Funds would have to return the securities it borrows, in connection with a short sale, to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Funds may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

Option Transactions

The purchase or sale of an option involves the payment or receipt of a premium payment by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change in price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received. In addition, an option purchased or sold over-the-counter involves counterparty solvency risk.

Margin Borrowing

The Funds are authorized to engage in margin borrowing under Regulation T of the Federal Reserve Board's margin rules. Margin borrowing increases returns to investors if the Funds earn a greater return on leveraged investments than the Funds' cost of such leverage. However, the use of margin borrowing exposes the Funds to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Fund not

borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of leverage related to such investments. In case of a sudden, precipitous drop in asset value, a Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred.

Lack of Diversification

The Funds will not generally be as diversified as other investment vehicles. Accordingly, the investments in the Funds may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification among types of securities, geographical areas, issuers and industries.

Lack of Liquidity of Partnership Assets, Valuation

Fund assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments.

Item 9: Disciplinary Information

Castine has no legal or disciplinary events to report that would impact the evaluation by a client, investor or prospective client or investor, of our advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Castine Management GP, LLC, an affiliate of the investment management entity (Castine), is the General Partner of certain Castine Funds. Paul Magidson, Ostrom Enders and Jonathan Cohen are the members of the General Partner entity.

Item 11: Code of Ethics

Code of Ethics

Castine has adopted a Code of Ethics describing its high standards of business conduct and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client/investor information, a prohibition on insider trading, guidelines surrounding gifts and business entertainment items, personal securities trading, conflicts of interest, among other things. All supervised persons (employees) must acknowledge the terms of the Code initially upon hire as well as annually, or as amended.

Employees may maintain personal securities accounts provided any personal investing by an employee in any accounts in which the employee has a beneficial interest is consistent with the Firm's personal trading guidelines and applicable regulatory requirements. Castine has a fiduciary duty to our clients and investors and therefore discourages frequent trading in personal accounts.

In order to avoid a potential conflict with our Funds and investors, employees are prohibited from transacting in any securities within a financial sector or industry, subject to narrow exceptions and only with prior approval from the Compliance Officer. In certain circumstances, employees may be permitted to transact in a private placement or limited offering, but must first obtain prior approval by the Compliance Officer and Managing Member.

All reportable transactions are reported to the Compliance Officer in accordance with the reporting requirements outlined in the Code and personal trading is continually monitored in order to reasonably prevent conflicts of interest between Castine and its investors.

A copy of our Code of Ethics will be provided to clients and investors upon request.

Conflicts of Interest

Conflicts Related to Performance-Based Fees (Incentive Allocation)

Conflicts relating to performance-based fees are addressed in Item 6 and are mitigated by the fact that the Funds are managed pursuant to a single investment strategy and are subject to the same incentive allocation rate. In addition, the existence of the incentive allocation may create an incentive for the General Partner to cause the Funds to make investments that are riskier or more speculative than would be the case if this allocation were not made. To address these conflicts, our policies and procedures require that investment decisions be made based on the best interests of our clients, without consideration of firm or employee pecuniary interests.

Conflicts Related to Brokerage

UBS currently serves as a prime broker for the Funds. In addition, Castine pays UBS for use of certain office space. UBS provides office space together with related services, which may include telephone and data network infrastructure and maintenance, receptionist, mailroom and technical support, office furniture, telephone equipment and usage, cable service, food and beverage services, access to common market data, computer equipment and copiers, and shared use of common areas. The provision of office space and related services to Castine may be on terms that may be more advantageous than the terms on which we could otherwise obtain such services from other vendors. The provision of office space and related services to us by UBS, or the terms on which these are provided, may be a factor in our selection of a prime broker and/or brokers used to execute portfolio transactions for the Funds.

Conflicts Related to the Adviser or its Employees Trading for Their Own Account.

Investments by Castine or its employees, for their own accounts, in securities that are also in the Funds' portfolio could give the perception of interfering with our fiduciary duty of making decisions which are in the best interest of our Funds and could otherwise have a disadvantageous effect on the values, prices or trading strategies of the Funds. Our personal trading policy, described above, has been developed to address this particular conflict by prohibiting transactions in securities in the financial sector. However, a limited number of exceptions have been granted for certain securities held in employee accounts that are also securities held in our Funds. In each case, the securities were purchased in advance of implementing our personal trading policy. As such, these securities are deemed to be "grandfathered" securities and require approval from the Compliance Officer prior to initiating a disposition in order to ensure such disposition will not be disadvantageous to the Funds.

Conflicts Related to Investors / Side Letters

Castine has entered into a limited number of side letters with certain investors in the Funds which have established different rights or privileges with respect to key man, capacity, most favored nations, and UBTI.

Item 12: Brokerage Practices

Castine has discretion over what securities and the amount thereof to be bought and sold for the Funds, the broker or dealer to be used as well as the commission rates to be paid. In selecting brokers or dealers to execute transactions, we are not required to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates, and thus the Funds may be deemed to be paying for research, brokerage or other services provided by the broker that are included in the commission rate.

In selecting brokers and negotiating commission rates, we take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. Castine may occasionally place transactions through a Prime Broker that provides us the opportunity to participate in capital introduction events sponsored by the broker or who refers investors to a Castine Fund. However, transacting with such a broker would only be done if otherwise consistent with our policy with regards to seeking best execution.

Castine does not participate in any directed brokerage arrangements and does not select brokers based upon client referrals.

Soft Dollars

Castine reserves the right to use soft dollars to pay for research and brokerage services so long as such usage meets the safe harbor criteria of Section 28(e) of the Securities Exchange Act of 1934, as amended, which provides, in summary, that it is not a breach of fiduciary duty for an adviser to cause an account to pay a commission in excess of the lowest rate available if the adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided. Castine receives valuable proprietary research services from various broker-dealers. Consistent with our responsibility to seek best execution, as part of our broker selection process we consider the value of proprietary research and related services we receive in relation to the commission paid. In addition, Castine has one soft dollar arrangement with a Prime Broker pursuant to which we receive third party research products and services.

The types of proprietary research and other products and services we receive from broker-dealers as part of the services offered to their trading customers and from third-party providers under our soft dollar arrangement mentioned above include, but are not limited to, specialized publications geared towards the financial sector, macroeconomic analysis from boutique research firms, the use of a financial services database for research and analytical purposes, Bloomberg, exchange fees, pricing services, written information and analyses concerning

specific securities, companies or sectors; market, financial and economic studies and forecasts; and discussions with research personnel. All such services satisfy the criteria of Section 28(e).

The use of soft dollars may create conflicts of interest. The availability of external research could also influence our selection of brokers and lead us to pay higher commission rates to research-providing brokers than the rates available from execution-only brokers, all in the manner we describe under best execution above.

Another potential conflict surrounding soft dollar usage arises when soft dollar credits generated by the trading of one client account are applied to obtain research benefiting different or multiple client accounts. At this time our only clients are the Castine Funds which are managed pursuant to a single investment strategy with trades allocated across the Funds on a pro-rata basis. Soft dollar credits are generated by certain transaction types across all Castine Funds, and, therefore all Funds benefit.

Item 13: Review of Accounts

Reviews

Castine has an internal risk management process in place for monitoring the Funds. The Chief Operating Officer gathers various reports from the Administrator and obtains security information in order to create internal exposure reports that are reviewed by the Portfolio Manager. The investment team, consisting of the Portfolio Manager and the analysts, continuously review the Funds to ensure the investments are consistent with the investment objectives, philosophy, strategy and methodologies that we have described to investors in our offering documents and to ensure that they are comfortable with the general levels of investment, position concentration and other measures of risk and potential reward in the portfolio.

Reporting

Monthly capital statements summarizing the investor's individual performance are prepared by the Administrator and provided to investors. In addition, a monthly fund performance update is provided to investors.

On a quarterly basis, Castine provides each investor with an investor letter that includes performance information, commentary, investment updates and organizational updates.

On an annual basis, each investor receives a copy of the Fund's audited financial statements prepared by the independent auditors and tax reporting information. Castine also provides additional information as requested by our investors provided that such requests are deemed reasonable in content and scope and that we are prepared to supply the same level of information to other investors who may ask for similar information.

Item 14: *Client* Referrals and Other Compensation

Castine does not have any arrangements in place to compensate third parties for client referrals.

Item 15: Custody

Castine does not maintain physical possession of client cash and/or securities. Physical location aside, however, Castine is deemed to have custody of client funds and securities within the meaning of Rule 206(4)-2 of the Advisers Act as a result of the authority of Castine, together with the General Partner, to cause payments of management fees and other fund expenses to be made from the Funds, and the overall access of such persons to the funds and securities of the Funds.

Consistent with the requirements under the Advisers Act, the assets of the Castine Funds are held in accounts maintained with our prime brokers, who are “qualified custodians” within the meaning of the Advisers Act. Our prime brokers are registered broker-dealers that hold Fund assets in separate accounts (or in a separate customer account with records identifying the assets of each such Fund in accordance with applicable broker-dealer and custodial bank regulation).

In addition, the annual financial statements of the Funds are prepared in accordance with GAAP, audited by an independent accounting firm registered with the Public Company Accounting Oversight Board and distributed to all investors within 120 days of the Funds’ fiscal year end.

Item 16: Investment Discretion

Castine has full discretionary authority over all assets it manages for the Castine Funds pursuant to an investment management or limited partnership agreement and consistent with the investment objectives and strategy described in each Fund’s offering documents. Castine does not provide advisory services directly to investors in the Funds.

Item 17: Voting *Client* Securities

Castine has the authority to vote client securities, which we exercise in accordance with our written proxy voting policies and procedure. Our policy defines procedures for voting securities for the benefit of, and in the best interest of, the clients (Funds). The objective of voting a security in each case under our policy is to seek to enhance the value of the security, or to reduce potential for a decline in the security’s value. Our policy does not prescribe specific voting requirements or specific voting considerations. Instead, it provides procedures for applying the informed expertise and judgment of our investment professionals on a timely basis.

We believe that an important consideration in the framing of a proxy voting policy is the need to avoid unduly diverting resources from our primary responsibilities to add value to our clients’ investments through portfolio management and client service. Castine’s policy has been prepared on this basis. We do not consider it feasible or desirable to prescribe in advance comprehensive guidelines as to how we will exercise proxy voting authority in all circumstances. The primary aim of our approach to corporate governance issues is to encourage a culture of performance among the companies in which we manage investments in order to add value to our portfolios, rather than one of mere conformance with a prescriptive set of rules and

constraints. In our proxy voting policy, we describe some factors we are likely to consider when approaching votes on matters where some general observations may be drawn, but the facts and circumstances of the issuer at the time of each vote ultimately guides our voting decision.

Castine will use reasonable efforts to determine whether a potential conflict may exist with respect to voting proxies. We are sensitive to conflicts of interest that may arise in the proxy decision-making process, and we have identified potential conflicts as part of our policies and procedures. Materiality determinations will be based on an assessment of the particular facts and circumstances and in consultation with outside legal counsel. If we determine that a material conflict of interest exists between the interests of Castine and the interest of the Funds with respect to a particular vote, we will retain a proxy voting service, or turn to another independent third party, to determine the manner in which such vote should be cast.

A copy of our Proxy Voting Policy and Procedures, as well as information related to how proxies were voted, may be obtained by contacting us via phone or email.

Item 18: Financial Information

Registered investment advisers are required to provide you with certain financial information or disclosures about our financial condition. Castine has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.