

Form ADV Part 2A – Brochure

Item 1 – Cover Page

Gratia Capital, LLC **CRD# 163876**

Effective: March 2023

This brochure (“Brochure”) provides information about the qualifications and business practices of Gratia Capital, LLC (“Gratia Capital”). If you have any questions about the contents of this Brochure, please contact us at 310-733-2500 or ksommers@gratiacapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Gratia Capital, LLC is an SEC Registered Investment Adviser. However, registration does not imply a certain level of skill or training.

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

Gratia Capital, LLC
11835 W Olympic Blvd, Suite 385
Los Angeles, CA 90064
Phone: 310-733-2500

Item 2 – Material Changes

Material Changes

Item 4 has been amended to reflect that as of December 31, 2022, Gratia Capital has approximately \$124.6 million in discretionary assets under management.

The management fees have been updated from 2.00% to 1.50% and the performance-based fee has been updated from 20% to 15%.

At any time, you may view the current Brochure on-line at the SEC's Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov by searching for our firm name or by our CRD #163876. You may also request a copy of this Brochure at any time, by contacting us by email at ksommers@gratiacapital.com or by telephone at 310-733-2500.

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Item 4 – Advisory Business

The Advisory Firm and its Principal Owners

Gratia Capital, LLC is a Delaware limited liability company founded in April 2012. Gratia Capital is a multi-strategy, value and event-oriented asset management firm based in Los Angeles, California. Gratia Capital's primary office is located at 11835 W Olympic Blvd, Suite 385, Los Angeles, CA 90064.

Advisory Services

Gratia Capital currently provides investment management services and discretionary investment advice to a private Fund ("The Fund") and a sub-advisory account Client ("Sub-Advisory") and may serve as investment adviser and/or sub-adviser to various other advisory clients, including separately managed accounts, fund of one account, and other private investment Fund (collectively, "Clients").

Advisory Services to Sub-Advisory Accounts

Investments for Sub-Advisory account Clients, whether pooled investment vehicles, separately managed accounts, or fund of one accounts, are managed in accordance with the Clients' investment objectives, strategies, restrictions and guidelines as set forth in the documents governing Gratia Capital's relationship with such Clients or as otherwise communicated to Gratia Capital by the Clients. Depending on the nature of the relationship, these services may include the investment and reinvestment of securities, cash and cash equivalents, futures and options held in a Client's account. If a Client wishes to impose certain restrictions on investing in certain securities or types of securities or is prohibited by applicable law from investing in such securities or types of securities, Gratia Capital will address those requests on a case-by-case basis.

Types of Services

The investments of the Fund are managed in accordance with the investment objectives, strategies and guidelines applicable to the Fund and are not tailored to any particular Investor in the Fund (an "Investor").

Gratia Capital does not provide individualized investment advice to such Investors with respect to their investment in the Fund; therefore, Investors should consider whether the Fund meets their investment objectives, risk tolerance and financial situation.

Wrap Fee Programs

Gratia Capital does not participate in wrap fee programs.

Regulatory Assets Under Management

As of March 31, 2023, Gratia Capital manages approximately \$124.6million on a discretionary basis and \$0 on a non-discretionary basis.

Item 5 – Fees and Compensation

Management Fees

The fees and compensation payable to Gratia Capital are negotiable. Gratia Capital typically receives a quarterly management fee (“Management Fee”) from the Fund to be paid in advance, calculated at the rate at a maximum of 0.375% (i.e. 1.50% annum) of the value of each Investor’s capital account as of the first business day of each calendar quarter.

The Management Fee is paid quarterly in advance and together with other fees described below is deducted from the Fund’s assets. In the event the Fund is not in existence for an entire calendar quarter, the Management Fee for such calendar quarter will be prorated. The Management Fee will be prorated for any capital contributions or withdrawals occurring that is less than a full quarter and will be deducted in calculating the net profit or net loss of the Fund.

Gratia Capital, in its sole discretion, may waive or reduce the Management Fee for Investors that are principals, employees of Gratia Capital and/or its affiliates, relatives of such persons, and for certain large or strategic Investors. At Gratia Capital’s discretion, the Management Fee may be waived.

Fees with respect to the Sub-Advisory Clients

Sub-Advisory Clients may pay Gratia Capital an annualized management fee of up to 1.00% (0.25% per quarter), as detailed in the investment advisory agreements with such Clients (the “Sub-Advisory Management Fee”). The Sub-Advisory Management Fee is subject to negotiation with the Client, and a Client may, therefore, pay more or less than other Clients for the same or similar management services. The Sub-Advisory Management Fee may be paid quarterly in advance. Generally, the Sub-Advisory Management Fee is based on the aggregate invested capital attributable to the Sub-Advisory Client. However, any Sub-Advisory Management Fee will be dependent on the individual investment advisory agreement negotiated between the Client and Gratia Capital.

In addition, the Sub-Advisory Clients may also be responsible for certain operating expenses including, without limitation, legal, compliance, accounting (including third-party accounting services), tax, auditing, and administrative fees, as outlined in its investment advisory agreement with the Client. The Sub-Advisory Clients will also generally be responsible for brokerage commissions and custodial fees paid to third parties. Sub-Advisory agreements may vary between separately managed accounts and fund of one accounts.

In the event of a termination of a Sub-Advisory Client’s investment advisory agreement, fees will

be prorated. Any paid but unearned fees will be promptly refunded to the Sub-Advisory Client, and any fees due to Gratia Capital from the Sub-Advisory Client will be invoiced or deducted from the Sub-Advisory Client prior to termination. Notwithstanding the foregoing, Gratia Capital may negotiate or set a management fee different from the foregoing with respect to the Fund, Sub-Advisory Clients or any other Client Gratia Capital manages in the future.

The Adviser and its supervised persons do not receive a brokerage commission or any other compensation attributable to the sale of securities or investment products.

Performance Fees

With respect to certain clients, Gratia Capital may receive an incentive allocation or incentive fee based on net profits. Details regarding any incentive allocation or other incentives are set forth in the next section entitled, *"Item 6. Performance-Base Fees and Side-By-Side Management."*

Expenses

Fees paid to Gratia Capital are exclusive of all custodial and transaction costs paid to the client's custodian, brokers or other third-party consultants. Please see *Item 12 – Brokerage Practices* for additional information. If Gratia Capital were to invest in the following products, then fees paid to Gratia Capital would be separate and distinct from the fees and expenses charged by mutual Fund, exchange traded funds, ("ETFs") or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund). Each client (and each Investor) should review all fees charged by Fund, brokers, Gratia Capital and others to fully understand the total amount of fees paid by the client (and each Investor) for investment and financial-related services. Gratia Capital may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where Gratia Capital deems it appropriate under the circumstances.

Either Gratia Capital or the client may terminate their investment advisory agreement at any time, subject to any written notice requirements in such agreement. In the event of termination in accordance with its terms, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to Gratia Capital from the client will generally be invoiced or deducted from the client's account prior to termination.

Compensation for Sale of Securities or Other Investment Products

Gratia Capital does not receive compensation for securities transactions or services related to any client account or any other fees other than the management fee and performance fees charged for its advisory services.

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

Performance-Based Fees

Gratia Capital may be entitled to receive performance-based compensation calculated as a share of the capital appreciation of the Fund and Sub-Advisory Client. Gratia Capital only receives performance-based compensation in accordance with the provisions of the Investment Advisers Act of 1940. At the end of each fiscal year and whenever an Investor makes a withdrawal from its capital account, there shall be reallocated to Gratia Capital (and/or an entity designated by the Gratia Capital) from the capital account of such Investor of the Fund and Sub-Advisory Client up to 15% of such Investor's share of the net profits, subject to a hurdle rate provision in certain instances. Full details of any hurdle rate provision are described in the Fund's offering documents and other governing documents.

Gratia Capital, in its sole discretion, may waive or reduce any incentive allocation or other incentive fee with regard to Investors that are employees or affiliates of Gratia Capital or relatives of such persons or for other Investors such as large or strategic Investors. Notwithstanding the foregoing, Gratia Capital or its affiliates may negotiate or set any incentive allocation, or other incentive fees or other terms different from the foregoing with respect to a Fund or any other client Gratia Capital provides management services in the future.

The fact that affiliates of Gratia Capital could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Gratia Capital to effect transactions in investments that are riskier or more speculative than would be the case if compensation were based solely on a flat percentage of capital. Gratia Capital presently provides investment management services only to advisory Clients that are subject to a performance-based fee or allocation arrangement. As such, the conflict of interest related to managing accounts that charge performance-based fees alongside accounts that do not charge performance-based fees does not apply to Gratia Capital.

Gratia Capital recognizes that it is a fiduciary and as such, must act in the best interests of its clients. Further, Gratia Capital recognizes that it must treat all clients fairly and must refrain from favoring one client's interests over another's. Gratia Capital regularly assesses the allocation of its resources, including investment personnel, to ensure adherence to its fiduciary duties.

Item 7 – Types of Clients

Gratia Capital and its affiliates serve as general partner to several private investment Fund.

Gratia Capital's minimum subscription in its private Fund is:

- \$1,000,000 for Gratia Capital Concentrated Master Fund Ltd.

Gratia Capital may waive this minimum in its sole discretion.

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

Method of Analysis and Investment Strategies

Methods of Analysis

Gratia Capital uses a fundamental approach to idea generation, focused on due diligence of individual companies. Internal sources of idea generation include: equity and credit screens, ongoing top-down idea generation based on themes, bottom-up tracking of relative and fundamental value in core names that are followed by the team, opportunities in one part of the capital structure driven by events in another part of the capital structure (either same company or in peers), and active hedges to existing positions. External resources include: news flow, buy-side and sell-side research, conferences, management meetings, sector-specific publications, and industry forums.

Gratia Capital makes use of all publicly available information when researching investments. Gratia Capital may also utilize Bloomberg, trade publications, published research, industry consultants, newspapers, SEC filings, company presentation materials, capital market professionals, suppliers and customers, and broadcast news and internet services. Gratia Capital also makes use of relevant sell-side research provided by broker-dealers, including macro, sector, and company-specific research covering both equities and credit.

Investment Strategies

Gratia Capital's investment philosophy centers on single-name fundamental value and event-oriented investing. Gratia Capital invests across the corporate capital structure and focuses its investments primarily in the consumer, industrials, and real estate sectors, defined broadly. Gratia Capital's investment process is driven by a disciplined yet flexible approach to idea generation, research/analysis, portfolio construction, and risk management. Gratia Capital utilizes various methods of analysis in formulating its investment management decisions.

The investment strategies are set forth in the respective offering materials and governing documents that are provided to investors. Gratia will be highly flexible in its ability to select and dispose of investments in response to market opportunities and other circumstances.

Gratia Capital generally pursues a value and event-oriented strategy, focusing on both individual and thematic investment opportunities (long and short) in four core sectors: consumer discretionary, services, industrials, and real estate. Gratia Capital will also assess relative value between equity and credit opportunities on a company-specific, sub-sector specific (among peer groups), and macro level to identify strong, risk-adjusted investments. Gratia Capital intends to invest opportunistically across the capital structure and may at times employ equity positions as a hedge to credit positions, or vice versa.

In general, long position opportunities will be value or event-oriented in nature. This means that Gratia Capital believes that such investment opportunities exhibit compelling characteristics that, in Gratia Capital's opinion, will lead to mark-to-market price appreciation and/or capital return

(dividends, interest, etc.). Generally, Gratia Capital expects to take long positions in companies that are perceived to have stable prospects and attractive, growing free cash flow yields and good valuation multiples. Gratia Capital will prefer shorts in businesses that are perceived to have weak or declining business prospects, or business prospects dwarfed by peers, with respect to which Gratia Capital has taken a long position. Gratia Capital may make investments outside of these general criteria depending on valuation and other factors.

Investments will primarily be focused in the United States although Gratia Capital will opportunistically invest in other developed markets. In non-U.S. markets, Gratia Capital will primarily trade equities, and to a limited extent, corporate credit. Most common non-U.S. markets that Gratia Capital expects to trade in include: Canada, Australia, United Kingdom, France, and Germany. In normal market conditions, Gratia Capital targets equity-like returns and, very broadly speaking, will likely hold more gross equity exposure than gross credit exposure. However, as Gratia Capital seeks to be opportunistic in its weighting of equity versus credit, the proportions could change. In addition, Gratia Capital may borrow money to purchase securities on margin.

Gratia Capital has broad and flexible investment authority with respect to the investments made by the Fund.

Please note that an investment in the Fund is deemed highly speculative and is not intended as a complete investment program. Investing in the securities markets in general and in the Fund advised by Gratia Capital in particular involves significant risk. Investments in the Fund are designed only for experienced and sophisticated persons who are able to bear the economic risk of the loss of their investment and who have a limited need for liquidity.

Risk Factors

Risk of Loss

Gratia Capital generally seeks to diversify Fund portfolios across various asset classes in an effort to reduce risk of loss. All portfolios are subject to risk. Accordingly, there can be no assurance that a Fund will be able to fully meet their investment objectives and goals, or that investments will not lose money. Below is a description of several of the principal risks that the Fund face. However, each prospective client should carefully review the applicable offering and other governing documents before deciding to invest with Gratia Capital.

Management Risks

While Gratia Capital manages the Fund based on Gratia Capital's experience, research and proprietary methods, the value of the Fund will change daily based on the performance of the underlying securities in which they are invested. Accordingly, the Fund are subject to the risk that Gratia Capital allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that Gratia Capital's specific investment choices could underperform their relevant indexes.

Economic Conditions

Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws may adversely affect the business prospects or perceived prospects of companies. While Gratia Capital performs due diligence on the companies in whose securities it invests, economic conditions are not within the control of Gratia Capital and no assurances can be given that Gratia Capital will anticipate adverse developments.

Equity Market Risks

Gratia Capital will generally invest portions of Fund assets directly into equity investments, primarily stocks. Equity securities are subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

Short Sales

Gratia Capital, on behalf of the Fund, may from time to time sell securities short in anticipation of the realization of a gain if the securities sold short should decline in market value. A short sale is affected by selling a security that the client does not own or selling a security which the client owns but which it does not deliver upon consummation of the sale. In order to make delivery to the buyer of a security sold short, the client must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The client must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must, unless the client then owns or has the right to obtain, without payment, securities identical to those sold short, be collateralized by a deposit of cash and/or marketable securities with the lender. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss to the client.

Lack of Diversification

The Fund may not have a diversified portfolio of investments at any given time, and a substantial loss with respect to any particular investment in an undiversified portfolio will have a substantial negative impact on the aggregate value of the portfolio.

Illiquid Securities

The Fund may invest in securities with transfer restrictions or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher selling expenses than does the sale of liquid securities. The Fund may not be able to readily dispose of such illiquid investments and, in

some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. An investment in a Fund is suitable only for certain sophisticated Investors who do not require immediate liquidity for their investments.

Leverage

Fund may leverage its capital because Gratia Capital believes that the use of leverage may enable the Fund to achieve a higher rate of return. While the use of leverage may increase potential gains, the Fund would also be subject to greater risk of loss in the event that investments acquired with borrowed money decline in value.

Derivative Investments

Price movements of futures and options contracts and payments pursuant to swap agreements may be volatile, and are influenced by, among other things, interest rates, changing supply and demand relationships, trade and fiscal policies, monetary programs, and political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the assets underlying them. In addition, Fund assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

The purchase or sale of an option involves the payment or receipt of a premium payment by the purchaser and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security 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 price in the manner expected, so that either the option expires worthless and the purchaser loses its entire investment in the option, or the option is later sold at a substantial loss. Although an option buyer's risk is generally limited to the cost of its purchase of the option, an investment in an option may be subject to greater fluctuation than an investment in underlying stocks. The risk for a writer of a put option is that the price of underlying stocks may fall below the exercise price. Over-the-counter options also involve counterparty solvency risk.

Hedging Transactions

The General Partner is not required to attempt to hedge portfolio positions in the Fund and, for various reasons, may determine not to do so. Furthermore, the General Partner may not anticipate a particular risk so as to hedge against it. Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transactions.

Credit Risk

Clients are exposed to the risk that financial intermediaries or security issuers may experience adverse economic consequences that may include impaired credit ratings, default, bankruptcy or insolvency, any of which may affect portfolio values or management. This risk applies to assets on

deposit with any broker utilized by a client, notwithstanding asset segregation and insurance requirements that are beneficial to clients generally. In addition, exchange trading venues or trade settlement and clearing intermediaries could experience adverse events that may temporarily or permanently limit trading or adversely affect the value of securities held by clients. Finally, any issuer of securities may experience a credit event that could impair or erase the value of the issuer's securities held by a client. ETFs, which are subject to regulatory limits on asset segregation and leverage such that ETF shareholders are given liquidation priority versus the ETF issuer, generally limit credit risk; however, certain Fund and products may involve higher issuer credit risk because they are not structured as a registered fund.

Legislative and Tax Risk

Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities and changes in the tax code that could affect interest income, income characterization, and/or tax reporting obligations. In certain circumstances a client may incur taxable income on his or her investments without a cash distribution to pay the tax due.

Cybersecurity Risks

Gratia Capital and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to clients by interfering with the processing of transactions, affecting Gratia Capital's ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose Gratia Capital to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of unauthorized use of their personal information. While we have established business continuity plans, incident response plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers and may cause a client's investment in such securities to lose value.

Small-Cap and International Risks

Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks. During a period when small-cap and/or international stocks fall behind other types of

investments—U.S. large- and mid-cap stocks, for instance—the performance of investment strategies focused on small-cap or international stocks may lag the performance of these other investments.

Emerging Markets

In addition to the risks associated with investments outside of the United States, investments in emerging markets (i.e., the developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, Fund may not be able to sell due to a limited or non-existent local market. Additionally, issuers in these countries are not always subject to uniform accounting and reporting standards, increasing the risk of fraud. Regulations in developing countries may offer less protections to investors.

IT Risks

Gratia Capital relies on computer programs, networks, devices and systems and may rely on new systems and technology in the future. Gratia Capital has policies and procedures in place to protect such systems and prevent data loss and security breaches. However, such measures cannot provide absolute security. These programs or systems may be subject to certain defects, failures, interruptions or security breaches, including, but not limited to, those caused by computer “worms,” viruses, power failures and social engineering schemes such as “phishing,” each of which could result in a loss. A breach of Gratia Capital’s information systems may cause information relating to the Fund’s transactions and personally identifiable information of Investors to be lost or improperly accessed, used, or disclosed.

Pandemic Risks

The impact of epidemics and pandemics can greatly affect the economies of many nations, including the United States, individual companies, and the markets. Pandemics can cause extreme volatility and disruption in both the U.S. and global markets, causing uncertainty and risks to economic growth, etc. Health crises caused by the coronavirus outbreak intensify other pre-existing political, social, and economic risks in certain countries and globally. Also, pandemics can result, as this outbreak of coronavirus has resulted in closing borders, enhanced health screenings, healthcare service preparation and delivery, quarantine, cancellation of travel, disruptions to supply chains and customer activity, as well as general concern and uncertainty.

Limitations of Disclosure

The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in investments. As investment strategies develop and change over time, clients may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

Item 9 – Disciplinary Information

Gratia Capital has no disciplinary history, such as criminal or civil actions in courts, administrative proceedings of the SEC or other federal or state regulatory agencies, or proceedings with self-regulatory organizations to report.

Item 10 – Other Financial Industry Activities and Affiliations

Gratia Capital or its affiliates serve as the General Partner to the Fund.

Gratia Capital does not recommend or select other investment advisers for clients. However, Gratia Capital may recommend that clients invest in the Fund. As the sponsor/investment manager of the Fund, Gratia Capital receives management and performance fees or allocations from the Fund which creates a conflict of interest. All fees will be disclosed to the clients in advance of their investment in a Fund.

Gratia Capital's employees, affiliates or their related persons may also invest directly in some or all of the Fund. In addition, as Gratia Capital manages multiple Clients, it may have conflicts of interest in allocating time and resources to other Clients. As a result of the foregoing, Gratia Capital and its personnel may have conflicts of interest in allocating their time and activity between Clients, in allocating investments among Clients and other entities, and in effecting transactions between Clients and other entities, including ones in which Gratia Capital or its personnel may have a greater financial interest. To address these potential conflicts of interests in its material relationships, Gratia Capital has adopted policies and procedures, including a Code of Ethics (the "Code") (as described in Item 11). Under the Code, in general, all personnel of Gratia Capital, including directors, officers, and employees, must put the interests of the Gratia Capital's Clients first and must act honestly and fairly in all respects in dealings with Clients. For a more detailed discussion of the Code and conflicts of interest policies, please see Item 11.

Gratia Capital has entered into a revenue sharing agreement with an unaffiliated third-party which requires Gratia Capital to pay a portion of its revenues to the third-party.

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

Code of Ethics and Personal Trading

Gratia Capital has adopted the Code of Ethics ("the Code"), the full text of which is available to Clients or potential Clients upon request. The Code has several goals. First, the Code is designed to assist Gratia Capital in complying with applicable laws and regulations governing its investment advisory business. Under the Advisers Act, Gratia Capital owes fiduciary duties to its Clients. Pursuant to these fiduciary duties, the Code requires Gratia Capital associated persons to act with honesty, good faith and fair dealing in working with Clients. In addition, the Code prohibits associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Gratia Capital's associated persons (managers, officers, and employees). Under the Code's Professional Standards, Gratia Capital expects its associated persons to put the interests of its Clients first, ahead of personal interests. In this regard, Gratia Capital's associated persons are not to take inappropriate advantage of their positions in relation to Gratia Capital's Clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. Gratia Capital's associated persons may not invest in the same securities recommended to Clients, except as provided below. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, including generally disallowing trading by an associated person in any security any Client account trades or considers trading and the creation of a restricted securities list, reporting and review of personal trading activities and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage Clients. The Code also provides for disciplinary action as appropriate for violations.

Participation or Interest in Client Transactions

As outlined above, Gratia Capital has adopted procedures to protect Client interests when its associated persons invest in the same securities as those selected for or recommended to Clients. In the event of any identified potential trading conflicts of interest, Gratia Capital's goal is to place Client interests first.

While Gratia Capital does not anticipate facilitating cross trades from one Client account to another Client account (each such transfer, a "Cross Trade"), Gratia Capital would only so do if Gratia Capital determined the Cross Trade was in the best interests of both Clients. Further Gratia Capital would seek to ensure that any such Cross Trade is consistent with the investment objectives and policies of each Client account involved in the trade and applicable law, as well as with Gratia Capital's fiduciary duty and obligation to seek to obtain best execution for each Client.

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a Client by Gratia Capital or its personnel, Gratia Capital will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of Clients (and Investors therein) and approved or disapproved by (i) an advisory board comprised of representatives of such Clients (and Investors therein); (ii) independent members of a board of directors; or (iii) a committee consisting of one or more persons selected by Gratia Capital (or its affiliates), and any valuation approved by such a committee may, in the discretion of the committee, be determined by an independent third party that has appropriate experience in providing such valuations.

Item 12 – Brokerage Practices

Gratia Capital is authorized to determine the broker or dealer to be used for each securities' transaction for each client. In selecting brokers or dealers to execute transactions, Gratia Capital need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Gratia Capital's practice to negotiate "execution only" commission rates, thus the clients may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

In selecting a broker Gratia Capital may consider a number of factors, including:

- execution capability,
- net price,
- reliability and financial stability,
- clearance and settlement,
- size of the transaction,
- difficulty of transaction,
- general reputation,
- block trading coverage of a particular security and
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis).

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Gratia Capital will limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the Securities and Exchange Commission or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In some instances, Gratia Capital may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, trade analytical software or proxy services). In such instances, Gratia Capital will make a good faith effort to determine the relative proportion of the product or service used to assist Gratia Capital in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Gratia Capital in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Gratia Capital from its own resources.

Research and brokerage services obtained by the use of commissions arising from the client's portfolio transactions may be used by Gratia Capital in its other investment activities and thus, a client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Gratia Capital utilizes third-party soft dollar arrangements such as commission sharing accounts or similar brokerage commission conduits whereby Gratia Capital generates "commission credits" through trading that are used to pay for third party research or related products and services. However, Gratia Capital does not expressly agree to provide a certain level of execution to a broker or dealer in exchange for research products or services.

Because many of those services could benefit Gratia Capital, it may have a conflict of interest in allocating client brokerage business. In other words, Gratia Capital could have an incentive to execute client transactions through a broker or dealer that provides valuable services or products and pay transaction commissions charged by that broker or dealer which may be higher than Gratia Capital might otherwise be able to negotiate. Gratia Capital could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate soft dollars with which to acquire research products and services.

Although Gratia Capital will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services creates a potential conflict of interest between Gratia Capital and its clients.

In selecting brokers and negotiating commission rates, Gratia Capital will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. Gratia Capital may place transactions with a broker or dealer that refers potential Investors to the Fund advised by Gratia Capital (or an affiliate), if otherwise consistent with seeking best execution; provided Gratia Capital is not selecting the broker-dealer in recognition of the referral of potential Investors.

When appropriate, Gratia Capital may, but is not required to, aggregate client orders to achieve

more efficient execution or to provide for equitable treatment among accounts. clients participating in aggregated trades will generally be allocated securities based on the average price achieved for such trades. More specifically, each client that participates in an aggregated order will participate at the average share price for all of Gratia Capital transactions in that security or other instrument on a given business day and transaction costs will be shared pro rata based on each client's participation in the transaction. No client will be favored over any other client as a result of such aggregation. Brokerage commission rates will not be reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single client. Gratia Capital believes that its aggregation policy is lawful and consistent with its duty to seek best execution for all its clients.

During the last fiscal year, Gratia Capital directed client transactions to particular brokers based on each broker's reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security, and the comprehensiveness and frequency of available research services and products provided by the broker.

Gratia Capital utilizes multiple prime brokers and Gratia Capital's authority may be subject to conditions imposed by a client, examples of which may include: (i) where the client restricts or prohibits transactions in a certain industry, issuer or security and/or (ii) where the client directs that some or all account transactions be effected through specific brokers or dealers. In the latter case, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such brokers. Gratia Capital will assume no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for such client's account. A client must recognize that it may not obtain rates as low as it might otherwise obtain if Gratia Capital had discretion to select brokers or dealers other than those chosen by the client. Any client providing instructions to Gratia Capital regarding direction of brokerage transactions must notify Gratia Capital in writing if the client desires Gratia Capital to cease executing transactions with or through any such broker or dealer.

Item 13 – Review of Accounts

Gratia Capital continuously reviews holdings across client accounts. An account-by account review is conducted at least quarterly. Steven Pei, the Managing Member, performs these reviews and will evaluate from various viewpoints, including internal discussion with Gratia Capital team members, on appropriateness of the investments for each Fund's portfolio and the performance of the Fund. Investors in the Fund generally receive, among other things, a copy of audited financial statements of the Fund within 120 days after the fiscal year end of the Fund. In addition, Investors in the Fund will typically receive unaudited summary financial information regarding their investment in the Fund on at least a quarterly basis. Investors in the Fund also receive regular reporting updates through letters and Investor meetings.

Item 14 - Client Referrals and Other Compensation

Client Referrals

Gratia Capital currently does not enter into referral agreements.

Other Compensation

Gratia Capital does not receive other compensation other than the management & performance fees related to its advisory services provided to clients.

Item 15 – Custody

Gratia Capital is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a qualified custodian. Qualified custodians include banks, brokers, futures commission merchants and certain foreign financial institutions.

Rule 206(4)-2 imposes on advisers with custody of clients' funds or securities certain requirements concerning reports to such clients (including underlying Investors) and surprise examinations relating to such clients' funds or securities. However, an adviser need not comply with such requirements with respect to pooled investment vehicles subject to audit and delivery if each pooled investment vehicle (i) is audited at least annually by an independent public accountant and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to their Investors, all limited partners, members or other beneficial owners within 120 days (180 days in the applicable case of a fund of Fund adviser) of its fiscal year-end. All clients are encouraged to carefully review these statements. Gratia Capital relies upon this audit exemption with respect to the Fund.

Item 16 – Investment Discretion

Gratia Capital has discretionary authority to determine the investments to be bought or sold and the amounts to invest for client accounts, pursuant to the respective investment advisory agreements between Gratia Capital and Client. Investors in the Fund do not have the ability to impose limitations on Gratia Capital's discretionary authority.

Item 17 – Voting Client Securities

Gratia Capital has proxy voting authority on behalf of each Fund and votes are based on Gratia Capital's determination of the client's best interest. In determining whether a proposal serves an account's best interests, Gratia Capital considers a number of factors, including, but not limited to:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

Gratia Capital abstains from voting proxies when it believes that it is appropriate to do so.

If a material conflict of interest over proxy voting arises between Gratia Capital and a Fund, Gratia Capital will vote all proxies in accordance with the policy described above. If Gratia Capital determines that this policy does not adequately address the conflict of interest, Gratia Capital will notify the Fund of the conflict and request that the Fund consent to Gratia Capital's intended

response to the proxy solicitation. If the Fund consents to Gratia Capital's intended response or fails to respond to the notice within a reasonable time specified in the notice, Gratia Capital will vote the proxy as described in the notice. If the Fund objects in writing to Gratia Capital's intended response, Gratia Capital will vote the proxy as the Fund directs.

An investor in a Fund can obtain a copy of Gratia Capital's proxy voting policy and a record of votes cast by Gratia Capital on behalf of that Fund by contacting Gratia Capital at 310-733-2500 or by sending an email to ksommers@gratiacapital.com.

Item 18 – Financial Information

Gratia Capital is not required to include a balance sheet for its most recent financial year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy petition at any time during the past ten years.