



GRITSTONE ASSET MANAGEMENT LLC

FORM ADV PART 2A BROCHURE

MARCH 7, 2023

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF GRITSTONE ASSET MANAGEMENT LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT (240) 470-7001. 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 GRITSTONE ASSET MANAGEMENT LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

REFERENCES HEREIN TO GRITSTONE ASSET MANAGEMENT LLC AS A "REGISTERED INVESTMENT ADVISER" OR ANY REFERENCE TO BEING "REGISTERED" DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.



ITEM 2 - MATERIAL CHANGES

There have been no material changes made to this Form ADV Part 2A Brochure since the last filing dated August 9, 2022. To request a copy of this Brochure, please contact us at (240) 470-7001.

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ITEM 4 - ADVISORY BUSINESS**A. FIRM DESCRIPTION**

Gritstone Asset Management LLC (the “Company”), a Delaware limited liability company formed in 2018, is an investment advisory firm based in Bethesda, MD. Hereinafter, the Company and its respective affiliates are referred to collectively as “Gritstone”. The principal owners of the Company are Justin Cressall, Thomas McHale, and Nicholas Skibo. The Company advises private pooled investment vehicles exempt from registration as investment companies under the Investment Company Act of 1940 and advises separately managed accounts.

In addition to our investment advisory services, the Company also provides non-investment advisory consulting and monitoring services. These services include providing information related to private markets, such as general information regarding market size and market participants. However, these services do not include recommending, or advising on the risks, potential returns or advisability of specific investment opportunities. The Company will generally spend up to 10% of its time providing consulting and monitoring services to clients.

B. TYPES OF ADVISORY SERVICE

The Company provides discretionary investment management services to private pooled investment vehicles (“Private Funds”) and to separately managed accounts (“SMAs”) offered to qualified investors. The Company may act as a sub-advisor to Private Funds and SMAs of other investment advisors. The nature and extent of the Company’s sub-advisory services and fees are determined on a case-by-case basis.

Although the Company provides advice on various types of securities, its investment advisory practice is generally focused on Special Purpose Acquisition Companies, Direct Investments, and Secondary Investments.

Special Purpose Acquisition Companies

Special Purpose Acquisition Companies (“SPACs”) are blank check companies formed for the purpose of merging or acquiring one or more businesses or assets. SPACs primarily raise capital via an initial public offering (“IPO”). After an IPO, SPAC securities are generally listed on a public exchange. The Company focuses on investing in securities issued by SPACs, acquired either at the time of their IPO, or on a secondary basis following their IPO.

Direct Investments

Investments in securities, including equity and debt investments, issued by operating companies (“Direct Investments”).

Secondary Investments

Investments in interests or related securities issued by private pooled investment vehicles or similar entities managed by unaffiliated third-parties. These investments take the form of common equity, preferred equity, debt or other similar instruments and will generally be purchased or otherwise acquired from investors that acquired interests in private pooled investment vehicles at the time of their initial formation (“Secondary Investments”).

C. TAILORED RELATIONSHIPS

The Company tailors its advisory services to the specific investment objectives, risks and restrictions set forth in respective confidential private placement memorandum, limited partnership or limited liability company agreement, investment advisory contract and other governing documents.

Gritstone will, from time to time, enter into agreements, or “side letters”, with certain prospective or existing investors whereby such investors will be subject to terms and conditions that are more advantageous than those set forth in the Private Fund’s or SMA’s offering documents. Such terms and conditions typically provide for reduced fees, special withdrawal rights relating to frequency or notice, or rights to receive reports on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions). The modifications are solely at the discretion of Gritstone and may, among other things, be based on the size of the investor’s investment, an agreement by the investor to maintain such investment in the Private Fund

or SMA for a significant period of time, or other similar commitment by the investor.

D. WRAP FEE PROGRAMS

The Company does not participate in wrap fee programs.

E. CLIENT ASSETS

As of December 31, 2022, the Company had \$109.8 million in assets under management on a discretionary basis and \$0 in assets under management on a non-discretionary basis.

ITEM 5 - FEES & COMPENSATION**A. FEE SCHEDULES**

In consideration for providing investment management services to Private Funds and SMAs, the Company generally receives investment management fees and performance-based compensation. Investment management fees, performance-based compensation, and other expense information related to the Private Funds and SMAs are described in their respective offering documents.

In certain circumstances, the investment management fees and performance-based compensation payable to the Company is negotiable. Fees charged to some clients differ from fees charged to other clients; in those and other situations, such differences are subject to separately negotiated terms and may (or may not) be disclosed. Prospective investors should refer to these documents for a detailed explanation of the fees and expenses to be incurred.

Investment Management Fees

The Company generally receives a management fee equal to a percentage (up to 2.0% annually) of capital commitments, contributed capital or net asset value pursuant to the terms of each Private Fund's or SMA's governing documents.

Performance-Based Fees

The Company is also generally entitled to performance-based compensation; structured as an annual allocation of profits or an allocation of net realized gains (the "Performance Fee Basis"), pursuant to the terms of applicable governing documents. Performance-based compensation is generally computed as a percentage ranging from 10% to 20% of the Performance Fee Basis over an applicable period, subject to a high-water mark, or in some cases a preferred return (ranging from 6% to 10% annually) (collectively "Performance Hurdles"). For additional information on performance-based compensation, please see Item 6 - Performance-Based Fees & Side-by-Side Management.

B. FEE BILLING

The Company will deduct its investment management fee and, if applicable, performance-based compensation directly from the Private Funds, and for SMAs through the qualified custodian holding the assets. The Company's investment management fee are billed in arrears, no less frequently than quarterly, at the applicable prorated annual rate. Performance-based compensation, if earned, is payable either on a periodic basis (no less than annually), or when investments are realized, subject to meeting, or exceeding, applicable Performance Hurdles.

C. OTHER FEES

Gritstone's Private Funds may directly or indirectly incur, and accordingly investors in the Private Funds may indirectly incur, other charges imposed by custodians, brokers, and other third parties such as custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions, third-party administration fees, accounting fees, legal fees, and reimbursements due to Gritstone for all costs and expenses, if any, borne by Gritstone on behalf of the Private Funds.

Please see Item 12 of this Part 2A of Form ADV for a detailed discussion on brokerage.

D. PREPAID FEES

Private Fund investors may not obtain a refund of a pre-paid fee, may not withdraw from the Private Funds, and may not transfer any of their interest, rights or obligations under the Private Funds without the prior written consent of Gritstone.

The Company's advisory services for SMA investors may be terminated in accordance with their advisory agreement. In the event that termination occurs prior to the end of a period, any pre-paid fees will be prorated and where applicable refunded.

The terms and conditions pertaining to an investment in the Private Funds and SMAs, are outlined in the respective offering documents. Prospective investors should refer to these documents for additional information.

E. COMPENSATION FOR THE SALE OF SECURITIES

Neither the Company nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

ITEM 6 - PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

As disclosed in Item 5 above, Gritstone is entitled to performance-based compensation (i.e., an incentive allocation or performance-based fee) from the Private Funds and SMAs under the Company's management. All performance-based compensation arrangements will be structured in compliance with the applicable requirements under state and federal rules and regulations, including the requirement under SEC Rule 205-3 to only enter into such arrangements with "qualified clients" (defined in Item 7 below). The terms of performance-based compensation (if any), are provided in the respective offering documents.

When entering into a performance-based compensation arrangement, investors should understand the following:

- Performance-based compensation may create an incentive for the Company to make investments that involve more risk and are more speculative than would be the case in the absence of performance-based compensation.
- Performance-based compensation may create an incentive for the Company to overvalue investments which lack a market quotation.
- Because the Company will serve as the investment adviser to client accounts with different fee structures, the potential for conflicts of interest may arise. Such conflicts of interest include the incentive for the Company and its supervised persons to favor the accounts for which Gritstone receives performance-based compensation.
- When relevant, Gritstone will receive increased compensation with regard to net unrealized appreciation as well as net realized gains in a client's account.

To mitigate potential conflicts of interest, the Company has created policies and procedures designed to promote ethical conduct by addressing client trading, aggregation, trade allocation, best execution, and the requirement to fairly value securities that do not have a readily ascertainable value. In addition, the Company's management team reviews accounts on an ongoing basis to ensure that investments are suitable and that the account is being managed appropriately in light of the relevant investment objectives and risk tolerance.

Prior to entering into a performance-based compensation arrangement, Gritstone will disclose in writing to the investor the following:

- Time periods that will be used to measure investment performance throughout the arrangement and the time periods potential significance in the computation of the compensation.
- The nature of an index, if any, that will be used as a comparative measure of investment performance, the potential significance of the index, and the reasons Gritstone believes that the index is appropriate.
- When Gritstone's compensation is based in part on the unrealized appreciation of securities for which market quotations are not readily available within the meaning of 17 CFR §270.2a-4(a)(1) (SEC Rule 2a-4(a)(1), Periodic Calculation of Net Asset Value of Redeemable Security), the method by which the securities will be valued and the extent to which the valuation will be independently determined.

ITEM 7 - TYPES OF CLIENTS

The Company provides discretionary and non-discretionary investment advisory services to private pooled investment vehicles and separately managed accounts.

Private Fund investments are subject to a minimum of \$1,000,000. The minimum investment for a SMA is \$10,000,000. Gritstone, in its sole discretion, retains the right to waive the minimum based on certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets being managed, related accounts, account composition, scope of services, negotiations with the investor, etc.).

Because a Gritstone entity will earn performance-based compensation, all investors are required to complete a suitability questionnaire to determine whether the investor is an accredited investor and qualified client.

An “accredited investor” is defined in Rule 501 of Regulation D under the Securities Act of 1933 and generally includes most institutions and natural persons with a net worth over \$1 million (excluding primary residence and certain debt secured by the property) or an annual income in excess of \$200,000, or \$300,000 for joint income, in each of the two most recent years.

A “qualified client” is defined in Rule 205-3 under the Investment Advisers Act of 1940 and generally includes a natural person or institution that immediately after entering into an investment advisory contract has at least \$1,000,000 under the management of the investment adviser; or, has a net worth (excluding primary residence and certain debt secured by the property) of more than \$2,100,000 at the time the contract is entered into.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS**A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES*****Methods of Analysis***

The Company's methods of analysis include a fundamental financial analysis and relative value analysis of each investment opportunity.

The Company's fundamental analysis generally considers:

- the analysis and evaluation of a company (or other entities) financial statements;
- the general strategy of a proposed investment relative to the market and current business environment;
- the strengths and potential weaknesses of an opportunity's business model, investment strategy and/or management team;
- the track record and/or prior history of a management team;
- the alignment of incentives between a management team and Gritstone; and
- potential market considerations or other risk factors which may impact the operating strategy or performance of an investment opportunity.

The Company's relative value analysis generally seeks to identify investment opportunities which are expected to outperform other investment opportunities within a similar end-market or vertical on a risk adjusted basis.

Investment Strategy

the Company's investment objective is to provide strong absolute returns. The Company will generally seek to identify opportunities which provide attractive returns on an unleveraged basis; however, the Company may, from time to time, utilize leverage to enhance returns within select Private Funds or SMAs.

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

B. MATERIAL RISKS OF METHODS OF ANALYSIS AND INVESTMENT STRATEGIES***Material Risks of Methods of Analysis***

The methods of analysis utilized by the Company do not involve significant or unusual risks. However, each method of analysis has inherent risks. For example, the risk assumed with using relative value analysis is that investments identified by the Company may underperform other similar opportunities. The risk of fundamental analysis is that securities prices may rapidly change with new market information. If the market information gathered for the analysis is outdated or incorrect, the value of the analysis is limited and may produce unfavorable results.

Material Risks of Investment Strategies**Absence of Operating History**

The Company is a relatively new asset manager with limited resources. There can be no assurance that the Company will be able to execute its investment strategies or manage investor assets in the manner described in the investment management agreement or offering documents, or that investors will be able to avoid losses.

Private Fund Risk

Private funds are not registered with the Securities and Exchange Commission and may not be registered with any other regulatory authority. Accordingly, they are not subject to certain regulatory restrictions and oversight to which other issuers are subject. There may be little public information available about their investments and performance and the transferability of interests in Private Funds may be restricted. Moreover, as sales of interests in a private fund are restricted to qualified investors, it could be difficult for an investor to sell its Private Fund interests at an advantageous price and time. Since interests in a Private Fund are not publicly traded, from time to time it may be difficult to establish a fair value for the investor's interests in these types of funds.

Market Risk

The price of a stock, bond, or other security can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.

Leverage Risk

The Company will, in certain situations, employ leverage as a bridge for Client capital calls and to enhance Client returns. Risks associated with leverage include, but are not limited to, increased price volatility, increased risk of loss, risk of margin calls, need or requirement to sell assets — potentially at depressed prices or inopportune times, to meet lender demands. Lenders may also require additional reporting and governance rights and remedies including the ability to call capital from investors, sell assets or defaulting member stakes in order to ensure repayment.

Business Risk

These risks are associated with a particular industry or a particular company within an industry. Generally, business risk is that a company will go bankrupt or perform below expectations. Every company carries the business risk that it will produce insufficient cash flow in order to maintain operations. Business risk can come from a variety of sources, some systemic and others un-systemic. That is, every company has the business risk that the broader economy will perform poorly and therefore that sales will be poor, and also the risk that the market simply will not like its products.

Non-Diversification Risk

If a strategy is “non-diversified”, its investments are not required to meet certain diversification requirements under federal law. A “non-diversified” strategy is permitted to invest a greater percentage of its assets in the securities of a single issuer than a diversified strategy. Thus, the strategy will at times have fewer holdings than other strategies. As a result, a decline in the value of those investments would cause the strategy's overall value to decline to a greater degree than if the strategy held a more diversified portfolio.

Inflation Risk

When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

Currency Risk

Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Management Risk

The Company's strategies are actively managed, and performance in these strategies may reflect the Company's ability to make decisions that are suited to achieving a strategy's investment objective. As a result, a strategy may not meet its investment objective based on the success or failure of the portfolio managers to implement investment strategies and could underperform other similar strategies with comparable investment objectives managed by other advisers.

Political and Legislative Risks

Companies face a complex set of laws and circumstances in each jurisdiction in which they operate. The political and legal environment can change rapidly and without warning and with significant impact, this is especially true for companies operating outside of the United States or that conduct a portion of their business outside of the United States.

Liquidity Risk

Certain securities held by a strategy may be difficult (or impossible) to sell at the time and at the price the Company would like. As a result, a strategy may have to hold these securities longer than it would like and may forego other investment opportunities. There is the possibility that a strategy may lose money or be prevented from realizing capital gains if it cannot sell a security at a particular time and price.

Financial Risk

Excessive borrowing to finance a business' operations increases the risk of profitability, because a company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan

obligations can result in bankruptcy and/or a declining market value.

Cyber Security Risk

Cyber incidents or attacks directed at Gritstone or its service providers could result in information theft, data corruption, operational disruption and/or financial loss. Gritstone depends on digital technologies, including information systems, infrastructure and cloud applications and services, including those of third parties. Sophisticated and deliberate attacks on, or security breaches in, the systems or infrastructure of Gritstone, or its service providers, could lead to corruption or misappropriation of investor assets, proprietary information and sensitive or confidential data. It is possible that any of these occurrences, or a combination of them, could have adverse consequences on investors and lead to financial loss.

C. MATERIAL RISKS OF INVESTING

The Company's investment strategies are not suitable for any person who is not in a position to hold the investments indefinitely or who cannot afford the loss of their entire investment. As previously disclosed in Item 4, the Company's investment advice is generally limited to SPACs, Direct Investments, Secondary Investments, and other illiquid investment opportunities. The material risks involved with these securities are listed in the previous section.

An investment in a Private Fund or SMA is speculative, and prospective investors should be aware that an investment in such involves a high degree of risk. Accordingly, prospective investors should carefully consider the risk factors in this Brochure and the information in the offering documents. The disclosures in this Brochure do not purport to be a complete explanation of the terms, conditions and corresponding risks associated with an investment in a Private Fund or SMA.

ITEM 9 - DISCIPLINARY INFORMATION

Neither the Company nor any of its management persons has been involved in a legal or disciplinary event that is material to a client's or Fund investor's evaluation of the advisory business of the Company or the integrity of its management.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**A. REGISTRATION AS A BROKER-DEALER OR REGISTERED REPRESENTATIVE**

Neither the Company nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. REGISTRATION AS A FCM, CPO, OR CTA

Neither the Company nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant ("FCM"), commodity pool operator ("CPO"), a commodity trading adviser ("CTA"), or an associated person of the foregoing entities.

C. MATERIAL RELATIONSHIPS OR ARRANGEMENTS WITH FINANCIAL INDUSTRY

The Company serves as the parent company to a limited liability company, and expects to serve others, that serve as managing members to private pooled investment vehicles exempt from registration as investment companies under the Investment Company Act of 1940. The Company serves as the investment manager to the private pooled investment vehicles. By virtue of the relationship with these entities, the Company is deemed to have custody of the Private Fund's assets. See Item 15 for the safeguards the Company has in place to protect the Private Funds' assets.

Justin Cressall, Thomas McHale, and Nicholas Skibo, the Company's principal owners, will also serve as the principal owners of the subsidiary entities mentioned above. As principal owners of these subsidiary entities, they will share in the investment management fees received by the Company and the performance-based compensation received by the Private Funds' managing members. Before a prospective investor accepts their recommendation to invest in a Private Fund managed by the Company, the investor is free to consider other investment opportunities offered by other investment management firms.

D. COMPENSATION FROM THIRD-PARTY ADVISORS

The Company does not recommend or select other investment advisers for investors, nor does it have a business relationship with any other investment adviser that would create a material conflict of interest.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**A. CODE OF ETHICS**

Gritstone has adopted a Code of Ethics ("COE") which sets forth standards of ethical business conduct expected of its associated persons. The COE is based upon the principle that directors, officers, members and employees of the Gritstone have a fiduciary duty to place the interest of investors above their own. The COE addresses compliance with federal securities laws and personal trading and reporting. Gritstone will provide a copy of the COE to any investor or prospective investor upon request.

B. RECOMMEND SECURITIES WITH MATERIAL FINANCIAL INTEREST

Gritstone will likely recommend that a Private Fund investor or SMA client make an investment in other Private Funds managed by the Company. Gritstone's principal owners and subsidiary entities will have capital accounts in the Private Funds and, as disclosed in Item 10 above, will share in the investment management fees and performance-based compensation charged to the Private Funds. Therefore, Gritstone has an economic incentive to make such recommendations. This presents a conflict of interest that investors need to be informed of prior to accepting Gritstone's recommendation. Investors are free to consider other investment opportunities offered by other advisory firms.

C. INVEST IN SAME SECURITIES RECOMMENDED TO CLIENTS

Gritstone and its related persons are permitted to purchase interests in the Private Funds but may not buy or sell for their own accounts the same securities Gritstone buys and sells in the Private Funds. It is Gritstone's express policy that no related person of Gritstone shall prefer his/her own interest to that of the Private Fund's or make personal investment decisions based on the investment decisions made for the Private Funds.

D. BUY/SELL SECURITIES AT SAME TIME AS CLIENTS

As discussed in Item 11.C above, related persons of Gritstone are prohibited from trading for their own personal accounts the same securities the Company trades for the Private Funds or SMAs. Therefore, this item is not applicable.

ITEM 12 - BROKERAGE PRACTICES**A. RECOMMENDING BROKERAGE FIRMS**

In selecting broker-dealers to execute trades for client accounts, Gritstone will evaluate the overall value and quality of the services provided, including, but not limited to, rates of commission, markups or spreads, prices, speed, and reliability, confidentiality and other relevant factors. Gritstone will seek to use brokers that, in its professional judgment, offer the best overall combination of quality, breadth of services, and price.

1. Research and Other Soft Dollar Benefits.

Gritstone does not have any soft dollar arrangements with broker-dealers and does not direct client trades to any broker-dealers in exchange for research or other soft dollar benefits.

2. Brokerage for Client Referrals.

Gritstone, in selecting or recommending broker-dealers, will not consider whether Gritstone or a related person of Gritstone receives client referrals from a broker-dealer or third party.

3. Directed Brokerage.

Gritstone will not recommend, request, require or permit any of its clients to direct Gritstone to execute transactions through a specified broker-dealer. Gritstone has complete discretion in deciding what broker-dealers the clients will use and in negotiating the rates of compensation the clients will pay.

B. ORDER AGGREGATION

The Company will from time to time aggregate purchase and sale orders of investments held by the clients with similar orders being made simultaneously for other accounts if, in the Company's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the clients based on an evaluation that the client will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors.

ITEM 13 - REVIEW OF ACCOUNTS**A. FREQUENCY OF REVIEWS**

Accounts managed by the Company are reviewed on a continual basis to analyze rates of return, allocation of assets and to verify that the assets are managed in accordance to stated investment objectives. Justin Cressall, Thomas McHale, and Nicholas Skibo, the Managing Members of the Company, conduct the review.

B. REVIEW TRIGGERS

Factors that will most likely trigger a review include changes in the account's investment objectives, economic or political events, or significant market developments.

C. REGULAR REPORTS

At least quarterly, the Company will provide the Private Fund managing member a report on investment program of the Fund and the issuers and securities and other investments generally represented in the Fund's portfolio. Additionally, Gritstone or an appointed service provider and/or the qualified custodian will provide Private Fund investors with written unaudited financial information regarding their individual capital account in the Private Fund. Such reports will generally include the market value, performance, and net capital appreciation or depreciation of their account. In addition, at the end of each Private Fund's fiscal year, an independent public accountant will audit the books and records of the Private Funds. Each Private Fund investor will be provided with an annual written audited financial report, prepared by an accountant, setting forth among other things a balance sheet of the Private Fund, and a statement of the net capital appreciation or net capital depreciation of the Private Fund's assets. Within a reasonable time after the end of the Private Fund's fiscal year, the investor will be provided with certain tax information related to the Private Fund that the investor will need to prepare personal income tax returns.

For SMAs a qualified custodian will provide investors, at least quarterly, written unaudited financial information regarding their account and annually the qualified custodian will provide the SMA investor with required tax information.

ITEM 14 - CLIENT REFERRALS & OTHER COMPENSATION**A. ECONOMIC BENEFITS FROM THIRD PARTIES**

The Company does not receive economic benefits from other third parties in exchange for providing investment advice or other advisory services to clients.

B. THIRD PARTY SOLICITORS

Neither the Company nor any related person of the Company directly or indirectly compensates any person who is not a supervised person of Gritstone for client referrals.

ITEM 15 - CUSTODY***Private Funds***

Gritstone is deemed to have custody of the assets held in the Private Funds because of the authority it has over the Private Funds. Private Fund investors will not receive statements directly from the qualified custodian holding the Private Funds' assets. As disclosed in Item 13.C above, Gritstone or an appointed service provider will, however, provide investors with quarterly and annual reports.

Separately Managed Accounts

SMA assets are held with a qualified custodian. Gritstone is deemed to have custody of the assets solely due to its authority to deduct investment management and performance fees directly from the SMAs. As required by law, the qualified custodian for the SMA will provide account statements directly to investors at their address of record at least quarterly. Investors should carefully review the statements they receive from their qualified custodian and compare them with any statements provided by Gritstone.

ITEM 16 - INVESTMENT DISCRETION

The Company has been appointed as the investment manager with discretionary authority to supervise and direct the investments in each client's account. Prior to the Company exercising its discretionary authority for any client, the Company and the client's managing member are required to execute an Investment Management Agreement granting the Company with such authority.

ITEM 17 - VOTING CLIENT SECURITIES**A. AUTHORITY TO VOTE CLIENT SECURITIES**

If proxy voting authority is delegated to the Company, either by a Private Fund's managing member or SMA client, the Company will vote proxies in a manner that serves the best interests of the client, as determined by the Company's senior management in its discretion, taking into account the following factors and other such factors that may be proper under the circumstances:

- Whether the proposal is a routine proposal or a non-routine proposal;
- The impact the proposal will have on the value of the security, or on the value of the returns to the client's account;
- The costs associated with the proxy;
- The impact the proposal may have on the liquidity of the investment, or the redemption or withdrawal rights; and
- The impact the proposal may have on shareholder rights.

In the case of a potential conflict of interest, the Private Fund's managing member or a third party will be used to vote the proxies. Private Fund or SMA investors may not direct voting in a particular solicitation when the Company has proxy voting responsibility. The Company, using its discretion, may choose not to vote proxies on routine proposals if it finds that the benefits of voting are outweighed by the costs or expense of voting.

Clients may obtain a copy of these proxy voting policies as well as information about how the Company has voted their proxies by contacting the Company.

B. CLIENT MAINTAINS AUTHORITY TO VOTE CLIENT SECURITIES

If a client retains the authority to vote proxies on securities held in the client's account, the client will receive proxies and other solicitations directly from the client custodian. The client's may contact the Company with questions about a particular solicitation.

ITEM 18 - FINANCIAL INFORMATION**C. PREPAYMENT OF FEES**

The Company does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet in response to this Item 18. Please see Item 5 of this Part 2A above for a description of the fees charged by the Company.

D. FINANCIAL CONDITION

There is no financial condition with respect to the Company that is reasonably likely to impair its ability to meet contractual commitments to the clients of the Company.

E. BANKRUPTCY

The Company has not been the subject of a bankruptcy petition at any time during the past ten year.