

ITEM 1 - Cover Page

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

Gruss Capital Management LP  
667 Madison Avenue, 3<sup>rd</sup> Floor  
New York, NY 10065  
(212) 688-1500  
[www.grusscap.com](http://www.grusscap.com)

March 13, 2014

Part 2A of Form ADV (the "Brochure") provides information about the qualifications and business practices of Gruss Capital Management LP ("GCM" or the "firm"). If you have any questions about the contents of this Brochure, please contact us at (212) 688-1500. Our Brochure is also available on our web site [www.grusscap.com](http://www.grusscap.com) (formerly, [www.grusscap.com](http://www.grusscap.com)), free of charge. 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. GCM is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about GCM is can be found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with GCM who are registered, or are required to be registered, as investment adviser representatives.

## ITEM 2 - Material Changes

GCM is required to identify and discuss any material changes made to its Brochure since the last annual update.

- On March 15, 2013, the firm announced Mark Smith's retirement from GAM UK (defined in Item 4). Sean Dany, GAM's longtime Co-Chief Investment Officer, assumed the newly-created position of Global Chief Investment Officer.
- At that time, the firm also announced the creation of a new holding company, Gruss Capital Holdings LP ('GCH'), which, through its subsidiaries (including GCM), will own substantially all of the Gruss asset management business worldwide. A synopsis of the firm's related entities is provided in Item 4 below.

### ITEM 3 - Table of Contents

Item 1 Cover Page .....	i
Item 2 Material Changes .....	ii
Item 3 Table of Contents.....	iii
Item 4 Advisory Business .....	1
Item 5 Fees and Compensation .....	4
Item 6 Performance-Based Fees and Side-By-Side Management .....	6
Item 7 Types of Clients.....	7
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9 Disciplinary Information .....	23
Item 10 Other Financial Industry Activities and Affiliations .....	23
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	24
Item 12 Brokerage Practices .....	27
Item 13 Review of Accounts .....	30
Item 14 Client Referrals and Other Compensation.....	31
Item 15 Custody .....	32
Item 16 Investment Discretion .....	33
Item 17 Voting Client Securities.....	34
Item 18 Financial Information.....	35

#### ITEM 4 - Advisory Business

GCM, a Delaware limited partnership, serves as investment manager with discretionary trading authority over the following private investment funds (collectively, the “Funds”): Gruss Global Investors, L.P., Gruss Global Investors II, L.P., Gruss Global Investors, Ltd., GGI SRI L.P., GGI SRI, Ltd. and Gruss Global Investors Master Fund, Ltd. (collectively, the “Global Investors Funds”); Gruss Global Investors (Enhanced), L.P., Gruss Global Investors (Enhanced), Ltd. and Gruss Global Investors Master Fund (Enhanced), Ltd. (collectively, the “Global Investors Enhanced Funds”); and Gruss Arbitrage Partners, L.P., Gruss Offshore Arbitrage Fund, Ltd. and Gruss Arbitrage Master Fund, Ltd. (collectively, the “Arbitrage Funds”). (As has been noted in GCM’s prior Forms ADV Part 2 filings, the firm has been conducting an orderly liquidation of the Arbitrage Funds. This process is ongoing as of the date of this filing.) The Global Investors Enhanced Funds and the Arbitrage Funds consist of a Delaware limited partnership (each, an “Onshore Fund”) and a Cayman Islands exempted company (each, an “Offshore Fund”) that invest all of their investable assets through a “master-feeder” structure in a Cayman Islands exempted company (each, a “Master Fund”). The Global Investors Funds consist of three Onshore Funds and two Offshore Funds that invest all of their investable assets through a “master-feeder” structure in a Master Fund. A description of the Funds’ investment strategies can be found in Item 8 of this Brochure.

Limited Partnership interests in the Onshore Funds are offered on a private placement basis, and in reliance on Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “Company Act”), to persons who generally are “accredited investors” as defined under the Securities Act of 1933, as amended (the “Securities Act”) and “qualified purchasers” as defined under the Company Act, and who are subject to certain other conditions, which are fully set forth in the offering documents for the Onshore Funds.

Shares in the Offshore Funds are generally offered to persons who are not “U.S. Persons,” as defined under Regulation S of the Securities Act, or to persons who are tax-exempt U.S. Persons (or entities substantially comprised of tax-exempt U.S. Persons) on a private placement basis, and who are subject to certain other conditions, which are fully set forth in the offering documents for the Offshore Funds.

For the month ending February 28, 2014, estimated net assets under management of the Feeder Funds were approximately as follows:

Gruss Global Investors, L.P.	282,616,324
Gruss Global Investors II, L.P.	172,371,377
Gruss Global Investors, Ltd.	513,438,232
GGI SRI, L.P.	4,694,851
GGI SRI, Ltd.	46,127,534
Gruss Global Investors (Enhanced), L.P.	268,319,003
Gruss Global Investors (Enhanced), Ltd.	476,995,816
Gruss Arbitrage Partners, L.P.	2,345,048
Gruss Offshore Arbitrage Fund, Ltd.	5,695,905

Regulatory assets under management figures (“RAUM”) are presented in the firm’s ADV Part 1.

## History

Launched in 2000, GCM traces its roots to the 1940s when the late Joseph Gruss founded Gruss & Co. as a private investment concern. His son later developed a proprietary event-driven strategy, an early forerunner to GCM's current platform.

## Organization

Gruss Capital Advisors, LLC, a limited liability company organized under the laws of the State of Delaware ("GCA" or the "General Partner"), serves as the general partner of the onshore Feeder Funds. The General Partner has overall responsibility for the management and operations of the onshore Feeder Funds. Gruss Management, LLC, a limited liability company organized under the laws of the State of Delaware ("Gruss Management") will serve as the managing member of the General Partner. Sean Dany, CRD No. 2543189, and Howard Guberman, CRD No. 1655040, are the members of Gruss Management.

GCM, a limited partnership organized under the laws of the State of Delaware, provides management services to the Funds. GCM is indirectly controlled by Gruss Management and majority-owned by Gruss Capital Holdings LP ("GCH"). Sean Dany serves as the Global Chief Investment Officer and is primarily responsible for investment decisions made on behalf of the Funds. References herein to investments made by GCM include investments made by GCM HK or GCM UK (defined herein) under GCM's supervision.

GCH's equity is owned, through limited partnership interests, by Sean Dany, Howard Guberman and Joshua Gruss.

Gruss Capital Management Limited ("GCM HK"), a subsidiary of GCM located in Hong Kong, makes investments primarily in Asia and Australia on behalf of the Funds pursuant to subadvisory agreements among the Master Funds, GCM HK and GCM. GCM HK is registered with the Hong Kong Securities and Futures Commission.

Gruss Capital Management LLP, a limited liability partnership organized under the laws of the United Kingdom ("GCM UK"), makes investments primarily in Europe on behalf of the Funds pursuant to a subadvisory agreement between GCM UK and GCM. GCM UK is authorized by the UK Financial Conduct Authority to provide investment advisory services.

Neither GCM HK nor GCM UK is separately registered with the SEC as an investment adviser. Instead, GCM HK and GCM UK (here, the "Relying Advisers") rely on the Forms ADV 1, 2A and 2B of GCM (here, the "Filing Adviser") in accordance with the *American Bar Association, Business Law Section* (Jan. 18, 2012) no-action letter. The Relying Advisers, along with the Filing Adviser, operate under a single code of ethics adopted in accordance with Advisers Act rule 204A-1, as well as a compliance manual adopted and implemented in accordance with Advisers Act rule 206(4)-(7), all administered by the CCO. Accordingly, references to obligations flowing from the code of ethics and/or compliance manual may incorporate the activities of staff of both GCM and its Relying Advisers.

GCM has discretionary trading authority with respect to investment decisions, and its advice with respect to the Funds is tailored according to the investment objectives, guidelines, and requirements as set forth in each Fund's respective offering memorandum.

As used herein, the term "client" generally refers to each Fund.

### Wrap Fee Programs

The firm does not participate as either a sponsor or manager of any wrap fee programs.

### Side Letters

The Funds may enter into "side letter agreements" with certain other investors which modify, alter or amend the terms attributable to an investor's investment in the Fund in terms of, among other things, the management fee, the incentive allocation, redemption rights (including redemption dates and notice periods), minimum and additional subscription amounts, portfolios, information rights and other rights and privileges, without providing prior notice to, or receiving consent from, existing investors. The terms of such side letter agreements will be determined by the relevant Fund.

## ITEM 5 - Fees and Compensation

The fees and expenses applicable to each Fund are set forth in detail in such Fund's offering documents. A brief summary of those fees and expenses is provided below. No GCM employee is compensated (e.g., through receipt of commissions) for the sale of securities or other investment products.

### Fees and Compensation

GCM receives a monthly management fee in advance, equal to a percentage of the net asset value of the interests of each Onshore Fund and the shares of each Offshore Fund. The management fees with respect to the Global Investors Funds and Global Investors Enhanced Funds range between 1% and 1.5% (annualized). Management fees are prorated for partial periods. In the event of a withdrawal by a Fund Investor other than as of the last day of a month, a prorated portion of the management fee paid by such Fund Investor will be returned.

GCM receives an annual incentive fee in arrears, equal to a percentage of the net realized and unrealized appreciation in the net asset value of each series of shares of the Offshore Funds (adjusted for any redemption of shares in a series made during the year), subject to a "high water" mark. Similarly, the General Partner receives an incentive allocation in arrears, equal to a percentage of the net realized and unrealized appreciation allocated to the capital account of each limited partner of the Onshore Funds for such year (adjusted for any withdrawals made during the year), subject to a "high water" mark. The incentive fee and incentive allocation with respect to the Global Investors Funds and Global Investors Enhanced Funds ranges between 15% and 20%. No management fees or incentive fees are being charged as of October 1, 2012 for the Arbitrage Funds.

At GCM and the General Partner's discretion, as applicable, the management fee and incentive compensation may be calculated differently with respect to, or may be waived for capital accounts of, investors who are current or former employees of GCM, affiliates of the General Partner or GCM, members of the immediate families of such persons or trusts or other entities established for their benefit or certain select investors.

Management fees and incentive compensation paid by the Funds are generally deducted from the assets of such clients. As detailed above, management fees are generally deducted on a monthly basis and incentive compensation is generally deducted on an annual basis.

No additional fee is charged by the Funds with respect to the services provided by GCM UK or GCM HK.

### Expenses

As more fully described in each Fund's respective offering documents, investors in a Fund bear that Fund's expenses (as well as a pro rata share of the corresponding master fund's expenses) relating to operations, which may include, without limitation: investment-related expenses—for example, brokerage commissions and other transaction costs, prime broker fees, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, bank service fees, withholding and transfer fees, entity-level taxes, clearing and settlement charges, reasonable research-related travel and meal expenses, professional fees, including, without limitation, expenses of consultants and experts relating to investments, and other expenses related to the purchase or

sale of investments); legal fees; audit and tax preparation fees; corporate licensing fees; fees of the administrator; fees and expenses of the board of directors (including directors' and officers' insurance), where applicable; organizational expenses; offering expenses; and any extraordinary expenses.



## ITEM 6 - Performance-Based Fees and Side-By-Side Management

GCM and the General Partner accept performance-based fees from each client that is charged an incentive fee. As a result, GCM and the General Partner do not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

## ITEM 7 - Types of Clients

As described in Item 4, GCM serves as investment manager with discretionary trading authority for the Global Investors Funds, the Global Investors Enhanced Funds, and in the relevant capacity, to the Arbitrage Funds. Investors in the Funds include, among others: high net worth individuals, corporations, trusts, charitable institutions, foundations, endowments, financial institutions, corporate pension plans, other U.S. and international institutional investors, and government entities. While the Funds' minimum initial subscription amounts range from \$5 million to \$100 million, these minimums have been waived in the past in accordance with provisions set forth in each Fund's respective offering documents.

## ITEM 8 - Methods of Analysis, Investment Strategies and Risk of Loss

### Introduction

The methods of analyses, investment strategies and (material) risks applicable to each Fund are set forth in detail in each of the Fund's respective offering documents. A brief summary of GCM's methods of analyses and those investment strategies and (material) risks has been provided below. This summary does not purport to be a complete enumeration of risks applicable to an investment in the Funds.

The descriptions set forth in this brochure of specific advisory services that GCM offers to clients, and investment strategies pursued and investments made by GCM on behalf of its clients, should not be understood to limit in any way GCM's investment activities. While GCM expects that event-driven investment strategies will be significant focuses of the Master Funds' investment activities, the Master Funds may also employ a variety of other investment strategies when deemed appropriate by GCM, including, without limitation, long/short equity; global macro; and other strategies, subject to each client's investment objectives and guidelines. The investment strategies that GCM pursues are speculative and entail substantial risks. Investors in the Funds should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

### The Investment Strategies

The firm's investment objective is to achieve absolute returns while preserving investor capital. GCM seeks to meet this objective by investing opportunistically in global markets using a combination of event-driven investment strategies.

These event-driven strategies typically involve investing in opportunities created by corporate actions, regulatory/legislative events and market dislocations, in each case, where inefficiencies, mispricings and catalysts allow for attractive risk-adjusted returns. Employing investments in equities, bonds, loans, options, credit default swaps and other instruments, GCM generally seeks to capitalize, either directly or indirectly, on distressed situations, reorganizations, liquidations, arbitrage opportunities (including, without limitation, merger arbitrage, holding company arbitrage and capital structure arbitrage), litigation, liquidity crises, corporate spin-offs, tender offers, restructurings, bankruptcy proceedings, proxy fights, recapitalizations, temporary supply-demand imbalances, non-economic selling pressures and other extraordinary events.

GCM's investment process is predicated on idea generation. Opportunities are identified via a variety of means, including catalyst/event-driven searches, public filings, news searches, internal tracking and/or excessive price movements. These ideas are then subjected to a bottom-up research approach typically combining some elements of valuation analyses, capital structure evaluation, scrutiny of management and ownership profiles, review of legal structuring, engagement of industry experts, among other research criteria. Additions to a relevant Master Fund's portfolio are undertaken with an actionable thesis consistent with such Master Fund's investment objective of achieving absolute returns while preserving investor capital. This includes an understanding of disparities between an investment's intrinsic value and market price, forecasting of events that will eliminate the mispricing, and, most importantly, an analysis of downside risk.

At the position level, GCM's risk management process is generally implemented through, among other measures, a disciplined purchase and sale process, continued evaluation of the margin of safety in the investment (including analyses of conservative downside projections), requiring a catalyst for value realization, appropriate position sizing as well as hedging. At the portfolio level, GCM seeks to manage risk by utilizing adequate diversification and liquidity while attempting to hedge unwanted market risk by employing credit default swaps, out-of-the-money options, futures, exchange-traded funds and other instruments.

The Global Investors Enhanced Funds generally invest in a similar investment portfolio as the Global Investors Funds with the exception that the Global Investors Enhanced Funds seeks to achieve on a position basis, to the extent practicable, gross long and short exposures greater than those of the Global Investors Funds (on a capital adjusted basis); provided, however, such exposures may vary, taking into account a number of factors, including, but not limited to, the liquidity of a position, the ability to leverage a position and general market conditions.

Like the Global Investors Funds and the Global Investors Enhanced Funds, GGI SRI, Ltd. and GGI SRI, L.P. seek to achieve high risk adjusted returns by investing opportunistically in global markets using a combination of investment strategies while simultaneously employing a Socially Responsible Investment ("SRI") mandate. To accomplish this SRI mandate, these funds employ a negative screen at the master fund level using various investor-approved criteria. These funds have retained an outside vendor to provide GCM on a quarterly basis with a list of ineligible investments based on the designated criteria.

The Master Funds may, from time to time, invest a small portion of assets in "new issues". In addition, the Master Funds may, for hedging purposes, invest in other instruments, including, but not limited to, exchange traded index funds (such as Standard & Poor's Depositary Receipts) and futures. The Master Funds may invest excess funds in short term investments, including U.S. Government Securities (as defined below), money market funds, commercial paper, certificates of deposit and bankers' acceptances.

#### Material, Significant or Unusual Risks Relating to Investment Strategies and Particular Securities

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds. These risk factors include only those risks GCM believes to be material, significant or unusual and relate to certain investment strategies or methods of analysis employed by GCM.

All investing involves a risk of loss that investors should be prepared to bear. The investment strategies offered by GCM could lose money over short or long periods of time. Identifying undervalued securities and other assets is difficult, and there are no assurances that GCM's investment strategies will succeed. GCM cannot give any guarantee that it will achieve Fund investment objectives or that any Fund will receive a return of its investment.

Investors should ultimately refer to the Funds' respective offering documents for detailed risk disclosures that specifically address risks of each Fund's investment strategies, methods of analysis, and/or particular types of securities recommended. Below is a summary of potentially material risks for each significant GCM investment strategy used, the methods of analysis used, and/or the particular types of securities that a Fund may invest in. Please note that GCM's use of the term "investor" in this section may refer to either a limited partner in an onshore fund or a shareholder in an offshore fund.

## General Risks

*Limited Liquidity and Information Rights:* An investment in the Feeder Funds provides limited liquidity since the interests are not freely transferable and investors may only make withdrawals or redemptions from their capital accounts at such limited times as provided in offering materials. Further, distributions of proceeds may be limited where withdrawal or redemption requests are received in any given fiscal quarter for more than 25% of the net asset value of a Feeder Fund. In addition, the firm may suspend withdrawals or redemptions, in whole or in part, where, in the view of the firm, the disposal of the assets, or the determination of the value of the assets of the relevant Feeder or the Master Fund, would not be reasonably practicable or where permitting withdrawals or redemptions would, in the opinion of the firm, for other reasons be seriously prejudicial to the non-withdrawing (or non-redeeming) investors. Certain investors may invest on terms with respect to withdrawal or redemption rights that differ from the terms generally applicable to other investors and may be able to make withdrawals or redemptions from their capital accounts at a time when other investors cannot (e.g., certain investors may be "credited" for the amount of time they held interests in other funds managed by GCM for purposes of determining applicable lock-up periods and withdrawal or redemption dates (each as defined in relevant offering materials)). Also, certain investors may invest on terms that provide access to information that is not generally available to other investors and, as a result, may be able to act on such additional information (i.e., request withdrawals or redemptions) that other investors do not receive. An investment in a Feeder Fund is suitable only for sophisticated investors who do not need liquidity with respect to their investment.

*Investment and Trading Risks:* An investment in the Feeder Funds involves a high degree of risk, including the risk that the entire amount invested may be lost. The firm believes that the Master Funds' investment programs moderate this risk through GCM's selection of securities and other financial instruments. The Master Funds' investment program may involve securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the equity, fixed income and currency markets, the risks of borrowings and short sales, the leverage associated with trading in the currency and derivatives markets, the potential illiquidity of derivative and other instruments and the risk of loss from counterparty defaults. These risks can, in certain circumstances, substantially increase the adverse impact to which the Master Funds' investment portfolio may be subject. The Master Funds may utilize such investment techniques as option transactions, margin transactions, short sales, leverage and derivative trading, which practices involve volatility and can increase the adverse impact to which the Master Funds' investment portfolio may be subject. No guarantee or representation is made that the Master Funds' investment program will be successful.

*No Limitation on Investment Strategies:* GCM will opportunistically implement whatever strategies or discretionary approaches they believe from time to time may be best suited to prevailing market conditions. There can be no assurance that GCM will be successful in applying any strategy or discretionary approach to the Master Funds' trading.

## Risks of Arbitrage Investing

Arbitrage strategies generally seek to profit from changes in the price of securities of companies involved in mergers, acquisitions, corporate restructurings, spin-offs, recapitalizations, liquidations, substantial self-tenders or other extraordinary events ("Arbitrage Transactions"). These strategies involve taking long and short positions in securities which have either an economic or mathematical relationship to each other and where a distortion exists between either the historical price or the fair value of that relationship. Although there is an economic or mathematical relationship between

such long and short positions, there is no guarantee that GCM's assessment of that relationship will be correct.

The Funds may take long and short positions in securities of U.S. and non-U.S. companies which GCM believes will engage in a corporate restructuring, recapitalization, spin-off or split-up. Such securities may have significant exposure to overall market movements. The Funds may invest and trade in securities of companies which GCM believes are undervalued in the sense that, although they are not the subject of an announced tender offer, merger or acquisition transaction, in GCM's view the companies are potential candidates for such a transaction. In such case, if the anticipated transaction does not in fact occur, the Funds may sell the securities at a loss. The price offered for securities of a company involved in an announced deal generally represents a significant premium above the market price prior to the announcement.

The value of such securities held by the Funds will decline in the event the proposed transaction is not consummated and if the market price of the securities returns to a level comparable to the price prior to the announcement of the deal. The Funds may purchase securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed Arbitrage Transaction.

The Funds may determine that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, the Funds may purchase securities above the offer price, and such purchases are subject to the added risk that the offer price will not be increased or that the offer will be withdrawn.

Often a tender or exchange offer will be made for less than all of the outstanding securities of an issuer or a higher price will be offered for a limited amount of the securities, with the provision that, if a greater number is tendered, securities will be accepted pro rata. Since, after completion of the tender offer, the market price of the securities may have declined below a Fund's cost, a sale of any returned securities may result in a loss. Investments may be held for such periods of time as GCM deems advisable to seek to maximize gains or minimize losses, which may expose the Funds to the risk of further losses.

There are significant business risks associated with arbitrage investing. Such strategies may involve investments in securities that are difficult to analyze, have limited trading histories and have limited in-depth research coverage. Because of the inherently speculative nature of this activity, the results of a Fund's operations may be expected to fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results which may be expected in future periods.

Arbitrage strategies generally incur significant losses when proposed transactions are not consummated. The consummation of mergers, tender offers, and exchange offers and other significant corporate events can be prevented or delayed by a variety of factors, including: (i) regulatory intervention; (ii) efforts by the target company to pursue a defensive strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iii) failure to obtain the necessary shareholder approvals; (iv) adverse market or business conditions resulting in material change or termination of the pending transaction; (v) additional requirements imposed by law; and (vi) inability to obtain adequate financing. There is no assurance that any proposed transaction invested in by the Funds will be consummated or that the anticipated profit will be realized. The Funds may sell the securities of a target company short if GCM determines that it is probable that a proposed transaction will not be consummated. If the transaction is consummated and as a result of

such transactions the price of the target company's securities increases, the Funds may be forced to cover its short sale, resulting in a loss.

#### Risks Inherent in Event Arbitrage Investments

The arbitrage business is extremely competitive. In any given transaction, arbitrage activity by other firms tends to narrow the spread between the price at which a security may be purchased (or sold short) by the Funds and the price it expects to receive, thereby reducing a Fund's opportunity for profit. There are business risks associated with event arbitrage. Because of the inherently speculative nature of this activity, the results of the Funds' operations may be expected to fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of result which may be expected in future periods.

#### Distressed Securities

The Funds may invest in securities of domestic and foreign issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve financial and business risks that can result in losses. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than normally expected. It may take a number of years for the market price of such securities to reflect their intrinsic value.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security in respect of which such distribution was made.

In certain transactions, the Funds may not be "hedged" against the risk of market fluctuations, or, in liquidation situations, may not accurately assess the value of the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

#### Event-Driven Strategies

With respect to the Funds' event-driven investments, GCM will have to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can

result. For example, the adoption of new business strategies, a meaningful change in management or the sale of a division or other significant assets by a company may not be valued as highly by the market as GCM had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, resulting in losses to investors.

#### Proxy Contests and Unfriendly Transactions

The Funds may purchase securities of a company which is the subject of a proxy contest in the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the Funds to suffer losses. In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial cost and expense on the company participating in the transaction.

#### Leverage and Financing Risk

The Master Funds may leverage its capital. Through the use of leverage, the Master Funds may pledge securities in order to borrow additional funds for investment purposes. The Master Funds may also leverage investment return with options, short sales, swaps, forwards and other derivative instruments. In addition, to the extent the Master Funds use leverage, they are subject to the risk that changes in the general level of interest rates may adversely affect the Masters Funds' expenses and operating results. There is no restriction on the amount of leverage the Master Funds may utilize.

While leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Master Funds would be magnified to the extent the Master Funds are leveraged. The cumulative effect of the use of leverage by the Master Funds in a market that moves adversely to the Master Funds' investments could result in a substantial loss to the Master Funds which would be greater than if they were not leveraged.

In general, the Master Funds' anticipated use of short-term margin borrowings results in certain additional risks to the Master Funds. For example, should the securities pledged to brokers to secure the Master Funds' margin accounts decline in value, the Master Funds could be subject to a "margin call", pursuant to which the Master Funds must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Master Funds' assets, the Master Funds might not be able to liquidate assets quickly enough to satisfy their margin requirements.

The Master Funds may borrow by entering into repurchase agreements. Under a repurchase agreement, the Master Funds sell securities and agrees to repurchase them at a mutually agreed date and price. Repurchase agreements may involve the risk that the market value of the securities retained in lieu of sale by the Master Funds may decline below the price of the securities the Master Funds have sold but is obligated to repurchase. In the event the buyer of securities under a repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Master Funds' obligations to repurchase the securities and the Master Funds' use of the proceeds of the



repurchase agreement may effectively be restricted pending such decision. To the extent that, in the meantime, the value of the securities that the Master Funds have purchased has decreased, the Master Funds could experience losses.

The financing used by the Master Funds to leverage their portfolios may be extended by securities brokers and dealers in the marketplace in which the Master Funds invest. While GCM will attempt to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so will be limited. The Master Funds will therefore be subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to the Master Funds. Because the Master Funds currently have no alternative credit facility which could be used to finance their portfolios in the absence of financing from broker-dealers, they could be forced to liquidate their portfolios on short notice to meet financing obligations. The forced liquidation of all or a portion of the Master Funds' portfolios at distressed prices could result in significant losses to the Master Funds.

#### Hedging Transactions

The Funds may utilize various financial instruments both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of a Fund's investment portfolio resulting from fluctuations in the securities markets and/or changes in interest rates; (ii) protect a Fund's unrealized gains in the value of a Fund's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a Fund's portfolio; (v) hedge the interest rate or currency exchange rate on any of a Fund's liabilities or assets; (vi) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (vii) for any other reason that GCM deems appropriate.

The success of a Fund's hedging strategy will be subject to GCM's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Fund's hedging strategy will also be subject to GCM's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner.

While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in any such hedging transactions. For a variety of reasons, GCM may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Master Funds from achieving the intended hedge or expose the Master Funds to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Master Funds' portfolio holdings.

In certain transactions, the Master Funds may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated. GCM may not hedge a position in the Master Funds' portfolios because a hedge may not be available, it may be too costly in light of the likelihood of the possible risk actually occurring, the risk simply could not be reasonably anticipated or GCM may determine that the hedge would not be appropriate.

#### Short Selling

A Fund's investment program may include short selling. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales will depend upon its investment strategy and GCM'S perception of market direction. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

### Options

GCM may, on behalf of the Funds, purchase and sell ("write") options on equities on national and international securities exchanges and in the U.S. and international over-the-counter markets. The seller ("writer") of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security, plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

The writer of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the value of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Funds may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

### Swap Agreements

The Funds may enter into swap agreements ("Swaps") as part of its investment program. Swaps are individually negotiated and structured agreements through which the Funds may obtain exposure to particular investment positions or market factors. Swaps may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, Swaps can involve considerable economic leverage and may, in some cases, involve significant risk of loss.

### Contracts for Differences

The Funds may enter into contracts for differences. In these transactions, the Funds and another party assume price positions in reference to an underlying security or other financial instrument. The "difference" is determined by comparing each party's original position with the market price of

such securities or financial instruments at a pre-determined closing date. Each party will then either receive or pay the difference, depending on the success of its investment. Financial markets for the securities or instruments which form the subject of a contract for differences can fluctuate significantly. Parties to a contract for differences assume the risk that the markets for the underlying securities will move in a direction unfavorable to their original positions. In addition, these contracts often involve considerable economic leverage. As a result, such contracts can lead to disproportionately large losses as well as gains and relatively small market movements can have large impacts on the value of the investment.

#### Index Funds

An investment in an index Fund, such as Standard & Poor's Depositary Receipts, involves risks similar to investing in equity securities traded on national securities exchanges. Equity securities may fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions and economic and political developments.

#### Highly Volatile Markets

The prices of derivative instruments, including option prices, can be highly volatile. Price movements of derivative contracts in which a Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds are also subject to the risk of the failure of any exchanges on which their positions trade or of their clearinghouses.

#### Futures Contracts

The Funds may trade in futures contracts and options on futures. Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses. In addition, the Funds may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator (such as the SEC or the CFTC) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large

amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

#### Forward Contracts

The Funds may enter into forward contracts which, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. Banks and other dealers with whom the Funds may maintain accounts may require the Funds to deposit margin with respect to such trading, although margin requirements are often minimal or non-existent. A Fund's counterparties are not required to continue to make markets in such contracts. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with unusually wide spreads (the difference between the prices at which the counterparty is prepared to buy and at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit forward trading to less than that which would otherwise be optimal, to the possible detriment of the Funds.

#### Necessity for Counterparty Trading Relationships; Counterparty Risk

The Funds expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Funds will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit their trading activities, could create losses, preclude the Funds from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Funds establishes additional relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties. Some of the markets in which the Funds may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with such "over-the-counter" transactions. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. This counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated its transactions with a single or small group of counterparties. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the investment manager has no internal credit function which evaluates the creditworthiness of their counterparties. The ability of the Funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of the financial capabilities of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

#### Counterparty Default

The stability and liquidity of repurchase agreements, swap transactions, forward transactions, term loan participations, unsettled term loan transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that the investment manager will monitor on an ongoing basis the creditworthiness of firms with which it will enter into repurchase agreements, interest rate swaps, participation agreements, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, the Funds will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. Exercising such contractual rights may, however, involve delays or costs which could result in the net asset value of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Funds' counterparties were to become insolvent or the subject of insolvency proceedings in the United States (including under the Securities Investor Protection Act of 1970 or the United States Bankruptcy Code), there exists the risk that the recovery of the Funds' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. In addition, the Funds may use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. The practical impact of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the impact of their insolvency on the Funds. Investors should assume that the insolvency of any counterparty would result in a loss to the Funds which could be material.

#### Loans of Portfolio Securities

The Funds may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of a Fund's assets. By doing so, the Funds attempt to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Funds could experience delays in recovering the securities it lent. To the extent that the value of the securities the Funds lent has increased, the Funds could experience a loss if such securities are not recovered.

#### Currencies

The Funds may invest a portion of their assets in the securities of non-U.S. and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. Dollar. The Funds, however, values its securities and other assets in U.S. Dollars. GCM may or may not seek to hedge all or any portion of a Fund's non-U.S. currency exposure. To the extent unhedged, the value of a Fund's positions in non-U.S. investments will fluctuate with U.S. Dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. Dollar compared to the other currencies in which the Funds make their investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of a Fund's securities in their local markets and may result in a loss to the Funds. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect on a Fund's non-U.S. Dollar investments.

#### Investments in Non-U.S. Markets

The Funds may invest a portion of their assets in securities of foreign corporations which are traded in non-U.S. markets. Investing in the securities of companies in non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating Funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the U.S. There may also be less regulation, generally, of the securities markets in such countries than there is in the U.S. While GCM will take these factors into consideration in making investment decisions for the Funds, no assurance can be given that the Funds will be able to fully avoid these risks.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, are currently experiencing varying degrees of financial distress. Risks from the debt crisis in Europe could result in a disruption of the financial markets, which could have a detrimental impact on global economic conditions. There remains considerable uncertainty as to future developments in the European debt crisis and the impact on global financial markets. A significant deterioration of the European debt crisis could result in material reductions in the value of sovereign debt and other asset classes, disruptions in capital markets, widening of credit spreads, loss of investor confidence in the financial services industry, a slowdown in global economic activity, and other adverse developments that could negatively impact the performance of the Partnership.

#### Equity Securities

The Funds' investment portfolio may include positions in common stocks, preferred stocks and convertible securities of domestic issuers and non-U.S. issuers. The Funds also may invest in depositary receipts relating to non-U.S. securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general economic environments.

#### Micro, Small and Medium Capitalization Companies

The Funds may invest a portion of their assets in the securities of companies with micro- or small- to medium-sized market capitalizations. While GCM believes they often provide significant potential for appreciation, those stocks, particularly micro- and small-capitalization stocks, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of micro- and small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be illiquid.

#### Bonds and Other Fixed-Income Securities

The Funds may invest a portion of their assets in bonds and other fixed-income securities. The Funds will invest in these securities when they offer opportunities for capital appreciation and may also invest in these securities for temporary defensive purposes and to maintain liquidity.

Fixed-income securities include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities ("U.S. Government Securities") or by a foreign government; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

#### High Yield Risk

Investing in high yield debt securities involves risks which are greater than the risks of investing in higher quality debt securities. These risks include: (i) changes in credit status, including weaker overall credit conditions of issuers and risks of default; (ii) industry, market and economic risk; (iii) interest rate fluctuations; and (iv) greater price variability and credit risks of certain high yield securities such as zero coupon and payment-in-kind securities. While these risks provide the opportunity for maximizing return over time, they may result in greater upward and downward movement of the value of the Funds' portfolio. Furthermore, the value of high yield securities may be more susceptible to real or perceived adverse economic, company or industry conditions than is the case for higher quality securities. Adverse market, credit or economic conditions could make it difficult at certain times to sell certain high yield securities held by the Funds.

#### Limitation on Socially Responsible Investing

The investment manager will not undertake to research or otherwise investigate the operations of any company on the 'ineligible' SRI investment list to ascertain whether such company is engaged in a prohibited activity or is owned by a company that is engaged in a prohibited activity. While the investment manager will use its reasonable efforts to monitor the ineligible SRI investment list to ensure that the GGI SRI, Ltd. does not participate in an ineligible investment held by that fund's corresponding master fund, the investment manager does not represent or warrant that the ineligible SRI investment list represents a complete list of all companies engaged in the prohibited activities. Moreover, the screening agent is limited by the information available to it and therefore, the ineligible SRI investment list may not include the total universe of securities or term loans. Accordingly, it is possible that the fund may participate in a company held by its master fund that is engaged in a prohibited activity or in a company owned by a company that is engaged in a prohibited activity. The investment manager is entitled to fully rely, and be fully protected in relying on, the ineligible SRI investment list provided to it by the screening agent.

#### Effect of the SRI Policy and the SRI Criteria

Gruss Global Investors Master Fund, Ltd. may make investments that, at the time of acquisition, are ineligible SRI investments. In such cases, all profits and losses attributable to such investments would be allocable solely to the other (non-SRI) feeder funds. As a result, the SRI feeder funds will receive no return on the portion of the NAV of the master fund attributable to an ineligible SRI investment. Moreover, the SRI feeder funds will not be credited with a use of funds charge with

respect to any financings or other exposures attributable to ineligible SRI investments but which are collateralized by the master fund's assets as a whole.

Furthermore, if an update to the SRI criteria causes an investment to become an ineligible SRI investment, the master fund may seek to sell or reallocate, in an orderly fashion, the portion of such investment attributable to the SRI feeder funds. Such sale or reallocation may cause shareholders of that fund to incur losses that would not otherwise be realized in the absence of the SRI mandate. Following such sale, profits and losses of the master fund attributable to the remaining portion, if any, of such investment would be allocable solely to the other (non-SRI) feeder funds.

In addition, the investment manager's risk management may be adversely affected by the need to comply with the SRI mandate as the investment manager may be prevented from making investments that it believes would reduce the risk exposure of the portion of the master fund's portfolio attributable to the SRI feeder funds.

As a result of the SRI mandate, the SRI feeder funds and the other GGI feeder funds may have materially different NAVs per share and investment and risk profiles.

#### Restrictions on Trading

From time to time, the Master Funds may be restricted in their ability to purchase or sell certain securities. For example, personnel of GCM or its affiliates may serve as directors of companies, the securities of which the Master Funds wish to purchase or sell. In addition, GCM, its affiliates or other accounts managed by GCM or its affiliates, may acquire confidential information and, in such event, GCM will not be free to trade while in possession of any such confidential information with respect to its management of the Master Funds or may otherwise be restricted from initiating transactions in certain investment opportunities. Moreover, due to such confidential information or restrictions, GCM may not initiate or liquidate investments for the Master Fund in the manner or at the time which GCM otherwise would.

Investors should understand that the Partnership's business is dynamic and is expected to change over time. Therefore, the Funds may be subject to new or additional regulatory constraints in the future. Prospective investors are encouraged to consult their own advisors regarding an investment in the Funds.



## ITEM 9 –Disciplinary Information

GCM, as an SEC-registered investment adviser, as well as its Relying Advisers, GCM HK and GCM UK, disclose facts relating to any legal or disciplinary events that would be material to a client or a prospective client's evaluation of GCM or the integrity of individual members of GCM's management. Neither GCM, GCM HK, GCM UK, nor any of their employees have been involved in legal or disciplinary events that would be material to an investor's evaluation of GCM, GCM HK, GCM UK or the integrity of their employees.

## ITEM 10 - Other Financial Industry Activities and Affiliations

### Broker-Dealer Registration Status

GCM and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

### Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

GCM and its management persons are not registered as, nor do they have any pending application to register as futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

### Material Relationships or Arrangements with Industry Participants

Please see Item 4 above.

## ITEM 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### Internal Compliance Program and Code of Ethics

GCM is committed to fostering an atmosphere of compliance. This commitment is reflected in GCM's internal compliance program, created pursuant to Rule 206(4)-7 of the Advisers Act, and in particular, by GCM's Code of Ethics, created pursuant to Rule 204A-1 of the Advisers Act. The Code of Ethics is primarily designed to ensure employee compliance with U.S. securities laws, as well as various other state and non-U.S. guidelines. The Code of Ethics is predicated in large part on the fundamental principle that GCM owes a fiduciary duty to its clients. GCM's chief compliance officer (its "CCO") is primarily responsible for the implementation of the policies and procedures set forth in its Code of Ethics. Among other provisions, the Code of Ethics contains information on the following topics: (i) personal trading by employees; (ii) insider trading, including proper use of outside consultants; (iii) political and charitable contributions; and (iv) gifts and entertainment. In developing these policies and procedures, the CCO has considered the material risks associated with GCM's day-to-day operations. In addition, GCM has established multiple parameters by which the firm's compliance team reviews the adequacy and efficacy of the policies and procedures contained the Code of Ethics.

GCM encourages its employees to contact the CCO regarding any actual or perceived compliance issues. Employees receive Code of Ethics training and are required, both initially upon the commencement of their employment and on annual basis thereafter, to certify that they have reviewed, understand and will comply with the policies and procedures as set forth in the Code of Ethics. In addition, employees complete a conflicts questionnaire for the purpose of disclosing relationships or issues that may require additional periodic or ongoing review and follow-up by the firm.

Investors and potential investors may request a copy of the Code of Ethics by contacting the Investment Adviser at the address or telephone number listed on the first page of this document.

### Cross Trades

Subject to applicable law, the Funds may, from time to time, engage in cross transactions with other Funds managed by GCM or its affiliate, provided that such transaction is deemed to be fair and appropriate for each such Fund and consistent with the investment objectives of each such Fund. If any such transaction constitutes a principal transaction as contemplated by Section 206(3) of the Advisers Act, such transaction will require the consent of the independent directors of each such Fund or the approval of an independent representative (or committee of independent representatives) of investors in each such Fund appointed by GCM or its affiliates. GCM may also periodically rebalance the holdings of the Funds based on relative capital flows into or out of such Funds. Any rebalancing transactions will also comply with the provisions of Section 206(3) of the Advisers Act. GCM and/or its affiliates may have differing economic interests in the Funds participating in such cross transactions.

### Principal Transactions

GCM does not intend to participate in principal transactions (including principal cross trades); however, if GCM engages in a principal trade, GCM will endeavor to ensure that adequate disclosure is made to and consent is received from the applicable parties (e.g. client, Funds' board of directors,

or an independent representative that has been appointed by the majority of a Fund's limited partners/shareholders).

#### Personal Trading

With respect to personal trading, employees are required to obtain preclearance from the CCO or his designee for transactions in certain classes of instruments. Under the Code of Ethics, transactions in certain other classes of instruments have been deemed to be exempt from this preclearance requirement due to the fact that trading in these instruments would not materially interfere with GCM's fiduciary duty to its clients (e.g., transactions in direct obligations of the U.S. government, open-ended mutual funds, shares issued by money market funds).

As a general rule, employees will be limited in their ability to create a new position, long or short, either in line with or opposite to one maintained by GCM. Employees may, however, maintain a legacy "opposite" position (i.e., an "opposite" position created before becoming an employee or one created before GCM entered its own position), or, with proper approval, reduce any such legacy position. Employees will, however, be generally prevented from increasing a position opposite to one held by GCM. There are three limited exceptions to this policy: (i) if GCM begins to accumulate shares where an employee is already long, subject to the other rules and restrictions described herein, the employee will not generally be prohibited from selling out of his or her position; (ii) in situations in which GCM is long and short a security across different strategies, subject to the other rules and restrictions described herein, the employee will not generally be prohibited with respect to the direction of his or her personal securities transactions in such security; and (iii) subject to the other rules and restrictions described herein, an employee will not generally be prohibited from executing personal securities transactions in indices in a direction opposite to one held by GCM. Under limited circumstances, the firm may allow for a case-by-case exception from the requirements of the personal trading policy, provided that the CCO concludes that granting an exception would not harm investors, violate the principles set forth in the Code of Ethics or cause GCM to compromise its fiduciary duty to any client.

Employees must have written pre-clearance for personal transactions in private placements and IPOs. Employees are permitted to open and maintain managed accounts with independent third-party money managers, investment advisers or registered representatives of a broker-dealer so long as GCM receives certification from the third party manager that the employee exercises no direct or indirect influence or control over the accounts.

The firm's policies prohibit employees from trading on the basis of material non-public information, self dealing for personal benefit and front running GCM transactions, among other conduct. Employees are subject to formalized quarterly and annual reporting protocols.

Personal trading by employees is monitored by the firm's in-house compliance professionals on an ongoing basis so as to reasonably address conflicts of interest between GCM and its clients. Personal trading is also reviewed for purposes of detecting frequent and/or short term trading and front running of client accounts.

#### Additional Considerations

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of GCM, its affiliates and its personnel. GCM has established policies and procedures to monitor and resolve conflicts and will endeavor to resolve

conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

In addition, GCM may give advice or take action with respect to the investments of one or more Funds that may not be given or taken with respect to other Funds with similar investment programs, objectives, and strategies. Accordingly, although the Funds have similar strategies, they may not hold the same securities or instruments or achieve the same performance. These activities also may adversely impact the prices and availability of other securities or instruments held by or potentially considered for one or more Funds.

GCM and/or its Relying Advisers may also have ongoing relationships with companies whose securities are in or are being considered for the Funds. GCM recognizes that conflicts may arise under such circumstances and will endeavor to treat all Funds fairly and equitably.

The Relying Advisers are subject to additional and/or different, regional-specific regulatory requirements. Many of these requirements are addressed in regional-specific employee annexes.

## ITEM 12 - Brokerage Practices

### Trading and Execution

Pursuant to its fiduciary duties, GCM seeks to obtain best execution for the Funds' respective securities transactions. Consistent with this policy, GCM and its Relying Advisers place orders for the purchase and sale of securities with brokers and dealers based upon GCM's evaluation of such factors as the ability of the broker or dealer to execute orders in a prompt and effective manner, the nature and quality of the brokerage services it provides, the size and breadth of the market for the security, the reliability, integrity and financial condition of the firm, the size and difficulty of effecting the order and the best price. There are many instances when, in the judgment of GCM, more than one firm can offer comparable brokerage services to the Funds. In selecting among such firms, consideration may be given to those firms which provide research services to the Funds, GCM and its affiliates and related accounts. A Fund may pay higher commissions to a broker because it has supplied such services. The Funds generally do not enter into commitments to direct a specified amount of commissions to any broker to obtain research services. From time to time, prime brokers may assist the Funds in raising capital from investors or provide business planning and consultancy services to GCM. While such services may influence GCM in deciding whether to use such prime broker in connection with brokerage, financing and other activities of a Fund, GCM has not committed to allocate a particular amount of brokerage to a prime broker in any such situation.

The firm periodically reviews its best execution practices, typically in conjunction with its compliance consultants. These reviews typically include various analyses of commission and/or order flow data, as well as comparisons versus the gift and entertainment logs. In addition, the firm may evaluate such data in light of potential conflicts of interest, including those actual dynamics previously identified as well as those notional dynamics that are areas of potential exposure for all investment advisers. GCM may occasionally effect transactions or otherwise utilize broker-dealers that have, or whose affiliates have, referred or recommended investors to it and broker-dealers or registered representatives of broker-dealers that personally or through related persons or family members have investments in Funds managed by GCM. The existence of these relationships may give rise to potential conflicts of interest as it may create an incentive for GCM to direct more business to these broker-dealers in order to generate future referrals or additional affiliated investments.

Designated employees of Gruss Management review daily the transactions entered into by GCM on behalf of the Funds and determine that correct entries have been made. Designated employees of Gruss Management also periodically review each Fund's respective portfolio.

Trading is typically performed by head traders of GCM and its Relying Advisers. Other employees who may be permitted to execute securities transactions for Clients include the Global CIO, the trading assistants and certain analysts.

GCM's trading desk, and, on occasion, trading desks of the Relying Advisers, historically executed trades on behalf of the Gruss Family Office. This practice was phased out during 2013-2014. The firm had adopted measures to prevent non-public information transfer and/or other potential conflicts, as well as to ensure that the firm's fiduciary duty to the Client is honored. In the instance where a trading desk receives competing or contemporaneous instructions on behalf of the Funds and the Gruss Family Office, all authorized traders were instructed to give priority execution to the fund orders. In addition, on a daily basis the firm's compliance personnel reviewed all trade executions performed by the trading desk.

### Allocation and Aggregation

GCM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way taking into account clients' best interests. Orders for the same security entered on behalf of more than one client will generally be aggregated subject to the aggregation being in the best interests of all participating clients. All Clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges (if applicable), pay a pro rata portion of commissions.

At the beginning of each month, asset allocation formulas are re-set in GCM's trading system (including the systems of its Relying Advisers) to account for subscriptions and redemptions in Funds. GCM formulates allocations by entering proposed orders into trading systems. If an entire order is filled, clients receive their portion of the allocation specified on the initial allocation. In the event an order is "partially filled," the allocation is made in the best interests of all the clients in the order, taking into account all relevant factors, including, but not limited to, the size of each Client's allocation, clients' liquidity needs and previous allocations. GCM and its Relying Advisers typically allocate partially filled orders on a pro rata basis among all participating clients. GCM reserves the right, in its sole discretion, to allocate transactions other than on a pro rata basis as long as its decision is in the best interest of GCM clients over time.

The firm's compliance and operations teams review the allocation of trades to GCM's clients on a daily basis and discuss any issues with GCM's Chief Financial Officer, the Global CIO and/or the head traders as necessary.

### Trade Errors

Pursuant to the exculpation and indemnification provisions contained in the Investment Management Agreement or the Limited Partnership Agreement with each Fund, GCM and its affiliates and personnel will generally not be liable to any Fund for any act or omission, absent bad faith, wilful misconduct or gross negligence, and the applicable Fund will generally be required to indemnify such persons against any losses it may incur by reason of any act or omission related to the Fund, absent bad faith, wilful misconduct or gross negligence. As a result of these provisions, the Fund (and not GCM or its affiliates or personnel) will be responsible for any losses resulting from trading errors and similar human errors except for losses resulting from bad faith, wilful misconduct or gross negligence of GCM, its affiliates and personnel. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system, as well as typographical or drafting errors related to derivatives contracts or similar agreements.

### Soft Dollars

GCM does not maintain any formal third-party soft dollar arrangements; however, GCM executes securities transactions with multiple executing brokers and three prime brokers, Deutsche Bank, JP Morgan and UBS, through which most trades clear. Many of these broker-dealers provide GCM with access to proprietary research reports (such as standard investment research) which are used for all accounts at GCM. The research furnished by brokers may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other services providing lawful and appropriate assistance to GCM in the performance of its investment decision making responsibilities on behalf of the Funds. The Funds need not directly benefit from the research services acquired by GCM as a result of the Funds' brokerage transactions in all cases. Commissions or "soft dollars" generated by a Fund are generally used to pay for

research products or services falling within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. To the best of GCM's knowledge, these and other products and services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to GCM and its Relying Advisers on an unsolicited basis and without regard to the rates of commissions charged or paid by GCM or the volume of business GCM directs to such broker-dealers. Since these products and services are merely made available by broker-dealers as part of a bundled business package to GCM and its Relying Advisers, which may or may not use them, it is GCM's understanding that such broker-dealers do not set discrete prices for such products and services. Accordingly, GCM does not separately compensate such broker-dealers for the provision of such services and does not believe that it "pays-up" for such broker-dealers' services due to the difficulty associated with the broker-dealers not breaking out the costs for such services.

#### Additional Brokerage Considerations

From time to time, brokers (including prime brokers such as UBS Securities, LLC, JPMorgan and Deutsche Bank AG) may assist the Funds in raising additional funds from investors, and representatives of GCM or its Relying Advisers may speak at conferences and programs sponsored by such brokers for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in the Funds would have the opportunity to meet with representatives of GCM or its Relying Advisers. Currently, neither the firm nor the Funds compensate any broker for organizing such events or for any investments ultimately made by prospective investors attending such events, nor does the firm anticipate doing so in the future. The Funds may accept subscriptions from investors who also provide services to the Funds, including brokers and their affiliates. Relationships such as these could be viewed as creating a conflict of interest that potentially could impact GCM's ability to seek best execution. While our relationship with brokers may influence GCM in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds, GCM will not commit to allocate a particular amount of brokerage to a broker in any such situation. Furthermore, GCM conducts periodic best execution reviews in an effort to identify and mitigate compliance risks associated with brokerage relationships, and to determine that GCM is obtaining best execution for clients' accounts.

The Relying Advisers may be subject to additional and/or different, regional-specific regulatory requirements with respect to brokerage practices.



### ITEM 13 - Review of Accounts

On a daily basis, designated employees of Gruss Management review transactions entered into by GCM and its Relying Advisers on behalf of the Funds. Designated employees also periodically review the portfolio of the Funds. This review may include the use of modeling and other analyses to track portfolio characteristics. Investors have access to weekly and monthly unaudited estimated performance data, monthly unaudited capital statements, transparency reports (which typically include information on liquidity, pricing, instrument types, as well as breakdowns by strategy, sector and geography), and quarterly letters with commentary on investment and operational activities. Limited partners and shareholders of the Funds also receive annual audited financial statements. See also, Item 4 above.

#### ITEM 14 - Client Referrals and Other Compensation

GCM does not receive economic benefits from non-clients for providing investment advice and other advisory services.

GCM will endeavor to disclose of the terms of any solicitation arrangements to the relevant prospective Fund investors, including but not limited to: (i) the name of the solicitor, (ii) the nature of the relationship, including any affiliation between the solicitor and GCM, (iii) a statement that the solicitor will be compensated for his solicitation services by GCM, (iv) the terms of such compensation arrangement, and (v) the amount, if any, for the cost of obtaining his account the investor will be charged in addition to GCM's advisory and incentive compensation, and the differential, if any, among investors with respect to the amount or level of advisory fees charged by GCM if such differential is attributable to the existence of any arrangement pursuant to which GCM has agreed to compensate the solicitor for soliciting investors for, or referring investors to, GCM.

## ITEM 15 – Custody

GCM is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to GCM.

GCM is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"); however, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

## ITEM 16 - Investment Discretion

GCM has discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. GCM's authority is limited by its own internal policies and procedures and each Fund's investment guidelines. Investment advisory services are provided directly to the Funds, and not to the Funds' investors individually. GCM makes investments for each of the Master Funds based on their respective investment programs.

## ITEM 17 - Voting Client Securities

GCM has created policies and procedures pursuant to Rule 206(4)-6 regarding the voting of proxy proposals, amendments, consents and/or resolutions (collectively, "proxies"). The general policy is to vote proxy proposals, amendments, consents or resolutions relating to any of the Funds' securities in a manner that serves the best interests of each such Fund, as determined by GCM in its discretion, taking into account the following factors: (i) the impact on the value of the securities; (ii) the anticipated costs and benefits associated with the proposal; (iii) the effect on liquidity; and (iv) the customary industry and business practices. The policies also address how GCM will vote proxies with regard to specific matters, such as voting rights, mergers or acquisitions, the election of board members and determination and handling of potential conflicts of interest or other issues. Copies of the policies and the proxy voting records relating to each Fund may be obtained by contacting GCM. Trading, investment and compliance personnel will consider whether GCM is subject to any material conflict of interest in connection with each proxy vote. Personnel are tasked with notifying the CCO if they are aware of any potential material conflict of interest associated with a proxy vote.

#### ITEM 18 - Financial Information

GCM is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

GCM does not need to provide a balance sheet since it does not solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

ITEM 1 - Cover Page

**Part 2B of Form ADV: Brochure Supplement**

Gruss Capital Management LP  
667 Madison Avenue, 3<sup>rd</sup> Floor  
New York, NY 10065  
212.688.1500  
[www.grusscap.com](http://www.grusscap.com)

Sean Thomas Dany

March 13, 2014

This Brochure Supplement provides information about Sean Thomas Dany that supplements the information set forth in Gruss Capital Management LP's ("GCM") ADV Part 2A (the "Brochure"). If you have any questions about the contents of this Brochure Supplement, or you have not received a copy of GCM's Brochure, please contact the CCO at 212.688.1500.

## ITEM 2 - Educational Background and Business Experience

Sean Thomas Dany, GCM's Global Chief Investment Officer ("CIO"), b. 1971: Mr. Dany joined Gruss in 1995 as an analyst. In 2003, with the launch of the Gruss flagship event-driven fund, he was elevated to the position of co-Chief Investment Officer where he was responsible for the Americas portion of all portfolios and was jointly responsible for Hong Kong investment activities. As CIO, Mr. Dany is responsible for security selection and risk management for all funds. Mr. Dany received a B.A. from Vanderbilt University in 1994 and began his investment career at Oppenheimer & Co.



### ITEM 3 - Disciplinary Information

Mr. Dany has not been involved in any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Mr. Dany or GCM.

#### ITEM 4 - Other Business Activities

Beyond Gruss, Mr. Dany is not engaged in any other investment-related business, nor does he receive compensation in connection with any other business activity.

## ITEM 5 - Additional Compensation

Mr. Dany does not currently receive economic benefit from any person or entity other than GCM, GCH, or Gruss Capital Advisors, LLC in connection with the provision of investment advice to clients.

## ITEM 6 - Supervision

Mr. Dany is responsible for security selection and risk management of the Fund portfolios. On a daily basis, certain firm employees review transactions entered into by GCM, GCM HK and/or GCM UK on behalf of the Funds.