

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Vanshap Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (571) 933-6950. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Currently, our Brochure may be requested by contacting David Shapiro at 571-933-6950 or dshapiro@vanshapcapital.com.

Additional information about Vanshap Capital is also available via the Securities and Exchange Commission's web site at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Vanshap Capital who are registered, or are required to be registered, as investment adviser representatives of Vanshap Capital. Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

Item 2 – Material Changes

The last annual update of Form ADV Part 2A (the “Brochure”) was dated January 4, 2013. Since that Brochure dated January 4, 2013, we changed our registration as an investment adviser from the Commonwealth of Virginia State Corporation Commission to the Securities and Exchange Commission. As an SEC-registered investment adviser, we also revised Item 15 of the Brochure to reflect that we are now governed by Rule 206(4)-2 under the Investment Advisers Act, the “custody” rule. We also remove Item 19 of the Brochure since it is not required of SEC-registered investment advisers. Finally, as of January 1, 2014, we have also engaged the proxy service provider ISS to assist us in managing our client’s proxy ballots.

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Item 4 - Advisory Business

- A. Vanshap Capital, founded in March 2012, is an investment services firm that provides investment management services to investors through its sole client, Vanshap Capital Value Fund, LP, a pooled investment vehicle, or more specifically, a hedge fund.

Vanshap Capital is managed by David Shapiro and Evan Vanderveer (each, a “**Principal**”), and each Principal owns 40% of Vanshap Capital. The Principals also manage our client’s general partner, Vanshap Capital GP, LLC (the “**General Partner**”), and each Principal owns 40% of the General Partner.

- B. We attempt to always act in the best interest of our client. Our firm strictly adheres to the investment strategy set forth in our client’s Private Placement Memorandum. We do not modify securities recommendations to our client according to the particular interests of our client’s underlying investors, nor do we allow investors to place restrictions on the trading we conduct for our client. We believe that this is the only fair and just way to manage a pooled investment vehicle, as it minimizes the potential for favoritism and factionalism on behalf of any underlying investors.

Vanshap Capital seeks to achieve long-term capital appreciation for its investors by primarily investing in equity securities in the small/micro-cap global markets. Our primary method of identifying potential investments is through screening. The first screen is run for stocks selling at low price-to-tangible book value multiples with low financial leverage ratios, while a second screen is run for stocks selling at low earnings multiples, with low financial leverage ratios, and high returns on equity and/or capital. The resultant equities generated from the screens are assessed systematically and a database containing notes on the candidates is kept. Other methodologies for idea generation include extensive reading of publicly available investment theses and examining the holdings of fellow value-oriented money managers held in high regard. After an initial assessment, if an investment candidate appears to meet the requisite valuation and qualitative criteria a more thorough analysis is conducted.

- C. We may tailor specific advisory services with respect to our client at our discretion and based on the individual investment strategy of our client. All discussions of the client in this Brochure, including but not limited to its investments, the strategies used in managing the client, and conflicts of interest faced by Vanshap Capital in connection with the management of the client are qualified in their entirety by reference to the client’s offering documents.
- D. We do not participate in any wrap fee programs.
- E. As of March 1, 2014, Vanshap Capital managed \$45 million in discretionary assets. Vanshap Capital does not currently manage assets on a non-discretionary basis.

Item 5 – Fees and Compensation

- A. Vanshap Capital, or an affiliate of our firm, receives compensation from our client based both on (i) the percentage of assets we manage, and (ii) performance achieved for our client's account. We charge our client an annual asset-based fee equal to 1.5% of each of its investor's capital accounts. We also charge a performance-based profit allocation equal to 15% of each investor's annual net realized and unrealized profits, subject to both a (a) "loss carryforward" or "high water mark" limitation, and (b) a "hurdle rate of 5%." This means that we only receive a performance profit allocation when an investor's account value for the year exceeds 5%, and has recovered any losses from all prior years. The performance-based profit-sharing allocation is made to our affiliate, the General Partner. Our fees are generally not negotiable, but fees may be reduced in extraordinary circumstances.
- B. We deduct the asset-based fee described above from each investor's capital account at the beginning of each fiscal quarter. We deduct the performance-based compensation mentioned above from each investor's capital account at the end of each year or whenever an investor is making a withdrawal, but only on the withdrawn amount.
- C. In connection with our advisory services, our client, and consequently the investors in our client, bears all of its own organizational and operational expenses, including:
- legal fees (including settlement costs);
 - costs of any litigation or investigation involving our client's activities;
 - accounting costs (including tax preparation and audit expenses);
 - administration costs;
 - insurance;
 - costs associated with reporting and providing information to existing and potential investors;
 - any governmental fees imposed on our client; and
 - withholding and/or transfer taxes.

Our client, and consequently investors in our client, also bear all of its investment-related expenses, such as:

- proxy expenses;
- interest and commitment fees on loans and debit balances;
- borrowing charges on securities sold short;
- custodial fees;
- brokerage commissions;

- trade processing fees, including clearing and settlement charges;
- travel expenses related to research;
- research fees and materials (including online news and quotation services);
- costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged in connection with specific transactions;
- bank charges; and
- other ordinary miscellaneous research and trade-related expenses.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

- D. The asset-based fee is payable quarterly in advance; however, investors in our client are only allowed to withdraw capital on the last business day of a calendar quarter after providing 45 days' notice. Accordingly, we do not need to provide fee refunds to investors before the end of a billing period because they will never pay a fee in excess of what they owe.
- E. Neither our firm nor any of our employees receives any transaction-based compensation for the sale of securities or other investment products, including charges or fees from the sale of mutual funds.

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

The General Partner receives a performance-based profit allocation from the investors in our client. As explained in Item 5 of this Brochure, the performance-based profit allocation our investors incur is equal to 15% of each investor's annual profits, and is subject to both a (a) "loss carryforward" or "high water mark" limitation, and (b) a "hurdle rate of 5%."

Distributions of performance-based profit allocations to the General Partner are referred to as the "carried interest." These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

The performance-based profit allocation is calculated and charged to each investor in our client as of the last day of each calendar year, and is also calculated and charged with respect to any investor in our client that is permitted or required to withdraw from the client. In the case of a partial withdrawal, the performance-based profit allocation is calculated and charged only with respect to the portion of such investor's capital account that is actually withdrawn.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Additionally, we may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client's account.

We intend to use the MSCI World and S&P 500 as comparative indices for our client. The MSCI World Index is a market-cap weighted benchmark index made up of equities from 23 developed countries from around the globe. This index is widely used by global investment funds as a primary benchmark. Since our client's investments will focus on many of these same developed markets, we believe it is an appropriate benchmark. We intend to also show comparative results of the S&P 500, a market-cap weighted index of 500 prominent U.S. companies, since many of our client's underlying investors are familiar with the S&P 500.

Our client will primarily invest in publicly traded equity securities. Independent pricing services such as Bloomberg or IDC serve as the primary source for valuations for all client portfolio securities. These services typically value listed securities at the closing trading price of the day on their given exchanges, or in the absence of a closing price, at the mean price between the end of day bid/ask. For NASDAQ and OTC securities, the pricing service may use the mean price between the end of day bid/ask or end of day bid or ask in the absence of closing trading price. OTC Debt securities are typically valued using a matrix pricing model that primarily takes into account available dealer quotations as well as comparative bond valuations. We may consider analytical data, the type of security, the size of holding, transactional information (including cost basis), trading in similar securities, pricing history, market liquidity, and other measures to determine a fair valuation. Valuations are validated on an annual basis by a third party certified public accountant and Vanshap Capital will maintain documentation of any security fairly valued.

Item 7 – Types of Clients

Vanshap Capital, LLC provides investment advice to one client, Vanshap Capital Value Fund, LP, a pooled investment vehicle. The underlying investors in this fund are typically:

- Individuals;
- Trusts and estates; and
- Corporations, partnerships or other business entities.

To invest in Vanshap Capital Value Fund, LP, we require a minimum investment of \$1,000,000, although we may waive this requirement from time to time.

We require that U.S. investors in Vanshap Capital Value Fund, LP qualify as both accredited investors and qualified clients, although certain individuals who are not qualified clients may be permitted to invest in our client. Accredited investors are (i) individuals with \$1,000,000 of net worth (excluding their primary residence)¹ or who have made \$200,000 in each of the two previous years (or \$300,000 joint income with one's spouse), or (ii) entities with assets totaling over \$5,000,000. Qualified clients are individuals or entities with over \$2,000,000 of net worth or who invest at least \$1,000,000 with us.

This firm brochure is not an offer to invest in our client.

¹ An individual need not deduct from his or her net worth the amount of mortgage debt secured by an excluded primary residence other than (i) the amount by which the mortgage liability exceeds the fair value of the residence, and (ii) any increase in the amount of the debt secured by the primary residence in the 60 days preceding the date hereof unless the increase was a result of the acquisition of the residence.

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

A. We may employ any and all types of investment analysis and strategies; however, we tend to focus our investing in small companies with sound businesses whose securities can be purchased at discounted market prices. Investing in securities involves significant risk of loss that our client, and any of the investors in our client, should be prepared to bear. Investments will typically fall within one or more of the following categories:

- *Low Price-to-Tangible Book Value:* Reported tangible book value is our preferred objective starting point for establishing a conservative net asset value for a company. When trading at low multiples of tangible book value, the market is typically heavily discounting a company's value as a going-concern, potentially creating the opportunity for a significant future positive move in the stock price should the company's results improve or even merely stabilize in some cases. We prefer purchasing equities of companies with low levels of financial leverage because they are typically less sensitive to a decline in asset prices and are better able to overcome extended periods of economic hardship. We also prefer purchasing equities of companies that own quality assets with a perceived long-term viable economic future while attempting to avoid companies facing a severe secular decline in underlying fundamentals. As such, we will typically avoid investing in a company where current management has a history of making value destructive capital allocation decisions, particularly if management appears to be entrenched.
- *Low Price-to-Cash Earnings:* We also seek to purchase low levered companies that are cheap based on cash earnings (defined as normalized GAAP income plus depreciation and amortization, less maintenance capital expenditures), but only when the company's exceptional qualitative factors more than compensate for the lack of tangible asset security. Management typically must have financial capital allocation and operational control discipline, and demonstrate strong corporate governance. These companies typically must also have sustainable competitive advantages and earnings should be relatively more stable than those of other companies in the deep value arena. While investing in companies with projected future earnings growth is desirable, we are generally unwilling to pay-up for projected growth due to the inherent uncertainty in making such forecasts.
- *Special Situations:* We believe some investment opportunities are not easily screened for or well understood by the market. These opportunities are often limited in size, scope, or liquidity, which may preclude interest from large investment funds. Typical special situation investment opportunities include, but are not limited to spinoffs, liquidations, asset sales, shareholder activist involvement, post reorganization securities, and restructurings.
- *Control Opportunities:* We believe portfolio managers have experience finding companies with quality assets that are heavily discounted in the market due to management misallocation of capital. As such, we may select a few of these opportunities where management is amiable to shareholder influence and/or the shareholder base is primed for a change in board composition. Broadly, the decision to invest will be treated as a cost benefit analysis, taking into account legal costs and time commitment to the company compared to the likelihood of enhanced returns.

Additionally, the following investment analysis is performed by Vanshap Capital with respect to its portfolio investments:

- *Idea Generation:* Our primary method of identifying potential investments is through screening. The first screen is run for stocks selling at low price-to-tangible book value multiples with low financial leverage ratios, while a second screen is run for stocks selling at low earnings multiples, with low financial leverage ratios, and high returns on equity and/or capital. The resultant equities generated from the screens are assessed systematically and a database containing notes on the candidates is kept. Other methodologies for idea generation include extensive reading of publically available investment thesis and examining the holdings of fellow value-oriented money managers held in high regard. After an initial assessment, if an investment candidate appears to meet the requisite valuation and qualitative criteria (previously described in – Investment Approach) a more thorough analysis is conducted.
- *Quantitative Analysis:* Company consolidated financial statements, segment financial statements and statistics, and pertinent industry data from at least the last several years are typically manually entered into an Excel sheet for modeling purposes. Reported balance sheet assets and liabilities are “marked-to-market” and adjusted through comparative asset valuations and careful examination of financial statement footnotes. Cash earnings are normalized for unusual items and cyclicity through the examination of years of historical financial trends for both the company and industry along with projected trends. The quality of the historical earnings stream is assessed and compared against actual cash flows in conjunction with a review of accounting methodologies. Finally, a basic financial model is constructed and stressed under various economic scenarios.
- *Qualitative Analysis:* Qualitative factors are assessed through examination of SEC filings and other available public documents, including conference calls, presentations, and industry reports. These factors typically include cyclical/secular trends, competition, management track record, and unusual items found in the footnotes. Management's competency and capital allocation abilities are judged by comparing previously stated goals to actual results. Questions are developed throughout the research process and management is then questioned to help fill in any informational gaps. Subsequent calls to competitors, analysts, industry experts, or other investors may also be placed to gain a more complete understanding of the company.
- *Portfolio Construction:* The invested portfolio will typically consist of between 15 and 30 publicly traded equities from around the globe. We believe this range of holdings allows for sufficient concentration in top investment ideas along with adequate portfolio diversification. Once the initial research process has been completed and a candidate has been selected for investment, anticipated correlations between portfolio positions are assessed and potential macroeconomic outcomes are taken into account before purchase. We look to limit positions in the securities of a single issuer to no more than twenty-five percent (25%) of our client's portfolio (measured at market), and exposure to any given industry to no more than fifty percent (50%) of our client's portfolio, although the client's offering documents do not provide for any specific position size or industry limitation. As a matter of policy, our client will not invest in non-derivative equity securities, which are non-publicly-traded.
- *Portfolio Monitoring:* Calls and meetings with portfolio company management teams are held periodically or when needed in order to stay abreast of recent company developments. Positions trading at “fair value” based on net assets or earnings metrics are continuously reevaluated along with positions where our original investment thesis has changed or is no longer valid. A heightened degree of analytical skepticism is maintained throughout the investment process in order to limit investment mistakes and to subsequently detect fundamental changes to an investment thesis.

B. The investment objectives and methods summarized above represent our current intentions. Depending on conditions and trends in the securities markets and the economy in general, we may pursue any objectives, employ any investment techniques, or purchase any type of security that we consider appropriate and in the best interests of our client. There can be no assurance that our investment strategy will achieve profitable results, and investing in securities involves risk of loss that investors in our client should be prepared to bear. Certain risks associated with an investment in our client include:

- *Investment Judgment and Market Risk:* The success of our investment program depends, in large part, on correctly evaluating future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment program will be successful.
- *Investment and Trading Risk:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. Also, changes in the general level of interest rates may negatively affect our client's results.
- *Financial Markets and Regulatory Change:* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of hedge funds, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the hedge fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our client's interests.

C. The following is a description of the various strategies that we utilize in advising our client and some important risks associated with each strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies.

- *Equity Securities:* We buy, on our client's behalf, undervalued equity securities, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Also, a company's board of directors may not always act in the best interest of the company's shareholders. Consequently, our client may suffer losses if it invests in equity instruments of issuers whose performance and activity diverges from our expectations.
- *Fixed-Income Securities:* At times, our client may invest in bonds or other fixed-income securities. Fixed-income securities provide periodic returns and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income securities are also subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.

- *Options:* There are risks associated with the sale and purchase of options. Our client may invest in call and/or put options. Call options are the right to buy a security at a certain price within a defined time period. Put options are the right to sell a security at a certain price within a defined time period. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security never reaches the designated price within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price within the set time period.
- *Short-Term Trading:* Short-term trading involves a certain degree of risk. Short-term trading denies a client the strategy of minimizing risk by holding a position over a longer time period. In addition, frequent trading results in high turnover and brokerage commission expenses which can adversely affect a client's performance if its trading is not sufficiently profitable.
- We may borrow against our client's assets when we believe that the proceeds from doing so will exceed the interest paid on the borrowing; however, no additional investments may be made when our client's leverage exceeds five percent (5%). Borrowing involves risk to our client because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, the value of the securities purchased with the borrowed amount can decline below the amount borrowed.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of a client to be greater than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of a client will be less than would otherwise be the case. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

- *Illiquid Investments:* On our client's behalf, we sometimes make very illiquid investments. Illiquid investments are (1) investments that are not heavily traded and cannot easily be converted to cash or (2) investments that we believe our client must hold for several years to reach their potential value. If our client requires cash and we must sell illiquid investments at an inopportune time, we might not be able to sell illiquid investments at prices that reflect our assessment of their value or the amount paid for them.
- *Investing in Small Capitalization Companies:* Market capitalization is a measurement of a company's size equal to the share price times the number of shares outstanding (shares that have been authorized, issued and purchased by investors). We believe that some of the most attractive investment opportunities stem from investment in small capitalization companies and recently organized companies. Historically, these securities have been more volatile in price than those of larger capitalized, more established companies. Small capitalization and recently organized companies' securities pose greater investment risks because the companies may have limited product lines, distribution channels and financial and managerial resources. Further, there is typically less publicly available information concerning such companies than for larger, more established businesses. In addition, the small capitalization companies' securities may not be traded in the volumes typical for larger companies, and thus it may take longer to sell such securities or we may have to accept potentially less favorable purchase prices. Ultimately,

investing in companies with limited operating histories is more speculative and entails greater risk than does investing in companies with an established operating record.

- *Foreign Securities:* We occasionally buy and sell foreign securities for our client's account. Investing in foreign securities involves certain risk factors not typically associated with investing in U.S. securities, such as fluctuation between exchange rates and the costs of converting from one currency to another. In addition, there may not be much information available regarding foreign securities because foreign companies and governments may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of the U.S. There also might be a greater risk of political, social or economic instability and the possibility that foreign taxes may be imposed on our client's income. Finally, when investing in foreign bonds, there is always a risk that their issuer will default and be unable to pay the interest and/or principal payments due on the bonds, as the financial stability of foreign issuers may be more precarious than that of U.S. issuers.

We encourage our investors to consider all of the risk factors we have explained. Any investors in our client risk the loss of their entire investment.

Item 9 – Disciplinary Information

- A. Neither Vanshap Capital, nor any of our directors, officers or principals has been involved in any criminal or civil actions in a domestic, foreign or military court.
- B. On September 8, 2011, David Shapiro, a principal of Vanshap Capital, was sanctioned for violating FINRA Rule 2010, NASD Rule 2711(G)(2), and 2711(H)(1)(A) by executing multiple trades (in 2009) in covered securities in accounts in which he or a member of his household had a financial interest during a period beginning thirty (30) calendar days before and ending five (5) calendar days after he published a report concerning the company that had issued the transacted security. Mr. Shapiro's member firm, acting through Mr. Shapiro, published research reports on subject companies that failed to disclose that Mr. Shapiro or a member of his household had a financial interest in the securities of the subject companies. Without admitting or denying the findings, Mr. Shapiro consented to the described sanction and to the entry of the findings, and was fined \$5,000. Neither Vanshap Capital, nor any of our other directors, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.
- C. Neither Vanshap Capital, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

Item 10 – Other Financial Industry Activities and Affiliations

- A. Neither our firm, nor any of our directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.
- C. Vanshap Capital GP, LLC, an affiliate of Vanshap Capital, LLC, serves as the general partner to our hedge fund client, Vanshap Capital Value Fund, LP. David Shapiro and Evan Vanderveer manage and control Vanshap Capital GP, LLC and Vanshap Capital, LLC. Markel Corporation is a publicly traded corporation and serves as a member of Vanshap Capital, LLC. Neither Markel Corporation nor any of its officers or shareholders manage or control Vanshap Capital, LLC or Vanshap Capital GP, LLC.

We address this potential conflict of interest by fully disclosing the relationship among Vanshap Capital GP, LLC, Vanshap Capital, LLC, and Vanshap Capital Value Fund, LP in our offering documents. Although David Shapiro's and Evan Vanderveer's control of our client's general partner and investment manager may give them heightened control and discretion over our client, they each manage any potential conflicts of interest by strictly adhering to the investment strategy and business philosophy discussed in our client's Private Placement Memorandum.

In addition, Vanshap Capital GP, LLC, as our client's general partner, entered into the investment management arrangement with Vanshap Capital, LLC. While this may be an interested party agreement, the material terms of the investment management arrangement are fully disclosed to all investors in the client prior to their investment.

- D. We do not recommend or select other investment advisers for our client.

Item 11 – Code of Ethics

- A. We have adopted a Code of Ethics in accordance with the Securities and Exchange Commission requirements. Our Code of Ethics works to ensure that our employees' securities transactions are consistent with our firm's fiduciary duty to our client. In brief, it prohibits all firm employees from personally trading in individual common stocks and options on common stock securities (but not exchange-traded or closed-end funds, or non-common stock securities in general). It also prohibits our employees from trading in a security while in possession of material, nonpublic information regarding that security. Our Code of Ethics is available to our client or any investor or potential investor in our client upon request.
- B. Employees of our firm do not recommend to our client, nor do they buy or sell for our client's account, securities in which they have a material financial interest.
- C. Because we trade primarily in common stocks for our client, our prohibition on individual common stock ownership by employees prevents any potential conflicts of interest that can arise when an investment services firm's employees and clients own the same securities independently. Our employees also do not personally invest in other individual securities related to those in which we invest for our client. Our firm does not trade securities for its own benefit; we only trade securities for our client.
- D. As explained above, neither our firm nor our employees trade common stock or options on common stock securities for their own accounts. In addition, neither our firm nor our employees trade in any securities or related securities for their own accounts in which we invest for our client.

Item 12 – Brokerage Practices

A. We have complete investment and brokerage discretion over our client's account. We select broker-dealers for our client's securities transactions and determine the reasonableness of their compensation based on a number of factors, including the following:

- the financial strength, integrity and stability of the broker-dealer;
- the ability to effect prompt and reliable executions at favorable prices (including the applicable broker-dealer spread or commission, if any);
- the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution;
- the broker-dealer's risk in positioning a block of securities; and
- the competitiveness of commission rates in comparison with other broker-dealers satisfying our other selection criteria.

We may enter into "soft dollar" arrangements with one or more broker-dealers whereby they will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although we will use the research and services in making investment decisions for our client, we may use such research or services for other accounts and our client will generally pay more than the lowest available commissions for execution of these transactions. We may also enter into "soft dollar" arrangements to cover our expenses or costs and any expenses or costs of our client, to the extent such arrangements are permitted by law.

Our firm does not recommend, request or require that our client or any investor in our client, direct us to execute transactions through a specified broker-dealer. We do not permit our client or any investor in our client to direct us to execute transactions through a specified broker-dealer.

We intend to use Wells Fargo Prime Services as our primary broker given their strong industry reputation, breadth of trading and portfolio tracking services, and speed and affordability of execution.

B. Because we only advise one client, we execute all client transactions simultaneously.

Given that our client is a pooled investment vehicle and not an individual, there will not be an opportunity for client directed brokerage at the present time.

Item 13 – Review of Accounts

- A. We maintain comprehensive review procedures for the ongoing monitoring of portfolio investments. In connection therewith, we typically conduct quarterly reviews of all portfolio company investments held by our client. All investment and operational staff participate in the ongoing monitoring of the client's portfolios, although responsibilities vary by individual. Specifically, portfolio managers of Vanshap Capital will be involved in the review of our client's portfolio.
- B. We frequently monitor portfolio investments for events that have a material impact on our original investment thesis. Any change to an investment thesis necessitates a review by the managers of the merits of the investment. Changes in valuation and underlying company fundamentals will generally trigger a review by portfolio managers.
- C. ALPS Fund Services, Inc. provides our client's investors with monthly online statements that contain information about each investor's account. We provide the investors in our client with quarterly reports that contain a brief review of our client's performance for the relevant quarter. The quarterly reports are written and also include a brief overview of our market outlook and comments on the composition of our client's portfolio. We also furnish our client's investors with annual written audited financial statements and tax information to assist investors in completing their tax returns.

Item 14 – Client Referrals and Other Compensation

- A. Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our client.
- B. Our firm does not, nor do any principals or employees of our firm, compensate anyone for client referrals.

Item 15 – Custody

While it is our firm’s practice not to accept or maintain physical possession of our client’s assets, we are deemed to have custody of its assets under Rule 206(4)-2 (the “Custody Rule”) because our related person Vanshap Capital GP, LLC is the general partner of Vanshap Capital Value Fund, LP and by definition we therefore have “custody.”

In order to comply with the Custody Rule, we utilize the services of qualified custodians (as defined in the Custody Rule), J.P. Morgan Clearing Corporation and Goldman Sachs Execution and Clearing, L.P. (“GSEC”), to hold all of our client’s assets. We also ensure that the qualified custodians maintain these funds in accounts that contain only our client’s funds and securities, under our client’s name. In accordance with the Custody Rule, we also (1) engage an independent auditor registered with and subject to inspection by the PCAOB to audit our client at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in our client within 120 days after the end of the fiscal year. Finally, we receive monthly account statements from Wells Fargo Prime Services on behalf of our client, which we compare with our own records.

Item 16 – Investment Discretion

We accept discretionary authority to manage our client's securities account. Essentially, this means that we have the authority to determine, without obtaining specific consent from our client or its investors, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in our client's Private Placement Memorandum. Evan Vanderveer and David Shapiro, our principal portfolio managers, review our client's account regularly to ensure that we are observing our client's investment strategy and objective.

Before accepting their subscriptions for interests, we provide all potential investors in our client with a Private Placement Memorandum that sets forth, in detail, our investment strategy and program. By completing our subscription documents to acquire an interest in our fund, investors give us complete authority to manage their investments in accordance with the Private Placement Memorandum they received.

Item 17 – Voting Client Securities

- A. Our firm has the authority to vote proxies on behalf of our client. It is our policy to vote proxies when it is in the best interest of our client to do so and in accordance with the goal of maximizing the long-term value of our client's investments.

If any conflict of interest arises in connection with voting our client's securities, we observe the following guidelines:

- We normally vote to maintain or create a majority of independent directors on a board of directors as a whole as well as on its audit, compensation and nominating committees.
- We normally vote to limit an auditor's engagement solely to the provision of tax and audit work.
- We normally vote to limit the total compensation of management to a level that is appropriate with its performance.
- We normally vote against poison pills, different classes of stock and other methods designed to insulate management from the desires of their shareholders. (A poison pill is a strategy that corporations use to discourage hostile takeovers by making their stock appear less attractive to potential acquirers.)
- We normally vote in accordance with actions taken to maximize the company's long-term value without regard to "social responsibility" issues, except to the extent that those issues may affect the long-term value of the business.

- B. Neither our client, nor investors in our client, can direct us to vote client proxies in a certain manner. Upon request, our client's investors can obtain (i) a copy of our proxy voting policies and procedures, and (ii) information concerning proxy votes on our client's behalf. We maintain the following records relating to proxy voting in our office:

- Copies of our proxy voting policies and procedures and any amendments.
- Proxy statements received for client securities.
- Records of proxy votes cast on behalf of our clients.

As of January 1, 2014 we have engaged the proxy service provider ISS to help manage our client's proxy ballots.

Item 18 – Financial Information

- A. We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B. We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our client.
- C. Vanshap Capital, LLC has never been the subject of a bankruptcy petition.