

**PART 2A OF FORM ADV:  
FIRM BROCHURE**

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**This brochure provides information about the qualifications and business practices of Greenlight Masters, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 973-1900 and/or info@greenlightcapital.com. 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.**

**Additional information about Greenlight Masters, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Being a "registered investment adviser" or describing ourselves as being "registered" does not imply a certain level of skill or training.**

**This brochure is not an offering or solicitation of interests in funds managed by Greenlight Masters, LLC or its affiliates.**

## **Item 2. Material Changes**

This brochure includes no material changes since the brochure dated March 28, 2014.

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#### **Item 4. Advisory Business**

Greenlight Masters, LLC is a Delaware limited liability company that commenced operations in 2002. We are an investment management firm established to invest and trade principally in hedge funds. David Einhorn is our Senior Manager and principal owner. Mitch Golden is our portfolio manager.

We provide investment advisory services to: (i) Greenlight Masters Partners, a Delaware partnership; (ii) Greenlight Masters, L.P., a Delaware limited partnership, which is a feeder fund for Greenlight Masters Partners and also makes some investments directly in hedge funds; (iii) Greenlight Masters Qualified, L.P., a Delaware limited partnership, which is also a feeder fund for Greenlight Masters Partners and also makes some investments directly in hedge funds; (iv) Greenlight Masters Offshore Partners, a British Virgin Islands partnership, which is also a feeder fund for Greenlight Masters Partners and also makes some investments directly in hedge funds; (v) Greenlight Masters Offshore, Ltd., a British Virgin Islands business company, which is a feeder fund for Greenlight Masters Offshore Partners; and (vi) Greenlight Masters Offshore I, Ltd., a British Virgin Islands business company, which is also a feeder fund for Greenlight Masters Offshore Partners (collectively, the "**Masters Funds**").

We make all investment decisions on behalf of the Masters Funds. Our, and our affiliate's, Greenlight Masters GP, L.L.C. (a general partner of certain Masters Funds) ("**GMGP**"), primary responsibilities for the Masters Funds are to identify, interview, and select hedge fund managers that, as a group, can achieve the Masters Funds' investment objectives. We are also responsible for allocating the capital of the Masters Funds to the managers selected. We also provide certain administrative and management services to the Masters Funds by overseeing and tracking the investment managers with whom the Masters Funds have invested.

The primary investment objective of the Masters Funds is to achieve superior investment returns with less volatility and risk than conventional balanced portfolios of equity and fixed income securities. The Masters Funds aim to achieve these returns primarily through the use of a multi-manager, multi-strategy investment approach. There can be no assurance that this investment objective will be achieved and investment results may vary substantially.

The Masters Funds may also make direct investments, on margin or otherwise, in a wide variety of securities and other financial instruments of United States and foreign issuers.

We currently do not provide investment advisory services to clients apart from our management of the Masters Funds and do not participate in wrap fee programs, although our affiliates do provide advice to other persons and/or entities (including other privately-offered pooled alternative investment vehicles, some of which may have an investment strategy substantially similar to the Masters Funds) and we and/or one or more affiliates may do so in the future.

As of January 1, 2015, the regulatory assets under management by Greenlight Masters, LLC were approximately \$1,135,791,853.

For a further discussion of these and related items, see **Item 7** (Types of Clients), **Item 8** (Methods of Analysis, Investment Strategies and Risk of Loss) and **Item 10** (Other Financial Industry Activities and Affiliations).

## **Item 5. Fees and Compensation**

### **Management Fee and Performance Allocation**

We receive from the Masters Funds quarterly investment management fees (the “**Management Fee**”) based on the net asset value of each Masters Fund attributable to investments in 3 categories:

- (a) Direct Investments. Direct investments by the Masters Funds. The Masters Funds pay us a Management Fee at an annual rate of 1.5% of the net value of assets managed directly by us, including cash, equity, debt and other securities and assets.
- (b) Investments in Non-Affiliated Managers. Investments by the Masters Funds with non-affiliated investment managers. The Masters Funds pay us a Management Fee at an annual rate of 1% or 1.5% (depending on the series of interests or shares) of the net value of investments with managers not affiliated with us.
- (c) Investments in Affiliated Managers. Investments by the Masters Funds with affiliated investment managers. There is no Management Fee for investments with a manager affiliated with us. For example, the Masters Funds pay no Management Fees to us on any assets that are allocated by the Masters Funds to the pooled investment vehicles to which Greenlight Capital, Inc., Greenlight Capital, LLC and Greenlight Capital Offshore, LLC provide investment advisory and other services (the “**Capital Funds**”). However, the Masters Funds do bear the standard management fees inherent in the Capital Funds (an annual rate of 1.5% of net asset value).

The Management Fee is valued and payable as of the beginning of each quarter. The Management Fee for capital contributions made, or shares purchased, during a calendar quarter will be charged pro rata for the initial quarter of purchase. The Management Fee is also adjusted for withdrawals or redemptions within a calendar quarter.

In consideration for the Management Fee, we bear the administrative expenses of the Masters Funds and provide to the Masters Funds office space and utilities, quotation and computer equipment and services, administrative services and secretarial, clerical and other personnel. The Management Fee may exceed or may be less than the expenses borne by us on behalf of the Masters Funds.

GMGP is entitled to receive from the Masters Funds an annual performance-based profit allocation (the “**Performance Allocation**”) generally at the end of each year in an amount equal to:

- (a) 10% of the increase in the value of each investor's investment attributable to investments with investment managers not affiliated with us (the "***Outside Basis***"); and
- (b) 20% of the increase in the value of each investor's investment attributable to assets managed directly by us including cash, equity, debt or other securities and assets (the "***Direct Basis***").

GMGP does not receive any Performance Allocation from the Masters Funds based on the profits from investments made by the Masters Funds in the Capital Funds (the "***Greenlight Basis***"). The Masters Funds will be subject to the customary performance fees or allocations charged or allocated by such investment vehicles (e.g., 20% in the Capital Funds).

The Performance Allocation generally will be allocated at the end of each fiscal year or immediately prior to a withdrawal occurring prior to the end of any fiscal year.

For the purpose of calculating the Performance Allocation, in the event that either the Outside Basis, the Direct Basis or the Greenlight Basis is less than zero, the Direct Basis and, to the extent such deficit exceeds the Direct Basis, the Outside Basis will be reduced by the amount of such deficit.

The Performance Allocation is subject to a "high water mark" limitation, which is based on the highest value of an investor's capital. Thus, after the first year in which a Performance Allocation is earned, the Performance Allocation for subsequent years only applies to the extent that the value of each investor's capital, net of any losses, exceeds the highest value of the investor's capital achieved through the close of any prior year since a Performance Allocation is earned. In the event that the Performance Allocation is partially reduced due to the high water mark, the effect of the high water mark limitation will be applied first to the Direct Basis and then, to the extent it exceeds the Direct Basis, the Outside Basis. If an investor makes a partial withdrawal or redemption at a time when his or her capital is below its historic "high water mark" level, the level is ratably reduced to reflect such withdrawal.

To be clear, we will not receive any compensation from the Masters Funds on investments made by the Masters Funds in investment vehicles managed by our affiliates. The Masters Funds will only be subject to the customary fees charged by such investment vehicles.

The Management Fee and the Performance Allocation may be waived, reduced or rebated for any investor, including, without limitation, for investments we or our affiliates make and/or for investments made by our employees and their family members.

## **Expenses**

The Masters Funds bear all of the expenses incidental to their operations and business. These expenses include, but are not limited to: (i) brokerage commissions, charges and other transaction costs; (ii) fees and charges of clearing agencies; (iii) interest and commitment fees on loans and debit balances; (iv) income taxes, withholding taxes, transfer taxes and other governmental charges and duties; (v) fees of legal advisors, independent auditors and fund administrators; (vi) directors' fees and expenses, if any; (vii) the costs of any liability insurance

or fidelity bonding obtained on behalf of or for the benefit of the Masters Funds; (viii) the costs of maintaining the Masters Funds' recognition, registered agents and registered offices in a variety of jurisdictions; (ix) the costs of any reports and notices to investors; (x) expenses relating to researching investments; (xi) offering expenses (including the costs of printing and distributing any offering documents); and (xii) fees for escrows, storage, custodians and other out of pocket expenses. A portion of these operating expenses may be shared with other investment entities or accounts we and our affiliates manage on an equitable basis.

Our principals, members, managers, directors, officers and employees (collectively, “*supervised persons*”) and we do not accept any compensation for the sale of securities or other investment products, including interests in the Masters Funds.

For a further discussion of these and related items, see **Item 12** (Brokerage Practices).

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

We manage only the Masters Funds, which are subject to the Performance Allocation. We may provide investment advisory services to additional clients in the future that may have similar or different performance-based fees and/or allocations than the performance-based fees and/or allocations of the Masters Funds (including other privately-offered pooled alternative investment vehicles, some of which may have an investment strategy substantially similar to the Masters Funds).

The Performance Allocation may create an incentive for us to make direct investments, or to select Underlying Managers (as defined below) that pursue strategies, that are riskier or more speculative than would be the case in the absence of the Performance Allocation.

We are required to act in a manner that we consider fair, reasonable and equitable in allocating investment opportunities to the Masters Funds, but we and our affiliates are not otherwise subject to any specific obligations or requirements concerning the allocation of time, effort or investment opportunities, or any restrictions on the nature or timing of investments for the Masters Funds.

For a further discussion of these and related items, see **Item 5** (Fees and Compensation).

#### **Item 7. Types of Clients**

We provide investment advisory services to the Masters Funds. We may in the future provide investment advisory services to additional clients including, but not limited to, other pooled investment vehicles, corporations, trusts, institutions, high net worth individuals, investment companies, pension plans, sovereign wealth funds, family offices, foundations and endowments.

For a further discussion of these and related items, see **Item 4** (Advisory Business) and **Item 10** (Other Financial Industry Activities and Affiliations).

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

The investment objective of the Masters Funds is to achieve superior investment returns with less volatility and risk than conventional balanced portfolios of equity and fixed income securities. The Masters Funds aim to achieve these returns primarily through investments in multiple hedge funds with varying investment strategies. We act as investment manager of the Masters Funds and manage their investments. Our primary responsibilities are to identify, interview and select hedge fund managers that, as a group, can achieve the investment objectives of the Masters Funds. We are also responsible for allocating the capital of the Masters Funds to the managers selected. This requires us to monitor investments and determine whether to retain or to terminate hedge fund managers.

### **Manager Evaluation and Selection Criteria**

We utilize our experience, as well as our network of industry contacts and other sources, to identify prospective investments for the Masters Funds. To maximize the chances for success, the following criteria are generally used to evaluate each hedge fund manager:

- The manager should, in our view, possess a high level of skill in security selection and portfolio management.
- The manager should have a superior performance record. However, the Masters Funds may invest with new or relatively new funds, which may not have long, independent track records. In this case, as in all cases, the investment will be made on the basis of the prospective performance potential of the fund, as evaluated by us.
- Total assets under management by the manager should not exceed an amount that would significantly curtail the manager's ability to perform well.
- The manager should be knowledgeable, focused, and dedicated, with a clearly defined investment strategy.
- The manager should be well-respected in the investment community and have an outstanding reputation that can be verified through reference checks.
- The manager should be well organized, employ highly competent individuals in all key positions and have the proper infrastructure to support the fund.

It is possible that some of the managers will not meet all of the above criteria, and that some or all of the funds selected by us will not perform as anticipated.

The Capital Funds are accepting a limited amount of capital from the Masters Funds and are not generally open to new investors. The Masters Funds invest in the Capital Funds, but not more than 35% of a Masters Fund's assets may be invested in a Capital Fund (based on the cost basis of the applicable Masters Fund's investment at the time when made).

We may determine to invest a portion of the Masters Funds' capital directly in equity, debt and/or other securities and assets, including selling such securities short. Such investments may be made at times determined by us in our sole discretion. In addition, we are permitted to leverage the Masters Funds' investments, whether on capital invested with hedge fund managers or invested in equity, debt or other securities.

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 or financial instrument that we consider appropriate and in the best interests of the Masters Funds. The discussion above includes and is based upon numerous assumptions and opinions concerning global financial markets and other matters. These assumptions and opinions may not be accurate. **There can be no assurance that the Masters Funds' investment strategy will achieve profitable results.**

### General Risks

***Investment and Trading Risks Generally.*** We may choose to allocate substantial portions of the Masters Funds' assets to a particular managed account or private investment fund (an "***Underlying Fund***") or to particular equity, debt or other financial instruments. The profitability of the Masters Funds' or an Underlying Fund's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that we or the underlying manager of an Underlying Fund (an "***Underlying Manager***") will be able to predict accurately these price movements. With respect to the investment strategy utilized by the Masters Funds and the Underlying Funds (collectively with the Masters Funds, the "***Relevant Funds***"), there is always a significant degree of market risk, including the risk of a complete loss of capital.

The performance of any investment is subject to numerous factors which are not predictable by us or within our control. Such factors include a wide range of economic, political, competitive and other conditions (including acts of terrorism and war) that may affect investments in general or in specific industries or companies. In recent years, the securities markets have become increasingly volatile, which may adversely affect the ability of the Masters Funds to realize profits. As a result of the nature of the Masters Funds' investing activities, investors may incur substantial losses on their investments in the Masters Funds, and it is possible that the Masters Funds' financial performance may fluctuate substantially from period to period.

***Broad Discretionary Power to Choose Investments and Strategies.*** We have broad discretionary power to decide what investments the Masters Funds will make and what strategies they will use. Each of the Underlying Managers also has broad discretionary power to decide what investments the Underlying Funds will make and what strategies they will use. We may choose any investments and strategies that we believe are advisable and consistent with the Masters Funds' investment objective.

Although we may seek to minimize risk through the application of various quantitative expected targets and parameters, there may be situations where we do not adhere to such



expected targets and parameters. There can be no assurance that the Masters Funds' performance will not be materially and adversely affected by any failure to adhere to such expected targets and parameters.

***Concentration of Investments.*** It is our intention to allocate the capital of the Masters Funds in a manner that provides for diversification among investment strategies, managers and securities. There can be no assurance, however, that we, or the Underlying Managers will not take substantial positions in the same security at the same time. Such an occurrence may tend to result in more rapid changes in the Masters Funds' portfolios, upward or downward, than would be the case with greater diversification, with the result that a loss in any such position could have a material adverse impact on the Masters Funds' capital. Underlying Managers may also make similar market timing decisions and asset allocation decisions between equity securities and cash equivalents or some combination of these and other strategies.

***Material, Nonpublic Information.*** From time to time, we may come into possession of material, nonpublic information that would limit our ability to buy and sell investments on behalf of the Masters Funds. The Masters Funds' investment flexibility may be constrained as a consequence of our inability to take certain actions because of such information. The Masters Funds may experience losses if we are unable to sell an investment that they hold because we have obtained material, nonpublic information about such investment.

***Short Sales.*** The Relevant Funds may enter into transactions, known as "short sales", in which they sell a security they do not own in anticipation of a decline in the market value of the security. Short sales by a Relevant Fund theoretically involve unlimited loss potential (unless the short sale is made "against the box," meaning that the Relevant Fund owns the same security that is sold short, or the Relevant Fund otherwise hedges its exposure) since the market price of securities sold short may continuously increase. The Relevant Funds may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Relevant Funds might have difficulty purchasing securities to meet short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet short sale obligations at a time when fundamental investment considerations would not favor such sales.

Short sale transactions have been subject to increased regulatory scrutiny, including the imposition of restrictions on short selling certain securities and reporting requirements. The Relevant Funds' ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior, current and future trading activities of the Relevant Funds. Additionally, the Securities and Exchange Commission (the "**SEC**"), its non-U.S. counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

In 2010, the SEC adopted a new short sale price test by amending Rule 201 of Regulation SHO (the “**Short Sale Rule**”). The Short Sale Rule goes into effect upon a 10% decline in the price of any National Market System security other than an option (i.e., stocks listed on the New York Stock Exchange, NYSE Euronext and NASDAQ) from its previous day’s closing price and effectively restricts the display or execution by exchanges and other trading centers of a short sale order in such stock to a price above the national best bid for the remainder of the trading day and the next trading day. Restrictions on the short selling of securities such as the foregoing could interfere with the ability of the Relevant Funds to execute certain aspects of their investment strategies, including their ability to hedge certain exposures and execute transactions to implement their risk management measures, and any such limitations may adversely affect the performance of the Relevant Funds.

Regulatory authorities may from time to time impose restrictions that adversely affect the Relevant Funds’ ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Relevant Funds may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Relevant Funds may also incur additional costs in connection with short sale transactions, including in the event that they are required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Relevant Funds are subject to strict delivery requirements. The inability of the Relevant Funds to deliver securities within the required time frame may subject the Relevant Funds to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Relevant Funds to unintended costs and losses. Certain action or inaction by third parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Relevant Funds’ ability to effect short sale transactions.

**Derivative Investments.** The Relevant Funds may use derivative instruments, or “derivatives,” which include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement cannot only result in the loss of the entire investment, but may also expose the Relevant Funds to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Relevant Funds contract for the purpose of making derivative investments (the “**Counterparty**”). In the event of the Counterparty’s default, the Relevant Funds will typically only rank as unsecured creditors and risk the loss of all or a portion of the amounts they are contractually entitled to receive.

**Options.** The Relevant Funds may invest in options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

**Swap Transactions.** The Relevant Funds may enter into swap transactions with respect to equity and debt securities, interest rates, commodities, currencies, options, indices or baskets of the foregoing and other assets and liabilities, including credit default swaps. In a standard "swap" transaction, the counterparties agree to exchange payments based on the values (or the differential in values) of the particular underlying assets. Traditionally, such transactions were privately-negotiated bilateral contracts entered into between two counterparties under which each swap counterparty was subject to the risk of non-performance by the other swap counterparty, including risks relating to the creditworthiness of such swap counterparty. Depending on the type of swap transaction, the nature of the counterparty and the market in which a swap transaction is executed, swap transactions may present a variety of risks, including counterparty credit risk and illiquidity. In addition, the full effect of current and future swaps regulations remains unclear, and it is possible that these regulations may make swaps less desirable. As a result, the Relevant Funds' investments in swaps may be reduced and the Relevant Funds' returns may be negatively impacted. It is possible that further developments in the swap markets, including additional government regulation, could adversely affect the Relevant Funds' ability to utilize swap transactions, to terminate existing swap transactions or to realize amounts to be received under such transactions.

**Regulation of Over-the-Counter Derivatives.** As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC and the U.S. Commodity Futures Trading Commission (the "**CFTC**") will require a substantial portion of derivative transactions that are currently executed on a bilateral basis in the over the counter ("**OTC**") markets to be executed through a regulated securities, futures or swap exchange or execution facility. For example, certain interest rate swaps, including certain foreign exchange forwards defined as swaps by the CFTC, and credit default index swaps, are required by the CFTC to be submitted for clearing if traded by such persons. Certain CFTC-regulated derivatives trades are also expected to be subject to these rules. It is not yet clear when parallel SEC requirements will go into effect.

Among other things, in the U.S., swap trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC or CFTC-mandated margin requirements. Regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements will apply to derivatives dealers' holding of customer collateral. Derivatives dealers may require the Relevant Funds to give them the right unilaterally to increase collateral requirements for cleared OTC trades beyond regulatory and clearinghouse minimums. These factors may increase the amount

of collateral the Relevant Funds are required to provide and the costs associated with providing it.

In an effort to facilitate derivatives strategies, the Relevant Funds and/or we might become members of exchanges and/or swap execution facilities (“**SEF**”). Doing so would subject the Relevant Funds and/or ourselves to a wide range of regulation and other obligations and associated costs. Like other self-regulatory organization, SEFs are expected to regularly revise and interpret their rules and those revisions and interpretations could adversely affect the Relevant Funds. If the Relevant Funds opt not to trade on a SEF directly but instead through a broker, such trading may nevertheless require the Relevant Funds to consent to the SEF’s jurisdiction as a self-regulatory organization and to be subject to the SEF’s rules, which could adversely impact the Relevant Funds.

In Europe, the E.U. Market Infrastructure Regulation on OTC derivatives, central counterparties and trade repositories (“**EMIR**”) imposes requirements in respect of derivative contracts that may affect a Fund’s derivatives activities in Europe, including a general obligation to clear certain types of OTC derivative contracts through a duly authorized central counterparty. EMIR will largely be implemented through secondary measures, some of which are already in effect, and some of which will come into effect over the coming years. The E.U. regulatory framework for derivatives is also affected by the Markets in Financial Instruments Directive (“**MiFID II**”) which is expected to be implemented over the course of the coming years.

While these and other legislative and regulatory measures may provide protections for some market participants, they are new and still being implemented and their effects on the derivatives markets activities cannot be reliably predicted. They may reduce the availability of some types of derivative instruments, may increase the cost of trading in or maintaining them and may cause uncertainty in the markets for a variety of derivative instruments.

**Hedging.** The Relevant Funds may in our or an Underlying Manager’s, as the case may be, sole discretion utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, our’s or an Underlying Manager’s ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Relevant Funds’ hedging strategies may also be subject to our or an Underlying Manager’s, as the case may be, ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time, rendering the hedge ineffective. While the Relevant Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance for the Relevant Funds than if they had not engaged in any such hedging transaction. The Relevant Funds’ portfolio will not be completely hedged and at times we, or an Underlying Manager, as the case may be, may elect to have minimal, if any, hedging in place. Accordingly, the Relevant Funds’ assets may not be protected from market volatility and other conditions.

**Securities Lending.** Some of the securities held by the Relevant Funds may be pledged as collateral in the Relevant Funds’ margin accounts, which will subject the Relevant Funds to

the risks associated with such pledging arrangements. The Relevant Funds may also engage in additional programs of securities lending. To the extent the Relevant Funds engage in securities lending, there may be risks of delay and costs involved in the recovery of securities or even losses should the borrower of the securities have financial difficulty or otherwise fail to meet its obligations under the securities lending arrangement.

While the Relevant Funds expect to receive collateral in connection with the lending of securities, there is the risk that the price of the securities could increase while they are on loan and that the collateral will be inadequate to cover their value. In general, it is expected that the Relevant Funds' securities lending agent will seek to consider all relevant facts and circumstances, including the creditworthiness of the broker, dealer or other borrower, in making decisions with respect to the lending of securities, although this cannot be assured.

***Leverage.*** Subject to applicable margin and other limitations, the Relevant Funds may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Relevant Funds' portfolio would be amplified. Interest on borrowings will be a portfolio expense of the Relevant Funds and will affect the operating results of the Relevant Funds. Also, the Relevant Funds could potentially create leverage via the use of instruments such as options and other derivative instruments. The Masters Funds may also borrow from time to time for investment or liquidity purposes or otherwise as we deem appropriate.

***Distressed Securities.*** The Relevant Funds may invest in securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganizations and liquidation proceedings. Although such investments may produce significant returns to the Relevant Funds, they involve a high degree of risk over a potentially lengthy period of time, as well as less liquidity than many other investments. Investment in these types of securities requires sophisticated analysis, and there can be no assurance that we or an Underlying Manager will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these investments ordinarily remain stagnant until the company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time.

***Investments in Foreign Securities.*** Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (ii) political, social or economic instability; (iii) the extension of credit, especially in the case of sovereign debt; and (iv) certain tax-related risks including, without limitation, uncertainties in the application of tax laws by non-U.S. jurisdictions, the imposition of withholding and other taxes on dividends, interest, capital gains or other income, the possibility of expropriation, confiscatory taxation and limitations on the removal of funds or other assets of the Relevant Funds.

Furthermore, changes or modifications in existing judicial decisions or in the current positions of the U.S. Internal Revenue Service (the "IRS"), either taken administratively or as contained in published revenue rulings and revenue procedures (which changes or modification

may apply with retroactive effect), or the passage of new legislation, could lead to unfavorable treatment of certain non-U.S. investments, which could adversely impact the Relevant Funds.

***Exchange Rate Risks; Currency Risk.*** It is expected that the Masters Funds' and the Underlying Funds' portfolios will be comprised of U.S. Dollar denominated investments and investments denominated in other currencies. However, all monies returned to investors, the valuation of the Masters Funds' securities and other capital and the reported net asset value will be denominated in U.S. Dollars. Changes in the value of other currencies against the value of the U.S. Dollar could have an adverse impact on the performance of the Masters Funds and/or the Underlying Funds. The Relevant Funds may enter into currency hedging transactions, but they are not required or expected to do so, and such transactions have an associated cost that could reduce investment returns. Spot and forward currency prices are highly volatile and price movements for spot and forward currency contracts may be influenced by, among other things, the foregoing risks. In addition, governments from time to time intervene directly and by regulation in certain markets. Such intervention is often intended to influence prices directly. Furthermore, spot and forward contracts are negotiated on an individual basis by banks and dealers that act as principals in these markets. Accordingly, the Relevant Funds will be subject to the risk of the inability or refusal to perform on the part of the principals or agents through whom such forward contracts are traded.

***Credit Risk.*** Although the Relevant Funds intend to enter into transactions only with counterparties that we or the Underlying Manager believe to be creditworthy, there can be no assurance that a counterparty will not default and that the Relevant Funds will not sustain a loss on a transaction as a result. If an obligor (such as the issuer or a party offering credit enhancement) for a security held by the Relevant Funds, a counterparty to a financial contract with the Relevant Funds, a prime broker or other service provider to the Relevant Funds, or the grantor of a participation interest in an investment (such as bank debt) to the Relevant Funds, fails to pay, otherwise defaults or is perceived to be less creditworthy, a security's credit rating is downgraded or the credit quality or value of any underlying assets declines, the value of such investment could decline. In addition, the Relevant Funds may incur expenses to protect the Relevant Funds' interests in securities experiencing these events.

***Lack of Valuation Data; Limited Liquidity of Investments.*** The Relevant Funds' assets may, at any given time, consist of significant amounts of securities and other financial instruments or obligations which are thinly traded, for which no market exists and/or which are restricted as to their transferability under United States federal or state securities laws or the laws of other countries. To the extent that the Relevant Funds invest in securities or instruments for which market quotations are not readily available, we or the Underlying Manager will determine the valuation of such securities and instruments, and our or the Underlying Manager's determination will be final and conclusive as to all parties.

In addition, for all securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible to liquidate positions and thereby expose the Relevant Funds to losses.

***Suspension of Redemptions/Withdrawals by the Underlying Funds; Gates Imposed by Underlying Funds.*** The Masters Funds' investments in Underlying Funds are subject to various

terms regarding redemptions/withdrawals. Such Underlying Funds may have the ability pursuant to their constituent documents to suspend or limit redemptions/withdrawals from the Underlying Funds under certain circumstances or at the sole discretion of the governing body of such Underlying Fund. Suspension or limitation of redemptions/withdrawals by the Underlying Funds will limit or eliminate liquidity for investors in the Masters Funds, which may have an adverse impact on the Masters Funds' ability to satisfy their own redemption requests. In addition, during any such suspension or limitation, the Underlying Managers of the Underlying Funds may still be entitled to management fees and any performance fees or allocations attributed to the shares or capital that have not yet been redeemed or withdrawn from such Underlying Fund.

***In-Kind Redemptions/Withdrawals.*** The governing documents of some Underlying Funds may also allow for in-kind redemptions/withdrawals of securities, in which a shareholder or partner (such as a Masters Fund) would receive securities held by the applicable Underlying Fund in lieu of cash. If a Masters Fund receives in-kind assets in respect of a redemption/withdrawal from an Underlying Fund, such Masters Fund may not have sufficient cash to satisfy its own redemptions and may have to satisfy such redemption request in kind as well.

***Turnover.*** The Masters Funds' activities include the allocation of their assets to Underlying Funds, which may invest on the basis of short-term market considerations. The portfolio turnover rate of those Underlying Funds may be significant, potentially involving substantial brokerage commissions and fees.

***Compensation of the Underlying Managers.*** The Underlying Managers of the Underlying Funds selected by us normally will be entitled to two forms of compensation: a management fee based on net assets under management (typically ranging from 1% to 2% annually), plus performance compensation based on the appreciation (usually including unrealized appreciation) in the value of the Masters Funds' investment accounts with the Underlying Fund (typically ranging from 10% to 20% of net profits). While the performance compensation arrangements may call for realized or unrealized losses to be carried forward as an offset against net profits in subsequent periods, Underlying Managers generally are not otherwise penalized for realized losses or decreases in the value of such account. These performance compensation arrangements may create an incentive for those Underlying Managers to effect transactions for the Masters Funds' accounts that are particularly risky or speculative.

***Absence of Regulation Concerning the Relevant Funds.*** The Relevant Funds, we and the Underlying Managers are subject to varying levels of regulation. Hedge funds typically are not registered as investment companies under the Investment Company Act of 1940. In addition, although recent regulatory changes have led to increased registration by hedge fund managers as registered investment advisers under the Investment Advisers Act of 1940 (the "***Advisers Act***"), currently, many hedge fund managers are still not registered under the Advisers Act. As a consequence, many of the protections afforded to investors by those laws are not applicable. Similarly, certain investments in funds and accounts formed and operated outside the United States may not be subject to comprehensive government regulation. The Underlying Managers of such Underlying Funds may not be covered by insurance or by fidelity bonding. Moreover, the Masters Funds generally have no control over the selection of the custodians of the assets of

such Underlying Funds, which also may be subject to a lesser degree of government supervision or regulation than commercial banks, trust companies or securities dealers conducting business within the United States.

***Our and the Underlying Manager's Trading Strategies May Not Be Successful.*** There can be no assurance that the trading strategies employed by us and the Underlying Managers of Underlying Funds will be successful. For example, the proprietary models used by an Underlying Manager may not function as anticipated during unusual market conditions. While many of the Underlying Managers who invest on behalf of the Masters Funds have a performance record reflecting their prior experience in using the strategies that will be applied to trading for the Masters Funds, this performance cannot be used to predict future profitability.

***Use of Multiple Underlying Managers is No Assurance of Success.*** No assurance is given that our and the Underlying Managers' collective performance will result in profitable returns for the Masters Funds or the Underlying Funds as a whole under all or any conditions. The possibility exists that good performance achieved by one or more Underlying Managers may be neutralized by poor performance experienced by other Underlying Managers or by the Masters Funds' performance in individual securities.

***Conflicts of Interest Involving Underlying Managers.*** Certain of the Underlying Managers of the Underlying Funds may engage in other forms of related and unrelated activities in addition to advising an Underlying Fund. They may also make investments in securities for their own account. Activities such as these could detract from the time an Underlying Manager devotes to the affairs of an Underlying Fund. In addition, certain of the Underlying Managers have engaged affiliated entities to furnish brokerage services to the Underlying Fund and others may themselves provide market-making services, including those of counterparty in stock and OTC transactions. As a result, in such instances the choice of broker, market-maker or counterparty and the level of commissions or other fees paid for such services (including the size of any mark-up imposed by a counterparty) may not have been made at arm's length.

***Valuations.*** Allocations of profits and losses and the determination of the Management Fee and Performance Allocation are based on the value of the Masters Funds' assets from time to time. To the extent that the Masters Funds' assets are invested in Underlying Funds, we will generally rely on the valuations provided by such Underlying Funds. We might not be able to obtain timely or complete information about the values of assets invested with Underlying Funds and may be required to estimate such values for certain purposes. It is anticipated that each Underlying Fund will provide audited information within a reasonable period of time after the end of each calendar year. However, there can be no assurance that such audited information will be provided to the Masters Funds on a timely basis, which could result in delays in the Masters Funds providing audited information to investors.

***Accuracy of Public Information.*** We select investments for the Masters Funds, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to us by the issuers or through sources other than the issuers. Although we evaluate all such information and data and ordinarily seek independent corroboration when we consider it is appropriate and reasonably available, we are not in a position to confirm the



completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

***Broker and Custodian Risk.*** The Masters Funds' assets may be held in one or more accounts maintained for the Masters Funds by their prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Masters Funds' assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Masters Funds' assets or may not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible to adequately describe the effect of the insolvency of any of them on the Masters Funds and their assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Masters Funds' assets or in a significant delay in the Masters Funds having access to those assets.

For a further discussion of these and related items, see **Item 10** (Other Financial Industry Activities and Affiliations), **Item 11** (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and **Item 12** (Brokerage Practices).

## **Item 9. Disciplinary Information**

On January 25, 2012, the United Kingdom's Financial Conduct Authority ("**FCA**", formerly known as the Financial Services Authority) fined Greenlight Capital, Inc. and Mr. Einhorn for inadvertently engaging in market abuse in connection with Greenlight Capital, Inc.'s trading of Punch Taverns Plc shares in June 2009. Although the FCA found that Mr. Einhorn did not act deliberately or recklessly, and the market abuse was inadvertent, the FCA imposed a financial penalty on Greenlight Capital, Inc. of £3 million and disgorgement of £650,795. The FCA imposed a financial penalty on Mr. Einhorn of £3 million and disgorgement of £638,000.

There are no other legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

## **Item 10. Other Financial Industry Activities and Affiliations**

We are affiliated with a group of entities (identified below) that provide investment advisory and other services to third parties.

- Greenlight Capital, Inc., Greenlight Capital, LLC and Greenlight Capital Offshore, LLC, which provide discretionary investment advisory and other services to the Capital Funds;
- DME Capital Management, LP and DME Management GP, LLC, which provide discretionary investment advisory and other services to pooled investment

vehicles that have an investment strategy that is substantially the same as the Capital Funds, but are also essentially backed by exposure to gold (the “**Dollar-Gold Funds**”); and

- DME Advisors, L.P. and DME Advisor, LLC, which provide discretionary investment advisory and other services to certain subsidiaries of Greenlight Capital Re, Ltd., a Cayman Islands publicly-traded reinsurance company that has an investment strategy that is substantially the same as the Capital Funds (“**Greenlight Re**”). Mr. Einhorn is Chairman of the Board of Directors of Greenlight Re and a significant investor.

Greenlight Capital, Inc., DME Capital Management, LP and DME Advisors, L.P. are separately registered with the SEC as investment advisers.

We are also affiliated with Greenlight Capital (UK) LLP, a limited liability partnership incorporated under the laws of England and Wales that is authorized and regulated by the United Kingdom Financial Conduct Authority. Greenlight Capital (UK) LLP provides certain non-discretionary trading and research services to us and our affiliates.

No management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

No management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

### **Potential Conflicts of Interest**

As discussed in Item 11 below, subject to the provisions of our code of ethics, including pre-clearance requirements for purchases and sales of securities, we and our affiliates may engage in investment trading activities for our own accounts.

We and our affiliates are not obligated to devote any specific amount of time to the affairs of the Masters Funds. Our affiliates manage and expect to continue to manage other client accounts, some of which have objectives similar to those of the Masters Funds, including other collective investment vehicles that may be managed by us or our affiliates and in which we or any of our affiliates may have an equity interest. In managing other clients, we and our affiliates may take positions that are opposite, or ahead of, the positions taken by the Masters Funds or Underlying Funds in which the capital of the Masters Funds is invested. Investors in a Masters Fund will not be entitled to inspect any of our or our affiliates’, or any Masters Fund’s, trading records.

We and our affiliates may launch other funds or provide services to other accounts that compete with the Masters Funds or have a similar investment strategy, which may invest in parallel with the Masters Funds.

The Masters Funds generally make investments on a pro rata basis in accordance with the Masters Funds’ assets under management at the time of the investment unless (1) in the

judgment of us and our affiliates, tax, regulatory, legal or other considerations make such investments inappropriate or impractical or require an alternate investment structure, or (2) we and our affiliates determine to allocate trades on a non-pro rata basis in order to rebalance the Masters Funds' portfolios.. As it may prove impossible to make the Masters Funds parallel at all times, there may be material performance disparities among the Masters Funds.

We may cause the Masters Funds to enter into trades in the ordinary course of business transferring portions of investments in the Underlying Funds and securities among all of the Masters Funds' accounts in order to reflect changes in the size of the Masters Funds relative to the size of the other Masters Funds accounts as determined in our discretion. Any such trades will be effected at prevailing market prices, if available.

In addition, we and our affiliates have adopted a trade allocation policy. This trade allocation policy seeks to allocate trades in a manner that treats the Masters Funds fairly. From time to time, we and our affiliates may allocate trades and securities on a non-pro rata basis in order to rebalance the Masters Funds portfolios and for other legal, regulatory, tax, accounting and practical reasons.

The Masters Funds intend to invest a portion of their assets in the Capital Funds, investment funds managed by our affiliates, and may invest in other Underlying Funds managed by our affiliates. The Masters Funds will not be charged any fees by us on capital invested by the Masters Funds in such affiliated funds, but the Masters Funds will be subject to the customary fees charged by such funds. In the case of the Capital Funds, the rates at which the management fees and performance allocations are charged or allocated by the Capital Funds exceed those of the Masters Funds but are typical of fees charged by other Underlying Funds. In addition, we will be entitled to higher management fees and GMGP will be entitled to higher performance allocations on capital invested by the Masters Funds directly in cash, cash equivalents, equity, debt and other securities. Because greater compensation can be earned on investments made by the Masters Funds in affiliated investment entities and directly in cash, cash equivalents, equity, debt and other securities, we have an incentive to cause the Masters Funds to make such investments.

In addition, the Masters Funds may compete with the Capital Funds, the Dollar-Gold Funds, and Greenlight Re with respect to certain investment opportunities in which the Masters Funds are directly investing. In such an event, such investment opportunity will be allocated first to the Capital Funds, the Dollar-Gold Funds, and Greenlight Re in the amount that the Capital Funds, the Dollar-Gold Funds, and Greenlight Re desire to invest, and then the remaining portion of such investment will be allocated among the Masters Funds.

Our authority to use "soft dollar" credits generated by the Masters Funds' securities transactions to pay for expenses that might otherwise have been borne by us may give us an incentive to select brokers or dealers for transactions of the Masters Funds, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by us rather than giving exclusive consideration to the interests of the Masters Funds. However, we will only use soft dollars to pay for expenses that would otherwise be borne by the Masters Funds and the Greenlight Entities.

Please see **Item 8** (Methods of Analysis, Investment Strategies and Risk of Loss), **Item 11** (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and **Item 12** (Brokerage Practices).

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics and Personal Trading**

We have adopted a code of ethics pursuant to Advisers Act Rule 204A-1. Our code of ethics requires full compliance with all applicable laws and regulations governing the provision of investment management services to our clients. In addition, our code of ethics highlights the fiduciary duty that we owe to our clients, including the affirmative duty to act in the best interests of our clients and to make full and fair disclosure of material facts. We expect each supervised person to act with integrity, competence, dignity, and in an ethical manner when dealing with the public, the Masters Funds, investors and prospective investors in the Masters Funds, service providers and fellow supervised persons. We also expect supervised persons to adhere to the highest standards with respect to any potential conflict of interest with clients.

Our code of ethics contains guidelines relating to personal trading by supervised persons (and certain of their immediate family members). Our supervised persons are not permitted to purchase or sell any security without the advance written approval of the Chief Compliance Officer. Supervised persons are permitted to make limited personal investments without the prior approval of the Chief Compliance Officer, such as investments in (a) obligations of the United States, (b) obligations of investment grade United States municipalities, (c) money market funds, money market accounts, certificates of deposit, demand deposits, time deposits and checking and savings accounts, (d) life insurance policies which do not provide the ability to select investments in which to invest premiums, and (e) personal residence(s) (excluding real estate investments made for the primary purpose of investment or rental).

Our code of ethics also requires supervised persons to provide us with certain securities holdings and periodic transaction reports, as required by Advisers Act Rule 204A-1.

Our code of ethics has specific provisions relating to identifying potential conflicts of interest. The provisions prohibit a supervised person from directing client transactions for the purpose of obtaining a personal benefit. They also generally prohibit personal business dealings with clients or investors without the prior approval of our Chief Compliance Officer. We have also adopted provisions relating to accepting offers of business gifts or business entertainment from third parties.

All violations of the code of ethics must be promptly reported to our Chief Compliance Officer, who is primarily responsible for administering our code of ethics. A violation of the code of ethics may result in the imposition of remedial action, including censure, fine, restriction on activities, suspension or termination of employment.

Clients may obtain, free of charge, a full copy of our code of ethics by contacting us at the following address:

Greenlight Masters, LLC  
140 East 45th Street, 24th Floor  
New York, New York 10017  
Attention: Chief Compliance Officer  
Telephone: 212-973-1900  
Facsimile: 212-973-9219  
Email: info@greenlightcapital.com

## **Participation in Client Transactions**

Other than investments in the Capital Funds, we and our related persons do not recommend to the Masters Funds, or buy or sell for the Masters Funds, securities in which we or our related persons have a material financial interest. Although our principals, employees and officers may buy and sell securities for their own account or the account of others, they may not buy securities from or sell securities to the Masters Funds.

For a further discussion of these and related items, see **Item 8** (Methods of Analysis, Investment Strategies and Risk of Loss), **Item 10** (Other Financial Industry Activities and Affiliations) and **Item 12** (Brokerage Practices).

## **Item 12. Brokerage Practices**

### **General**

The Masters Funds have appointed several prime brokers. The prime brokers maintain on deposit the Masters Funds' cash, securities, and other investments in brokerage accounts.

Purchases and sales of securities through brokers involve a commission to the broker. Purchases and sales of securities from dealers serving as market makers include the spread between the bid and the asked price.

In placing securities transactions with brokers, we seek to obtain best execution, which requires us to take into account the circumstances of each specific transaction. In selecting a broker for each specific transaction, we will use our best judgment to choose the broker most capable of providing "best execution". Brokers are selected on the basis of our evaluation of the overall value and quality of the services provided by the broker. No one factor controls our decision. In seeking the best price and execution quality, we consider not only the commission rate, spread or other compensation paid, but also the price at which the transaction is executed, bearing in mind that it may be in our clients' best interest to pay a higher commission, spread or other compensation in order to receive better execution.

Examples of some of the specific factors we generally consider when deciding which brokers to utilize when entering into security transactions include, but are not limited to:

- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);

- the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution;
- the financial strength, integrity and stability of the broker;
- the broker's risk in positioning a block of securities;
- the quality, comprehensiveness and frequency of available research or other services considered to be of value;
- the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria;
- the ability of the broker to appropriately handle our transactions and the ability to maintain confidentiality;
- a broker's willingness to enter into difficult transactions, including transactions in which the broker's capital is put at risk;
- the broker's expertise in effecting difficult trades in less liquid, smaller capitalized, and more closely held issues;
- the speed of execution on competing markets;
- access to underwritten offerings and secondary market trades;
- the broker's demonstrated ability to achieve the best net results on transactions in a particular sector or of a particular size; and
- the broker's ability to complete the transaction satisfactorily through to clearance, confirmation and delivery.

Our application and the importance of the specific criteria will vary depending upon the nature of the transaction, the asset class, the market in which it is effected, and the extent to which it is possible to select from among multiple brokers or dealers capable of effecting the transaction. When we use direct market access, we assess whether the execution venues included in our order execution policy provide for best execution. Where appropriate, we must also consider any regulatory requirements in the jurisdiction in which a transaction is to be conducted.

Subject to the foregoing, we are not prohibited from selecting a broker that has other business relationships with us; our affiliates; or the Masters Funds, the Capital Funds, the Dollar-Gold Funds, the accounts managed on behalf of Greenlight Re, and the other funds or accounts managed by us or our affiliates (collectively referred to as the “*Greenlight Entities*”); such as, but not limited to, prime brokerage arrangements, access to research services, referrals to prospective investors, underwriting commitments, investments in the broker, or access to lending facilities, provided that the broker also provides best execution.

We evaluate the execution arrangements of broker-dealers and other intermediaries through which we place trades. Further we monitor our compliance with our internal policies on trading and the use of soft dollars on at least a semi-annual basis. Our periodic reviews consider, among other things:

- the execution quality of broker-dealers or other intermediaries;
- the reasonableness of brokerage commissions and mark-ups and mark-downs in light of the brokerage and research services received;
- the relative benefit to clients of research paid for by soft dollars and the allocation of the cost of any “mixed use” research products; and
- the nature of research products paid for by soft dollars and their qualification for protection under Section 28(e) of the Securities Exchange Act of 1934.

In reviewing the selection or use of brokers, we consider any potential conflicts of interest, such as the occurrence of referrals or other business dealings between the broker-dealer and us or our principals.

### **Soft Dollars**

The Masters Funds are authorized to pay higher commissions to brokers than the minimum rates obtainable in the marketplace, or to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities. The Masters Funds will make these payments to brokerage firms that provide us with investment and research information (even though the research services may not be for the exclusive benefit of the Masters Funds) if we determine such commissions or prices are reasonable in relation to the overall services provided.

Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants or other information or services. We are not required to weigh these factors equally. Information so received is in addition to and not in lieu of services required to be performed by us, and our fee is not reduced as a consequence of the receipt of any supplemental research information. Research services provided by broker-dealers used by the Masters Funds may be utilized by us and our affiliates in connection with providing investment services for clients other than the Masters Funds. Also, research services provided by broker-dealers used for other clients may be utilized by us in performing services for the Masters Funds.

We have the option to use soft dollars generated by the Masters Funds to pay for the research related services described above or to have these paid directly by the Masters Funds. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act

of 1934 provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to such managers in the performance of investment decision-making responsibilities. The agreements we have with the Masters Funds permit us to use soft dollars for expenses that do not fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. However, we will not use soft dollars generated by the Masters Funds to pay for any goods or services outside of this safe harbor.

Section 28(e) of the Securities Exchange Act of 1934 allows us to use soft dollar credits generated by the securities transactions conducted on behalf of the Greenlight Entities to pay for expenses that we might otherwise have to pay ourselves. As a result, we will not have to pay these expenses directly. This may give us an incentive to select brokers or dealers for transactions of the Masters Funds, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by us rather than giving exclusive consideration to the interests of the Masters Funds. However, we only use soft dollars to pay for expenses that would otherwise be borne by the Masters Funds and the Greenlight Entities.

Any use of soft dollars requires approval of the Chief Compliance Officer. We generally seek to allocate soft dollar benefits pro rata among the Masters Funds and the Greenlight Entities.

Although we are authorized to allocate transactions to brokers who assist in the distribution of the Masters Funds’ interests, it is our policy not to do so. However, we are not prohibited from using the services of a broker-dealer that has made a referral of potential investors or with which we or our principals have other business dealings provided that the dealings are disclosed to the Chief Compliance Officer and the broker-dealer provides best execution. Subject to the foregoing, we may have an incentive to select or recommend a broker based on investor referrals, rather than just best execution.

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer, and we do not permit clients to direct brokerage.

### **Aggregation of Transactions**

We generally aggregate trades of our clients when consistent with the clients’ investment objectives and restrictions. If an aggregated order is not completely filled, shares purchased or sold will generally be allocated pro rata based on assets under management by clients participating in the aggregated transaction.

Our trade allocation policy seeks to allocate trades in a manner that treats clients fairly. From time to time, we may allocate trades and securities on a non-pro rata basis in order to rebalance portfolios and for other legal, regulatory, tax, accounting, business and practical reasons.

For a further discussion of these and related items, see **Item 8** (Methods of Analysis, Investment Strategies and Risk of Loss), **Item 10** (Other Financial Industry Activities and Affiliations) and **Item 11** (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading).



### **Item 13. Review of Accounts**

Generally, the Masters Funds are reviewed on a regular basis by our investment professionals, the Chief Financial Officer, Chief Operating Officer, and the Chief Compliance Officer. These reviews are designed to monitor and analyze transactions, positions and investment levels.

Investors in the Masters Funds are furnished with annual reports containing financial statements examined by the Masters Funds' independent auditors within 180 days after the end of each taxable year. Investors are also furnished with monthly reports reviewing the Masters Funds' performance for such quarter, a semi-annual investor letter and quarterly attribution information.

### **Item 14. Client Referrals and Other Compensation**

For a discussion of these and related items, see **Item 10** (Other Financial Industry Activities and Affiliations) and **Item 12** (Brokerage Practices).

### **Item 15. Custody**

We and our affiliates have custody of the assets of the Masters Funds. We do not use a qualified custodian to send quarterly account statements directly to the investors in the Masters Funds. The Masters Funds will distribute their annual audited financial statements to their investors within 180 days of their fiscal year-end.

We urge investors to carefully review the audited financial statements of the Masters Funds in which they are invested.

### **Item 16. Investment Discretion**

We and our affiliates have discretionary authority with respect to the investment decisions on behalf of the Masters Funds pursuant to the investment advisory agreements with the Masters Funds, or otherwise through the formation documents of the Masters Funds, as applicable. Investment decisions for the Masters Funds are made in accordance with the Masters Funds' investment objectives and guidelines.

For a further discussion of these and related items, see **Item 4** (Advisory Business) and **Item 10** (Other Financial Industry Activities and Affiliations).

### **Item 17. Voting Client Securities**

We have been delegated the authority and right to vote proxies received by the Masters Funds. We and our affiliates have adopted a proxy voting policy to ensure that we vote proxies to further the best interests of each client. We determine how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. We vote in a manner that we believe reasonably furthers the best interests of the Masters Funds and is consistent with our investment philosophy.

The major proxy-related issues generally fall within five categories: corporate governance, takeover defenses, compensation plans, capital structure and social responsibility. We will cast votes for these matters on a case-by-case basis. We will generally vote in favor of matters which follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices.

If a proxy vote creates a material conflict between our interests and the interests of the Masters Funds, we will resolve the conflict before voting the proxies. We will either disclose the conflict to the Masters Funds or take other steps designed to ensure that a decision to vote the proxy was based on our determination of the Masters Funds' best interest and was not the product of the conflict.

The Masters Funds cannot generally direct how we vote in a particular situation.

Clients may obtain, free of charge, a full copy of our proxy voting policies and procedures and/or a record of proxy votes by contacting us at the following address:

Greenlight Masters, LLC  
140 East 45th Street, 24th Floor  
New York, New York 10017  
Attention: Chief Compliance Officer  
Telephone: 212-973-1900  
Facsimile: 212-973-9219  
Email: [info@greenlightcapital.com](mailto:info@greenlightcapital.com)

**Item 18. Financial Information**

We do not require or solicit prepayment of fees six months or more in advance.

We are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

We have not been the subject of a bankruptcy petition at any time during the past ten years.

**Item 19. Requirements for State-Registered Advisers**

We are not registered with any State as an investment adviser.