

Grandmaster Capital Management LLC

Part 2A of Form ADV

Firm Brochure

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This brochure provides information about the qualifications and business practices of Grandmaster Capital Management LLC (“Grandmaster Capital”). Grandmaster Capital is registered with the United States Securities and Exchange Commission (“SEC”) as an investment adviser. That registration does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. If you have any questions about the contents of this brochure, please contact us at 415.230.2050.

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

Item 2 - Material Changes

Since our annual amendment of this brochure in March 2013, we have made the following material changes:

- Item 4: added certain disclosures regarding Grandmaster Capital's indirect minority owner; added disclosures regarding the possibility of forming new client accounts or other vehicles; updated Grandmaster Capital's regulatory assets under management.
- Item 5: added disclosures regarding early redemption charges for certain shares/interests in the Funds (as defined below).
- Item 6: added expanded disclosures regarding potential conflicts of interest.
- Item 8: added expanded disclosures regarding potential investment risks.
- Item 10: added certain disclosures regarding Grandmaster Capital's indirect minority owner; revised the disclosures to reflect the fact that, effective October 15, 2013, Grandmaster Capital no longer shares any employees with Clarium Capital Management, LLC.
- Item 11: updated the disclosures regarding Grandmaster Capital's Code of Ethics; added expanded disclosures regarding potential conflicts of interest.
- Item 12: updated the disclosures regarding Grandmaster Capital's brokerage and best execution policies and procedures.
- Item 13: updated the disclosures regarding account review procedures.
- Item 15: added expanded disclosures regarding custody arrangements.

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Item 4 - Advisory Business

Grandmaster Capital was formed as a Delaware limited liability company in 2010 by its managing member and majority owner Patrick Wolff. Peter A. Thiel is an indirect minority owner of Grandmaster Capital. Grandmaster Capital is the investment manager of Grandmaster Capital Fund, LLC, a Delaware limited liability company (the “US Fund”), Grandmaster Capital Fund Limited, a British Virgin Islands business company (the “Offshore Fund”) and Grandmaster Capital Fund, L.P., a British Virgin Islands international limited partnership (the “Master Fund”) and, together with the US Fund and the Offshore Fund, the “Funds”). The US Fund and the Offshore Fund are feeder funds that currently invest substantially all of their investable assets into the Master Fund. Grandmaster Capital is also the managing member of the US Fund, the general partner of the Master Fund and a director of the Offshore Fund. Grandmaster Capital also acts as the investment manager to one or more separately managed accounts (“SMAs”) and, together with the Funds, the “Client Accounts”).

Grandmaster Capital primarily provides discretionary investment advisory services to the Client Accounts with the goal of achieving attractive risk-adjusted total return by investing both long and short, primarily in equity securities and related derivative instruments. Grandmaster Capital tailors its advisory services by constructing portfolios that seek to meet the investment objectives, guidelines and other terms of each particular Client Account it manages. Grandmaster Capital generally manages the Client Accounts by following a strategy succinctly defined as “macro-informed long/short equity.” The primary strategy will be to take long and short positions in publicly traded equity and related securities. See “Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss” below for more detail.

Grandmaster Capital generally has complete discretion over investment decisions for the Client Accounts. Investors in the Funds generally have no authority to change a Fund’s investment objectives or limitations. Investors in the Funds generally have no right to remove or replace Grandmaster Capital.

Grandmaster Capital may in the future organize other investment funds, including feeder funds or parallel funds for the Funds or personnel of Grandmaster Capital, or manage investment funds or separately managed accounts that may either co-invest with the Funds or follow an investment program similar to or different from the Funds’ program. Grandmaster Capital may also establish special purpose vehicles or subsidiaries and it or the Client Accounts may invest in or act through such special purpose vehicles or subsidiaries.

Grandmaster Capital does not participate in wrap fee programs.

As of February 28, 2014, Grandmaster Capital managed approximately \$317,300,000 of regulatory assets on a discretionary basis. Grandmaster Capital does not currently provide non-discretionary investment advice.

Item 5 - Fees and Compensation

Funds. Grandmaster Capital generally receives an annual asset-based “management fee” from the Master Fund (generally between 1% and 2% *per annum* of the value of portfolio assets under management, depending upon the class of share or interest held by an investor), which is deducted from the Master Fund’s account and is paid to Grandmaster Capital. The management fee is generally calculated and paid monthly in advance based on the value of the Master Fund’s assets as of the beginning of the relevant calendar month. If the Master Fund terminates Grandmaster Capital’s services or if an investor redeems some or all of its shares from the US Fund or the Offshore Fund intra-month, Grandmaster Capital will refund the unearned portion of the management fee it received in advance from the Master Fund, which will be calculated based on the number of days remaining in such month.

In addition, Grandmaster Capital is entitled to a special allocation of profits experienced by the Master Fund (also referred to as an “incentive allocation”). The incentive allocation is calculated and deducted from the Master Fund’s account annually, generally (depending upon the class of share or interest held by an investor) in an amount equal to between 15% and 20% of the profits (realized and unrealized), if any, from the performance of the Master Fund. Payment of the incentive allocation is subject to a “high water mark” (i.e., paid only after losses, if any, have been recovered). The incentive allocation is generally calculated and made as of each December 31 and as of the date of any withdrawal from the Master Fund, but only in proportion to such withdrawal.

Certain classes of Fund shares/interests are also subject to a redemption charge if they are redeemed within a specified time following an investor’s investment.

Separate Accounts. Grandmaster Capital generally receives an annual asset based fee and a performance-based incentive fee from SMAs. Compensation by SMAs will generally be determined based on a client’s needs and any applicable portfolio restrictions. All SMA fees and account minimums are generally negotiable. Separate account fees will be deducted from the client’s account or billed in accordance with the specific arrangement with the client, and a client may be required to pay such fees in advance (subject to refund of unearned portions following redemption or termination).

General. In addition to Grandmaster Capital’s management fee and incentive allocation/fee, Client Accounts also generally bear all expenses incurred in connection with their operation and administration. These expenses generally include, without limitation, research expenses; brokerage commissions; interest on margin and other borrowings; borrowing charges on securities sold short; custodial fees; accounting and audit fees and expenses; legal fees and costs of litigation; tax preparation fees; governmental fees and taxes; bookkeeping and other professional fees; costs of reporting; costs of Client Account governance activities; expenses and costs of dissolving, winding-up and liquidating the applicable Client Account; and all other costs, expenses and liabilities that, in the good faith judgment of Grandmaster Capital, are incurred in connection with the operation or business of the Client Account.

Details on management fees and performance allocations for the Funds are set forth in the Funds’ offering memoranda and organizational documents. Although Grandmaster Capital has entered into

agreements with the Funds providing for such fees and allocations, these fees and allocations are negotiable and may be reduced or waived with respect to all or some Funds or investors, including with respect to investors that are employees of, or affiliated with, Grandmaster Capital. In addition, Grandmaster Capital may negotiate alternative fees or allocations on a client-by-client basis with other funds or separate account clients that it manages in the future. Different client facts and circumstances will be considered in determining such fees or allocations, including the client's investment strategy, assets under management, account composition, reporting requirements, economies of scale, if any, and any other factors Grandmaster Capital deems relevant. All such fees will be set forth in agreements with such clients.

Client Accounts will incur brokerage and other transaction costs. Grandmaster Capital may also receive economic benefit through Client Accounts' "soft dollar" arrangements with brokers, dealers and other counterparties. Please see "Brokerage Practices" in Item 12 below for further information on brokerage practices and arrangements that may relieve Grandmaster Capital from certain costs and expenses.

Grandmaster Capital and its supervised persons do not accept commissions or other compensation for the sale of securities or other investment products.

Item 6 - Performance Based Fees and Side-by-Side Management

As discussed above under "Fees and Compensation," Grandmaster Capital has the right to receive an incentive allocation or an incentive fee and a management fee from each Client Account. Grandmaster Capital currently does not have any Client Accounts that do not pay an incentive fee or incentive allocation, although it may do so in the future and may at any time, now or in the future, agree to waive or reduce any fees or allocations for any clients or investors in its discretion. The payment by some, but not all, clients/investors of performance fees and performance allocations or the payment of performance fees and performance allocations at varying rates may create an incentive for Grandmaster Capital to allocate disproportionately time, services, functions or investment opportunities to clients/investors paying performance fees or performance allocations or clients/investors paying performance fees or performance allocations at a higher rate. Generally, and except as may be otherwise set forth in the organizational documents of the Funds, this conflict is currently mitigated by policies and procedures of Grandmaster Capital, including that Grandmaster Capital generally allocates transactions in which more than one Client Account is eligible to participate pro rata among such Client Accounts. Please also see Item 12 below regarding trade aggregation, as well as Item 11 below for additional information relating to how conflicts of interests are generally addressed by Grandmaster Capital.

Item 7 - Types of Clients

Grandmaster Capital's current clients are the Client Accounts. See "Advisory Business" above. Potential Fund investors may read the eligibility criteria and minimum investment requirements specific to the US Fund and the Offshore Fund in the relevant confidential offering memorandum and subscription application. The Funds generally require a minimum initial investment of \$1,000,000, subject to waiver in Grandmaster Capital's discretion.

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

The investment objective of the US Fund and the Offshore Fund is to maximize total return. The US Fund and the Offshore Fund currently seek to accomplish this investment objective by investing substantially all of their investable assets into the Master Fund. The Master Fund's investment objective is to achieve a high risk-adjusted total return by investing both long and short, primarily in equity securities and related derivative instruments. The SMAs generally follow the same or similar investment strategies to the Master Fund.

Each Client Account generally has complete flexibility to invest in a wide range of investments including, but not limited to, listed equity securities, listed debt securities (which may be related or unrelated to the equity securities), other collective investment schemes, currencies, commodities and options, futures, warrants, and other derivative instruments. Derivatives instruments may be exchange-traded or over-the-counter. Client Accounts may invest in derivatives for investment or hedging purposes.

The strategy utilized for the Client Accounts is succinctly defined as "macro-informed long/short equity." The primary strategy will be to take long and short positions in publicly traded equity and related securities. Grandmaster Capital may focus on the United States markets, but may take positions in securities listed around the world as opportunities arise. Grandmaster Capital believes that traditional bottom-up analysis benefits greatly from a sophisticated understanding of the macro, and will therefore employ both bottom-up and top-down fundamental analysis in security selection and trading. At times, Grandmaster Capital may uncover opportunities that are best expressed using instruments other than publicly listed equities; to capitalize on such opportunities, a Client Account may take positions using, for example, exchange-traded futures or relatively "plain vanilla" swaps, forwards or options.

The Client Accounts may borrow money and employ leverage in connection with their investment strategies and, in certain circumstances, to pay for Client Account expenses. While leverage presents opportunities for increasing a Client Account's total return, it has the effect of potentially increasing losses as well. Investors should fully understand the risks associated with the use of leverage before investing with Grandmaster Capital.

Grandmaster Capital may, from time to time and under circumstances it deems necessary or appropriate, attempt to hedge certain risks of the Client Accounts' portfolios. Such periodic hedging activity may be directed to some or all of the aggregate portfolio risks or specific risks within the Client Accounts' portfolios. In connection with effecting such risk management, a Client Account may purchase, sell, or sell short securities, indices, derivatives or other financial instruments. Grandmaster Capital is under no obligation to effect any such risk management.

The above description is a simplified summary of the strategies Grandmaster Capital employs with respect to Client Accounts. Fund investors and prospective investors can find further detail about the strategies in the relevant confidential offering memorandum, and should only make an investment decision after careful review of all those details and the risks relevant to a strategy.

There can be no assurance that the Client Accounts will achieve their investment objectives. All investing involves a risk of loss and investors should be prepared to bear losses on their investments in the Client Accounts. Past results are not necessarily indicative of future results.

Below is a summary of certain material risks involved with the investment strategies Grandmaster Capital employs with respect to the Client Accounts.

Investment Risks

Not a Complete Investment Program. Each Client Account may be deemed to be a speculative investment and is not intended to be a complete investment program. Each Client Account is designed only for sophisticated and experienced investors who are able to bear the risk of loss of their entire investment.

Overall Investment Risk. All securities investments involve a substantial risk of loss of all or a substantial portion of capital. The nature of the securities to be purchased and traded by each Client Account and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. There can be no assurance that a Client Account will not incur losses, and investors must be prepared to bear the risk of loss of their entire investment in a Client Account.

Economic Conditions. Many unforeseeable events, including without limitation, actions by various government agencies and domestic and international political events, may cause sharp market fluctuations. Changes in economic conditions, including without limitation, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of a Client Account. None of these conditions is within the control of Grandmaster Capital and no assurances can be given that Grandmaster Capital will anticipate any of these developments.

Informational Risk. Grandmaster Capital selects investments for the Client Accounts in part on the basis of information and data filed by the issuers of securities with various government agencies or made directly available to Grandmaster Capital by the issuers of securities or through sources other than the issuers. Grandmaster Capital is 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 readily available.

Equity Securities. The equity and equity-linked securities in which each Client Account invests will be subject to general movements in the stock market and the value fluctuations of industries represented in those markets and each particular issuer's stock. These movements and fluctuations may be, and often are, rapid and unpredictable. Equity security prices may fluctuate for many reasons, including changes in the financial or competitive condition of a particular issuer, investors' perceptions of the issuer's industry or related industries, the general condition of the relevant stock market, changes in interest rates, or when political or economic events affecting the issuers occur. Equity securities generally have greater price volatility than fixed income securities.

Debt Securities. A Client Account may invest in debt or other fixed income securities. These securities are generally bonds or other debt instruments issuers use as a means of borrowing money. The issuer generally pays the investor a fixed, variable or floating rate of interest and, at the maturity of the instrument, must repay the amount borrowed. Some debt securities (e.g., zero coupon bonds) do not pay current interest, but are sold at a discount to their face values. Debt securities have varying levels of sensitivity to changes in interest rates and varying degrees of credit quality. Assuming other factors remain constant (e.g., the credit worthiness of the issuer), bond values generally rise (increase in value) when interest rates fall and fall (decrease in value) when interest rates rise.

Convertible Securities. A Client Account may invest in convertible securities, including convertible bonds, convertible preferred stocks and other fixed income instruments that have conversion features. Convertible securities and preferred stock combine the fixed income characteristics of bonds with some of the potential for capital appreciation of equities, and thus may be subject to greater risk than pure fixed income instruments. Unlike bonds, some preferred stocks and some convertible securities do not have a fixed par value at maturity, and in this respect may be considered riskier than bonds.

Convertible debt securities and preferred stocks may depreciate in value if the market value of the underlying equity security declines or if rates of interest increase. In addition, although debt securities are liabilities of a corporation which the corporation is generally obligated to repay at a specified time, debt securities, particularly convertible debt securities, are often subordinated to the claims of some or all of the other creditors of the corporation.

Investments in Investment Companies and Other Collective Investment Vehicles. A Client Account may invest in open-end and closed-end registered investment vehicles, exchange-traded funds and other collective investment vehicles ("Pooled Investment Vehicles"). Any such investments are generally subject to the risks described herein based on the securities and other assets held by such vehicles, and such investments will also increase the fees and expenses payable by the Client Account, since such investment vehicles also generally bear fees and expenses, including any asset-based or performance-based compensation, in connection with their operations and investment activities in addition to the fees and expenses borne directly by the Client Account.

Currencies. If a Client Account invests directly in non-U.S. currencies or in securities that trade in, and receive revenues in, non-U.S. currencies, or in derivatives that provide exposure to non-U.S. currencies, it will be subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, a Client Account's investments in non-U.S. currency-denominated securities may reduce the returns of a Client Account.

Disruption Events. Grandmaster Capital's ability to perform its obligations to the Client Accounts may be materially and adversely affected by certain disruption events beyond the control of Grandmaster Capital (each, a "Disruption Event"). The following are examples of possible Disruption Events, but is not intended to be an exhaustive list of all Disruption Events that may occur:

- A suspension, absence or material limitation of trading in the assets, or option contracts or other instruments relating to the assets, of a Client Account in their primary market;
- The assets of the Client Account cease to or do not trade on the primary market for such assets for any reason;
- The inability of or any other failure by any third party service provider retained by the Client Account to deliver any information (whether financial or otherwise) necessary for Grandmaster Capital to perform its obligations to the Client Account;
- Any failure of the computer systems or technology platform used by Grandmaster Capital to perform its obligations; or
- Any disruptive event such as disruptions of electrical power, computer virus infections, general software or hardware failures, severe weather, natural disasters, terrorist activities, wars or any similar events that are beyond the reasonable control of Grandmaster Capital.

Money Market Instruments. Investment of all or a significant portion of a Client Account's assets in money market instruments could prevent the Client Account from achieving its investment objective. Money market instruments, like all debt securities, face the risk that the securities will decline in value because of changes in interest rates. The current prolonged low interest rate environment has pressured returns on money market mutual funds. There has been some concern about money market mutual funds "breaking the buck," a situation in which the net asset value of a money market mutual fund falls below U.S. \$1 per share. Breaking the buck can occur if some of the money market mutual fund's investments experienced significant losses, or if the fund's investment income declined below operating expenses. Should a Client Account make investments in money market mutual funds that break the buck, the Client Account would experience losses on such investments.

Portfolio Turnover. Certain of each Client Account's investment techniques may: (i) produce higher than normal portfolio turnover, which would generate additional brokerage commissions and expenses for the Client Account; (ii) act to reduce the Client Account's investment gains, or create a loss for investors in the Client Account; and (iii) result in taxable costs for investors depending on the tax provisions applicable to such investors. The amount of portfolio activity will not be a limiting factor when making portfolio decisions. The transaction costs associated with a high level of trading will be borne by the relevant Client Accounts regardless of the profitability of such trading.

Non-Diversification and Concentration. Grandmaster Capital generally has the power, consistent with the Client Accounts' investment objectives and policies, to concentrate investments among a limited number of issuers and/or types of securities if Grandmaster Capital determines that this is appropriate. Concentration of investments in a limited number of issuers and/or securities would expose a Client Account to a greater degree of investment risk than if its investments were less concentrated in a limited number of issuers and/or securities.

Short Selling. A Client Account may sell securities short as a regular part of its investing activities. In a short sale, the Client Account sells securities it does not own, in the hope that the market price will decline and that the Client Account will be able to buy replacement securities later at a lower price. To accomplish this, the Client Account borrows the securities from a broker or other third party. It “closes” the position by “returning” the security (buying a replacement security on behalf of the lender). The obligation to replace the borrowed securities does not typically have a specified “maturity” date and the lender generally may require replacement of the securities whenever it chooses. A short sale involves the risk of unlimited loss: the price at which a Client Account must buy “replacement” securities could increase without limit. As collateral for its replacement obligation, a Client Account is generally required to leave the proceeds of its short sales with the broker that effected the transactions, and deliver an additional amount of cash or other collateral upon the lender’s request if the amount of the Client Account’s liability increases due to increases in a security’s price or decreases in the value of the existing collateral. The lenders for a Client Account’s short sales will ordinarily be its Prime Brokers and, ordinarily, all of the Client Account’s assets will serve as collateral. Therefore, if the value of those assets were to become inadequate to secure a Client Account’s obligations under its short positions, it is unlikely that the Client Account would be able to provide additional collateral. If that were to occur, the Prime Brokers would likely cause the Client Account to “buy in” or “close” some or all of its short positions, likely at a time and on terms that are adverse to the Client Account. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase. There can be no assurance that a Client Account will not experience losses on short positions or that it will have long positions that appreciate in value enough to offset any such losses.

Several jurisdictions in which the Client Accounts may trade have adopted reporting rules for short sales and short positions. If a Client Account’s short positions or its strategy becomes generally known, Grandmaster Capital’s ability to implement the strategy could be adversely affected. In particular, it would make it more likely that other investors could cause a “short squeeze” in the securities sold short by the Client Account, forcing it to cover its positions at a loss. In addition, if other investors engaged in copycat behavior by taking positions in the same issuers as the Client Account, the cost of borrowing securities to sell short could increase significantly, and the availability of such securities to the Client Account could decrease significantly. Such events could make the Client Account unable to execute its investment strategy. The SEC and regulatory authorities in other jurisdictions have also adopted bans on short sales of certain securities in response to recent market events. As of the date of this brochure, the ban imposed by the SEC has expired, but bans in certain other jurisdictions may remain in effect. However, the SEC and other authorities may adopt further bans on short sales of certain securities in the future. Bans on short selling may make it impossible for a Client Account to execute certain investment strategies and may have a material adverse effect on the Client Account’s ability to achieve its investment objective.

Interest Rate Risk. The value of the debt securities (and related investments) in a Client Account’s portfolio may fluctuate with changes in interest rates. When interest rates rise, prices of debt securities generally fall, and when interest rates fall, debt securities generally increase in price. Usually the prices of debt securities that must be repaid over longer time periods fluctuate more than the prices of shorter-term debt securities.

Default Risk; Credit Risk. A Client Account's performance could be adversely affected if issuers of debt instruments in which the Client Account has an interest (or as to which it has entered into credit-related derivatives contracts) default on those instruments (either through payment default or other events that constitute a default as defined in the relevant agreements) or if events occur that reduce the creditworthiness of those issuers. If a bond or other debt instrument were to become subject to such an event, the value of the instrument could be significantly reduced, conceivably to zero.

Leverage. The Client Accounts are authorized to borrow from banks and other financial institutions in order to employ investment leverage. Loans may be secured by assets of a Client Account pledged to lenders. Leveraging by means of borrowing will exaggerate the effect of any increase or decrease in the value of the assets of the Client Account, and money borrowed will be subject to interest and other costs (which may include commitment fees and/or the cost of maintaining minimum average balances), which may or may not exceed the income received from the instruments purchased with borrowed funds. Similarly, certain investment strategies involving the use of derivatives may have the effect of creating a leveraged transaction. Leverage will significantly increase the risk of an investment in a Client Account.

Any use by a Client Account of short-term margin borrowings will result in certain additional risks. For example, the securities pledged to brokers to secure the Client Account's margin accounts could be subject to a "margin call," pursuant to which the Client Account would be required either to deposit additional funds with the broker or to suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of a Client Account's assets accompanied by corresponding margin calls could force the Client Account to liquidate assets quickly, and not for fair value, in order to pay off margin debt. In some circumstances, the broker-dealer from which a Client Account has borrowed the money may have the right to liquidate collateral and/or terminate the Client Account's brokerage and related legal agreements with little or no notice.

Limited Liquidity of Some Investments. A Client Account may invest in securities that, at the time they are acquired, may not be immediately resold by the Client Account, or that may become illiquid after purchase by the Client Account. These may include restricted stock as to which the Client Account has registration rights and warrants as to which it does not (although the Client Account may have registration rights as to the underlying stock). A Client Account also may own securities that, while not subject to resale restrictions, are relatively illiquid, e.g., because the security is thinly traded. A Client Account may own securities that are relatively liquid when acquired but that become illiquid after it invests. A Client Account may not be able to liquidate illiquid securities positions if the need were to arise: rapid sales of illiquid securities could depress their market value, reducing the Client Account's profits, or increasing its losses, in the positions.

Small Capitalization Securities. A Client Account may invest (either directly or through derivative securities) in the securities of companies with relatively small market capitalization. These securities can involve higher risks in some respects than investments in larger companies. For example, prices of small-capitalization and even some medium-capitalization stocks are often more volatile than prices of large-capitalization stocks. The risk of bankruptcy or insolvency of many smaller companies

(with the attendant losses to investors) is higher than for larger, “blue-chip” companies. Some small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Changes in Investment Strategy. Each Client Account’s Investment Management Agreement generally gives Grandmaster Capital broad discretion to expand, contract or otherwise change the Client Account’s investment activities. Thus, the Client Account investment strategies described elsewhere herein may be altered without prior approval by, or notice to, the underlying investors. Any such change could result in the exposure of the Client Account’s capital to additional risks, which may be substantial.

New Issues. Some Client Accounts may invest in restricted new issues. Investors in a Client Account who are restricted persons under FINRA Rule 5130 or covered persons under FINRA Rule 5131 will not be allocated profits or losses (if any), or may be allocated a lesser amount than they otherwise would be, from restricted new issues in which the Client Account may invest. An investor who is a restricted person or a covered person may, therefore, experience lower returns than those experienced by investors who are not either restricted persons or covered persons. Any investor who does not, in the view of Grandmaster Capital, provide information sufficient to show that it is not restricted/covered, will be presumed to be restricted/covered.

Institutional Risk and Custodial Risks. The institutions, including brokerage firms and banks, with which Client Accounts do business, or to which securities have been entrusted for custodial and prime brokerage purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of the Client Accounts. Brokers may trade with an exchange as a principal on behalf of a Client Account, in a “debtor-creditor” relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could have title to all of the assets of a Client Account. In the event of such broker’s insolvency, the transactions which the broker entered into as principal could default and the Client Account’s assets could become part of the insolvent broker’s estate, to the detriment of the Client Account. In this regard, Client Account assets may be held in “street name” such that a default by the broker may cause a Client Account’s rights to be limited to those of an unsecured creditor.

Risks of Derivative Instruments

General. A Client Account may trade and invest in a variety of derivative instruments as part of its core activity. Derivatives transactions may be part of a hedging strategy or may be undertaken as an independent source of profits. Derivatives are financial instruments or arrangements, the risk and return of which are related to changes in reference rates, indices or the value of securities or other assets. They can provide a form of “leverage” in that they permit a Client Account to speculate on fluctuations in the reference rates, indices or prices of securities or other assets while investing only a small percentage of the value of those assets. Trading and investing in derivatives can be highly

speculative and can entail risks that are greater than the risks of investing directly in securities or other assets. Prices of equity derivatives are generally more volatile than indices, rates or asset prices on which they are based. A change in the rates or indices or a change in the market price of assets underlying a derivative will cause a much greater relative change in the price of the derivative. A Client Account's ability to profit or avoid risk through trading or investing in derivatives will depend largely on Grandmaster Capital's ability to anticipate changes in the underlying reference rates, indices or asset prices.

A Client Account may enter into "over-the-counter" derivatives transactions—derivatives contracts, such as "swaps" and specially tailored options that are not traded on any exchange and are not issued by clearinghouses such as the Options Clearing Corporation. The instruments or interests underlying these derivatives may include individual securities, securities indices, interest rates, commodities or commodities indices. A Client Account may be less able to dispose of or close open positions created through over-the-counter transactions than positions created with exchange-traded options or futures. Further, the risk of nonperformance by the counterparty in over-the-counter transactions is greater than with standardized contracts issued by, for example, the Options Clearing Corporation.

Use of Options. Among the derivatives in which a Client Account may invest or trade are options on specific securities and options on securities indices. A Client Account may buy or sell (write) both call options and put options, and, when it writes an option, it may do so on a "covered" or an "uncovered" basis. A Client Account's options transactions may be part of a hedging tactic (i.e., offsetting the risk involved in another securities position), a form of leverage in which the Client Account has the right to benefit from price movements in a large number of securities or other assets with a small commitment of capital, or an attempt to obtain profits through premiums received on options the Client Account writes. These activities involve risks that may be substantial. In general, the fundamental risks involved in options trading can be described as follows. For the most part, these descriptions do not take into account other positions or transactions into which a Client Account may enter. Combinations of options positions, or combinations of options positions with positions in stocks or other securities, can mitigate or increase the risks inherent in each component option position.

When a Client Account buys a call option, it will pay a premium for the right to buy a security at a specified exercise price through a specified expiration date. If, at the expiration date, the market price of the underlying security is equal to or lower than the exercise price, the option will expire worthless and the Client Account will lose its entire investment in the option (the premium plus commissions). When a Client Account buys a put option, it will pay a premium for the right to sell a security at a specified exercise price through a specified expiration date. If at expiration the market price of the underlying security is equal to or higher than the exercise price, the option will expire worthless and the Client Account will lose its investment.

When a Client Account sells (writes) an option, the risk can be substantially greater than when it buys one. When it sells a call option, it will receive a premium and grant the option's buyer the right to buy the underlying security from the Client Account at a specified exercise price. If the market price of the underlying security does not increase above the exercise price, the premium the Client Account receives will represent a profit. However, if the market price does increase above the exercise price,

the Client Account will lose the amount of the difference (less the premium it received when it sold the option). This risk is potentially unlimited (similar to the risk of selling a security short) in that the price of the underlying security could increase without limit. When a Client Account sells a put option, and grants the holder the right to force the Client Account to buy the underlying security at the exercise price, it will bear the risk of a decline in the price of the underlying security below the exercise price. Thus, if the underlying security were to become valueless, the Client Account could lose an amount equal to the entire aggregate exercise price of the option (minus the premium the Client Account received when it sold the put). A Client Account can limit its risks in writing options by writing them on a “covered” basis—e.g., owning securities of the same class and in the same amount as the securities underlying a call option it writes, or having a short position in the securities underlying a put option it writes. Although covering reduces the risks of selling options, as with all hedging strategies, it can involve transaction costs and may inherently limit the potential for profit from the option position.

Forward Trading. A Client Account may trade in forward contracts. Unlike exchange-traded future contracts and options on futures, forward contracts are not regulated by the Commodity Futures Trading Commission (“CFTC”) and accordingly a Client Account will not receive any benefit of CFTC regulation of these trading activities. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to a Client Account for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current contract price and the value of those commitments at the forward contract price. At times, certain market makers have refused to quote prices for forward contracts, or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and sell. Should this occur, a Client Account could experience significant losses.

Foreign Currency Forward Contracts. Foreign currency forward contracts (agreements to exchange one currency for another at a future date) involve a risk of loss if Grandmaster Capital fails to predict accurately the direction of currency exchange rates. For example, a Client Account may experience a loss if it increases its exposure to a foreign currency and that currency’s value in relation to the U.S. dollar subsequently falls. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to a Client Account for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

Swap Agreements. A Client Account may enter into swap agreements (“swaps”) as part of its investment program. Swaps are individually negotiated and structured agreements through which a Client Account may obtain exposure to particular investment positions or market factors. Swaps may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, swaps can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Depending on their structure, swap agreements may increase or decrease a Client Account’s exposure to equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing rates or other factors. Swap agreements can take many different forms and are known by a variety of names. A Client Account is not limited to any

particular form of swap agreement if consistent with the Client Account's investment objective and policies.

Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Client Account's portfolio. The most significant factor in the performance of swap agreements is the change in the individual equity values, specific interest rate, currency or other factors that determine the amounts of payments due to and from the Client Account. If a swap agreement calls for payments by a Client Account, the Client Account must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses for the Client Account.

Risks of Futures Activities. A Client Account may trade commodities and/or commodity interests (e.g., futures contracts on commodities, securities indices or currencies). As with some other derivatives, futures trading can provide a form of leverage, allowing a Client Account to participate in market price fluctuations of securities indices or commodity interests underlying futures (or options on futures), while investing only a small percentage of the value of those underlying securities indices or commodity interests. Trading in futures can be highly speculative and may entail risks that are greater than investing in securities. Some of those risks include the following:

- Prices of commodity interests may be more volatile than prices of securities.
- The leverage aspects of futures trading can increase the risks involved in a particular activity as well as the potential return. A Client Account may open a futures position by placing with a futures commission merchant an initial margin that is small relative to the value of the futures contract. If the market moves against the Client Account's position or margin requirements are increased, the Client Account may be required to pay substantial additional funds on short notice to maintain its position. If a Client Account were to fail to make those payments, its position could be liquidated at a loss, and the Client Account would be liable for any resulting deficit in its account.
- Futures positions may be illiquid. They may be closed out only on the exchange on which they were entered into or through a linked exchange. Most commodity exchanges limit fluctuations in certain futures contract prices during a single day. Once the price for a particular contract has increased or decreased by an amount equal to the "daily limit," positions can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a Client Account from liquidating unfavorable positions and subject it to substantial losses. In addition, a Client Account may not be able to effect futures contract trades at favorable prices if trading volume in those contracts is low.

Non-U.S. Derivatives. A Client Account's futures and options activities may include futures and options traded in non-U.S. markets. The risks of these activities may be greater than those of trading in futures and options on U.S. exchanges. For example, non-U.S. futures and options are cleared on and subject to the rules of a non-U.S. board of trade. Neither the CFTC nor the National Futures Association regulates activities of any non-U.S. board of trade, including execution, delivery and clearing of transactions. Moreover, these agencies have no enforcement authority over non-U.S. boards of trade. In addition, funds provided for non-U.S. futures and options may not be provided the same protections as funds received in respect of United States transactions.

Counterparty and Settlement Risk. To the extent a Client Account enters into over-the-counter derivative contracts or transactions (i.e., transactions in options or other derivatives that are not cleared through the facilities of an exchange or clearing organization such as the Options Clearing Corporation), it may be exposed to the risk of default by its counterparty or to settlement difficulties. This risk may be materially greater than default or settlement risks involved in standardized and exchange-traded transactions. The latter are generally backed by clearing organizations' guarantees, are generally marked to market daily, and intermediaries are generally subject to settlement and segregation and minimum capital requirements. Transactions directly with a counterparty generally do not benefit from those protections and expose each party to a greater risk of the other's default. Although a broker or dealer or other counterparty may collateralize its obligations to a Client Account by segregating its assets and identifying them on its records as assets of the Client Account, those or similar arrangements may not always be adequate to protect the Client Account if the counterparty were to become insolvent and, even if they are, the Client Account could expect delays in receiving the benefit of the derivative or other contract.

Leverage Risk. Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

Other Risks. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular privately negotiated derivatives, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to a Client Account. Furthermore, derivatives do not always perfectly or even highly correlate or track the value of the assets, rates or indices they are designed to closely track. Consequently, a Client Account's use of derivatives may not always be an effective means of, and sometimes could be counterproductive to, furthering the Client Account's investment objective.

Regulatory Risk. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), enacted in July 2010, established a new regulatory structure for derivatives. The new legislation includes provisions for new regulation of the derivatives markets, including new clearing, margin reporting and registration requirements. Because the legislation leaves much to rule making, its ultimate impact remains unclear. The regulatory changes could, among other things, restrict a Client Account's ability to engage in derivatives transactions (including because certain types of derivatives transactions may no longer be available to the Client Account) and/or increase the costs of such derivatives transactions (including through increased margin requirements), and a Client Account may be unable to execute its investment strategy as a result. Additionally, the new requirements may result in increased uncertainty about counterparty credit risk. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

Risks of Non-U.S. Markets

General. Investment in non-U.S. issuers or securities principally traded overseas may involve certain special risks due to non-U.S. economic, political and legal developments, including without limitation, favorable or unfavorable changes in currency exchange rates, exchange control regulations (such as currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than U.S. issuers. The laws of some countries may limit a Client Account's ability to invest in securities of certain issuers located in these countries. There also are special tax considerations that apply to securities of non-U.S. issuers and securities principally traded overseas.

Characteristics of Non-U.S. Securities Markets. Many non-U.S. stock markets are not as developed or efficient as those in the United States and may be more volatile than the U.S. markets. There is generally less government supervision and regulation of non-U.S. exchanges, brokers and listed companies than in the United States. Further, trading volumes in non-U.S. markets are usually lower than in U.S. markets, resulting in reduced liquidity and potentially rapid and erratic price fluctuations. Protections in the case of clearly erroneous trades may not be as extensive as those provided by U.S. securities markets. Commissions for trades on non-U.S. stock exchanges are generally higher than negotiated commissions on U.S. exchanges and custody expenses are generally higher as well. Settlement practices for transactions in non-U.S. markets may involve delays beyond periods customary in the United States, possibly requiring a Client Account to borrow funds or securities to satisfy its obligations arising out of other transactions. In addition, there could be more "failed settlements," which can result in losses to a Client Account.

Currency Fluctuations; Interest Rate Fluctuations. As the functional currency of the Client Accounts is the U.S. dollar, a Client Account's investments in non-U.S. securities that are denominated or quoted in currencies other than the U.S. dollar may be significantly affected, either positively or negatively, by fluctuations in the relative currency exchange rates and by exchange control regulations. To the extent a Client Account seeks to hedge its currency exposure, it may not always be practicable to do so. Moreover, hedging may not alleviate all currency risks. Furthermore, a Client Account may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a Client Account at one rate, while offering a lesser rate of exchange should the Client Account desire immediately to resell that currency to the dealer. Client Accounts conduct their currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into a number of different types of hedging transactions including, without limitation, forward, futures or commodity options contracts to purchase or sell currencies, and entering into currency borrowings.

To the extent a Client Account enters into currency forward contracts (agreements to exchange one currency for another at a future date), these contracts involve a risk of loss if Grandmaster Capital fails to predict accurately the direction of currency exchange rates. In addition, forward contracts are

not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to a Client Account for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time Grandmaster Capital wishes to use them or will be able to be liquidated when Grandmaster Capital wishes to do so. In addition, Grandmaster Capital may choose not to enter into hedging transactions with respect to some or all of each Client Account's positions.

Emerging Markets. The risks of investments in non-U.S. markets described above apply to an even greater extent to investments in emerging markets. The securities markets of emerging market countries are generally smaller, less developed, less liquid, and more volatile than the securities markets of the U.S. and other developed markets. Disclosure and regulatory standards in many respects are less stringent than in the U.S. and other developed markets. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations may be inconsistent and subject to change without warning. In addition, custodial services and other costs relating to investments may be more expensive in emerging markets than in many developed markets, which could reduce a Client Account's income from such investments. In many cases, governments of emerging market countries continue to exercise significant control over their economies, and government actions relative to the economy, as well as economic developments generally, may adversely affect the liquidity and price of securities, regardless of the issuer's financial condition. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest or dividend payments, or other similar developments that could affect investments in those countries. There can be no assurance that adverse political changes will not cause a Client Account to suffer a loss of any or all of its investments.

The above description is not a complete list of risks involved with investing in a Client Account. In the case of the Funds, specific risks and conflicts of interest associated with an investment in the Funds are described in detail in the relevant confidential offering memoranda. Investors and prospective investors in the Funds should carefully review the relevant confidential offering memoranda for further information.

Item 9 - Disciplinary Information

Grandmaster Capital has had no reportable material legal or disciplinary events.

Item 10 - Other Financial Industry Activities and Affiliations

Grandmaster Capital and its management persons are not registered (and do not have any application pending to register) as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing entities. While, due to Peter A. Thiel's indirect minority interest in Grandmaster Capital, Grandmaster Capital is a related person of certain advisers, broker-dealers, pooled investment vehicles, sponsors or syndicators of limited partnerships, and certain other

financial services companies, Grandmaster Capital does not have any relationship or arrangement with any such persons that is material to its advisory business or to the Client Accounts. Grandmaster Capital does not recommend or select for its clients other investment advisers.

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

Code of Ethics. Grandmaster Capital has adopted a code of ethics (the “Code of Ethics”) that describes the standards of business conduct that it requires of employees and certain other persons associated with Grandmaster Capital, and establishes procedures intended to prevent Grandmaster Capital, and its personnel and certain of their relatives, from inappropriately benefiting from Grandmaster Capital’s relationships with its clients. The Code of Ethics generally provides that (i) Grandmaster Capital will act in its clients’ best interests; (ii) Grandmaster Capital will disclose to clients all material facts about or otherwise address material conflicts of which it is aware between Grandmaster Capital’s and its employees’ interests on the one hand and clients’ interests on the other; (iii) Grandmaster Capital and its employees must not take inappropriate advantage of Grandmaster Capital’s clients or their positions of trust with or responsibility to clients; and (iv) Grandmaster Capital and its employees must comply with all applicable securities laws and the letter and spirit of the Code of Ethics. The Code of Ethics outlines written policies regarding personal trading in any brokerage or trading account in which an employee, or certain members of such employee’s family, has beneficial ownership. Except for certain securities (including mutual funds and certain government securities), personal securities transactions by Grandmaster Capital’s personnel must be pre-approved by the Chief Compliance Officer. Staff must generally disclose reportable transactions quarterly, and reportable securities holdings following the end of each year. Grandmaster Capital will provide a copy of the Code of Ethics to any client or prospective client upon request.

Conflicts of Interest. The material reportable conflicts of interest encountered by a Client Account include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Client Account. Other conflicts may be disclosed throughout this brochure and in the offering documents of each Client Account and these materials should be read in their entirety.

Grandmaster Capital is the Client Accounts’ investment manager, the Master Fund’s general partner, the US Fund’s managing member and a director of the Offshore Fund. From time to time, Grandmaster Capital may cause a Client Account to buy or sell a security or other instrument of the same class as, or issued by the same issuer as, or otherwise related to a security or other instrument in which another Client Account, Grandmaster Capital or a person associated with Grandmaster Capital has an ownership position. A Client Account, Grandmaster Capital or a person associated with Grandmaster Capital may buy a security or other instrument of the same class as, or issued by the same issuer as, or otherwise related to, a security or instrument that is held by another Client Account. The governing documents of the Client Accounts generally permit Grandmaster Capital and its associated persons to engage in such activities.

Certain related persons of Grandmaster Capital, and certain employees and employee family members of Grandmaster Capital and its affiliates, may invest in Client Accounts. These persons may be

subject to reduced or no management fees and reduced or no performance allocations/fees and may therefore experience substantially greater performance than will other investors/clients.

Grandmaster Capital and its members and employees will devote as much of their time and resources to the activities of the Client Accounts as Grandmaster Capital deems necessary and appropriate. Neither Grandmaster Capital nor its principals are generally restricted from entering into other investment advisory relationships or engaging in other business activities, even though those activities may be in competition with the Client Accounts and/or may involve substantial amounts of Grandmaster Capital's or its personnel's time and resources. Grandmaster Capital (or an affiliate) may in the future serve as general partner, managing member, and/or investment manager of other collective investment funds and/or pooled investment vehicles, as well as other separately managed client accounts, some of which may have investment objectives substantially similar to, others substantially different from, the Client Accounts. Grandmaster Capital and/or its members and employees may invest their own assets in the securities markets, including in securities held by or recommended to one or more Client Accounts. The accounts of Grandmaster Capital's clients other than the Client Accounts, together with Grandmaster Capital's or its employees' and members' accounts, are collectively referred to as "Other Accounts."

Grandmaster Capital's and its personnel's other activities could be viewed as creating a conflict of interest in that the time, effort and resources of Grandmaster Capital and its personnel are not devoted exclusively to the business of the Client Accounts. Such activities may afford certain investors or accountholders more advantageous information, liquidity or other rights than those afforded to other investors or accountholders generally, and may provide compensation arrangements that are more attractive to Grandmaster Capital or its affiliates. Differences in compensation arrangements or interests by Grandmaster Capital and its personnel in Client Accounts or Other Accounts could be viewed as creating incentives to favor one or more Client Accounts or Other Accounts over other Client Accounts.

Conflicts of interest could also arise in connection with securities transactions for the Client Accounts and the Other Accounts. In some cases, certain Client Accounts and Other Accounts may seek to buy or sell the same security or other investment at the same time. In those cases, Grandmaster Capital may combine purchase and sale orders on behalf of Client Accounts with orders for those of other portfolios, including its own or members' or employees' personal accounts. When it does so, it will generally allocate the proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants in the transactions. At times, however, Grandmaster Capital may cause the Client Accounts and Other Accounts to effect transactions that differ in substance, timing and amount. This may be due to, among other things, differences in investment objectives or other factors affecting the appropriateness or suitability of particular investment activities to the Client Accounts or Other Accounts, limitations on the availability of particular investment or transactional opportunities or differences in withdrawal or redemption rights. Although it does not currently do so, Grandmaster Capital may in the future cause one or more Client Accounts and Other Accounts to effect "cross" transactions where Grandmaster Capital believes those transactions are not prejudicial to either party. Grandmaster Capital will allocate transactions and opportunities among the various accounts it manages in a manner it believes to be fair and equitable over time, taking into account, among other things, each

account's objectives, programs, limitations and capital available for investment, but even accounts with similar objectives will often have different investment portfolios.

Neither Grandmaster Capital nor any of its principals or affiliates has any obligation to provide a Client Account with any particular investment opportunity or to refrain from taking advantage of an investment opportunity that could be beneficial to the Client Account. Grandmaster Capital is permitted to cause the Client Accounts to engage in transactions with or involving (including investing in) companies in which Grandmaster Capital or its affiliates have an interest.

The offering memoranda by which interests in the Funds are offered generally include disclosure of the potential for certain conflicts. By executing and delivering subscription applications pursuant to which they apply to become investors, all investors in the US Fund or the Offshore Fund acknowledge the potential for those conflicts and consent to the authorization contained in the particular Fund's governing documents.

Item 12 - Brokerage Practices

Generally, clients give Grandmaster Capital complete discretion over the selection and amount of securities to be bought or sold for clients (within the parameters established by the applicable investment management agreement or organizational documents) without obtaining any consent or approval of any client or investor.

Grandmaster Capital also has complete discretion over the selection of brokers and dealers and other transacting parties ("Transacting Parties") to be used and the compensation to be paid. In addition to using brokers as agents and paying commissions, Grandmaster Capital may buy or sell securities directly from or to dealers acting as principal (such as market-makers for over-the-counter securities) at prices that include markups or markdowns.

Selection Criteria

It is Grandmaster Capital's policy to execute portfolio transactions for Client Accounts in the best interests of such Client Accounts, including seeking to obtain "best execution" of each transaction made by Grandmaster Capital for a Client Account. The term "best execution" means seeking the best price and execution for a security in the marketplace as well as ensuring that, in executing Client Account transactions, Client Accounts do not incur unnecessary brokerage costs and charges. Grandmaster Capital is not obligated to obtain the lowest possible commission cost, but rather should determine whether the transaction represents the best qualitative execution for the applicable Client Accounts. Grandmaster Capital does not adhere to any rigid formulas in selecting brokers, but weighs a combination of criteria (which may include the value of products and services that provide lawful and appropriate assistance to Grandmaster Capital's investment decision-making process). When determining which trading venue(s) to use, Grandmaster Capital may consider, among other things:

- Listed bids and asks;
- The opportunity for price improvement;
- Transaction costs;
- Anonymity;
- Liquidity;
- Speed of execution;
- Quality of research;
- Expertise with difficult securities;
- Trading style and strategy;
- Geographic location;
- Frequency of errors;
- The receipt of prime brokerage and related services, including capital introduction and introductions to management and research and industry information; and
- Access to new issues.

Aggregation of Orders

Grandmaster Capital may (but is not required to) combine orders for Client Accounts for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, Grandmaster Capital will generally allocate the proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Grandmaster Capital believes combining orders in this way will, over time, be fair and equitable to applicable participants. In many instances, such aggregation can result in lower commissions, a more favorable net price or more efficient execution than if each Client Account's order were placed separately. There may, however, be instances in which order aggregation results in a less favorable transaction than a particular Client Account would have obtained by trading separately. Similarly, when orders are not aggregated, there may be circumstances when purchases or sales of portfolio securities for one or more Client Accounts will have an adverse effect on other Client Accounts.

Grandmaster Capital may place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order and practicability of participating in “block” transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. Grandmaster Capital has adopted policies and procedures intended to ensure that its trading allocations are fair and equitable over time.

In addition, Grandmaster Capital and/or its related persons or funds may buy or sell specific securities for its or their own account that are not deemed appropriate for Client Accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for each Client Account is made. Where execution opportunities for a particular security are limited, Grandmaster Capital attempts in good faith to allocate such opportunities among clients in a manner that, over time, is fair and equitable.

Trade Errors

Generally, under Grandmaster Capital’s policies and procedures, where a specified trade error is due to anything other than bad faith, gross negligence or willful misconduct by Grandmaster Capital or its employees, losses are absorbed by the relevant Client Account(s).

Cross Transactions

Grandmaster Capital currently does not cause Client Accounts to engage in “cross” transactions with other Client Accounts (i.e., buy and sell securities from and to each other), although it may do so in the future.

Soft Dollars

Grandmaster Capital may select Transacting Parties in recognition of the value of various services or products, beyond transaction execution, that they provide to one or more Client Accounts, Grandmaster Capital or certain other persons. Selecting a Transacting Party in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” Grandmaster Capital expects to acquire services or products with the Client Accounts’ soft dollars.

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), recognizes the potential conflict of interest involved in the use by an investment manager (such as Grandmaster Capital) of soft dollars generated by securities transactions to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which a Client Account would not otherwise be required to pay. Services or products generally constitute “research” under Section 28(e) if they constitute advice, analyses or reports, any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent Grandmaster Capital uses them for lawful and appropriate assistance in making investment decisions for Client Accounts. “Brokerage” services and products are those used to effect portfolio transactions for Client Accounts or for functions that are incidental

to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatorily required in connection with transactions. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. In formulating and implementing its policies with regard to the use of commissions or “soft dollars” for non-Client Account expenses, it is Grandmaster Capital’s intent to stay within the parameters of Section 28(e) of the Exchange Act.

Conflict of Interest. Because many services and products Grandmaster Capital may receive from Transacting Parties may benefit Grandmaster Capital, Grandmaster Capital’s interests in allocating the Client Accounts’ securities transactional business may conflict with the Client Accounts’ interests. For example, Grandmaster Capital may have an incentive, in order to induce brokers and dealers to provide it with services or benefits, to, among other things, cause Client Accounts to: (i) pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products; (ii) place more trades than would be optimal for the Client Accounts’ investment strategy; (iii) use broker-dealers that do not obtain for the Client Accounts the best possible price on portfolio transactions; and (iv) use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions. The Client Accounts generally authorize Grandmaster Capital to use the Client Accounts’ soft dollars for a wide range of purposes, notwithstanding the conflicts of interest those uses may involve. The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired with soft dollars. Grandmaster Capital may or may not use other clients’ soft dollars to pay for services and products a Client Account also pays for and, if it does, that use may not be in proportion to account size, transaction volume, or uses of those services and products. Grandmaster Capital may use a Client Account’s soft dollars to buy products or services that benefit Grandmaster Capital and/or other clients of Grandmaster Capital.

“Research and Brokerage.” The types of “research” Grandmaster Capital may receive from Transacting Parties include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; and other products or services that may enhance Grandmaster Capital’s investment decision-making. “Brokerage” services and products (beyond typical execution services) include (but are not limited to): computer systems and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing Transacting Parties and the Prime Brokers, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. Grandmaster Capital may use soft dollars for “mixed use” products and services—products and services that are used in part for research or brokerage purposes and in part for other purposes. Even where Grandmaster Capital’s use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), Grandmaster Capital may have a conflict of interest in connection with that use because it might otherwise have to pay cash for

those services and products and it may have an incentive to use Transacting Parties who provide those services and products more than it otherwise would.

Referrals of Investors and Advisory Clients – Capital Introduction. Grandmaster Capital may consider capital introduction services among the many criteria in its selection of counterparties. Some of the brokers, dealers, swap dealers and other financial counterparties and intermediaries to which Grandmaster Capital directs a portion of the Client Accounts’ portfolio transaction business may provide investor relations, consulting and capital introduction services to Grandmaster Capital and may introduce investors to the Fund or for other investment funds managed by Grandmaster Capital, and may also introduce prospective investment advisory clients to Grandmaster Capital. This may create an incentive for Grandmaster Capital to select or recommend a broker-dealer based on its interest in receiving client or investor referrals, rather than on the Client Accounts’ interest in receiving most favorable execution.

Procedures. Brokers and dealers from which Grandmaster Capital obtains “soft dollar” services or products may establish “credits” based on past transactional business, which may be used to pay or reimburse Grandmaster Capital for specified expenses. In some cases the process is less formal; a broker or dealer simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. The Client Accounts’ actual transactional business with a broker or dealer may be less than the suggested level but can—and often will—exceed that level, and credits established may exceed the amounts used to acquire services and products. Grandmaster Capital may ask a broker or dealer who is executing a transaction for several accounts managed by Grandmaster Capital (see the discussion below regarding aggregation of orders) to “step out” of a portion of the transaction in favor of a broker or dealer who has provided or is willing to provide products or services for “soft dollars.” That is, the executing broker or dealer will allow a portion of the overall commissions or other compensation to be paid to the “soft-dollar” broker-dealer. This may result in a Client Account paying additional commissions or other transaction compensation to the broker or dealer to whom a Client Account’s portion of an aggregated transaction is “stepped out” and therefore incurring higher transaction costs for that transaction than do other clients of Grandmaster Capital who are buying or selling the same security at the same time.

Item 13 - Review of Accounts

Grandmaster Capital’s Managing Member, Chief Operating Officer and Chief Compliance Officer generally review Client Accounts’ holdings on an ongoing basis. Grandmaster Capital (or the Client Accounts’ administrator) generally provides investors in the Client Accounts with periodic (typically monthly) written account statements and performance updates, and, in the case of the Funds, annual reports that will include audited financial statements of each relevant Fund as of the end of each fiscal year.

Item 14 - Client Referrals and Other Compensation

Other than as described under “Brokerage Practices” above, neither Grandmaster Capital nor any of its related persons directly or indirectly compensate any third party for client referrals.

Item 15 - Custody

All assets of the Client Accounts (cash, securities and other assets) are held in the custody of unaffiliated broker-dealers or banks. However, Grandmaster Capital, as the general partner of the Master Fund, managing member of the US Fund and a director of the Offshore Fund, may be deemed to have custody over the assets of the Funds. Grandmaster Capital generally also has the ability to instruct the custodian(s) to deduct fees directly from Client Accounts, which the SEC also considers to be a form of “custody.” Grandmaster Capital employs various safeguards to balance its “custodial” powers. For example, a reputable, PCAOB-registered independent accountant performs an annual audit of each Client Account’s financial statements.¹ All investors receive these audited financial statements, prepared in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of the relevant Client Account’s fiscal year. In addition, the Client Accounts employ an independent third-party administrator, which calculates management fees and other compensation, and prepares and sends monthly statements to investors. Investors in an SMA will also generally receive quarterly, or more frequent, account statements from the SMA’s Prime Broker(s) (as defined below), which statements such investors should carefully review. SMA investors are urged to compare such account statements with those they receive from Grandmaster Capital or the relevant SMA’s administrator.

The Client Accounts obtain custodial, clearing, settlement and related services through what is known as “prime brokerage” arrangements. Under such arrangements, the prime brokerage firms retained by the Client Accounts (the “Prime Brokers”) maintain custody of the Client Accounts’ assets (either directly or through their clearing brokerage firms), provide margin credit and locate securities to borrow or to facilitate short sales, and provide related services, but allow the Client Accounts to use other broker-dealers to execute transactions. This permits Grandmaster Capital to compare execution quality and commission rates, while maintaining a minimum number of custodial relationships. The Prime Brokers are generally compensated through interest on credit balances, margin borrowings, stock loans and brokerage commissions. Under such arrangements, the Prime Brokers, among other things, (i) arrange for the receipt and delivery of securities bought, sold, borrowed, and lent; (ii) make and receive payments for securities; (iii) maintain custody of cash and securities; (iv) deliver cash to the Client Accounts’ bank accounts; (v) tender securities in connection with tender offers, exchange offers, mergers or other corporate reorganizations; and (vi) provide detailed portfolio and related reports.

With respect to the Funds, Grandmaster Capital may change its Prime Brokers, engage additional Prime Brokers, alter the terms of its prime brokerage arrangements with any Prime Broker, or make alternative arrangements to receive the services currently provided by the Prime Brokers, all in its absolute discretion.

¹ PCAOB is the Public Company Accounting Oversight Board, a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

Item 16 - Investment Discretion

Grandmaster Capital generally has full trading and investment discretion over the Client Accounts. The Client Accounts grant Grandmaster Capital that discretion through the execution of an investment management agreement or similar contract. Grandmaster Capital generally exercises investment discretion pursuant to powers of attorney.

Generally, Fund investors have no ability to modify a Fund's investment strategy. They must, therefore, carefully read the Fund's confidential offering memorandum to understand the investment strategy and risks involved.

Item 17 - Voting Client Securities

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended, Grandmaster Capital has adopted policies and procedures that address the guidelines it expects to follow in the exercise of its voting authority over proxies it receives from time to time on behalf of its clients. Grandmaster Capital will generally seek to vote proxies in a way that maximizes the value of its clients' assets.

When voting a proxy, Grandmaster Capital attempts to identify conflicts of interest that may arise in the proxy decision making process. If a material conflict of interest over proxy voting arises between Grandmaster Capital and a client, Grandmaster Capital will seek to resolve the conflict and vote the proxies in a manner that is in the relevant clients' collective best interests. Grandmaster Capital will provide, upon request, a copy of those policies and procedures and/or information concerning its voting record on account proxy matters.

Unless otherwise provided in the relevant investment management agreements, Client Accounts (and investors therein) cannot generally direct Grandmaster Capital's proxy voting decisions.

Item 18 - Financial Information

Grandmaster Capital is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

Grandmaster Capital has not been the subject of a bankruptcy petition.

Item 19 - Requirements for State-Registered Advisers

Not applicable.