

**Item 1.
Cover Page**



**Masterworks Advisers, LLC
Form ADV Part 2A – Disclosure Brochure**

Masterworks Advisers, LLC
225 Liberty Street, 29th Floor
New York, NY 10281
March 28, 2023

This brochure provides information about the qualifications and business practices of Masterworks Advisers, LLC (the “Adviser” “we” “us” and similar terms). If you have any questions about the contents of this brochure, please contact us at (203) 518-5172 or by email at legal@masterworks.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. Investment adviser registration does not imply a certain level of skill or training.

Additional information about the Adviser is available at the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Adviser has made material and non-material changes to this ADV since the last version was published in December of 2022. The changes include an updated description of services, conflicts of interest and mitigation of the same, and discussion of account minimums and diversification.

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Item 4. Advisory Business

General Description of Advisory Firm and the Masterworks Platform

Masterworks Advisers, LLC (the “**Adviser**” “**we**” “**us**” and similar terms) is a Delaware limited liability that was formed on November 9, 2022. The Securities Exchange Commission (“**SEC**”) declared Adviser’s registration as an investment adviser effective on March 13, 2023. Adviser is a wholly owned subsidiary of Masterworks, LLC (together with its affiliated companies, “**Masterworks**”), a Delaware limited liability company founded in 2017. Masterworks, in turn, is principally owned by The Lynn Family Trust 001 and controlled by Scott Lynn, who founded the company in 2017. Masterworks owns, operates, and manages the Masterworks.com online art investment platform, including mobile applications and any related URLs (the “**Masterworks Platform**”).

Adviser has limited its activities to providing potential investors with education and advising on art as an alternative asset class through investment in Masterworks securities offerings (“**Offerings**”). Adviser will not offer advice with respect to other asset categories or types of investments that are not associated with art. Adviser will only recommend investments in one or more Offerings, or that investment in an Offering may be unsuitable for a particular investor.

Investors who receive a recommendation from Adviser that one or more Offerings may be suitable for that investor’s investment objectives will be given the opportunity to participate in Offerings through the Masterworks Platform.

The Masterworks Platform is the first and largest online art investment platform that allows individuals to invest in securitized artwork created by artists that have an established track record of public auction sales and historical price appreciation. Masterworks facilitates art investment by:

- Sourcing and acquiring artwork from auctions, private galleries and private collectors,
- Securitizing the artwork by transferring it to a holding company that offers shares directly to investors via its online platform, and
- Administering the artwork and the investment entities pursuant to a management services agreement.
- Integrating its technology with an alternative trading platform operated by a third-party broker-dealer, which provides a means by which investors can buy and sell shares in Masterworks art securitization issuers in secondary transactions (“**Secondary Transactions**”).

Masterworks seeks to provide investors with long term capital appreciation and intends to hold artwork for several years before selling it opportunistically and distributing the proceeds to

investors, or, in certain limited instances, reinvesting the proceeds. As of March 15, 2023, Masterworks issuers had conducted more than 225 securities offerings and raised over \$700 million for equity investments in artwork.

Masterworks Offerings are conducted pursuant to exemptions from the registration requirements under the Securities Act of 1933, as amended, including Regulation A (Tier 2), Regulation D (Rule 506(c)) and Regulation S. Masterworks Offerings are available to eligible investors in all 50 States and certain foreign countries. Masterworks currently offers the following two types of investments:

- *Single Artwork Investments* - ordinary shares representing membership interests in a Masterworks issuer organized as a Delaware limited liability company or in a Delaware series limited liability company, each referred to as a “**single-asset issuer**”, that reflects an investment in a single artwork; and
- *Diversified Artwork Investments* - ordinary shares in a Masterworks Delaware limited partnership, referred to as a “**diversified artwork investment vehicle**,” that invests offering proceeds in multiple single-asset issuers, as well as acquiring whole artwork, with the goal of creating a diversified portfolio of artwork within one or more major collecting categories. Currently, Masterworks sponsors Masterworks Diversified Art Portfolio, LP (the “DAP”).

Advisory Services for Retail Clients

The Adviser will provide limited non-discretionary advisory services to Clients. Such advisory services will primarily include providing educational information and investment advice regarding Masterworks Offerings and the potential risks and benefits of allocating capital to Masterworks Offerings and art as an alternative asset class, as well as providing recommendations designed to help investors create a balanced and diversified art investment portfolio as part of an overall asset allocation strategy.

Potential investors in Masterworks Offerings are solicited primarily through general online advertising and marketing, which typically includes hyperlinks to the Masterworks Platform. If a potential investor expresses interest in learning more about Masterworks Offerings and developing an art investment portfolio, the investor can establish an advisory relationship with Adviser (“**Client**”) and schedule a call with an investment adviser representative (“**Representative**”) of Adviser.

Advisory services will be provided primarily on a single telephone call between a Representative and a Client who expressed interest in art investing through the Masterworks Platform. In advance of the call, the Representative reviews the basic information submitted by the Client. During the call the Representative will ask a series of questions to develop an investor profile, including information about the potential investor’s existing portfolio, risk tolerance and objectives, and evaluate whether an investment in Masterworks Offerings is suitable for such person. The Representative will then determine, based on pre-approved guidelines, the portion of

the Client's overall investment portfolio the Client should consider investing in Masterworks Offerings, along with advice as to how to allocate those assets to create appropriate levels of diversification and, which of the available Masterworks Offerings the Client should consider.

Based on minimum investment requirements established by Masterworks, the recommended amount of capital investment, as well as the number of available Offerings, it may not be possible for an Investor to immediately achieve the recommended level of diversification. In such case, Representatives of Adviser will discuss with Client potential options, including a less diversified portfolio, potential additional investments when other Offerings become available, or the Client obtaining a reduction by Masterworks in its minimums. Masterworks also currently sponsors a market for Secondary Transactions. Adviser does not provide advice on that market or Secondary Transactions, but investors may also consider those securities independently.

Adviser will only recommend interests in Masterworks single-asset issuers that are available on the Masterworks Platform on a primary basis and Masterworks diversified artwork investment vehicles, in each case, to eligible investors. Adviser and its Representatives will not consider other alternative or traditional investments, even if such alternative or traditional investments may be more suitable or appropriate for Clients based on their portfolios or other investment goals. Further, although Representatives may provide general allocation advice and recommendations, Representatives will only recommend specific Masterworks single-asset issuers that are available at the time of the telephone call. Adviser and its Representatives will not monitor the Client's holdings or recommend specific single-asset issuers or other Masterworks offerings that may be issued subsequent to the Client's initial investment or transactions in the secondary market.

The Client will ultimately decide whether to follow the advice of the Adviser, including whether to invest in any particular Masterworks offering, how much to invest, when to invest and how to allocate between offerings. The advisory relationship will end after the initial telephone call, though Representatives will generally be available to have one or more follow-up calls if a potential investor has further questions or requires additional information, in which event, each subsequent telephone conversation will initiate a new investment advisory relationship. After becoming a Client, Masterworks permits Clients to make subsequent investments through the Masterworks Platform at any time on a self-directed basis without entering into a new investment advisory relationship with Adviser.

Adviser may also provide additional information and promotional materials relating to investments in Masterworks offerings to individuals who visit the Masterworks Platform. Such information and promotional materials, which may appear on the Masterworks Platform, emails, newsletters, social media posts, and or educational seminars, do not constitute investment advice.

Item 5. Fees and Compensation

Adviser does not charge advisory fees directly to Clients. However, Masterworks earns compensation based on the services provided to the single-asset issuers of the Offerings in which Clients and the diversified artwork investment vehicles invest.

Masterworks Compensation

Masterworks receives the following amounts from single-asset issuers in connection with services provided to the single-asset issuers:

- *a one-time cash “expense allocation” payment for each single-asset issuer (or series), equal to 11% of the purchase price of the artwork, which covers all costs and expenses relating to financing, sourcing and acquiring the artwork, and utilizing the Masterworks Platform and its intellectual property to securitize the artwork;*
- *an administrative services fee for administering artwork and the securitization vehicle paid in the form of equity interests in the securitization vehicle that holds title to the artwork in an amount equal to 1.50% per annum of the total equity interests outstanding in such securitization vehicle; and*
- *a 20% profits interest upon sale of the artwork.*

The Masterworks model incorporates what is known in the financial industry as a “unitary” fee structure, meaning that in exchange for the above amounts, Masterworks performs all ordinary and necessary services and pays all costs and expenses associated with sourcing, securitizing and administering the artwork and organizing and administering the securitization vehicle. Accordingly, unlike the vast majority of investment vehicles in which the investment entity pays a variety of organizational, transactional and ongoing operational costs, which are indirectly borne by investors in the vehicle, Masterworks issuers and investors do not typically incur any costs or expenses other than the amounts payable to Masterworks as described above, though Masterworks issuers remain obligated to pay any extraordinary or non-recurring expenses, as well as third-party costs associated with a sale of the artwork.

The services Masterworks provides in connection with the single-asset issuers and the costs borne by Masterworks include, without limitation:

- *Sourcing Services* - such as market research and analysis, proprietary database management, appraisal, transaction negotiation and execution, travel, art and counterparty and object level due diligence, financing, currency conversion, legal and contracting;

- *Securitization Services* - such as entity formation, governance, offering materials, regulatory filings and compliance, anti-money laundering, distribution and marketing, payment for advisory services; and
- *Administrative Services* - such as insurance, professional art storage, transport and care, SEC filings, audits, valuations, tax reporting, investor relations services, transfer agent services, transactional services in connection with selling the artwork, distributions and liquidating the securitization vehicle.

The issuer is responsible for any unusual or extraordinary costs and expenses and any third-party costs incurred in connection with selling the artwork. Masterworks does not earn any additional fees for administrative and other services performed in respect of diversified artwork investment vehicles which invest in single-asset issuers, except that if and to the extent a diversified investment vehicle acquires whole artwork, Masterworks will earn substantially the same fees with respect to such whole artwork investment as it earns from single-asset issuers.

Masterworks also enables, and currently pays all costs associated with, trading of shares of certain securitization vehicles on an alternative trading system operated by a third-party broker-dealer, which provides a means by which investors may be able to obtain liquidity in advance of a sale of the artwork.

Amounts paid to Masterworks in the form of a combination of cash and securities, will dilute each Client's ownership in the artwork underlying Masterworks issuers and reduce each Clients' overall returns on investment. Clients will pay certain of these amounts whether they make or lose money on their investments. Clients should refer to the offering circulars or private placement memorandums for each Masterworks issuer for more information about the fees, costs and other amounts charged by Masterworks. Adviser does not provide investment advice related to Secondary Transactions.

Compensation for the Representatives

Adviser is an affiliate of Masterworks and all advisory fees for the services provided by Adviser and its Representatives are paid, directly or indirectly, by Masterworks. Representatives are exclusively dedicated to advising on securities issued in Offerings, and receive the same compensation irrespective of whether any particular potential investor ultimately becomes a Client and irrespective of the amount such investor invests in Offerings. In light of the exclusive nature of the arrangement between Adviser and Masterworks, coupled with the fact that all fees generated by Adviser to compensate its Representatives are paid by Masterworks, Adviser and its Representatives have conflicts of interest in recommending and selecting Offerings and lack the independence of other investment professionals who may provide investment advice across a broad range of asset classes and investments. Adviser addresses this conflict through this disclosure to prospective investors and Clients, maintenance of an Advisory Code of Ethics ("COE"), and recommends that if a prospective investor or Client desires different or broader advice than offered by Adviser or its Representatives, that prospective investor or Client obtain that from an additional or different financial professional. None of the Representatives receive

transaction-based compensation or other compensation related to the sale of securities in Offerings.

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

Neither Adviser nor any of its Representatives charges performance-based fees that are calculated on the basis of a share of capital gains or capital appreciation of a Client's portfolio.

Item 7. Types of Clients

Adviser offer its services to individuals who have expressed interest in investing in Masterworks Offerings, who are eligible to invest and for whom an investment in a Masterworks financial product is deemed by the Adviser to be an appropriate investment that aligns with their investment goals and objectives. Clients are sourced through the Masterworks Platform and enter into an advisory relationship with Adviser that is limited in duration and scope. The advisory relationship is fully performed during the course of a single advisory telephone call or video conference and relates solely to art as an asset class, the art market and Masterworks financial products. Due to the self-service nature of the Masterworks Platform, and the limited duration and scope of the advisory relationship, the Adviser's relationship with Clients is significantly different from "traditional" investment adviser engagements in several important aspects, including the following:

1. Adviser and its Representatives are dedicated to performing advisory services in respect of Masterworks Offerings that are available at the time of the conversation and art as an alternative asset class, so the Representatives do not offer advice or advisory services with respect to other types of investment assets, Secondary Transactions, investment products sponsored by other parties or comprehensive portfolio allocation.
2. The vast majority of Clients have a single advisory telephone call with a Representative of the Adviser and there is no element of monitoring or continuing advisory relationship following such call. Accordingly, the advisory relationship commences at the beginning of the advisory call and ends at the end of the advisory call. Adviser and its Representatives will not monitor the Client's holdings or recommend single-asset issuers or other Masterworks offerings that may be issued subsequent to the Client's initial investment or transactions in the secondary market, even if such investments may be more appropriate for the Client.
3. Adviser receives all or substantially all of its compensation directly from Masterworks, which is the sponsor of securities offerings that are the sole subject of Adviser's advisory services.

4. All Masterworks Offerings are issuer-direct and sold on a self-directed basis, meaning that investments are made by the investor on the Masterworks Platform and held directly in the name of the investor by the issuer entity. Issuer-direct securities, unlike securities regularly traded on an exchange, are also difficult to value and it is likely that the price an investor might obtain if the investor attempts to sell the securities in Secondary Transactions will differ from the amount such investor would receive if the securities are held until the underlying artwork is sold. Please see Item 8, section “*Artwork is Difficult to Value*” for further discussion.
5. Most companies that issue securities are formed to have a perpetual existence and investor liquidity is typically achieved through sale of such securities in an active and highly liquid trading market. By contrast, securities sold in Masterworks Offerings are designed to be held until the underlying artwork is sold and the issuer is dissolved. Although a trading market is available for securities sold in Masterworks Offerings, the trading market has relatively low transaction volume and limited price discovery. Accordingly, Clients should believe the artwork described in the offering materials a particular Offering is likely to appreciate in value and be sold at a premium to what the issuer paid for that Artwork, plus expenses and fees as described in the offering materials. Otherwise, Client should likely not invest in that Offering. Please see Item 8, section “*Artwork May be Sold at a Loss*” for further discussion.

Item 8.

Methods of Analysis, Investment Strategies, Risk of Loss

Methods of Analysis

To help deliver consistent advice to potential investors and Clients, Adviser employs an investment allocation model (the “Model”). The Model is designed to guide the Adviser and its Representatives’ recommendations to Clients based on a number of factors such as portfolio size, risk tolerance, needs for liquidity, diversification, and the like.

Additionally, Adviser may use any, some, all, or none of the following methods of analysis in formulating investment advice for Clients:

Masterworks Art Market Expertise

Adviser will utilize Masterworks’ expertise on the overall art market, individual artists and specific objects in order to guide its investment advice. Masterworks employs a team of more than 10 art market professionals and in 2022 was among the most active buyers and sellers of Contemporary art worldwide. Adviser will rely on Masterworks’ art market expertise to determine artists’ market movement and trends and for the appraisal and valuation of artwork and for art market research.

Individual Portfolio Analysis

Adviser and its Representatives will recommend certain specific allocations to artwork and specific Masterworks Offerings to Clients based on the Client's portfolio, investment goals, risk tolerance and other factors. All individualized advice is intended to accomplish diversified exposure to the asset class, which can be accomplished by investing in Diversified Artwork Investments or through investing selectively in multiple single-asset issuer investments.

Investment Strategy

Adviser does not actively monitor or manage investments for Clients, but does provide advice focused on a diversification strategy within the asset class. Accordingly, based on information supplied by a Client through the Masterworks Platform and via telephone or video conferencing conversations, Adviser will seek to determine the amount of capital that a Client should consider investing in alternative asset classes generally, in art and in specific Masterworks offerings, with the goal of providing diversified exposure to art as a component of an investor's overall portfolio to enhance overall portfolio returns and reduce volatility.

Risk of Loss

When evaluating risk, financial loss may be viewed differently by each Client and may depend on many different risk items, each of which may affect the probability of adverse consequences and the magnitude of any potential losses.

Advisory Risk

The recommendations and advice provided by Adviser and its Representatives are based upon the professional judgment of Adviser and its Representatives. Neither Adviser nor any of its Representatives can guarantee a specific level of performance or the success of any given investment decision or strategy that Adviser or its Representatives may recommend. The recommendations and advice provided by Adviser and its Representatives are limited to the universe of Masterworks Offerings available for purchase at any given time and certain offerings may not be offered to certain Clients depending on a variety of legal or commercial factors.

Masterworks also maintains its own policies and procedures related to minimums for investment in Offerings. These policies apply minimums with flexibility based on a particular investor's financial profile and are designed to ensure broad-based participation at investment levels that enable appropriate levels of diversification and are meaningful to an investor's overall portfolio. Adviser does not control decisions with respect to minimums and cannot guarantee that each investor will be able to obtain an allocation in an Offering or in the quantity that investor prefers.

Adviser will only recommend Offerings that are available on the Masterworks Platform. Adviser and its Representatives will not consider other alternative or traditional investments, even if such alternative or traditional investments may be more suitable or appropriate for Clients based on their portfolios or other investment goals.

Risks of Investing in Masterworks Offerings

Investing in Offerings involves a high degree of risk. BEFORE INVESTING IN ANY MASTERWORKS OFFERING, INVESTOR SHOULD CAREFULLY REVIEW THE “RISK FACTORS” SECTION OF THE APPLICABLE OFFERING CIRCULAR FILED WITH THE SEC OR PRIVATE PLACEMENT MEMORANDUM AVAILABLE ON THE MASTERWORKS PLATFORM. In addition, Clients should consult their own counsel, accountant and other advisors as to legal, tax, business, financial, and related aspects of an investment in an Offering. Set forth below is a summary of certain risks that should be considered, but this summary is not a substitute for the more extensive and specific language included in the offering circular or private placement memorandum for any particular Offering.

Dependence on Masterworks. Masterworks business model includes unique features that are untested and may not be successful. Masterworks issuers are dependent on Masterworks for financial support and administrative services. If the Masterworks business model fails, Masterworks may be compelled to auction off artwork at an inopportune time, which could result in losses.

No Revenues. Masterworks issuers do not generate operating revenue, so investors will only recognize a return on their investment if the artwork is sold or they are able to sell their shares and must be prepared to hold their investment for an indefinite period.

Lack of Diversification. Asset diversification is generally considered among the best ways to reduce investment portfolio risk. Art investments offered by Masterworks are illiquid and should typically only represent a relatively small percentage of an investor’s overall investment portfolio. In addition, art investment products offered by Masterworks provide exposure to specific assets or diversified exposure to a portfolio of works within one or more collecting categories, but do not provide overall market exposure to art as an asset class. Diversification doesn't guarantee investment returns or eliminate risk of loss including in a declining market for artwork, generally. There is no guarantee that the number of Offerings available at the time an investor engages with Adviser will provide adequate diversification. Adviser encourages investor to discuss investor’s diversification goals and options with a Representative.

Ability to Trade or Redeem Your Investment is Highly Uncertain. There is no active public market for Masterworks issuer shares and an active trading market may not ever develop or, even if developed, may not be available to all shareholders, may not be sustained or may cease to exist. Masterworks lists shares of single-asset issuers on an alternative trading system, but trading volume may be insufficient for price discovery or liquidity. Masterworks diversified investment vehicles have limited redemption features, but are not subject to legal or contractual requirements to maintain any amount of cash or cash equivalents and therefore, may not be able to meet demand for redemptions.

Artwork may be Sold at a Loss. An artwork can decline in value and investors in Masterworks shares may lose all or a significant portion of their investment. Even if the

artwork appreciates in value, the rate of appreciation may be insufficient to cover costs and expenses.

Your Investment is Illiquid. Masterworks issuers intend to hold artwork for many years and investors should be prepared to hold their investment for an indefinite period of time, as there can be no assurance that the artwork can be sold or that a diversified artwork investment vehicle will be able to redeem your shares. Although shares of single-asset issuers can be resold on an alternative trading system operated by a third-party broker dealer, listing will not occur for ninety (90) days after an offering is closed, trading volume is low and there can be no assurance that an investor will be able to sell their shares within any particular time frame or at a price that reflects the fair value of the shares.

Costs Will Diminish Returns. Fixed costs, such as financing fees and administrative services fees paid to Masterworks and variable costs, such as Masterworks profit sharing and third-party costs to sell the artwork will reduce overall returns on invested capital.

Investing in Art is subject to Numerous Risks. These risks include, without limitation (i) claims with respect to authenticity or provenance, (ii) physical damage due to improper storage, poor workmanship, accidents, theft, natural disasters, fire, etc., (iii) legal challenges to ownership, (iv) market risks, (v) economic risks and (vi) fraud.

Art is Illiquid. Art is a highly illiquid asset and Masterworks intends to hold artwork for an indefinite period and sell the artwork opportunistically. Masterworks does not guarantee that there will be a buyer for any artwork at any reasonable price or within any given time frame.

Trends. Temporary consumer popularity or trends among collectors may lead to short-term or temporary price increases, followed by decreases in value. Trends are difficult to predict and may adversely impact Masterworks' ability to sell an artwork.

Claims. Buying and selling artwork can involve potential claims regarding title, provenance and or authenticity of the artwork. Costs associated with litigation and or settlement are the responsibility of each Masterworks issuer.

Tax Consequences. Masterworks investment vehicles are taxed as partnerships and, accordingly, investors will receive a form K-1 on an annual basis for each investment. The tax consequences of investing in Masterworks securities will depend on your status, applicable tax jurisdiction and whether you sell your shares on the trading platform or hold your shares until an Artwork is sold. Neither Masterworks nor Adviser offer tax advice and you are encouraged to seek the advice of a tax professional.

Artwork is Difficult to Value. Masterworks performs quarterly valuations of all artwork held by Masterworks issuers to provide investors with an estimate of the net asset

value of their securities. Artwork is difficult to value for several reasons, including the fact that each artwork is unique, there are a limited number of global collectors for any particular artist's work, and private transaction data is often unavailable. Accordingly, there can be no assurance that an artwork can or will be sold at a price that approximates its appraised value.

Insurance Coverage May be Insufficient. Insurance coverage may expressly exclude damage caused by war, title claims, losses caused by chemical or biological contamination and certain other potential loss scenarios. In addition, coverage limits at any point in time may be below fair value. Issuers are totally reliant on Masterworks. Masterworks issuers have no liquid capital resources and are 100% reliant on Masterworks to maintain and eventually sell the artwork.

Item 9. Disciplinary Information

As an RIA, Adviser is required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's evaluation of Adviser or the integrity of Advisers' management. Adviser has no information that it is required to disclose in response to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Neither Adviser nor its management has or plans to establish or maintain any additional relationships with any broker-dealer, other investment adviser, bank or thrift, accountant, or law firm that is material to its advisory services or Clients.

Adviser is a wholly-owned subsidiary of Masterworks, which is the sponsor of offerings of art investment financial products conducted by limited partnerships and limited liability companies. Adviser provides advice and recommendations solely with respect to art investing, the art market and Masterworks financial products and derives all of its revenue, directly or indirectly, from Masterworks and its affiliated investment vehicles. This relationship creates inherent conflicts of interest described in Item 11 hereof.

In addition to the single-asset issuers, Masterworks currently sponsors the Masterworks Diversified Art Portfolio, LLP ("**DAP**"), a pooled investment vehicle that invests in a diversified portfolio of artwork, primarily by making multiple investments in Masterworks' single-asset issuers and acquiring whole artwork. Please note that the DAP is not an "Investment Company" within the meaning of the Investment Company Act of 1940, as amended, since it neither holds itself out as being engaged primarily in the business, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities and it has the right to remove and replace the Board of Managers of the entities in which it invests, known as "kick-out" rights, such that at no time will it own or propose to acquire "investment securities" having a value

exceeding 40% of the value of the DAP's total assets (exclusive of government securities and cash items) on an unconsolidated basis. As of March 15, 2023, the DAP had assets, consisting of cash and artwork investments of \$16,887,648 and had 168 investors.

The third-party RIA to the DAP has adopted guidelines under which it will acquire single-asset issuers in primary offerings available on the Masterworks platform by deploying a portion of available funds to invest in each single-asset issuer in proportion to the aggregate offering sizes. The fact that the DAP invests in the same single-asset issuers that the Adviser is recommending to Clients may, depending on the aggregate offering size, limit Client access to the single-asset issuers. This risk is mitigated by the fact that the DAP generally invests in the single-asset issuers in proportion to the aggregate offering size of each single-asset issuer. In addition, eligible Clients may invest in the DAP, which will provide investors with access to each of the single-asset issuers that were offered subsequent to the DAP's inception.

Item 11.

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

Code of Ethics and Personal Trading

Masterworks Advisers will adopt a COE pursuant to SEC Rule 204A-1 that sets forth the standards of conduct expected of Advisers' Representatives and personnel and addresses potential conflicts that arise from, among other things, personal trading. Pursuant to the COE, access persons are required to provide both initial and annual securities holdings reports as well as periodic transactions reports. The Adviser will provide the COE to any Client upon request.

Currently, Adviser's personal trading policy prohibits Adviser, its Representatives, its managers, officers and other employees from making any investments, holding stakes, or otherwise having any other financial interests in any securities originally issued in Offerings. Certain of such individuals may own interests in Masterworks, which indirectly receives revenues from issuers that conduct offerings via the Masterworks Platform, provided that such ownership interests held by any individual affiliated with Adviser shall not exceed a 2.5% ownership stake.

Individuals who do not act in accordance with the COE may be subject to discipline, including fines, suspension, or termination.

Participation or Interest in Client Transactions

Adviser and its management have material relationships with Masterworks, its parent company, which sponsors and assists in the syndication of Masterworks offerings. Masterworks earns revenue primarily from sourcing, managing and ultimately selling artwork at a profit. Higher levels of investment in Masterworks offerings are directly correlated to Masterworks revenue and profitability. As a subsidiary of Masterworks formed for the exclusive purpose of

advising clients with respect to Masterworks financial products, Adviser has inherent conflicts of interest in recommending that Clients invest in Masterworks offerings.

Compensation of certain executive officers and employees of Adviser is provided by Masterworks Executive Services (“MES”) and Masterworks Investor Services (“MIS”), pursuant to intercompany agreements under which MIS and MES provides compensation to certain executive officers and Adviser provides supervision of those certain employees. These individuals derive all of their compensation from Masterworks, maintain ownership interests in Masterworks and receive no separate compensation from Adviser. Masterworks effectively has the power and authority to hire and or terminate the employment of any of such individuals, and to establish, maintain or adjust their compensation levels and other terms of employment.

As indicated in Item 7 above, Representatives are exclusively dedicated to advising on securities issued in Masterworks offerings and all advisory fees for the services provided by Adviser and its Representatives are paid by Masterworks and its affiliated investment vehicles. As a result, Adviser and its Representatives have conflicts of interest and lack the independence of other investment professionals who may provide more generalized investment advice.

Certain Offerings on the Masterworks Platform are only made available to existing members or certain categories of existing members or are offered on a priority basis to existing members and may not be available to Clients who are making an initial investment. These decisions are made by Masterworks and Adviser is not involved in these decisions.

The fair value of artwork owned by single-asset issuers is determined through appraisals performed by Masterworks in conformity with the 2022-23 Uniform Standards of Professional Appraisal Practice developed by the Appraisal Standards Board of the Appraisal Foundation using a sales comparison approach (a relative value comparison basis to sales transactions involving similar objects). Because the market for certain artwork may be relatively illiquid, Masterworks’ appraisals may be materially higher or lower than the values that would be available if a ready market for the artwork existed. As a result, Masterworks may exercise a higher degree of judgment in determining fair value for certain artwork.

Masterworks conducts quarterly valuations of artwork owned by the single-asset issuers. These valuation activities have inherent conflicts of interest because Masterworks receives equity-based compensation for the administration of the artwork and Masterworks has an economic interest in the Masterworks business, as well as profits interest in the single-asset issuers. In addition, the performance of the single-asset issuers on an aggregated basis reflects a track record of performance for Offerings and the higher the individual artwork valuations, the better the performance track will appear. No assurance can be given that a truly independent appraisal would not produce a different outcome.

These conflicts of interest are addressed in several ways, including the following:

- *Clear Disclosure.* All Clients are informed that:
 - Adviser is a Masterworks company;

- Representatives are affiliated with Masterworks and dedicated to solely providing advisory services in respect of Masterworks financial products;
 - Adviser and its Representatives receive all of their compensation from Masterworks; and
 - Adviser and Representatives have inherent conflicts of interest.
- *No Performance Compensation.* Neither Masterworks, the Adviser or any Representative receives transaction-based compensation relating to the sale of securities in Offerings. In addition, Adviser will not recommend any fee-paying financial products to Clients sourced through the Masterworks Platform. These products are only available to financial intermediaries and accredited investors.
 - *Compensation Not Tied to Valuations.* Neither the Adviser nor Masterworks nor any of their respective employees receives compensation based on the appraised value of artwork. Masterworks does receive equity-based compensation in single-asset issuers, but such compensation is not contingent upon or positively influenced by valuations.
 - *Valuation Procedures Are Designed to Reduce Bias.* Masterworks has adopted valuation procedures intended to mitigate potential conflicts of interest. These procedures, among other things, require that:
 - All valuations are produced by qualified individuals who are qualified under the Uniform Standards of Professional Appraisal Practice;
 - Appraisals must be approved prior to publication by a three-member appraisal committee, the members of which receive no compensation tied to appraised values.
 - Appraisals are performed through adherence to a set of objective rules and guidelines for consistency.
 - Detailed appraisal reports are prepared for each artwork and maintained in the permanent records of Masterworks.
 - Valuations and Masterworks valuation policies are subject to annual review by an independent third party appraiser.

Item 12. Brokerage Practices

Adviser does not execute any transactions on behalf of Clients or utilize or recommend broker-dealers for its investment activities. Clients interested in investing in Masterworks Offerings will execute transactions directly with the issuer through the Masterworks Platform. Masterworks may engage third party broker-dealers to act as placement agents and brokers-of record for Diversified Art Investments to perform due diligence and for regulatory compliance purposes. Masterworks does not engage broker-dealers to solicit investors or to execute securities

transactions. Masterworks has contracted with a broker-dealer to list Masterworks securities on an Alternative Trading System (ATS) that enables secondary sales, but all of the costs, fees and expenses of such third-party broker-dealers are paid by Masterworks.

Item 13. Review of Accounts

Due to the limited duration and temporary nature of advisory relationships with individual Clients, Adviser does not conduct ongoing monitoring or review of investments made by such persons following the expiration of the advisory relationship.

Item 14. Client Referrals and Other Compensation

Adviser itself does not compensate any party for Client referrals. Because Masterworks believes that most retail investors are unfamiliar with art as an alternative asset class, the art market generally and the structure, terms, risks and reward of investing in Masterworks offerings, Masterworks seeks to provide potential investors with information and advice. Accordingly, Masterworks pays all of the fees and costs of the Adviser and its Representatives. Adviser is solely dedicated to performing advisory services to persons interested in investing in Masterworks financial products and to investment vehicles sponsored by Masterworks. Accordingly, Adviser is not an independent business and earns no revenues or fees from any activities other than payments from affiliates of Masterworks sufficient to pay for its costs of operation. As noted above under Item 11, conflicts of interest are addressed through clear disclosure, the absence of transaction-based compensation, maintenance of COE, and trading restrictions.

Representatives are occasionally awarded gifts, awards, prizes or other incentives based on the number of Client calls they have, the duration of Client calls, investments made by Clients or other factors. None of these gifts, awards, prizes or other incentives is based on investment in any particular offering or financial product. These programs may create conflicts of interest, however, none of such incentives have a cost or fair value in excess of \$5,000 and none of such incentives is deemed material in light of the total fixed compensation earned by Representatives. We address this conflict of interest through this disclosure to you and through maintenance of our COE.

Masterworks solicits potential investors for its Offerings through a variety of traditional marketing, advertising and promotional techniques, including online advertising, testimonials, podcasts, radio, direct mail and other means. Masterworks may engage third-party bloggers, publishers of email-based newsletters, social media influencers, and other third-party Internet participants. Pursuant to these arrangements Masterworks will pay a (i) flat fee per blog, newsletter, or post, or (ii) a flat fee per individual registration on the Masterworks Platform, regardless of if such individual purchases securities on the Masterworks Platform. Certain of

these activities and arrangements may be considered “endorsements” under the Advisers Act Marketing Rule.

Item 15. Custody

Clients of Adviser will invest directly in Offerings by entering into a subscription agreement and funding an account of the Issuer. Accordingly, Adviser does not have actual custody of client funds or securities. However, Adviser may be "deemed" to have custody of client funds and securities in certain circumstances, including when Adviser recommends investments in Offerings conducted by its affiliates.

Item 16. Investment Discretion

Adviser does not have investment discretion or authority to act for or represent Clients or engage in transactions on their behalf.

Item 17. Voting Client Securities

Adviser does not have any authority to vote Client securities. In the event of proxy votes, Clients will receive proxies directly from Masterworks or its agent.

Item 18. Financial Information

Adviser does not believe that there are any current financial conditions that are reasonably likely to impair Adviser’s ability to meet contractual commitments to Clients. Furthermore, Adviser has not been the subject of a bankruptcy petition or proceeding at any time in the past ten years.