

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

**GLADE BROOK CAPITAL PARTNERS LLC  
100 WEST PUTNAM AVENUE  
GREENWICH, CONNECTICUT 06830**

**OCTOBER 31, 2014**

**This brochure provides information about the qualifications and business practices of Glade Brook Capital Partners LLC (“Glade Brook”). If you have any questions about the contents of this brochure, please contact us at 203-861-3000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Glade Brook is also available on Glade Brook’s website at [www.gladebrookcapital.com](http://www.gladebrookcapital.com) and the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Glade Brook is registered as an investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

As of October 31, 2014, Glade Brook is submitting an other-than-annual amendment to reflect its discretionary private investment funds, which launched in April 2014:

- Glade Brook Gardiners Master Fund LP, a Cayman Islands limited partnership;
- Glade Brook Gardiners Domestic Fund LP, a Delaware limited partnership;
- Glade Brook Gardiners Intermediate Fund LP, a Cayman Islands limited partnership; and
- Glade Brook Gardiners Offshore Fund Ltd., a Cayman Islands exempted company.

As of March 26, 2014, Glade Brook submitted its annual update to the Brochure. The material changes since submitting the annual amendment to the Brochure on March 27, 2013 included:

1. Glade Brook has direct investment authority over Glade Brook Private Investors II LP, a Delaware limited partnership.
2. As of February 2014, Glade Brook is no longer in an office-sharing arrangement. Because Glade Brook moved to its own office space within the same office building, its address did not change as a result of this move.

In the future, when Glade Brook amends its Brochure for its annual update (or otherwise), and the amended version contains material changes from the last update, it will identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, Glade Brook will provide the date of the last annual update of its Brochure.

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## **ITEM 4 – ADVISORY BUSINESS**

Glade Brook provides discretionary investment advisory services to private investment funds (each a “Fund”). Glade Brook was organized under the laws of the State of Delaware in 2011. The Funds are open only to certain financially sophisticated and high net-worth individuals and entities, as more fully discussed in Item 7. Glade Brook Global Domestic Fund LP, a Delaware limited partnership (the “Core Domestic Fund”), and Glade Brook Global Offshore Fund Ltd, a Cayman Islands exempted company (the “Core Offshore Fund,” and, together with the Core Domestic Fund, the “Core Feeder Funds”), invest (directly or indirectly) substantially all of their assets in Glade Brook Global Master Fund LP, a Cayman Islands exempted limited partnership (the “Core Master Fund”), through a master-feeder structure. The Core Offshore Fund will invest in the Core Master Fund through Glade Brook Global Intermediate Fund LP, a Cayman Islands exempted limited partnership (the “Core Intermediate Fund”; together with the Core Feeder Funds, the Core Master Fund the “Core Funds”). The general partner of the Core Domestic Fund, the Core Intermediate Fund, and the Core Master Fund is Glade Brook Capital Management LLC, a Delaware limited liability company (the “Hedge Fund General Partner”).

In April 2014, Glade Brook launched a new master-feeder structure (the “Gardiners Funds,” and together with the Core Funds and the Private Investment Funds (defined below), the “Funds”), which invests *pari passu* with the Core Funds, except it has a notional leverage that is generally between 1.5 to 2.0 times, as calculated at the Master Fund level (on a capital adjusted basis), greater than those of the Core Funds. Glade Brook Gardiners Domestic Fund LP, a Delaware limited partnership (the “Gardiners Domestic Fund” and together with the Core Domestic Fund, the “Domestic Hedge Funds”) and Glade Brook Gardiners Offshore Fund Ltd., a Cayman Islands exempted company (the “Gardiners Offshore Fund,” and together with the Gardiners Domestic Fund, the “Gardiners Feeder Funds” and together with the Core Feeder Funds and Gardiners Domestic Fund, the “Hedge Fund Feeder Funds” and together with the Core Offshore Fund the “Offshore Hedge Funds”) invest (directly or indirectly) substantially all of their assets in Glade Brook Gardiners Master Fund LP (the “Gardiners Master Fund”) through a master-feeder structure. The Gardiners Offshore Fund will invest in the Gardiners Master Fund through Glade Brook Gardiners Intermediate Fund LP, a Cayman Islands exempted limited partnership (the “Gardiners Intermediate Fund”; together with the Gardiners Feeder Funds and the Gardiners Master Fund, the “Gardiners Funds” and together with the Core Funds, the “Hedge Funds”). The Hedge Fund General Partner is the general partner for the Gardiners Domestic Fund, the Gardiners Intermediate Fund and the Gardiners Master Fund.

Glade Brook and the Hedge Fund Feeder Funds have the authority to create new classes or series of shares or interests and enter into letter agreements or other similar agreements (collectively, “Side Letters”) with one or more Investors in the Hedge Fund Feeder Funds which provide such Investors in such Hedge Fund Feeder Funds with additional and/or different rights (including, without limitation, participation in certain investments due to regulatory or other reasons, currency denomination, access to information, fees, minimum investment amounts, and liquidity terms) than other Investors in the Hedge Fund Feeder Funds. The Domestic Hedge Funds will establish a separate capital account for each Investor in the respective Domestic Hedge Fund with respect to each capital contribution made by such Investor in the Domestic Hedge Fund. The Offshore Hedge Funds will issue a new series of shares for each subscription

date. In general, neither Glade Brook nor the Hedge Fund Feeder Funds will be required to notify any or all of the other Investors in the respective Hedge Fund Feeder Funds of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will Glade Brook or the Hedge Fund Feeder Funds be required to offer such additional and/or different rights and/or terms to any or all of the other Investors in the Feeder Funds.

Glade Brook also provides discretionary investment services to Glade Brook Private Investors LLC (the “Private Investment Fund I”), a Delaware limited liability company. The Managing Member of the Private Investment Fund is Glade Brook Private Management LLC, a Delaware limited liability company (the “Managing Member”). The Private Investment Fund I was formed for the purpose of investing all, or substantially all, of its assets, directly or indirectly through other investment vehicles, in the privately offered ordinary shares of an Asian e-commerce company. The other investment vehicles are managed and controlled by independent third-party investment advisers not subject to the supervision of the Managing Member, Glade Brook, or their affiliates.

In addition, Glade Brook provides discretionary investment services to Glade Brook Private Investors II LP (the “Private Investment Fund II” and, together with the Private Investment Fund I, the “Private Investment Funds”), a Delaware limited partnership. The Managing Member also serves as the general partner of Private Investment Fund II. Private Investment Fund II was formed for the purpose of investing all, or substantially all, of its assets, in the ordinary shares of the parent company of a private U.S media company.

Glade Brook does not tailor its advisory services to the individual needs of investors in the Funds (“Investors”). The terms and investment objectives and strategies applicable to the Funds are set forth in a prospectus provided to Investors prior to the time of an investment. Glade Brook has broad and flexible investment authority with respect to the Funds.

The principal owner of Glade Brook is Paul J. Hudson. Mr. Hudson is also the principal owner of the General Partner and the Managing Member.

As of January 31, 2014, Glade Brook manages regulatory assets under management of approximately \$1,563,732,848, all on a discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

The Hedge Fund Feeder Funds and the Private Investment Funds offer interests/shares only to certain qualified investors and admission to those Funds is not open to the general public. Domestic Hedge Fund Investors and Private Investment Funds Investors generally must be “accredited investors” under Rule 501 of Regulation D of the Securities Act of 1933, as amended, and “qualified purchasers” as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. Offshore Hedge Fund Investors must be either non-U.S. persons or permitted U.S. persons and must meet other suitability requirements. Each permitted U.S. person must be an “accredited investor” and a “qualified purchaser.” Investors and prospective Investors should refer to the confidential private offering memorandum or similar document for the appropriate Fund for a detailed description of fees. Glade Brook receives a quarterly management fee (the “Management Fee”). The Management Fee is payable quarterly in advance and is generally computed at the annual rate of 1.5% - 2.0% of each capital account of the Domestic Hedge Funds (other than the General Partners) or series of shares of the Offshore Hedge Funds determined as of the beginning of such calendar quarter (adjusted for contributions made during the quarter), and will be prorated for any period that is less than a full calendar quarter. For the Private Investment Fund I, the Management Fee is payable quarterly in advance and is generally computed at the annual rate of 1% of all Capital Contributions minus any Returned Capital, which is any amount of contributed capital deemed to be returned to an Investor upon any withdrawal of capital by the Investor. For the Private Investment Fund II, the Management Fee is payable quarterly in advance and is generally computed at the annual rate of 1% of all Capital Contributions minus distributions received by Investors attributable to the Fund’s investment.

The Hedge Fund General Partner is also eligible to receive a performance-based Incentive Allocation (the “Incentive Allocation”) from the Investors in the Domestic Hedge Funds, the Core Offshore Fund (indirectly via the Core Intermediate Fund) and the Gardiners Offshore Fund (indirectly via the Gardiners Intermediate Fund), generally equal to 15-20% of profits, subject to a modified high watermark and the general requirement that an amount in excess of certain losses be recovered. Glade Brook’s affiliate may be eligible to receive a modified Incentive Allocation (equal to 50% of the normal incentive allocation rate) attributable to profits during certain years under conditions in which losses from prior years have not been fully recovered. The Incentive Allocation, if any, will be determined as of each fiscal year-end and, with respect to capital withdrawn other than as of a fiscal year-end, as of the time of such withdrawal with respect to the withdrawn amount. The calculation of the Incentive Allocation is complex and Investors and prospective Investors should carefully review the more detailed terms of the Incentive Allocation set forth in the relevant Fund’s offering and governing documents.

The Managing Member is eligible to receive an incentive amount equal to 10% of the assets in excess of the Private Investment Fund I Investors capital contribution at the time of distribution to such Series A Investor of the Private Investment Fund I. The Managing Member is also eligible to receive an incentive amount equal to 10% of assets in excess of the Private Investment Fund I Series B and Series C Investors’ capital contributions and an aggregate amount equal to 15% annualized internal rate of return on such capital contributions at the time of distribution.

The Managing Member is eligible to receive an incentive amount equal to 20% of assets in excess of certain Private Investment Fund II Investors' capital contributions and an aggregate amount equal to 7% annualized internal rate of return on such capital contributions at the time of distribution for limited partners that do not hold a Strategic Interest. In addition, the Managing Member is eligible to receive an incentive amount equal to 10% of the assets in excess of certain Private Investment Fund II Investors with a Strategic Interest (together with other incentive amounts applicable to the Private Investment Funds, "the Incentive Amounts").

The portions of the Management Fees, Incentive Allocations and Incentive Amounts borne by Investors are deducted from Investor assets in the respective Fund. Generally, Investors do not have the ability to choose to be billed directly for fees incurred.

Management Fees, Incentive Allocations and Incentive Amounts are not negotiable but may be (and have been) waived or modified in the sole discretion of Glade Brook or an affiliate.

In addition to Management Fees and Incentive Allocations, the Hedge Fund Feeder Funds bear their own, and their pro rata share of their respective Master Fund's, and (in the case of the Core Offshore Fund and Gardiners Offshore Fund) their respective Intermediate Fund's, legal and other organizational expenses incurred in the formation of the respective Feeder Fund, the Master Fund, and (in the case of the Offshore Fund) the Intermediate Fund and ongoing capital raising activities, including all expenses relating to the offer and sale of interests or shares. The Hedge Fund Feeder Funds will bear their own (and their pro rata share of their respective Master Fund's and (in the case of the Core Offshore Fund and the Gardiners Offshore Fund) their respective Intermediate Fund's) operating and other expenses, including, but not limited to, investment-related expenses (e.g., expenses that, in the General Partner's or Glade Brook's discretion, are related to the investment of the Hedge Funds' assets, whether or not such investments are consummated, such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, interest expenses, initial and variation margin, broken deal expenses and other transactional charges, fees or costs, bank service fees, investment-related travel and lodging expenses, consulting, advisory, investment banking, valuation, due diligence and other professional fees relating to particular investments or contemplated investments, research-related expenses, including, without limitation, news and quotation equipment and services, market data services, and fees to third-party providers of research and/or portfolio risk management services), legal expenses (including with respect to litigation and threatened litigation, if any), any expenses associated with regulatory filings made in connection with the Hedge Funds' operations and/or holdings, accounting, audit and tax advice and preparation expenses (including preparation costs of financial statements, tax returns, reports to the Investors and, in the case of the Domestic Hedge Funds, schedule K-1s), accounting software, printing and mailing costs, market information systems and computer software and information expenses, fees of pricing services, valuation firms, the costs and expenses of third-party risk management products and services, insurance costs (including, without limitation, directors' and officers' insurance, errors and omissions insurance and other similar policies for the benefit of the Hedge Funds), filing and registration fees, fees of the Administrator, the Management Fee, any extraordinary expenses (including indemnification or litigation expenses and any judgments or settlements paid in connection therewith), all other

costs and expenses arising out of the Hedge Funds' indemnification obligations, any entity-level taxes, fees or other governmental charges levied against the Hedge Funds, wind-up and liquidation expenses and other similar expenses related to the Hedge Funds. For the avoidance of doubt, "similar expenses" refers to any expenses that are similar in type and nature to the expenses described in the previous sentence, and any expenses determined by Glade Brook or the General Partner to be primarily related to providing the proper (technological and other) infrastructure for the General Partner and Glade Brook in connection with the Hedge Funds' investments and operations; for instance, fees and expenses relating to the installation, servicing and maintenance of, and consulting with respect to, information technology items that primarily serve Glade Brook's investment and accounting professionals in connection with the Hedge Funds' investments.

In addition to the Management Fees and Incentive Amount, the Private Investment Funds will bear all costs and expenses incurred in connection with the organization of the Private Investment Funds and the costs and expenses incurred in connection with the initial issuance of Interests, including, without limitation, legal and accounting fees and expenses, document production and printing costs, U.S. federal and state filing fees, marketing expenses and other related expenses in connection with the organization of the Private Investment Funds and its activities. The Private Investment Funds will also bear the costs and expenses of its activities and operations, including, without limitation: all transaction costs relating to the Private Investment Funds' investments, costs and expenses relating to due diligence on the investments, including any travel-related expenses, legal and other professional fees relating to the investment, expenses of professionals providing services to the Private Investment Funds, including legal, audit, accounting, tax and administration, organizational expenses, insurance expenses (including costs of any liability insurance obtained on behalf of the Private Investment Funds), regulatory costs and expenses (including filing and license fees), costs of reporting and providing information to Investors, the Management Fee, any entity level taxes, costs of any litigation or investigation involving the Private Investment Funds activities, indemnification expenses, any extraordinary expenses, all fees and expenses of the Private Investment Funds attributable to investments, directly or indirectly, in other investment vehicles, including management fees and incentive compensation and all other costs and expenses related to the Private Investment Funds' business and operations.

Please refer to Item 12 of this Brochure for a description of Glade Brook's brokerage practices.

**IT IS CRITICAL THAT INVESTORS REFER TO THE RELEVANT OFFERING AND FUND GOVERNING DOCUMENTS FOR A COMPLETE UNDERSTANDING OF APPLICABLE FEES AND EXPENSES. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENTS.**



## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above and in the relevant Fund's offering and governing documents, Glade Brook's affiliates are eligible to receive performance-based compensation from the Funds (and, indirectly, from Investors). It should be noted that such a compensation arrangement may create an incentive for Glade Brook to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation for the Hedge Fund Feeder Funds is calculated on a basis which includes unrealized appreciation of assets, it may be greater than if such compensation were based solely on realized gains.

Glade Brook presently provides investment advisory services only to the Funds, and each is subject to a performance-based fee. As such, the conflict of interest related to managing accounts that charge performance-based fees alongside accounts that do not charge performance-based fees does not apply to Glade Brook.

Glade Brook recognizes that it is a fiduciary and as such must act in the best interests of its clients. Further, Glade Brook recognizes that it must treat all clients fairly and must refrain from favoring one client's interests over another's. Glade Brook regularly assesses the allocation of its resources, including investment personnel, among its clients to ensure adherence to its fiduciary duties.

## **ITEM 7 – TYPES OF CLIENTS**

Glade Brook provides investment advisory services to pooled investment vehicles operating as private investment funds. Investors must meet the eligibility provisions outlined in Item 5, above. The minimum initial contribution for Investors is \$1,000,000, subject to the discretion of the General Partner (in the case of the Domestic Hedge Funds), the Managing Member (in the case of the Private Investment Funds) or the Offshore Hedge Funds to accept lesser amounts (but in no event less than applicable legal minimums).

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

The investment strategies, methods of analysis and material risks applicable to an investment in the Funds are set forth in detail in a confidential private placement memorandum or similar document provided to prospective Investors. A brief summary is provided below.

**AN INVESTMENT IN THE FUNDS MAY BE DEEMED SPECULATIVE AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. INVESTING IN THE SECURITIES MARKETS INVOLVES SIGNIFICANT RISK. INVESTMENTS IN THE FEEDER FUNDS ARE APPROPRIATE FOR ONLY EXPERIENCED AND SOPHISTICATED PERSONS WHO MEET CERTAIN ELIGIBILITY CRITERIA, ARE ABLE TO BEAR THE RISK OF LOSS OF SOME OR ALL OF AN INVESTMENT, AND HAVE A LIMITED NEED FOR LIQUIDITY.**

### **The Hedge Funds**

#### **Methods of Analysis**

Glade Brook will employ fundamental research to find and analyze companies that, in Glade Brook's view, have the opportunity to create (or destroy) substantial value globally. The research process focuses on innovation, secular forces, transformation and management quality. Glade Brook will deploy capital when its determination of a company's value differs materially from the market, and Glade Brook sees a pathway for the market to converge with Glade Brook's view. Glade Brook's strategies primarily rely on bottom-up fundamental research and analysis of individual companies and sectors, and are enhanced by a top down overlay, as well as technical and quantitative analysis. The Gardiner Funds will generally invest in a substantially similar investment portfolio as the Core Funds, except it will seek to achieve, to the extent practical, on a position by position basis, long and short performance that is approximately 50% to 100% greater than the Core Funds. The notional leverage is expected to be between 1.5 to 2.0 times, as calculated at the Master Fund level (on a capital adjusted basis), greater than those of the Core Funds; however, such percentage may vary because of changes in the gross long and short performance of the Core Funds relative to those of the Gardiner Funds, as well as other factors. Although, other than the difference in leverage and not investing in certain securities or other assets that are part of Glade Brook's private equity strategy, the Gardiner Funds' portfolio is expected to be substantially similar to that of the Core Funds, there may be divergences between the two portfolios. These divergences may result from legal, tax, accounting, regulatory and other similar considerations and restrictions.

#### **Significant Investment Strategies and Material Risks**

Glade Brook's investment strategy is to generate superior and sustainable risk-adjusted returns by investing globally primarily in publicly-traded equity and equity-linked securities. Glade Brook will execute this strategy through a deep fundamental research approach by buying or shorting securities that Glade Brook believes deviate materially from their intrinsic value.

Glade Brook aims to craft the Hedge Funds' portfolios to capture the alpha inherent in its best ideas, while minimizing factor specific risk and downside volatility. The risk management process will be executed through (i) idea selection and portfolio construction, (ii) risk monitoring, analytics and scenario analysis, and (iii) process orientated risk reduction and capital allocation.

Glade Brook will generally not be limited with respect to the types of markets or instruments in which it may invest in pursuing its investment objectives.

*Flexible Investment Approach.* Glade Brook has broad and flexible investment authority, and may trade in any type of security, issuer or group of related issuers, country, region, etc., that it believes will help Glade Brook achieve their investment objectives. Glade Brook has broad latitude with respect to the management of the Hedge Funds' risk parameters and is subject neither to formal diversification policies limiting the Hedge Funds' portfolio investments nor to formal leverage policies limiting the leverage to be used by the Hedge Funds. Glade Brook may utilize such leverage, position size, duration and other portfolio management techniques as it believes appropriate for the Hedge Funds. Prospective investors must recognize that in investing in the Hedge Funds, they are placing their capital under the full discretionary management of Glade Brook and authorizing Glade Brook to trade for the Hedge Funds in such manner as Glade Brook may determine. There can be no assurance that Glade Brook will be successful in applying its approach and there is material risk that an investor may suffer significant impairment or total loss of its capital.

*Long/Short Investment Strategies.* The identification of investment opportunities in the implementation of Glade Brook's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Hedge Funds' positions were to fail to converge toward, or were to diverge further from, values expected by Glade Brook, the Hedge Funds may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Hedge Funds to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Glade Brook's long/short strategies may become outdated and inaccurate as market conditions change.

*Availability of Investment Strategies.* The success of the investment activities of the Hedge Funds will depend on Glade Brook's ability to utilize Mr. Paul Hudson's expertise to construct a long/short portfolio of publicly-traded equity and equity-linked securities. Identification and exploitation of the investment strategies to be pursued by Glade Brook involves a high degree of uncertainty. No assurance can be given that Glade Brook will be able to locate suitable investment opportunities in which to deploy all of the Hedge Funds' assets. A reduction in money market liquidity or the pricing inefficiency of the markets in which Glade Brook seeks to invest, as well as other market factors, will reduce the scope of Glade Brook's investment strategies.

*Fundamental Value Approach.* Glade Brook intends to pursue a fundamental value investment approach. In order to identify the securities exhibiting the greatest discrepancy

between their intrinsic value and their market value, Glade Brook will rely on significant issuer-specific and macro data and will have to make certain assumptions regarding a wide range of industry, economy, geopolitical and macro factors. There can be no guarantee that the data on which Glade Brook will rely will be accurate and that other market participants will not have access to the same data, resulting in increased competition for the same investment opportunities pursued by the Hedge Funds. Additionally, assumptions made by Glade Brook are inherently subjective and to the extent that those assumptions fail to reflect certain uncertainties or fail to predict the future state of affairs, the Hedge Funds may incur losses.

*Limited Diversification.* The Hedge Funds at times may hold relatively large concentrations in a particular market, industry, sector, geographic region or financial instrument. This limited diversification could expose the Hedge Funds to losses disproportionate to market movements in general.

*Leverage; Borrowing for Operations.* With respect to the Gardiners Funds, Glade Brook has a mandate to use, and will use a high degree of, "leverage" as part of its investment program. To a lesser degree, Glade Brook anticipates it will use leverage as part of the investment for the Core Funds as well. Leverage may take the form of, among other things, any of the financial instruments described herein, including, derivative instruments which are inherently leveraged and trading in products with embedded leverage such as options, short sales, swaps and forwards. The use of leverage should allow Glade Brook to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital; however, leverage may also magnify the volatility of changes in the value of the Hedge Funds' portfolios. The effect of the use of leverage by Glade Brook in a market that moves adversely to its investments could result in substantial losses to the Hedge Funds, which would be greater than if the Hedge Funds were not leveraged. In addition, Glade Brook will have the authority to borrow money for cash management purposes and to meet withdrawals that would otherwise result in the premature liquidation of its investments. The level of interest rates generally, and the rates at which Glade Brook can borrow particularly, will affect the operating results of the Hedge Funds. The amount of borrowings and leverage which Glade Brook may have outstanding at any time may be substantial in relation to its capital.

The instruments and borrowings utilized by Glade Brook to leverage investments may be collateralized by the Hedge Funds' portfolios. Accordingly, Glade Brook may pledge financial instruments in order to borrow or otherwise obtain leverage for investment or other purposes. The expiration or termination of available financing for leveraged positions, and the requirement to post collateral in respect of changes in the fair value of leveraged exposures or changes in advance rates or other terms and conditions of Glade Brook's repurchase agreements, can rapidly result in adverse effects to its access to liquidity and its ability to maintain leveraged positions, and may cause the Hedge Funds to incur material losses. Should the financial instruments pledged to lenders to secure Glade Brook's margin accounts decline in value, Glade Brook could be subject to a "margin call," pursuant to which Glade Brook must either deposit additional funds or financial instruments with the lender or suffer mandatory liquidation of the pledged financial instruments to compensate for the decline in value. Lenders providing financing to Glade Brook can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by lenders in any of the foregoing may result in large margin calls, loss of financing and

forced liquidations of positions at disadvantageous prices. There can be no assurance that Glade Brook will be able to secure or maintain adequate financing.

Glade Brook expects to borrow or utilize other forms of leverage (on a secured or unsecured basis) for any purpose, including to increase investment capacity, cover operating expenses or for clearance of transactions. However, there is no guarantee that any such borrowing arrangements or other arrangements for obtaining leverage will be available, or, if available, will be available on terms and conditions acceptable to Glade Brook. Unfavorable economic conditions also could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit to Glade Brook.

The Gardiners Funds' investment strategy depends upon the availability of leverage. If Glade Brook were unable to borrow money, or could not do so on commercially reasonable terms, Glade Brook's ability to implement the Gardiners Funds' strategy would be materially and negatively impacted. Although Glade Brook believes it has identified credit counterparties to provide leverage to the Gardiners Funds, there can be no assurance that such credit will continue to be available.

*Event Driven.* Event driven investing requires the investor to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as Glade Brook had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, resulting in losses to the Hedge Funds. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to Glade Brook of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a Federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable Federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event driven investing, the results of Glade Brook's operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

*Short Sales.* Short selling involves selling financial instruments which are not owned by the short seller, and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed financial instruments at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the financial instruments. The extent to which the Hedge Funds engage in short sales

will depend upon Glade Brook's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying financial instrument could theoretically increase without limit, thus increasing the cost to the Hedge Funds of buying those financial instruments to cover the short position. There can be no assurance that Glade Brook will be able to maintain the ability to borrow financial instruments sold short. In such cases, the Hedge Funds can be "bought in" (i.e., forced to repurchase financial instruments in the open market to return to the lender). There also can be no assurance that the financial instruments necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing financial instruments to close out a short position can itself cause the price of the financial instruments to rise further, thereby exacerbating the loss.

*Small and Medium Capitalization Companies.* Glade Brook may invest a portion of assets in the securities of companies with small to medium-sized market capitalizations. While Glade Brook believes such securities may provide significant potential for appreciation, those stocks, particularly small-capitalization stocks, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid. Additionally, small- and medium-capitalization companies may have poorer access to capital market (financing risks), shorter operating histories and/or less proven or capable management teams.

*Non-U.S. Investments.* Glade Brook is expected to invest a significant portion of capital outside the United States in non-dollar denominated instruments, including in instruments issued by non-U.S. companies and the governments of non-U.S. countries and in non-U.S. currency. These investments involve special risks not usually associated with investing in securities of U.S. companies or the Federal, state or local government. Because investments in instruments issued by non-U.S. issuers involve non-U.S. dollar currencies and because Glade Brook may temporarily hold funds in bank deposits in such currencies during the completion of its investment program, the Hedge Funds may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of a non-U.S. currency) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company. There is also less regulation, generally, of the markets in non-U.S. countries than there is in the United States. Some non-U.S. markets have a higher potential for price volatility and relative illiquidity compared to the U.S. capital markets. With respect to certain countries there may be the possibility of expropriation or confiscatory taxation, political, economic or social instability, limitation on the removal of funds or other assets or the repatriation of profits, restrictions on investment opportunities, the imposition of trading controls, withholding or other taxes on interest, dividends, capital gain, other income or gross sales or disposition proceeds, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or

diplomatic developments which could adversely affect Glade Brook's investments in those countries.

*Emerging and Developing Markets.* Glade Brook may invest a portion of assets in financial instruments of issuers domiciled or operating in emerging and developing markets. Investing in these markets may involve heightened risks (some of which could be significant) and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include, but are not limited to: (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of securities markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economies; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the securities markets; (xii) less established tax laws and procedures; (xiii) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (xiv) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xv) certain considerations regarding the maintenance of securities and cash with non-U.S. brokers and securities depositories.

*Exposure to Material Non-Public Information.* From time to time, Glade Brook may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Hedge Funds may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

*Hedging Transactions.* The Hedge Funds are not required to hedge any particular risk in connection with a particular transaction or its portfolio generally and may elect to not hedge its risks at all. While the Hedge Funds may enter into hedging transactions to seek to manage risk, such transactions may result in a poorer overall performance for the Hedge Funds than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that may not be hedged.

*Portfolio Divergence.* Although, other than the difference in leverage and not investing in certain securities or other assets that are part of Glade Brook's private equity strategy, the Gardiners Funds' portfolio is expected to be substantially similar to that of the Core Funds, there may be divergences between the two portfolios. These divergences may result from legal, tax, accounting, regulatory and other similar considerations and restrictions. For example, the Gardiners Funds may not invest in certain positions held by the Core Funds prior to the formation of the Gardiners Funds. Glade Brook, at its sole discretion, may periodically rebalance the portfolios of the Hedge Funds, but is under no obligation to do so. Glade Brook may take into



account, when making a determination regarding rebalancing, legal and regulatory considerations, transaction costs, considerations relating to disposal of investments, and other considerations.

Divergences in the portfolios may be material and may impact the relative performance of the Gardiners Funds' portfolio versus the portfolio of the Core Funds.

### **Types of Securities and Material Risks**

*Equity Financial Instruments.* Glade Brook intends to invest in equities, equity-linked securities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Hedge Funds may suffer losses if Glade Brook invests in equity instruments of issuers whose performance diverges from Glade Brook's expectations or if equity markets generally move in a single direction and Glade Brook has not hedged against such a general move. The Hedge Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible financial instruments or private placements, delivering marketable common stock upon conversions of convertible financial instruments and registering restricted financial instruments for public resale.

*Equity Price Risk.* Glade Brook's investment portfolio will include long and short positions in equity securities. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, geographic markets, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by Glade Brook.

*Investments in Initial Public Offerings.* Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities.

*Unlisted Financial Instruments.* Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for listed securities. Companies whose securities are unlisted may not always report the same level of information as companies whose securities are listed.

*Restricted Financial Instruments.* Restricted financial instruments (i.e., financial instruments that are purchased in connection with privately negotiated transactions that are not

registered under relevant securities laws) cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted financial instruments can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Corporate debt securities, mortgage-backed securities, bank loans, mezzanine investments and certain other investments that may be purchased and sold are traded in private, unregistered transactions and subject to restrictions on resale. Although these financial instruments may be resold in privately negotiated transactions, because there is less liquidity for these financial instruments, the prices realized from these sales could be less than those originally paid by the Hedge Funds. If Glade Brook is required to liquidate all or a portion of the Hedge Funds' portfolios quickly, they may realize significantly less than the value at which those investments were previously recorded. Restricted financial instruments may involve a high degree of business and financial risk which may result in substantial losses.

*Convertible Securities.* Convertible securities are stocks or other financial instruments that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by Glade Brook is called for redemption, Glade Brook will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on Glade Brook's ability to achieve its investment objective.

*Preferred Stock.* Preferred stock generally has a preference as to dividends and upon the event of liquidation over an issuer's common stock, but it ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or

more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

*Derivative Financial Instruments and Instruments Generally.* Derivative securities and instruments, or "derivatives," include securities, instruments and contracts which are derived from and are valued in relation to one or more underlying securities, financial benchmarks or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, the Hedge Funds' assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Additional risks associated with derivatives trading include:

Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative and the underlying investment sought to be hedged may prevent Glade Brook from achieving the intended hedging effect or expose the Hedge Funds to risk of loss. If Glade Brook invests in derivatives at inopportune times or incorrectly judges market conditions, the investments may lower the return of the Hedge Funds or result in a loss. The Hedge Funds also could experience losses if derivatives are poorly correlated with its other investments.

Liquidity. Derivatives, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets Glade Brook may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which Glade Brook may conduct transactions in derivatives may prevent profitable liquidation of positions, subjecting the Hedge Funds to the potential of greater losses. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

Operational Leverage. Trading in derivatives can result in large amounts of operational leverage. Thus, the leverage offered by trading in derivatives will magnify the gains and losses experienced by the Hedge Funds and could cause the Hedge Funds' net asset value to be subject to wider fluctuations than would be the case if Glade Brook did not use the leverage feature of derivatives.

Over-the-Counter Trading. Derivatives that may be purchased or sold by Glade Brook may include securities and instruments not traded on an exchange. The risk of nonperformance by the obligor on a security or instrument may be greater than, and the ease with which Glade Brook can dispose of or enter into closing transactions with respect to a security or instrument may be less than, the risk associated with an exchange traded security. In addition, significant disparities may exist between "bid" and "asked" prices for derivatives that are not traded on an exchange. Derivatives not traded on exchanges also are not subject to the same type of government regulation as exchange traded securities, and many of the protections afforded to participants in a regulated environment may not be available in connection with the transactions.

Glade Brook may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are deemed by Glade Brook to be consistent with the investment objective of Glade Brook. Special risks may apply to instruments that are invested in by Glade Brook in the future that cannot be determined at this time or until such instruments are developed or invested in by Glade Brook.

*Debt Securities.* From time to time, Glade Brook may invest in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments may be regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

*Call Options.* Glade Brook may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (i.e., the writer holds the underlying financial instrument) assumes the risk of a decline in the market price of the underlying financial instrument below the purchase price of the underlying financial instrument less the premium received, and gives up the opportunity for gain on the underlying financial instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying financial instrument above the exercise price of the option. The financial instruments necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing financial instruments to cover the exercise of an uncovered call option can cause the price of the financial instruments to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

*Put Options.* Glade Brook may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying financial instrument) assumes the risk of an increase in the market price of the underlying financial instrument above the sales price (in establishing the short position) of the underlying financial instrument plus the premium received, and gives up the opportunity for gain on the underlying financial instrument if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying financial instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Stock Index Options.* Glade Brook may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Hedge Funds will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by Glade Brook of options on stock indices will be subject to Glade Brook's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

*Stock Index Futures.* The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, market participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of stock index futures contracts by Glade Brook also is subject to Glade Brook's ability to correctly predict movements in the direction of the market.

*Securities Futures Contracts.* Securities futures contracts include both futures contracts on single stocks and futures contracts on narrow-based securities indices. They are treated as both futures and securities and, therefore, are subject to the joint jurisdiction of the Securities and Exchange Commission (the "SEC") and the Commodity Futures Trading Commission (the "CFTC"). Securities futures contracts are subject to the same risks as other securities, as well as to the greater volatility and risks of futures trading. Since they are new products, securities futures contracts have relatively low liquidity and no trading history.

*Forward Trading.* Glade Brook may trade forward contracts. These contracts, unlike exchange-traded futures contracts and options on futures, are not regulated by the CFTC. Therefore, Glade Brook will not receive any benefit of CFTC regulation for these trading activities. These transactions are not exchange-traded so that no clearinghouse or exchange

stands ready to meet the obligations of the contract. Thus, Glade Brook faces the risk that its counterparties may not perform their obligations. This risk may cause some or all of the Hedge Funds' gains to be unrealized. 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. If this occurs, Glade Brook may be unable to effectively use its forward trading programs and the Hedge Funds could experience significant losses.

*Swap Agreements.* Glade Brook may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Hedge Funds' exposure to long-term or short-term interest rates (in the United States or abroad), foreign currency values, corporate borrowing rates, commodity prices, or other factors such as security prices, baskets of equity securities or inflation rates. Swaps may also be used to obtain leverage. In connection with swap agreements, cash or securities may be posted to or received from the swap counterparty in accordance with the terms of the swap agreement. The Hedge Funds earn or pay interest on cash posted or received as collateral. Cash posted as collateral is required to be returned by the counterparty and is classified as restricted in terms of use and marketability. Cash received as collateral is required to be returned to the counterparty. Although classified as restricted, cash held as collateral is not held separately and may be used by the holder in its normal operations. Swap agreements can take many different forms and are known by a variety of names. Glade Brook is not limited to any particular form of swap agreement if consistent with Glade Brook's investment objective and policies.

Swap agreements tend to shift Glade Brook's investment exposure from one type of investment to another. For example, if Glade Brook agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease Glade Brook's exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Hedge Funds' portfolios. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Hedge Funds. If a swap agreement calls for payments by the Hedge Funds, the Hedge Funds must be prepared to make such payments when due, which may be pursuant to the terms of the swap agreement or if there is a default under the swap agreement. 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 by the Hedge Funds. Swaps are subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

*Equity Swaps.* Glade Brook may make use of equity swaps. A swap is a contract under which two parties agree to make periodic payments to each other based on the value of a security, specified interest rates, an index or the value of some other instrument, applied to a stated or "notional" amount. An equity swap is a customized derivative instrument that entitles the counterparty to certain payments on the gain or loss on the value of an underlying equity security. Equity swaps are subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

*Credit Default Swaps.* Glade Brook may invest in credit default swaps ("CDS") transactions, including, without limitation, index CDS, for hedging purposes. The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract provided that no event of default on an underlying obligation has occurred. If a "credit event" occurs, the seller must pay the buyer the full notional value, or "par value," of the obligation. CDS transactions are either "physical settled" or "cash settled." Physical settlement entails the actual delivery by the buyer of the reference asset to the seller in exchange for the payment of the full par value of the reference asset. Cash settled entails a net cash payment from the seller to the buyer based on the difference of the par value of the reference asset and the current market value of the reference asset. Glade Brook may be either the buyer or seller in a CDS transaction.

CDS can be used to address the perception of Glade Brook that a particular credit, or group of credits, may experience credit improvement or deterioration. In the case of expected credit improvement, Glade Brook may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of Glade Brook to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. Glade Brook may also buy credit default protection with respect to a reference entity if, in the judgment of Glade Brook, there is a high likelihood of perceived credit deterioration or for risk management purposes. In such instance, Glade Brook will pay a premium regardless of whether there is a credit event.

If Glade Brook is a buyer and no credit event occurs, Glade Brook will have made a series of periodic payments and recover nothing of monetary value. However, if a credit event occurs, Glade Brook (if the buyer) will receive the full notional value of the reference obligation either through a cash or physical settlement. As a seller, Glade Brook receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years (but may be longer), provided that there is no credit event. CDS transactions may involve greater risks than if Glade Brook had invested in the reference obligation directly. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid and it may be difficult to exit or enter into a particular transaction. In addition, CDS carry, like all derivative contracts, the additional risk that even if the value of the CDS contract increases, the counterparty to the CDS trade may default on its obligation to pay the amount due.

*Fixed-Income Financial Instruments.* The value of fixed-income securities in which Glade Brook may invest will change in response to fluctuations in interest rates. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-income instruments generally can be expected to decline.

Glade Brook may invest in zero coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the

security at the time of issuance. While zero coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

The Hedge Funds may purchase low rated or unrated debt instruments. These instruments may offer higher yields than do higher rated instruments, but generally involve greater price volatility. These instruments carry a higher risk that the issuer will be unable to pay principal and interest when due. The market for these instruments may also be limited and some companies may limit the intervals for redemptions. These transactions are not subject to exchange rules.

*Repurchase and Reverse Repurchase Agreements.* Glade Brook may enter into repurchase and reverse repurchase agreements. When Glade Brook enters into repurchase agreement, it "sells" securities to a broker-dealer or financial institution, and agrees to repurchase such securities on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, Glade Brook "buys" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by Glade Brook, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by Glade Brook involves certain risks. For example, if the seller of securities to Glade Brook under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, Glade Brook will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, Glade Brook's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that Glade Brook may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Hedge Funds may suffer a loss to the extent that Glade Brook is forced to liquidate the position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

*Distressed Financial Instruments.* Glade Brook may invest in distressed securities and obligations of U.S. and non-U.S. companies experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Hedge Funds, they involve a substantial degree of risk. Any one or all of the issuers of the securities and obligations in which Glade Brook may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There can be no assurance that Glade Brook will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which Glade Brook invests, Glade Brook may lose the entire investment, may be required to accept cash or securities with a value less than the original investment, and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from Glade Brook's investments may not compensate the Hedge Funds adequately for the risks assumed.



Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by Glade Brook. To the extent that Glade Brook, on behalf of the Hedge Funds, becomes involved in such proceedings, Glade Brook, on behalf of the Hedge Funds, may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by Glade Brook in an issuer's reorganization proceedings could result in the imposition of restrictions limiting Glade Brook's ability to liquidate positions in the issuer or to hedge exposure.

Glade Brook will invest in debt, including, without limitation, "higher yielding" (and therefore higher risk) debt securities, when Glade Brook believes that debt instruments offer opportunities for capital appreciation. In most cases, such debt will be rated below "investment grade" or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market values of certain of these debt instruments may reflect individual corporate developments. It is likely that a major economic recession could have a materially adverse impact on the value of such instruments. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt instruments.

*Mezzanine Loans.* The investment portfolios of the Hedge Funds may include mezzanine loans. A mezzanine loan is a privately negotiated, high yield and often unsecured subordinated debt obligation of an issuer that is unrated or rated below investment grade, the payments on which obligation often contain a form of equity participation in the issuer. Mezzanine loans typically have greater credit and liquidity risk than loans and are typically less liquid than high-yield bonds. A mezzanine loan may not have any public rating from a rating agency, nor will it have been registered with any securities regulator.

Mezzanine finance generally comprises an unsecured loan that is subordinated in terms of priority of repayment and security behind the senior debt and therefore has a higher risk profile than senior debt. Because of the greater risk, mezzanine lenders may be granted share options or warrants to acquire equity securities in the borrower that can be exercised in certain circumstances, principally being immediately prior to the sale of the borrower or an initial public offering of its equity securities.

Many of the mezzanine loans purchased by Glade Brook for the Hedge Funds will have no, or only a limited, trading market. In general, there is a very limited secondary market for mezzanine loans. In addition, secondary market liquidity has been particularly constrained during the recent period of volatility in the credit markets. Illiquidity in the market for mezzanine loans may restrict a Hedge Fund's ability to dispose of investments in a timely fashion and for a fair price.

Mezzanine loans may become non-performing for a variety of reasons. Such non-performing mezzanine loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial writedown of the principal of the loan and/or the deferral of payments. In addition, the Hedge

Funds may incur additional expenses to the extent Glade Brook is required to seek recovery upon a default on a mezzanine loan or participate in the restructuring of such obligation. Although Glade Brook may exercise voting rights with respect to an individual mezzanine loan on behalf of the Hedge Funds, there can be no certainty that Glade Brook will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such mezzanine loan to determine the outcome of such vote.

Investments in mezzanine loans where the underlying assets are non-income producing properties, including properties under development and undeveloped land, tend to have a higher risk of nonpayment than fully-developed real estate assets as a result of the potential failure of any anticipated development project. In the event of any such failure, the loan may go into default, which could result in losses and adversely impact investment returns for the Hedge Funds.

Issuers of mezzanine loans are likely to be highly leveraged and typically do not have available to them more traditional methods of financing. The risk associated with acquiring the instruments of such issuers generally is greater than is the case with investment grade instruments of corporate issuers. The prices of mezzanine loans are likely to be more sensitive to adverse economic changes or individual corporate developments than investment grade instruments of corporate issuers. For example, during an economic downturn or a sustained period of rising interest rates, issuers of mezzanine loans may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, timely service of debt obligations may also be adversely affected by specific issuer developments, the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for the holders of mezzanine loans because such instruments often are unsecured and subordinated to other creditors of the issuer of such instruments. In addition, due to the subordinated nature of the mezzanine loans, Glade Brook's rights under, and its recovery on, the mezzanine loan may be severely limited if the issuer of the mezzanine loan becomes the subject of bankruptcy or insolvency proceedings. Furthermore, Glade Brook may incur additional expenses to the extent it is required to bring litigation in order to seek recovery upon a default on a mezzanine loan or participate in the restructuring of such obligation.

*Bank Loans and Participations.* Glade Brook's investment program may include amounts of bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws; (ii) so-called "lender liability" claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on Glade Brook's ability to enforce its rights directly with respect to participations. In analyzing each bank loan or participation, Glade Brook compares the relative significance of the risks against the expected benefits. Successful claims by third parties can adversely impact the Hedge Funds and performance.

*Risks Associated with Bankruptcy Cases.* Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a

bankruptcy court would not approve actions which may be contrary to Glade Brook's interests. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and Glade Brook and is subject to unpredictable and lengthy delays. In addition, during the process, the company's competitive position may erode, key management may depart, and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during reorganization, and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

Investment in the equity of financially distressed companies domiciled outside of the U.S. involves additional risks. Bankruptcy law and process may differ substantially from that in the U.S., resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing, and the classification, seniority, and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

## **The Private Investment Funds**

### **Investment Opportunities**

The Private Investment Fund I was formed for the purpose of investing, indirectly through an investment in other investment vehicles, in the privately offered shares of an Asian e-commerce company (the "E-commerce Company"). The privately offered shares are held through a Cayman Islands Variable Interest Entity (a "VIE"), which is an investment structure designed to allow foreign investors to hold a controlling interest in a business that operates in one or more of China's restricted or prohibited sectors, such as the internet or e-commerce.

The Private Investment Fund II was formed for the purpose investing all, or substantially all, of its assets, in the ordinary shares of the parent company of a private U.S. media company (the "Media Company" and, together with the E-commerce Company, the "Companies").

### **General Risks associated with the Private Investment Funds**

*Investment and Trading Risks.* An investment in the Private Investment Funds involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Private Investment Funds' investment programs will be successful. Glade Brook will be investing substantially all of the Private Investment Funds' assets, either directly or indirectly through investments in other investment vehicles, in one security. Markets have in recent years experienced significant volatility and losses and

investments in the Companies may be sensitive to economic, regulatory, market, industry and other variable conditions to a greater or lesser degree than other securities. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Private Investment Funds.

*Concentration of Investments.* The investments in the Companies will represent a large portion, if not all, of the respective Private Investment Fund's capital and losses incurred with respect to the investment would have a material adverse effect on such Private Investment Fund's overall financial condition. The Private Investment Funds' portfolios will not be diversified among a wide range of issuers or industry sectors and accordingly, assets may be subject to more rapid change in value than would be the case if the Private Investment Funds maintained diversified portfolios among industry sectors, securities and types of securities and other instruments.

*No Control of Investment.* The Private Investment Funds will hold a non-controlling interest in the Companies and, therefore, will have a limited ability to protect its investments in the Companies. It is unlikely that Glade Brook will be able to obtain any shareholder and supervisory rights in order to protect its interests in all circumstances. The Company shares held by the Private Investment Funds, directly or, in the case of Private Investment Fund I, indirectly through the other investment vehicles, will be subject to voting rights restrictions that limit voting rights in certain material instances and new investors will not receive representation on the Companies' boards.

*Illiquid Securities.* The Private Investment Funds' assets will be invested in securities that are initially illiquid and will generally be restricted for the period from the private sale until the expiration of a waiting period following the issuer's initial public offering. If the issuer is unable to obtain an effective registration statement for such securities, the securities may remain restricted (subject to the availability of some other exemption) and Glade Brook may be unable to recover from the issuer an amount sufficient to compensate the Private Investment Fund for the loss of liquidity of such security. Following the registration of such securities and a prescribed waiting period, Glade Brook will gain the ability to liquidate its position but it may be required to hold such securities for a substantial period of time. Market prices for illiquid securities are often volatile and may not be ascertainable.

*Leverage.* Glade Brook may use leverage to fund the operations of the Private Investment Funds; however, such use may also increase the adverse impact to which the assets of the Private Investment Funds may be subject. Borrowings will typically be secured by the Private Investment Funds' securities and other assets. Under certain circumstances, a lender may demand an increase in the collateral that secures the Private Investment Funds' obligations and if the Private Investment Funds were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the Private Investment Funds' obligations to the lender. Liquidation in that manner could have extremely adverse consequences. In addition, any leverage obtained, if terminated on short notice by the lender, could result in Glade Brook being forced to unwind the Private Investment Funds' positions quickly and at prices below what Glade Brook deems to be fair value for such positions.

*General Economic and Market Conditions.* The success of the investment in the Companies will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Private Investment Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the investments in the Companies and the availability of certain securities and investments. Volatility or illiquidity could impair the Private Investment Funds' profitability or result in losses.

*No Operating History and Dependence on Key Personnel.* Although Paul J. Hudson has substantial investment experience, the Private Investment Funds have limited or no history upon which a prospective investor may base its investment decision. The past performance of Glade Brook or its affiliates is no guarantee of future performance. The loss of the services of any of the key personnel of Glade Brook could have a material adverse effect on the operations of the Private Investment Funds.

*Restrictions on Transfer and Withdrawal.* Interests in the Private Investment Funds are not transferable without the prior written consent of the Managing Member, which may be withheld in its sole discretion. Investors may not withdraw from the Private Investment Funds. Each Investor must be prepared to bear the economic risk of its investment for an indefinite period since the interests cannot be resold unless they are subsequently registered under the Securities Act or an exemption from such registration is available, and provisions of the Operating Agreement (in the case of the Private Investment Fund I) or the Partnership Agreement (in the case of the Private Investment Fund II) (together with the Operating Agreement the "Offering Documents") relating to restrictions on transfers of the Interests are complied with.

There will be no public market for the Interests. Each Investor will be required to represent that it is acquiring its Interest for investment purposes and not with a view to resale or distribution. Accordingly, investments in the Private Investment Funds require a long-term commitment, with no certainty of return.

*Liability for Return of Distributions.* Investors may be obligated to return distributions previously received by them to the extent such distributions will be deemed to have been wrongfully paid to them or the Private Investment Funds are asked to meet their indemnity obligations, subject to certain limitations specified in the Offering Documents. In addition, an investor may be liable under applicable federal and state bankruptcy or insolvency laws to return a distribution made during the Private Investment Funds' insolvency. The liability to return distributions would reduce the return of capital to such investor.

*Adverse Consequences for Failure to Fund an Additional Capital Contribution.* The failure by an Investor to fund all or any portion of its Additional Capital Contribution when required may result in numerous adverse consequences to such investor as discussed in the Offering Documents and the Summary of Principal Terms for each Private Investment Fund. If any investor fails to fund its Additional Capital Contribution when due, the relevant Private

Investment Fund's ability to pursue its investment strategy or otherwise to continue operations may be substantially impaired. A default by a substantial number of the investors or by one or more investors who had made substantial Capital Contribution would limit opportunities for investment diversification and would likely reduce returns or increase losses to such Private Investment Fund.

*Absence of Recourse to and Indemnification of the Managing Member and the Investment Manager.* The Offering Documents and the Investment Management Agreement limit the circumstance under which Glade Brook and its affiliates can be held liable to the Private Investment Funds. As a result, the Investors may have a more limited right of action in certain cases than they would in the absence of such provisions.

*Distributions.* Although the Managing Member shall, pursuant to the Offering Documents, distribute the Private Investment Funds' net available cash to the Investors of each Private Investment Fund as soon as reasonably practicable after receipt by such Private Investment Fund, the timing of any such distributions is subject to the sole discretion of the Managing Member. As a result, Interests should not be purchased if a particular Investor's cash flow objectives or requirements demand greater liquidity or more marketable investments. The Managing Member, in its sole discretion, may set aside reserves for, among other things, estimated accrued expenses, taxes, liabilities, capital expenditures, contingencies of the Private Investment Fund and the Private Investment Fund's pro rata share of the fees and expenses of the other investment vehicles.

*Distributions May Be Insufficient to Pay Taxes.* An investment in the Interests of the Private Investment Funds may generate taxable income to investors and cash distributions from the Private Investment Fund may not be adequate to fund an investor's tax liability.

*In-Kind Distributions.* Glade Brook expects to distribute cash and securities to Investors. In the event of an in-kind distribution from the Private Investment Funds, the risk of loss and delay in liquidating distributed securities will be borne by the Investor, with the result that such Investor may ultimately receive less cash than it would have received as of the distribution date.

*Supplementary Agreements with Members.* To the extent permitted by applicable law, in connection with an investor's subscription for an Interest, Glade Brook may enter into a side letter or similar agreement (a "Supplementary Agreement" or "Side Letters") with certain prospective or existing investors. A Supplementary Agreement may provide for, among other things, (i) Glade Brook's agreement to exercise its discretionary authority under the Offering Documents in certain respects for the benefit of the prospective or existing investor; (ii) Glade Brook's agreement to extend certain information rights or additional reporting to such prospective or existing investor, on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) in some cases to accommodate special regulatory or other circumstances of the prospective or existing investor; (iii) fee breaks, (iv) restrictions on, or special rights of the new investor with respect to, the activities of Glade Brook and (v) and such other rights as may be negotiated by Glade Brook and such prospective or existing investor. The entry by Glade Brook into any Supplementary Agreement would not require the vote or consent of any Investor

unless such Supplementary Agreement constituted or required an amendment to the Offering Documents requiring such a vote or consent. In addition, the terms of any such Supplementary Agreement will not be disclosed to other Investors unless Glade Brook, in its sole discretion, agrees otherwise. The modifications are solely at the discretion of Glade Brook.

### **Additional Risks Associated with the Private Investment Fund I**

*Risks of Investing in Technology Companies.* The E-commerce Company is focused on e-commerce, online marketing and advertising. The securities of such companies can be volatile and the marketplace in which these companies operate are extremely competitive particularly since this sector may not present the capital intensive barriers to entry that may exist in a more traditional retail commerce company. Because the markets in which these companies operate are so competitive, there can be no assurance that the E-commerce Company will be able to protect its market share as competitors develop technologies or interfaces that are substantially equivalent or superior to the E-commerce Company's technology. Additionally, consumer tastes and preferences can change very quickly with the result that the E-commerce Company's market share may decrease rapidly if consumer focus shifts to its competitors.

In addition, technology and technology-related companies often invest greater than usual amounts in research and product development and the securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. Such investments could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence.

Further, many technology and technology related companies with proprietary technology rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect their proprietary rights, which may be essential to the growth and profitability of the company. There can be no assurance that the E-commerce Company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies that are substantially equivalent or superior to the E-commerce Company's technology.

The markets in which the E-commerce Company operates are also extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing and/or profit margins. There can be no assurance that the E-commerce Company and its affiliated companies will establish or maintain competitive advantages or successfully penetrate new markets.

*Market Competition; Management Deficiencies.* Attracted by the significant market opportunity, offline retailers and new internet start-ups have entered the Chinese e-commerce and online marketing industry in recent years. Well-funded existing players have so far struggled to take significant market share, but may be more effective in the future. Any new or existing competition may impact the E-commerce Company's prospects. In addition, the recent internal control and anti-corruption effort within the Company has illuminated weak areas and deficiency

in human capital management. The E-commerce Company executives have made efforts to improve the focus on culture and integrity and will need to continue to make this a top priority.

*Indirect Ownership.* The Private Investment Fund I's investment in the E-commerce Company was made indirectly through other investment vehicles. As a result, the Private Investment Fund I will not own the E-commerce Company's securities directly and there are risks and expenses associated with indirect ownership. For example, the acquisition of the shares of the E-commerce Company by the other investment vehicles will be governed by one or more agreements that will contain material terms of the investment, including but not limited to voting rights, rights to information and certain restrictions on the sale or transfer of the E-commerce Company shares. The agreements have been negotiated by the other investment vehicles and other strategic investors and neither the Managing Member nor Glade Brook will have input or influence on such terms or the agreements as a whole. Accordingly, the Private Investment Fund I, by virtue of its investment in the other investment vehicles, will be subject to terms and conditions set forth in the agreements that have not been negotiated by Glade Brook or the Managing Member. In addition, by investing indirectly through the other investment vehicles, Glade Brook will also depend on the decisions made by the managers of such vehicles and could be subject to the risk of mismanagement or fraud by parties not under Glade Brook's direct control.

*Fees and Expenses.* Due to Glade Brook's investment via the other investment vehicles, the Investors may pay, directly or indirectly, layers of fees and expenses, including fees and expenses relating to formation of such entities as well as management fees (and incentive compensation) payable to the sponsors of such investment vehicles. The Private Investment Fund I will bear, directly or indirectly, its proportionate share of each investment vehicle's fees and expenses. Such fees and expenses will generally be paid whether or not the Private Investment Fund I and/or the other investment vehicles experiences gains.

*Risk of Investing in China.* The Chinese economy is undergoing a meaningful slowdown in rate of growth. While to date the E-commerce Company has not experienced a material impact on its business from this macroeconomic slowdown, continued or further deceleration in the Chinese economy may pose a risk. Because the E-commerce Company conducts business in China, the E-commerce Company may be more adversely affected by political, regulatory or economic developments in China than a company doing business outside China. China is generally considered an emerging market, and investments in companies in China may be significantly affected by exposure to currency fluctuations, less liquidity, less developed or efficient trading markets, expropriation, confiscatory taxation, nationalization, exchange control regulations, a lack of comprehensive company information, differing auditing and legal standards, political instability and less diverse and mature economic structures.

The laws in China regulating ownership, control and corporate governance of companies are still evolving. In many cases existing laws offer limited protection, at best, to minority shareholders. Management or controlling shareholders may be able to take action against the interests of minority shareholders, which could result in share dilution. The lack of legal regulation of the securities markets in certain of these countries may pose risks to the operations of the Private Investment Fund I.



Because the efficacy of the judicial systems in China varies, Glade Brook may have difficulty in successfully pursuing claims in the courts of such countries, as compared to the United States and certain Western European countries. Further, to the extent one of the other investment vehicles may obtain a judgment but is required to seek its enforcement in the courts of China, there can be no assurance that such courts will enforce such judgment.

*Risks of Investing in Variable Interest Entities.* The Variable Interest Entity (VIE) is an investment structure that allows foreign investors to hold a controlling interest in a business that operates in one or more of China's restricted or prohibited sectors. A typical VIE involves one or more foreign investors, together with one or more natural or legal persons of the People's Republic of China (the "PRC"), who form an offshore entity that owns or controls an onshore wholly foreign-owned enterprise or similar foreign-invested enterprise in China. In turn, the wholly foreign-owned enterprise or foreign-invested enterprise has control over the ownership and management of a domestic licensed company that holds the necessary license(s) to operate in a sector where foreign direct investment is restricted or prohibited, such as the internet and e-commerce sectors. Control over the domestic licensed company is obtained through various service agreements, rather than through share ownership. Through such contracts the investors in the wholly foreign-owned enterprise or foreign-invested enterprise are able to obtain de facto control over the ownership and management of the domestic licensed company.

Under a VIE structure, foreign investors do not have a direct equity ownership of the Chinese operating company and thus rely on contractual agreements to exercise effective control over the Chinese operating company. These VIE contracts have not been tested in PRC courts and in the event that the Chinese owners breach the agreements, it is unclear whether the rights of the foreign investors under the agreements will be enforced. Although there is currently no clear general prohibition against the VIE structure in China, PRC regulators have not expressly endorsed the VIE structure either and it is possible that PRC authorities could view this as a way of circumventing PRC foreign direct investment restrictions. As a result, there is a risk that the PRC authorities may refuse to recognize the VIE structure or require the VIE structure to be unwound. A ban on this structure can have significant implications with respect to Glade Brook.

*Prior Return Information.* Historical performance with respect to Chinese companies should not necessarily be considered representative of the returns that may be received by an investor in the E-commerce Company. The Chinese economy and related stock values have witnessed extraordinary growth in the past several years, and there is no assurance that these trends will continue or not be reversed.

*Economic and Financial Instability.* The economy of China is export driven and may be affected by developments in the economies of their main trading members, such as the United States, Europe and Japan. The slowdown of the economies in the United States, Europe and Japan may adversely affect the growth rate of China. In addition, China's governmental actions can have a significant effect on the economic conditions in China, which could adversely affect the value of the Private Investment Fund I's investments. Although the Chinese government has instituted comprehensive legal and economic reform policies, there can be no assurances that it will continue to pursue such policies or, if it does, that such policies will succeed.

*Political and Social Risks.* China has in the past experienced, and may in the future experience, political and social instability that could adversely affect the investment in the E-commerce Company. Such instability could result from, among other things, popular unrest associated with demands for improved political, economic and social conditions.

*Governmental Controls.* The government of China has exercised and continues to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls companies, including some of the largest. Accordingly, government actions could have a significant effect on economic conditions in China, which could affect private sector companies and the value of the investment in the E-commerce Company. Expropriation, confiscatory taxation, nationalization, restrictions on repatriation of capital, renunciation of foreign debts or other developments could adversely affect the investment in the Company.

*Tax Risks.* Tax laws in China are burdensome to private enterprises. Currently, the tax rules and regulations prevailing in China are either new or under varying states of review and revision. As a result, new tax laws, possibly with retroactive effect, may be enacted. Changes to taxation treaties (or their interpretation) between China and the U.S. may severely and adversely affect Glade Brook's ability to efficiently realize interest and dividend income or capital gains. Consequently, it is possible the Private Investment Fund I, through its investment in the other investment vehicles, may face unfavorable tax treatment in China which may materially adversely affect the value of the investment in the E-commerce Company.

*Currency Risks.* To the extent the investment in the E-commerce Company is denominated in a non-U.S. currency it is subject to the risk that the value of a particular currency will change in relation to the U.S. dollar or other currencies. The weakening of a country's currency relative to the U.S. dollar will negatively affect the dollar value of the Private Investment Fund I's assets. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, central bank policy, and political developments.

### **Additional Risks Associated with the Private Investment Fund II**

*Investments in Media Companies.* As the Private Investment Fund II's investment will be concentrated in a single company in the media sector, it is subject to legislative or regulatory changes, adverse market conditions, increased competition and market reactions to technological developments and/or ownership restrictions. Specifically, various types of ownership restrictions are placed on mass media companies, including broadcast and cable networks, by the FCC. Changes in these and other rules may adversely affect the Private Investment Fund II's holdings.

*Equity Securities.* The purchaser of an equity security typically receives an ownership interest in the company as well as certain voting rights. The owner of an equity security may participate in a company's success through the receipt of dividends, which are distributions of

earnings by the company to its owners. Warrants or rights give the holder the right to purchase a common stock at a given time for a specified price.

*Warrants.* Warrants and rights permit, but do not obligate, their holders to subscribe for other securities. The Private Investment Fund II issues Class B Warrants which are fully pre-paid and only exercisable at the sole discretion of the Managing Member. Upon the distribution of all of the Private Investment Fund II's Net Distributable Cash, the holder of each Class B Warrant shall forfeit to the Private Investment Fund II such Class B Warrant, at no cost.

*Cross-Class Liability.* Although each Class of Interests will be maintained by the Private Investment Fund II separately with separate accounting records and with the Capital Contributions (and investments made therewith) kept in segregated accounts, the Private Investment Fund II as a whole, including any subsequently issued separate Interests, is one legal entity. Thus all of the assets of the Private Investment Fund II are available to meet all of the liabilities of the Private Investment Fund II, regardless of the Class to which such assets or liabilities are attributable. In practice, cross-class liability will usually only arise where any class becomes insolvent and is unable to meet all of its liabilities. In this case, all of the assets of the Private Investment Fund II attributable to the other Class may be applied to cover the liabilities of any insolvent Class. A liquidator of the Private Investment Fund II, however, may not always comply with or enforce the segregation of assets attributable to each Class of Interests.

## **ITEM 9 –DISCIPLINARY INFORMATION**

To the best of our knowledge, there are no legal or disciplinary events that are material to a client's or prospective client's or an Investor's or potential Investor's evaluation of Glade Brook's advisory business or the integrity of Glade Brook's management.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither Glade Brook nor its management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither Glade Brook nor its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

As noted in Item 4, above, Glade Brook is affiliated with the General Partner, which serves as General Partner of the Core Domestic Fund, Core Intermediate Fund, Core Master Fund, Gardiners Domestic Fund, Gardiners Intermediate Fund and Gardiners Master Fund, and the Managing Member, which serves as managing member of the Private Investment Fund I and general partner of the Private Investment Fund II.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Glade Brook's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act"). The Code applies to Glade Brook's "Access Persons." Access Persons include, generally, any employee or other supervised person of Glade Brook who, in relation to Glade Brook's advisory clients, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All Glade Brook employees are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Glade Brook's status as a fiduciary and requires Access Persons to place the interests of the advisory clients and Investors above their own interests and the interests of Glade Brook. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Glade Brook's Chief Compliance Officer, Paul Barron (the "Chief Compliance Officer" or his designee). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt and understanding of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1.

The Code also seeks to ensure the protection of nonpublic information about the activities of the Advisory Clients. Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer at [pbarron@gladebrookcapital.com](mailto:pbarron@gladebrookcapital.com).

Glade Brook, as investment manager, and the General Partner, can be said to recommend interests in the Hedge Fund Feeder Funds to prospective Investors. Also, Glade Brook, as investment manager, and the Managing Member, can be said to recommend interests in the Private Investment Funds to prospective Investors. Glade Brook, the General Partner and the Managing Member have a material financial interest with respect to fees paid by Investors. The Incentive Allocation and the Incentive Amount described in Item 5, above, may create an incentive for Glade Brook to make investments that are riskier or more speculative than in the absence of such compensation.

The General Partner has or will have an interest in the Core Domestic Fund, the Core Intermediate Fund, the Core Master Fund, the Gardiners Domestic Fund, the Gardiners Intermediate Fund and the Gardiners Master Fund and the Managing Member has an interest in the Private Investment Funds. Glade Brook's principals and employees may also invest directly in the Hedge Fund Feeder Funds and the Private Investment Funds. It should be noted that investments in the Funds made by such parties generally are not subject to the Management Fee

or Incentive Allocation described in Item 5 above. The fact that the General Partner, the Managing Member and Glade Brook's principals and employees may have financial ownership interests in the Funds creates a potential conflict in that it could cause Glade Brook to make different investment decisions than if such parties did not have such financial ownership interests. Glade Brook addresses this potential conflict by impressing upon Access Persons their fiduciary duty to act in the best interests of advisory clients and Investors and by requiring Access Persons to submit securities holdings and transaction reports in accordance with Rule 204A-1. Further, Glade Brook generally prohibits all trading in Personal Accounts, with the exception of mutual funds, ETFs, money market funds, United States treasuries, and cash equivalents. Notwithstanding, the immediately preceding sentence, Glade Brook generally permits Access Persons to continue to hold in their Personal Accounts any positions that were already in the Personal Accounts before becoming an Access Person ("Grandfathered Positions"). The Grandfathered Positions must be disclosed to Glade Brook on the Initial and Annual Holdings Reports and any permitted transactions must be reported on a Quarterly Transactions Report. Access Persons are required to obtain prior written approval of the Chief Compliance Officer and Glade Brook's Head Trader before engaging in any transaction in a Grandfathered Position, including any transaction in initial public offerings, limited offerings, and equities. As a general matter, Access Persons are not permitted to make personal account transactions in a security that is held or being researched for the Funds

## ITEM 12 – BROKERAGE PRACTICES

Glade Brook has authority to select the broker-dealer to be used in each transaction for the Funds and for negotiating the fees to be paid to the broker-dealer in connection with such transactions. Glade Brook recognizes its duty to obtain “best execution.” Consistent with such duty, in determining best execution, Glade Brook takes into account the full range and quality of a broker-dealer’s services, including research and other services. Glade Brook does not select broker-dealers solely on the basis of lowest possible commission costs, but by the best qualitative execution.

Consistent with such policy, consideration is given to a variety of factors, including but not limited to the following:

- Commission rates
- Reliability
- Financial responsibility
- Strength of the broker and the ability of the broker to efficiently execute transactions
- The broker’s facilities
- The broker’s provision or payment of the costs of brokerage and research services that are of benefit to Glade Brook or its clients or affiliates

Glade Brook may consider a broker-dealer’s ability to provide Glade Brook with the opportunity to participate in capital introduction events sponsored by the broker-dealer and to refer Investors to the Funds. It should be emphasized that Glade Brook does not select broker-dealers solely in return for referrals. Glade Brook recognizes that it may have an incentive to favor broker-dealers that provide capital introduction services to Glade Brook or refer Investors. Glade Brook receives asset-based fees and accordingly would receive a financial benefit from the increase in assets under management that result from capital introduction services and Investor referrals. Similarly, Glade Brook’s affiliate receives a performance-based allocation and accordingly could receive a larger performance-based allocation in any given profit period as a result of an increase in assets under management that results from capital introduction services and Investor referrals. The potential for higher fees presents a potential conflict in that Glade Brook has an incentive to favor broker-dealers that provide services that have a direct impact on fees even if those broker-dealers rate unfavorably in other categories.

While Glade Brook’s primary consideration in allocating portfolio transactions to broker-dealers is to obtain favorable prices and efficient executions, Glade Brook does not have an obligation to, and does not always seek to, obtain the lowest priced execution regardless of qualitative considerations.

Any use of commissions or “soft dollars” generated by the Funds to pay for brokerage and research products or services will fall within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Where a product or service obtained with commission dollars provides both research and non-research assistance to the Hedge Fund Feeder Funds, Glade Brook will make a reasonable allocation of the cost that may be paid for with commission dollars.



When Glade Brook uses soft dollars to obtain research or other products or services from broker-dealers, it receives a benefit because it does not have to produce or pay for the research, products or services. Glade Brook also has the authority to cause the Hedge Funds to pay brokers directly for research.

Further, Glade Brook has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on a client's interest in receiving most favorable execution.

Such soft dollar benefits may be used to service all of Glade Brook's clients and not just those that paid for the benefits. It is anticipated that any soft dollar benefits received by Glade Brook will be applicable to all of Glade Brook's clients.

In the past year, research and related services obtained (in whole or in part) through soft dollars included, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; market data providers and trading software costs; and discussions with research personnel and industry experts.

It should be specifically noted that the Private Investment Funds do not typically invest in the types of securities that are traded on an exchange and does not generate commissions or "soft dollars." Thus, the Private Investment Funds will likely not be subject to the higher transaction costs of the Hedge Fund Feeder Funds and will not receive benefits from the Hedge Fund Feeder Funds' soft dollar credits.

Glade Brook does not have directed brokerage arrangements.

## **ITEM 13 – REVIEW OF ACCOUNTS**

The investment portfolios of the Funds are under constant review by Glade Brook's investment personnel. Such reviews include a review of adherence to the Funds' investment guidelines, strategies, target capacity and risk. Any proposed deviations from the Funds' investment guidelines or strategies will be discussed with the Chief Compliance Officer to determine if consent of the Funds and/or Investors is necessary.

Investors in the Hedge Fund Feeder Funds receive reports generally on a monthly basis with information regarding the performance and exposure of the Hedge Funds and their capital balances. Investors in the Private Investment Funds generally receive unaudited quarterly account statements. In addition, Investors in the Hedge Fund Feeder Funds and the Private Investment Funds receive annual audited financial statements within 120 and 180 days, respectively of the fiscal year-end. Core Domestic Fund, Gardiners Domestic Fund and Private Investment Fund Investors receive tax reports relating to their investments.

Glade Brook's privacy policy is distributed to Investors on an annual basis.

## **ITEM 14 – CLIENT REFERRALS AND COMPENSATION**

Glade Brook does not receive sales awards or prizes in connection with the offering of interests in the Funds.

Glade Brook does not utilize placement agents or solicitors, though it may do so in the future.

## **ITEM 15 – CUSTODY**

Glade Brook is deemed to have custody of Fund assets pursuant to Advisers Act Rule 206(4)-2 (the “Custody Rule”). The qualified custodians for the Hedge Funds are Credit Suisse Securities (USA) LLC, 11 Madison Avenue, New York, NY 10010, Goldman, Sachs & Co., 200 West Street, New York, NY 10282, JPMorgan Chase Bank, N.A., One Chase Manhattan Plaza, New York, NY 10005, Morgan Stanley & Co. LLC, 1585 Broadway, New York, NY 10036 and State Street Bank and Trust Company, One Lincoln Street, Boston, Massachusetts 02111. The Funds may engage other or additional custodians, prime brokers and brokers at any time.

As the Private Investment Funds invest all, or substantially all, of their assets in the privately offered ordinary shares of the Companies, Glade Brook generally will be exempt from the requirement that securities be maintained with a “qualified custodian” for the Private Investment Funds. In the future, if the Private Investment Funds’ investments in private and illiquid assets involve securities that are certificated, but also are (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering and (ii) transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer, Glade Brook will maintain such certificates with a qualified custodian.

To ensure compliance with the Custody Rule, Glade Brook arranges for the Funds to be audited at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and distributes audited financial statements to all Investors within 120 days of the end of such Hedge Fund Feeder Funds’ and the Private Investment Fund II’s fiscal years and within 180 days of the end of the Private Investors Fund I’s fiscal year. Investors should carefully review such audited financial statements.

## **ITEM 16 – INVESTMENT DISCRETION**

Glade Brook has full discretionary authority to manage the Funds. Each Fund's investment strategy is set forth in detail in a prospectus. Investors do not have the ability to impose limitations on Glade Brook's discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, Investors in the Core Domestic Fund, the Gardiners Domestic Fund and the Private Investment Fund II must execute a limited partnership agreement that contains a power of attorney.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Glade Brook understands and appreciates the importance of proxy voting. Glade Brook has appointed Institutional Shareholder Services (“ISS”) to generally manage the receipt of incoming proxies, maintain a log of all proxies, and place votes based on specified policies and guidelines established by Glade Brook. All proxies for the Funds for which Glade Brook has the authority and responsibility to vote are sent directly to ISS. Glade Brook has the authority to pull back a proxy from ISS and directly exercise voting discretion. In the event that Glade Brook decides to directly exercise discretion to vote a proxy (in the event such authority is not delegated to ISS, or such authority is revoked from ISS with respect to any specific proxy), Glade Brook will vote any such proxies in the best interests of the Hedge Funds and in accordance with the procedures as described to Investors.

Prior to voting any proxies with respect to the Hedge Funds, Glade Brook reviews the proxy solicitation for potential conflicts of interest. If a conflict is identified, Glade Brook makes a determination as to whether the conflict is material or not. If no material conflict is identified pursuant to these procedures, Glade Brook votes the proxy in question in accordance with the best interest of the Hedge Funds.

If a material conflict is identified, Glade Brook will consider the conflict and determine what course of action is in the best interests of the affected Funds (which may include utilizing ISS to vote such proxies). Further, Glade Brook will determine (in its sole discretion) whether it is appropriate to disclose the conflict to Investors.

Investors may obtain additional information regarding how Glade Brook voted proxies and may obtain a copy of Glade Brook’s proxy voting policies and procedures by contacting the Chief Compliance Officer at [pbarron@gladebrookcapital.com](mailto:pbarron@gladebrookcapital.com).

It should be noted that based upon the Private Investment Funds’ investment strategies (and lack of involvement in publicly-traded equities), it is unlikely that Glade Brook will need to vote proxies for the Private Investment Funds. If in the future it is contemplated that Glade Brook may exercise voting authority with respect to the Private Investment Funds securities, Glade Brook will follow the policies noted above.

## **ITEM 18 – FINANCIAL INFORMATION**

N/A. Glade Brook is not required to include a balance sheet for its most recent fiscal year, and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to advisory clients. In addition, Glade Brook has not been the subject of a bankruptcy petition at any time during the past ten years.