

# GlassBridge Asset Management, LLC

GlassBridge Asset Management, LLC  
510 Madison Avenue, 9<sup>th</sup> Floor  
New York, NY 10022  
Attention: Danny Zheng [dzheng@glassbridge.com](mailto:dzheng@glassbridge.com)  
<http://www.glassbridge.com>

**This brochure provides information about the qualifications and business practices of GlassBridge Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 829-2828 or [dzheng@glassbridge.com](mailto:dzheng@glassbridge.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**GlassBridge Asset Management, LLC is registered as an investment adviser with the SEC. Registration with the SEC does not imply that a certain level of skill or training.**

**This Brochure is not an offering or solicitation of interest in the funds managed by GlassBridge Asset Management, LLC or its affiliates.**

## **Item 2. Material Changes**

In this Item we are required to disclose material changes since our last annual filing, which was the version dated March 29, 2018. Our material changes updates are as follows:

- In Item 1, we updated our contact information.

## **Item 3. Table of Contents**

<b>Item 1. Cover Page</b>	<b>1</b>
<b>Item 2. Material Changes</b>	<b>2</b>
<b>Item 3. Table of Contents</b>	<b>2</b>
<b>Item 4. Advisory Business</b>	<b>3</b>
<b>Item 5. Fees and Compensation</b>	<b>4</b>
<b>Item 6. Performance-Based Fees and Side-By-Side Management</b>	<b>7</b>
<b>Item 7. Types of Clients</b>	<b>7</b>
<b>Item 8. Method of Analysis, Investment Strategies and Risk of Loss</b>	<b>8</b>
<b>Item 9. Disciplinary Information</b>	<b>39</b>
<b>Item 10. Other Financial Industry Activities and Affiliates</b>	<b>39</b>
<b>Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b>	<b>40</b>
<b>Item 12. Brokerage Practices</b>	<b>46</b>
<b>Item 13. Review of Accounts</b>	<b>51</b>
<b>Item 14. Client Referrals and Other Compensation</b>	<b>51</b>
<b>Item 15. Custody</b>	<b>52</b>
<b>Item 16. Investment Discretion</b>	<b>53</b>
<b>Item 17. Voting Client Securities</b>	<b>53</b>
<b>Item 18. Financial Information</b>	<b>54</b>

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

GlassBridge Asset Management, LLC (“GlassBridge”) was formed under the laws of the State of Delaware in January 2017. GlassBridge is a wholly-owned subsidiary of GlassBridge Enterprises, Inc., a Delaware corporation (OTCQX: GLAE).

GlassBridge sponsors and manages a privately offered hedge fund, with a Master-Feeder structure (the “Fund”), and also intends to manage separately managed accounts established by third parties (“Managed Accounts”). The Fund and the Managed Accounts, if any, are GlassBridge’s only clients.

GlassBridge’s advisory services are presently provided solely through a subadvisor, Clinton Group, Inc., a registered investment adviser (the “Sub-Advisor”). Services provided by GlassBridge via the Sub-Advisor primarily consist of (i) investigating, identifying and evaluating investment opportunities; (ii) structuring, negotiating and making investments, on behalf of the Fund and Managed Accounts; (iii) making investments based on the Sub-Advisor’s proprietary models; (iv) managing and monitoring the performance of such investments; (iv) assisting in the valuation of the Fund’s investment portfolio and (v) exiting such investments on behalf of the Fund and the Managed Accounts.

##### The Fund

The Fund does not have a defined investment period, but generally permits investors to make redemptions on a periodic basis. GlassBridge formed the Fund to provide a means by which qualified, sophisticated investors may pursue alternative investment strategies. A related entity of GlassBridge acts as the general partner of the U.S. Feeder Fund, and GlassBridge is the investment manager of the Master Fund, the U.S. Feeder Fund, and the Non-U.S. Feeder Fund (together with the U.S. Feeder Fund, the “Feeder Funds”). The Feeder Funds invest substantially all of their capital into the Master Fund. The Master Fund conducts the investment activities. The Fund’s investors may include high net worth individuals, endowments, foundations, and other institutional and private investors.

GlassBridge’s advisory services to the Fund are subject to the specific investment objectives and restrictions applicable to the Fund, as set forth in the Fund’s operating agreements, confidential private placement memoranda and other governing documents (collectively, the “Offering Documents”). Investors and prospective investors in the Fund should refer to the Offering Documents for complete information regarding the investment objectives, investment restrictions and other information with respect to the Fund.

In accordance with common industry practice, the Fund may enter into “side letters” or similar agreements with certain investors pursuant to which the Fund grants the investor specific rights, benefits, or privileges that may not be made generally available to other investors. Such “side letters” or similar agreements generally are disclosed only to investors in the Fund that have separately negotiated with GlassBridge for the right to review such “side letters” or similar agreements.

## Managed Accounts

A Managed Account is a private account or entity, which is managed by GlassBridge for the benefit of one or more persons. Managed Accounts can impose restrictions on investing in certain securities or types of securities. Managed Accounts can also negotiate other terms with GlassBridge. Managed Account restrictions and terms are formalized in advisory agreements with GlassBridge.

GlassBridge has investment discretion with regard to all Fund and Managed Account assets. As of December 31, 2017, GlassBridge's amount of Regulatory Assets Under Management (as defined in Form ADV Part 1) is \$36,021,701.

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

GlassBridge is compensated for its services to the Fund and Managed Accounts as follows:

### The Fund

The compensation the Fund pays GlassBridge is set forth in the Fund's Offering Documents. GlassBridge is paid an annual management fee of 2.0% by each Feeder Fund monthly in arrears. In addition, GlassBridge receives from the non-U.S. Feeder Fund an annual performance-based fee of 20.0% of each investor's share of the profits of the non-U.S. Feeder Fund. The general partner of the U.S. Feeder Fund receives an annual performance-based incentive allocation of 20.0% of each investor's share of the profits of the U.S. Feeder Fund. GlassBridge is authorized under the Fund's Offering Documents to charge and deduct management fees directly from the assets of the Fund. The applicable performance fee or incentive allocation is calculated at the end of each year, in an amount equal to 20% of the amount by which the Net Asset Value of the investors ending capital balance increased above the previous fiscal-year end capital balance (known as the "high water mark"). Please refer to the Offering Documents of the Fund for complete information on the fees and compensation payable with respect to the Fund.

Management fees, performance fees and incentive allocations are sometimes waived or reduced with respect to investments in the Fund by GlassBridge and/or its related persons. In addition, GlassBridge reserves the right to waive, reduce or defer any management fees or incentive allocations payable to it by the Fund, including with respect to certain investors in the Fund, at any time it deems appropriate in its sole discretion. GlassBridge has not entered into such agreements with any non-affiliate investors to date, however on a limited basis GlassBridge reserves the right to offer a fee structure which is different than that stated in the funds offering documents. GlassBridge does not charge management fees and performance fees to its affiliates.

Management fees and performance fees are generally paid at the Feeder Fund level, provided that, to the extent charged to the Master Fund, the Master Fund shall pay

GlassBridge management fees in accordance with the terms of any feeder fund investment management agreement.

### Managed Accounts

Managed Accounts will pay management fees and/or performance fees based on separately negotiated private contracts. A Managed Account may pay more or less fees than similar Managed Accounts depending on the particular circumstances of the Managed Account such as, size, additional or differing levels of servicing or as otherwise agreed with specific Managed Accounts.

### Other Fees and Expenses

The Fund will pay or reimburse GlassBridge for certain organizational, operational and other permissible expenses as described in the Offering Documents for the Fund. These permissible expenses include: (i) Management Fees; (ii) expenses related to the research, due diligence and monitoring of actual and prospective investments of the Master Fund (whether or not consummated) and the consummation of investments, including, without limitation, the following: third-party investment sourcing fees; fees charged by GlassBridge or its affiliates to provide investment sourcing services to, or on behalf of, the Master Fund or any trading subsidiary, provided, however, that such sourcing fees do not exceed the rate typically charged by third parties engaged in such sourcing; fees and expenses related to obtaining research and market data (including, without limitation, any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data); due diligence expenses including, without limitation, consulting and appraisal fees; travel expenses; brokerage, prime brokerage and futures commission merchant fees, commissions and expenses; expenses relating to short sales; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and fees related to financings or refinancings; fees and expenses of proxy research and voting services; and fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys and accountants; (iii) organizational and reorganizational expenses; and (iv) operational expenses, including, without limitation, the following: fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations), facilitate and manage the order execution of Financial Instruments by the Master Fund or any trading subsidiary or otherwise manage any of the Feeder Funds, the Master Fund or any trading subsidiary, such as Bloomberg terminals, portfolio management systems, risk management systems and order management systems; fees and expenses of third-party risk management products, models and services; third-party administrative fees and expenses; loan administration costs; fees and expenses of third-party professionals, including, without limitation, consultants, valuation service providers, attorneys and accountants; the costs of any litigation or investigation involving activities of any of the Feeder Funds, the

Master Fund or any trading subsidiary; third-party audit and tax preparation expenses; insurance expenses, including, without limitation, premiums for cybersecurity insurance and liability insurance covering GlassBridge and its partners, officers, employees, equity holders and agents and each member of GlassBridge's advisory council, if formed (the "Advisory Council"); fees and expenses (including, without limitation, director registration fees) of any of the Feeder Funds', the Master Fund's and any trading subsidiary's directors; fees and expenses of the Advisory Council, if formed; costs of preparing and distributing reports and notices; taxes; expenses incurred in connection with negotiating and complying with provisions of any side letter agreement; fees and expenses related to compliance with the rules of any self-regulatory organization or applicable law in connection with the activities of any of the Feeder Funds, the Master Fund or any trading subsidiary, including, without limitation, any governmental, regulatory, licensing, filing or registration fees or taxes (including, without limitation, fees and expenses incurred in connection with the preparation and filing of Form PF, Annex IV, Form CPO-PQR, Section 13 filings, Section 16 filings and other similar regulatory filings); expenses incurred in connection with the offering and sale of the Interests and other similar expenses related to the any of the Feeder Funds (excluding fees payable to any placement agent); extraordinary expenses, including, without limitation, the following: indemnification expenses; fees and expenses incurred in connection with any tax audit by any U.S. federal, state or local authority, including, without limitation, any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, dissolution, winding-up or termination of any of the Feeder Funds, the Master Fund or any trading subsidiary.

Investment-related expenses for both the Master Fund and the Feeder Funds, and Master Fund-specific expenses are allocated amongst the Feeder Funds. Any expenses specific to a Feeder Fund are paid by such Feeder Fund.

From time-to-time, GlassBridge may pay for certain of these expenses out of its own assets. GlassBridge generally seeks reimbursement of these expenses directly from the Fund on a cost reimbursement basis only. The Fund pays no interest or carrying charges associated with expense payments made on its behalf by GlassBridge. The section titled "Brokerage Practices" (Item 12 below) describes the factors GlassBridge considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

The Fund's independent third party administrator verifies GlassBridge's fee calculations.

Managed Accounts will pay or reimburse GlassBridge for certain organizational, operational and other permissible expenses as set forth in the separately negotiated private contract with each Managed Account. In general, the expenses will be similar to those listed above for the Fund.

To the extent that any of the foregoing expenses relate to the operations of the Fund and any Managed Accounts, GlassBridge will allocate such expenses based on a good faith determination of the relative benefits of such expenses to the Fund and Managed Accounts benefiting from such expenses.

No clients currently may or must pay fees in advance. It is possible that a Managed Account agreement may provide for payment of fees in advance, if the Managed Account client negotiates for such provision. The separately negotiated agreement in that event would also provide how the Managed Account client would obtain a refund of a pre-paid fee and how the amount of the refund is determined.

Neither GlassBridge nor any of GlassBridge's supervised persons receive compensation in connection with the sale of securities or other investment products to the Fund or Managed Account.

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

The U.S. Feeder Fund provides for the payment of an annual performance-based incentive allocation to its general partner, which is a GlassBridge affiliated entity, as described in Item 5. Additionally, the non-U.S. Feeder Fund provides for the payment of an annual performance-based fee to GlassBridge, as described in Item 5. The calculation and role of this performance-based compensation is described in the Fund's Offering Documents. Managed Accounts may also pay performance-based fees and incentive allocations, as negotiated in the Managed Account agreement, which would be payable annually. Performance-based fee and allocation arrangements theoretically create an incentive for GlassBridge to make more speculative investments in the assets purchased for a Fund or Managed Account than it might otherwise make in order to increase the likelihood that GlassBridge would receive incentive allocations. As a general matter, this conflict is mitigated by an affiliate of GlassBridge investing its own capital in the Fund. This conflict is further mitigated by GlassBridge's suitability obligation with respect to Fund and Managed Account investments and its disciplined investment process.

It is possible that the performance-based incentive allocations payable by the Fund may differ from that payable by Managed Accounts, or among different Managed Accounts. This may create a potential conflict of interest relating to the allocation of investment opportunities and the time and attention of GlassBridge personnel to the extent GlassBridge (or its affiliate acting as general partner) can collect higher incentive compensation from the Fund or a Managed Account than it can from other Managed Accounts, or vice versa. GlassBridge believes that this conflict is mitigated by its investment allocation procedures (as described in Item 12 below) and its disciplined investment process.

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

Currently, GlassBridge's only client is the Fund. GlassBridge anticipates that its only clients will be the Fund and any Managed Accounts. Investors in the Fund can include institutional investors (e.g., trusts, endowments, foundations, pensions, corporations and other types of entities, including private funds-of-funds) as well as high net worth individuals that, in each case, meet the regulatory and other requirements under which the Fund operates and desire to invest in accordance with the Fund's investment objectives.

Interests in the Fund are offered in private placements under the U.S. Securities Act of 1933 (as amended, the “Securities Act”). As a result, and also due to the Fund’s exempt status from registration as an investment company, GlassBridge generally offers interests in the Fund as follows: in the U.S. Feeder Fund to a limited number of “accredited investors” as defined in Regulation D under the Securities Act, and who are also “qualified purchasers” as defined in the U.S. Investment Company Act of 1940 (as amended, the “Investment Company Act”); and in the non-U.S. Feeder Fund, to investors who are not “U.S. persons” as defined in the Securities Act. Employees who qualify as “knowledgeable employees” under Rule 3c-5 of the Investment Company Act are also permitted to invest (directly or indirectly) in the Fund. The minimum initial subscription for an investor in the Fund is \$1,000,000, although GlassBridge may accept subscriptions in a lesser amount in its sole discretion. Investors and prospective investors in the Fund should refer to the Offering Documents of the Fund for complete information on minimum investment requirements for participation in the Fund. GlassBridge, in its sole discretion, may decline to accept the subscription of any prospective investor.

In connection with the management of the Fund, GlassBridge may form certain related entities for the Fund. GlassBridge may establish vehicles to address tax, legal or regulatory issues or requirements of certain investors in the Fund or for other purposes. GlassBridge may also form “parallel funds” to invest alongside the Fund. In addition, GlassBridge may form “alternative investment vehicles,” holding companies or other special purpose vehicles for the purpose of facilitating certain investments by the Fund. Please refer to the Offering Documents of the Fund for complete details regarding entities that GlassBridge may form in connection with the management of the Fund.

A Managed Account is available only to the persons for whom such Managed Account was established. The Managed Account owner is subject to the criteria and limitations set forth in the governing documents for such Managed Account. Managed Account owners can include institutional investors (e.g., trusts, endowments, foundations, pensions, corporations and other types of entities) as well as high net worth individuals that, in each case, meet the regulatory and other requirements applicable to GlassBridge and the Managed Account.

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

### **A. Methods of Analysis and Investment Strategy**

*The descriptions set forth in this Brochure of advisory services that GlassBridge offers to the Fund and Managed Accounts, and investment strategies pursued and investments made by GlassBridge via the Sub-Advisor on behalf of the Fund and Managed Accounts, should not be understood to limit in any way GlassBridge's investment activities. GlassBridge may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that GlassBridge considers appropriate, subject to each of its client's investment objectives and guidelines. A more tailored description of the investment strategies and investments made on behalf of a particular client is provided in each client's offering documents. The investment strategies*



*that GlassBridge pursues are speculative and entail substantial risks. Managed Accounts and Fund investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives will be achieved.*

GlassBridge's investment strategy for the Master Fund is to seek capital appreciation while minimizing risk so as to achieve a high risk-adjusted return by following a trading strategy based on the Sub-Advisor's proprietary models. The Sub-Advisor's trading strategy is intended to be market-neutral and attempts to exploit and profit from pricing aberrations in the Financial Instruments (as defined below) and markets traded by the Master Fund. In certain circumstances, the Sub-Advisor may make equity or equity-related investments (including hedges thereon) for the Master Fund following a strategy that is not based on its proprietary models.

As to Managed Accounts, the investment strategy generally focuses on investing in portfolios comprised of securities designated in a particular client's investment guidelines (generally on a leveraged basis) in a manner that seeks to achieve consistent returns with low volatility through a highly systematic relative value approach without interest rate forecasting or speculation. GlassBridge, via the Sub-Advisor, intends to typically pursue a diverse range of investment strategies ("Investment Strategies") on behalf of Managed Accounts, including, but not limited to, the following:

Quantitative: Under this strategy, the Sub-Advisor makes investments based on its proprietary models. This trading strategy attempts to exploit and profit from pricing aberrations in the Financial Instruments (as defined below) and markets.

Long/Short Equity: The Sub-Advisor's long/short equity strategy contemplates buying certain equity and equity-related Financial Instruments (as defined below) long and selling other equity and equity-related Financial Instruments short. The Sub-Advisor will attempt to purchase Financial Instruments that it believes are undervalued and sell short Financial Instruments that it believes to be overvalued.

The Sub-Advisor may engage in currency trading for hedging purposes, if deemed appropriate.

In connection with the Sub-Advisor's trading strategy, the Master Fund and Managed Accounts may trade, buy, sell, sell short, and otherwise acquire, hold, dispose of, and deal, on margin or otherwise, in U.S. and non-U.S. equity and equity-related securities (publicly traded and privately offered, listed and unlisted), including, but not limited to indices and convertible debt securities. The Master Fund and Managed Accounts also may invest in commodities, financial futures (including, without limitation, single stock and index futures) and forward contracts (including, without limitation, contracts for future delivery with respect to securities, commodities, currencies and other Financial Instruments), repurchase and reverse repurchase agreements, swap contracts (including asset swaps), currencies (including FX), and warrants, as well as listed and over-the-counter-options, other derivative instruments (including credit derivatives) on securities and commodities and any other form of securities and Financial Instruments (all securities

and Financial Instruments referred to in the foregoing paragraph collectively, the “Financial Instruments”). The Master Fund and Managed Accounts may invest a portion of their assets in subsidiary entities formed to access tax treaty, limited liability or other benefits.

The Master Fund may maintain assets in cash, deposit, or call accounts or invested in short term instruments, such as commercial paper, Eurodollar time deposits and certificates of deposits to meet the expense needs of the Feeder Funds and/or to fund withdrawals and redemptions, respectively, therefrom, or for such other reasons as may be determined by GlassBridge.

The Sub-Advisor may utilize other investment strategies than those described herein when it deems that the pursuit of such investment strategies would be beneficial to the Fund or a Managed Account.

Details regarding the investment and liquidity profile pursued by the Fund, as well as additional information regarding GlassBridge’s investment strategies and activities, is set forth in the Offering Documents related to the Fund. As to Managed Accounts, such details and information are set forth in the documents related to the specific Managed Account.

Despite the Sub-Advisor’s research, analysis and comprehensive investment strategies, investing in any security involves a risk of loss that any of the Fund investors and Managed Accounts must be prepared to bear. There can be no assurance that GlassBridge’s investment objectives will be achieved.

## **B. Material Risks**

The material risks presented by the strategies and financial assets pursued by GlassBridge are set forth below. Additional information is contained in the Offering Documents related to the Fund and the documents related to a specific Managed Account. This Brochure does not purport to contain a complete disclosure of all risks that may be relevant to a prospective investor in the Fund or Managed Account.

Investing involves risk of loss that an investor should be prepared to bear. Investments by GlassBridge involve significant risks. There can be no assurance that GlassBridge will meet the investment objectives of the Fund or a Managed Account or otherwise be able to carry out its investment strategy successfully. All investors in the Fund and Managed Accounts should consult their own legal, tax and financial advisors prior to investing. The risks below discuss the Fund (sometimes referred to below as the Master Fund), but are equally applicable to Managed Accounts (other than risks that are specific to the structure of the Fund).

### **Business and Trading Risks**

*Business and Regulatory Risks of Hedge Funds.* The legal, tax and regulatory environment worldwide for private investment funds (such as the Fund) and their managers

is evolving, and changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Master Fund to pursue its investment program and the value of investments held by the Master Fund. There has been an increase in scrutiny of the alternative investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Master Fund to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on the Master Fund and the investors' investments therein. In addition, the Sub-Advisor may, in its sole discretion, cause the Master Fund to be subject to certain laws and regulations if it believes that an investment or business activity is in the Master Fund's interest, even if such laws and regulations may have a detrimental effect.

*Regulation in the Derivatives Industry.* There are now many rules related to derivatives that may negatively impact the Master Fund such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared OTC instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of GlassBridge, the Sub-Advisor and the Master Fund, and increase the amount of time that GlassBridge and Sub-Advisor spend on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Master Fund.

The new rules also add additional operational and technological burdens on the Master Fund. These compliance obligations require certain training of employees and new technology, and there are operational risks borne by the Master Fund in implementing procedures to comply with many of these additional obligations.

The new regulations may also result in the Master Fund forgoing the use of certain broker-dealers, futures commission merchants ("FCM") or counterparties as the use of other parties may be more efficient for the Master Fund from a regulatory perspective. However, this could limit the Master Fund's trading activities, create losses, preclude the Master Fund from engaging in certain transactions or prevent the Master Fund from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act"), the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation or "EMIR") and similar regulations globally. In the United States, the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The CFTC has regulatory authority over "swaps" and the SEC has regulatory authority over "security-based swaps". EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission

and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps and EMIR regulations that are still in the proposal stage and more that will be introduced in the future.

The following describes the new derivatives regulations that may have the biggest impact on the Master Fund:

*Reporting.* Most swap transactions have become subject to anonymous “real-time reporting”, meaning that information relating to transactions entered into by the Master Fund will become visible to the market in ways that may harm the Master Fund’s ability to enter into additional transactions at comparable prices or could enable competitors to “front run” or replicate the Master Fund’s strategies.

*Central Clearing.* In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through central clearinghouses. In the United States, clearing requirements have been implemented as part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for the Master Fund in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Master Fund would be exposed under non-cleared derivatives), the Master Fund could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and as a result the Master Fund may not be able to hedge its risks or express an investment view as well as it would using customizable derivatives available in the over-the-counter markets. The Master Fund may have to split its derivatives portfolio between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

Another risk is that the Master Fund may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the Master Fund’s FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout of the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject the Master Fund to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment which could have a detrimental effect on the Master Fund. Clearinghouses also limit collateral that they

will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Master Fund to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Master Fund. In addition, clearinghouses may not allow the Master Fund to portfolio-margin its positions, which may increase the Master Fund's costs.

Although standardized clearing for derivatives is intended to reduce risk (for instance, it may reduce the counterparty risk to the dealers to which the Master Fund would be exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and the Master Fund's FCM, subjecting the Master Fund to the risk that the assets of the FCM are insufficient to satisfy all of the FCM's payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

*Swap Execution Facilities.* In addition to the central clearing requirement, certain swap transactions are now required to trade on regulated electronic platforms such as swap execution facilities which will require the Master Fund to subject itself to regulation by these venues and subject the Master Fund to the jurisdiction of the CFTC.

The EU regulatory framework governing derivatives is set not only by EMIR but also by a legislative package known as a recast of the markets in Financial Instruments Directive ("MIFID II"). Among other things, MIFID II will require transactions in derivatives to be executed on regulated trading venues. MIFID II has not yet been implemented into the local law of EU member states and as such it is currently difficult to assess a full impact of such regulatory reforms on the Master Fund. Similarly, the SEC has yet to finalize rules related to security-based swap execution facilities.

It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for the Master Fund to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of the new regulations.

*Margin Requirements for Non-Cleared Swaps.* New rules issued by U.S., EU and other regulators globally (the "Margin Rules") impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that the Master Fund will be required to post to swap counterparties may increase by a material amount, and as a result the Master Fund may not be able to deploy capital as effectively. Additionally, to

the extent the Master Fund is required to segregate initial margin with a third-party custodian, additional costs will be incurred by the Master Fund.

*Investment Manager.* GlassBridge is registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and is consequently subject to the recordkeeping, disclosure and other fiduciary obligations specified in the Advisers Act. The registration requirements and the resulting compliance, recordkeeping and reporting obligations may require significant time, resources and attention from GlassBridge and its staff and may distract from its other activities and may increase the expenses of the Fund. Registered Investment Advisers are comprehensively and intensively regulated under U.S. state and U.S. federal laws and regulations. Any investigation, litigation or other proceeding undertaken by U.S. state or U.S. federal regulatory agencies or private parties could require spending material amounts of the Fund’s and GlassBridge’s funds for legal and other costs and could have other materially adverse consequences for interests in the Fund.

*Dependence on the Sub-Advisor.* GlassBridge has no prior investment management experience or track record. The success of the Fund is dependent upon the ability of the Sub-Advisor to develop and effectively implement the Master Fund’s investment objective. The Sub-Advisor will make all decisions with respect to the investment and trading activities of the Master Fund and investors will not have the opportunity to fully evaluate for themselves the relevant economic, financial and other information regarding the Master Fund’s investments. There is no assurance that the Sub-Advisor will be successful. Accordingly, no person should purchase interests in the Fund unless it is willing to entrust all aspects of the trading activities of the Master Fund to the Sub-Advisor. In the event of the termination of the Sub-Advisory Agreement, GlassBridge may not be able to implement the investment strategy of the Fund.

*Limits on Capital Managed by the Sub-Advisor.* Pursuant to a Capacity and Services Agreement by and between GlassBridge and the Sub-Advisor, the Sub-Advisor is only obligated to manage up to a maximum of \$1.5 billion of capacity. In the event the aggregate gross asset value of the funds (including those of the Master Fund) under the Sub-Advisor’s management pursuant to the Capacity and Services Agreement exceed such capacity (after giving effect to any withdrawals of GlassBridge’s assets from the Sub-Advisor’s management), investor capital may need to be withdrawn from the management of the Sub-Advisor. GlassBridge will have full discretion in determining whether to reinvest such withdrawn investors’ capital and, if so reinvested, the strategies that will be pursued with respect to such withdrawn investors’ capital. Any such withdrawn investors’ capital that is so reinvested (including with the Sub-Advisor) may be subject to additional fees and performance compensation.

*No Material Limitation on Strategies.* The Master Fund opportunistically implements whatever strategies or discretionary approaches the Sub-Advisor believes from time to time may be suited to prevailing market conditions. The risks associated with such strategies may be different than those described herein. There can be no assurance that the Sub-Advisor will be successful in applying any such strategy or discretionary approach and that losses will be avoided.

*Leverage.* The Sub-Advisor expects to use leverage, which may be substantial, in pursuing the Master Fund's investment objective. The Sub-Advisor is permitted to employ leverage on behalf of the Master Fund up to a leverage ratio of 5x gross long and gross short. In order to achieve the requested levels of leverage the Master Fund may borrow funds directly, and may employ other forms of leverage, including, without limitation, by selling securities short and using options, commodity interests, repurchase agreements, forwards, swaps and other derivative instruments.

While leverage presents opportunities for increasing the Master Fund's total return, it also has the effect of magnifying the volatility of changes in the value of the investments of the Master Fund. Accordingly, any event which adversely affects the value of an investment by the Master Fund would be magnified to the extent that the Master Fund is leveraged. The cumulative effect of the use of leverage by the Master Fund in a market that moves adversely to the Master Fund's investments could result in a substantial loss to the Master Fund, which loss would be greater than if the Master Fund were not leveraged or leveraged to a lesser extent.

The level of interest rates, generally, and the rates at which the Master Fund can borrow, in particular, will affect the operating results of the Master Fund. In general, the Master Fund's use of margin borrowings results in certain additional risks to the Master Fund. For example, should the securities pledged to brokers and other counterparties to secure the Master Fund's margin accounts decline in value, the Master Fund could be subject to a "margin call" pursuant to which the Master Fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Master Fund's assets, the Master Fund might not be able to liquidate assets quickly enough to pay off its margin debt or may be required to dispose of such securities at depressed prices.

The Master Fund's use of leverage may be subject to regulatory restrictions.

*General Investment and Trading Risks.* All Financial Instrument investments present a risk of loss of capital. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions, including, but not limited to, national and international economic conditions, domestic and international financial policies and performance, conditions affecting particular investments such as the financial viability, sales and product lines of corporate issuers, national and international politics and governmental events, and changes in income tax laws. Moreover, the Master Fund may have only limited ability to vary its investment portfolio in response to changing economic, financial and investment conditions. The Master Fund's investment program may utilize a wide variety of investment techniques, including option transactions, limited diversification, margin transactions, short sales, and commodity interest and forward contracts, which practices can, in certain circumstances, substantially increase the adverse impact to which the Master Fund may be subject. No guarantee or representation is made that the Master Fund's program will be successful. The market price of Financial Instruments owned by the Master Fund may go up or down, sometimes unpredictably.

*Market Neutral and Hedged Strategies.* Although the Master Fund may invest in positions that are intended to be market neutral, it may be unable to, or decide not to, hedge its positions, and, in such event, the Master Fund might sustain a significant risk of loss as a result of changes in the price of unhedged positions. In addition, there is no guarantee that the returns of the Master Fund will have a low correlation or be non-correlated with market indices and the Master Fund could experience significant losses. This may be particularly true during periods of high market volatility resulting from global events such as political upheavals, terrorist attacks, war or government intervention in currency markets.

The Master Fund also may utilize Financial Instruments such as commodity interests, forward contracts and interest rate swaps, caps and floors both for investment purposes and to seek to hedge against fluctuations in the relative values of the Master Fund's portfolio positions. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Master Fund to enter into a hedging transaction at an acceptable price or at a price sufficient to protect the Master Fund from the anticipated decline in value of the portfolio position.

*Spread and Arbitrage Trading.* A significant part of the Master Fund's investment operations may involve spread positions between two or more Financial Instrument positions. To the extent that the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably causing a loss to the spread position. The Master Fund's trading operations also may involve arbitraging between a Financial Instrument and its announced buy-out price (or other forms of "risk arbitrage"), or between or among two or more Financial Instruments (e.g., by means of "statistical arbitrage," which depends heavily on the ability of market prices to return to a historical or predicted normal). This means, for example, that the Master Fund may purchase (or sell) Financial Instruments (i.e., on a current basis) and take offsetting positions in the same or related Financial Instruments. To the extent that the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss to the position.

*Investments in Undervalued Equity and Equity-Related Securities.* The Master Fund may invest in undervalued equity and equity-related securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed. The Master Fund may take certain speculative investments in securities which the Sub-Advisor believes to



be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. In addition, the Master Fund may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Master Fund's assets may be committed to the securities purchased, thus possibly preventing the Master Fund from investing in other opportunities. In addition, the Master Fund may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period. If the Master Fund takes long positions in stocks that decline and short positions in stocks that increase in value, then the losses of the Master Fund may exceed those of other portfolios that hold long positions only.

*Purchases of Securities and other Obligations of Financially Distressed Companies.* The Master Fund may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns to the Master Fund, they involve a substantial degree of risk and may not show any returns for a considerable period of time. In fact, many of these securities and investments ordinarily cannot be realized unless and until the company reorganizes and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that the Sub-Advisor will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Master Fund invests, the Master Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

*Use of Systems.* The Fund depends on the Sub-Advisor to develop and implement appropriate systems for the Master Fund's activities. The Master Fund relies extensively on computer programs and systems to trade, clear and settle transactions, to evaluate certain securities based on real-time trading information, to monitor its portfolios and net capital, and to generate risk management and other reports that are critical to the oversight of the Master Fund's activities. In addition, certain of the Master Fund's operations interface with or depend on systems operated by third parties, including prime brokers and market counterparties and their sub-custodians and other service providers, and the Sub-Advisor may not be in a position to verify the risks or reliability of such third-party systems. Accordingly, the Master Fund is exposed to the risk that computer hardware, software, electronic equipment and other services used by the Sub-Advisor may cease to be available, for example, due to the insolvency of the provider or the discontinuation of services or software updates. In such circumstances, the Sub-Advisor would seek to obtain equivalent hardware, software and services from an alternative supplier.

*System Failure.* As the Sub-Advisor makes extensive use of computer hardware, systems and software, the Master Fund is exposed to risks caused by failures of information technology infrastructure and data. In addition, outright failure or a partial impairment (whether due to external situations or internal file corruption) of the underlying hardware, operating system, software or network may leave the Master Fund unable to trade either

generally or in certain of its strategies, and this may expose it to risk should the outage coincide with turbulent market conditions. To mitigate this risk, backup and failover plans have been put in place by the Sub-Advisor. Nevertheless, in the worst case, the Sub-Advisor may have to liquidate the entire portion of the Master Fund's portfolio entrusted to it as the only safe way to proceed should a severe system outage occur.

*Cybersecurity Risk.* As part of its business, GlassBridge and the Sub-Advisor process, store and transmit large amounts of electronic information, including information relating to the transactions of the Master Fund and personally identifiable information of the investors. Similarly, service providers of GlassBridge, the Sub-Advisor, and the Fund, especially the Fund's administrator, may process, store and transmit such information. Each of GlassBridge and Sub-Advisor will have procedures and systems in place that they respectively believe are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to GlassBridge or the Sub-Advisor may be susceptible to compromise, leading to a breach of GlassBridge's or Sub-Advisor's network. GlassBridge's and the Sub-Advisor's respective systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Online services provided by GlassBridge to the investors may also be susceptible to compromise. Breach of GlassBridge's or the Sub-Advisor's information systems may cause information relating to the transactions of the Master Fund and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

The service providers of GlassBridge, the Sub-Advisor, and the Fund are subject to the same electronic information security threats as GlassBridge and the Sub-Advisor. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Master Fund and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of GlassBridge's, the Sub-Advisor's or the Fund's proprietary information may cause GlassBridge, the Sub-Advisor or the Master Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Fund and the investors' investments therein.

*Volatility Risk.* The Master Fund's investment program may involve the purchase and sale of relatively volatile Financial Instruments such as derivatives, which are frequently valued based on implied volatilities of such derivatives compared to the historical volatility of underlying Financial Instruments. Fluctuations or prolonged changes in the volatility of such instruments, therefore, can adversely affect the value of

investments held by the Master Fund. In addition, many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, price volatility may be higher for the Master Fund's investments.

*Liquidity Risks.* Liquidity may be important to the Master Fund's business. Under certain market conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of the Master Fund's relatively liquid portfolio positions may be reduced. During such times, the Master Fund may be unable to dispose of certain assets, which would adversely affect the Master Fund's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the Master Fund to dispose of assets at reduced prices, thereby adversely affecting the Master Fund's performance. If there are other market participants seeking to dispose of similar assets at the same time, the Master Fund may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if the Master Fund incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the Master Fund's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Master Fund's credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for the Master Fund's investments.

*Default and Counterparty Risk.* Some of the markets in which the Master Fund may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Master Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Master Fund to suffer a loss. In addition, in the case of a default, the Master Fund could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund has concentrated its transactions with a single or small group of counterparties. The Master Fund may not have an internal credit function which evaluates the creditworthiness of their counterparties. The ability of the Master Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Fund. Entering into swaps similarly will expose the Master Fund to counterparty risk with respect to the swap counterparty.

*Short Sales.* A short sale involves the sale of a Financial Instrument that the Master Fund does not own in the expectation of purchasing the same Financial Instrument (or a Financial Instrument exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Master Fund often must borrow the Financial Instrument, and the Master Fund is obligated to return the Financial Instrument to the lender, which is accomplished by a later purchase of the Financial Instrument by the Master Fund. When the Master Fund makes a short sale of a security on a U.S. exchange, it must leave the

proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of unlimited loss, since unlimited increase in the market price of the Financial Instrument can theoretically occur. The extent to which the Master Fund engages in short sales depends upon its investment strategy and perception of market direction; the Master Fund has no policy limiting the amount of its capital it may deposit to collateralize its obligations to replace borrowed Financial Instrument sold short.

*Brokerage Firms and Custodians May Fail.* The institutions, including the Brokers and banks, with which the Master Fund does business or to which Financial Instrument have been entrusted for custodial purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of the Master Fund. In the event that one of the Master Fund's Brokers becomes bankrupt and fails to segregate the Master Fund's assets on deposit as required, the Master Fund may be subject to a risk of loss for any deficiency. Although the Master Fund will attempt to minimize their risk in this area, there is no action that the Master Fund can take which is completely risk-free. Funds maintained at a Broker as margin to collateralize forward positions are not segregated and, therefore, are subject to the claims of the general creditors of the Broker in the event of its bankruptcy.

*Competition; Availability of Investments.* Certain markets in which the Master Fund may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Sub-Advisor will be able to identify or successfully pursue attractive investment opportunities in such environments.

*Credit Ratings.* In general, the credit rating assigned by a nationally recognized rating agency to a security represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. The Master Fund may incur losses if it makes investments based on credit ratings that subsequently change in a way not favorable to the Master Fund's investment objective.

### **Risks Relating to Methods of Analysis**

#### **Quantitative Analysis**

##### *Quantitative Model Risk and Risk Management Danger*

There can be no assurance that the models used by the Sub-Advisor will continue to be viable. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Master Fund. There can be no assurance that the Master Fund will achieve its investment objectives or that the models (even if completely or partially viable) will continue to further or ultimately be capable of furthering the Master Fund's investment objectives.

In addition, given that the systems can execute trades autonomously, undesired results may only be detected after the fact, perhaps after a significant number of transactions have occurred.

Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be subject to misinterpretation. In the complex environment in which the Sub-Advisor operates, effective risk management depends upon many factors, not all of which may be properly identified, and effective assessment, analysis, process creation, control or treatment of risks could be difficult to implement. For the sake of clarity and without limitation, though losses arising from quantitative model risks could adversely affect the Master Fund's performance, such losses would likely not constitute reimbursable trade errors under the Sub-Advisor, respective policies or the applicable advisory agreement or sub-advisory agreement.

At times the Sub-Advisor may manually override or shut down the operations of a quantitative model. This would generally be done in an effort to mitigate the damage from a deteriorating or malfunctioning model or a model that is reacting negatively to unforeseen market conditions. Such an override or intervention could result in greater losses than would be the case if there had been no intervention and/or could result in the model being overridden or inactive at a time when the model would have achieved gains for the portfolio.

#### *Obsolescence Risk*

The Master Fund is unlikely to be successful unless the assumptions underlying the models are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and the Sub-Advisor does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result.

The Sub-Advisor will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. Any modification of the models or strategies will not be subject to any requirement that investors receive notice of or consent to the change. There can be no assurance as to the effects (positive or negative) of any modification on the Master Fund's performance. For the sake of clarity and without limitation, though losses arising from obsolescence risks could adversely affect the Master

Fund's performance, such losses would likely not constitute reimbursable trade errors under the Sub-Advisor's respective policies or the applicable advisory agreement or sub-advisory agreement.

#### *Crowding/Convergence*

There is significant competition among quantitatively-focused managers and the ability of the Sub-Advisor to deliver returns that have a low correlation with the broader global markets and other hedge funds is dependent on its ability to employ models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that the Sub-Advisor is not able to develop sufficiently differentiated models, the investors' investment objectives may not be met, irrespective of whether the models are profitable in an absolute sense. In addition, to the extent that the models of the Sub-Advisor come to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect the Master Fund is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace. For the sake of clarity and without limitation, though losses arising from crowding/convergence risks could adversely affect the Master Fund's performance, such losses would likely not constitute reimbursable trade errors under the Sub-Advisor's respective policies or the applicable advisory agreement or sub-advisory agreement.

#### *Risk of Programming and Modeling Errors*

The research and modeling processes engaged in by the Sub-Advisor may be extremely complex and may involve financial, economic, econometric and statistical theories, research and modeling; the results of these processes must then be translated into computer code. Although the Sub-Advisor seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raise the chances that the finished model may contain an error. For the sake of clarity and without limitation, though losses arising from programming and modeling errors could adversely affect the Master Fund's performance, such losses would likely not constitute reimbursable trade errors under the Sub-Advisor's respective policies or the applicable advisory agreement or sub-advisory agreement.

#### *Involuntary Disclosure Risk*

The ability of the Sub-Advisor to achieve their investment goals for the Master Fund is dependent in large part on their ability to develop and protect their models and proprietary research. The models and proprietary research and the Models and Data (as defined below) are largely protected by the Sub-Advisor through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-

engineer the Sub-Advisor's models, and thereby impair the relative or absolute performance of the Master Fund.

### *Proprietary Trading Methods*

Because the trading methods employed by the Sub-Advisor on behalf of the Master Fund are proprietary to the Sub-Advisor, an investor will not be able to determine any details of such methods or whether they are being followed.

### *Technical Trading Strategies*

The buy and sell signals generated by certain strategies of the Master Fund are not based on any analysis of fundamental supply and demand factors, general economic factors or anticipated world events but generally upon factors such as studies of actual daily, weekly and monthly price fluctuations, volume variations, changes in open interest and correlations and variance measures. The profitability of any technical trading strategy depends upon occurrence in the future of major price moves or trends in the instruments traded. In the past there have been periods without discernible trends and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no trends of the kind it seeks to follow. In addition, a technical trading strategy may be profitable for a period of time, after which the strategy fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their strategy on a periodic basis. Any factor that may lessen the prospect of major trends in the future (for example, as increased governmental control of, or participation in, the markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at the strategy's signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

### *Spread Trading*

A part of the Sub-Advisor's strategies may involve spread positions between two or more Financial Instruments positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably, thus causing a loss to the spread position. The Sub-Advisor's strategies also may involve arbitrage among two or more Financial Instruments. This means, for example, that the Sub-Advisor may cause the Master Fund to purchase (or sell) Financial Instruments (on a current basis) and take offsetting positions in the same or related Financial Instruments. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss to the position. Moreover, the arbitrage business is extremely competitive, and many of the major participants in the business are large investment banking firms with substantially greater financial resources, larger research staffs and more investment professionals than will be available to the Sub-Advisor. Arbitrage activity by other larger firms may tend to narrow the spread between the price at which the Sub-Advisor may cause the Master Fund to purchase the Financial

Instrument and the price the Sub-Advisor expects that the Master Fund will receive upon consummation of a transaction.

### *Model and Data Risk*

The Sub-Advisor will rely heavily on quantitative and systematic models and information and data supplied by third parties (“Models and Data”). Models and Data can be used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of the Master Fund), to provide risk management insights, and to assist in hedging the Master Fund’s exposure.

When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Master Fund to potential risks. For example, by relying on Models and Data, the Sub-Advisor may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful.

All models rely on correct market data inputs. Because the Sub-Advisor’s models are usually constructed based on, or employ, historical or current market data supplied by third parties, the success of relying on Models and Data may depend heavily on the accuracy and reliability of the supplied data, which can contain errors.

The Sub-Advisor may use models that utilize data feeds from a number of sources. If these data feeds were to be corrupted, compromised, or discontinued in any manner, or not delivered or accessible in a timely manner, the models may not be properly formulated. This failure to receive the data feeds or receive the data feeds in a timely manner may leave the Master Fund unable to trade or may result in trades that are not aligned with an algorithm’s goal, and this may expose the Master Fund to risk of loss or loss of opportunities, in particular if the loss of the data feed coincides with turbulent market conditions. If the data feeds are compromised or discontinued in any material manner or if the data feeds are not delivered or accessible in a timely manner, it may result in a loss to the Master Fund, which could be material.

For the sake of clarity and without limitation, though Model and Data risks could adversely affect the Master Fund’s performance, losses that arise as a result of the use of Models and Data likely would not constitute reimbursable trade errors under the Sub-Advisor’s respective policies or the applicable advisory agreement or sub-advisory agreement.

### *Self-Trades*

The Sub-Advisor may utilize both traditional, fundamental analysis as well as model and program-driven algorithmic investment processes. These two investment processes are operated separately and independently; as a result, at times, trade orders that are offsetting positions may be placed for a single client at the same time, and it is possible that some of these may be filled against each other. While the Sub-Advisor is expected to



have policies and procedures intended to reduce the chances of “self-trades” occurring, it is likely that they will occur from time to time. Historically, regulators and self-regulatory organizations have typically held that self-trades are presumptively manipulative and, while the Sub-Advisor would attempt to demonstrate that any self-trades involving the Master Fund are inadvertent and not manipulative, there is a risk that an exchange or another regulator would commence an action against the Sub-Advisor or GlassBridge.

### *Correlation Risk*

The Master Fund may be exposed to correlated risks. These occur when funds and other investors hold similar positions and employ similar strategies, resulting in intensified risks leading to potential cascading loss in times of market stress.

Quantitative traders can be particularly susceptible to this type of correlation risk as a result of convergence in their automated trading algorithms and positions held. The high leverage and hedging techniques that many arbitrage-driven quantitative hedge fund managers use can further magnify the effects of correlation risk.

Fundamental Analysis. Certain trading decisions made on behalf of the Master Fund may be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to the Master Fund’s trading strategies, the Master Fund may not be able to realize its investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Sub-Advisor misinterprets the meaning of certain data, the Master Fund may incur losses.

Trend Following. Certain trading decisions made by the Sub-Advisor may be based on trend following. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many managers’ trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated.

### C. Material Risks Related to Certain Type of Securities

#### **Risks Relating to Specific Types of Companies**

*Micro-, Small- and Medium-Capitalization Companies.* Investments in securities of micro-and small-capitalization companies involve higher risks in some respects than do investments in securities of larger “blue-chip” companies. For example, prices of securities

of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, “blue-chip” companies. Finally, due to low volume trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be illiquid.

### **Risks Relating to Specific Investments**

#### **Commodities**

##### *Factors affecting Commodities Prices*

The values of commodities which underlie the commodity futures contracts and other types of Financial Instruments are generally affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. The Master Fund, GlassBridge, and the Sub-Advisor have no control over the factors that affect the price of commodities. Accordingly, the value of the Master Fund’s investments could change substantially and in a rapid and unpredictable manner.

##### *Agricultural Commodities*

Agricultural commodities are particularly sensitive to changes in, among other things, climate, crop and livestock health, world political events, government action (including export and import restrictions and embargoes), international and regional trade contracts, labor contracts, transportation systems and crop predictions. Significant production declines and volume decreases of agricultural commodities can occur as a result of, among other things, hurricanes, tornadoes, floods, fires and other natural disasters. In addition, agricultural commodities are subject to price volatility as a result of disruptions relating to the facilities necessary to produce, transport, store and deliver the agricultural commodity. As a result, the net assets of the Master Fund may be affected by such factors.

##### *Precious Metals*

Prices of precious metals (e.g., gold, silver, platinum and palladium) are affected by factors such as cyclical economic conditions, political events, and monetary policies of various governments and countries. In addition, certain precious metals are geographically

concentrated, and events in those parts of the world in which such concentration exists may affect their values. Gold and other precious metals are also subject to governmental action for political reasons. The markets for precious metals are volatile and there may be sharp fluctuations in prices even during period of rising prices.

### *Energy*

Markets for energy-related commodities, including, without limitation, electricity, coal, natural gas, crude oil and other petroleum products, can be susceptible to substantial price fluctuations over short periods of time and are particularly affected by political events, natural disasters, exploration and development success or failure, and technological changes. In addition, significant short-term price volatility can be caused by the inability to store electricity, tariff regulation and consumer advocacy.

### *Cash Commodities*

Contracts governing the purchase and sale of specific physical commodities (known as “cash commodities”) for immediate or deferred delivery may differ from each other with respect to terms such as quantity, grade, mode of shipment, terms of payment, penalties and risk of loss. There is no limit on daily price movements of cash commodities and banks, brokerage firms, and dealers in cash commodities are not required to continue to make markets in any commodity. Lastly, the CFTC does not comprehensively regulate cash transactions, which are subject to the risk of the foregoing entities’ failure, inability or refusal to perform with respect to such contract.

*Commodities and Futures Trading.* Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain Financial Instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets.

(i) *Volatility:* Futures prices are highly volatile. Price movements for the futures contracts which the Master Fund may trade are influenced by, among other things, changing supply and demand relationships, government, trade, fiscal, domestic and international political and economic events and changes in interest rates. Governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly.

(ii) *Position Limits:* The CFTC has jurisdiction to establish, or cause exchanges to establish, position limits with respect to all commodity interests traded on exchanges located in the U.S. and may do so, and any exchange may impose limits on positions on that exchange. No such limits presently exist in the forward contract market or on certain non-U.S. exchanges. Insofar as such limits do exist, all commodity accounts (including the Master Fund’s accounts) owned, held, controlled or managed by GlassBridge, the Sub-Advisor and/or their respective affiliates may be combined (that is, aggregated) for position limit purposes.

(iii) *Price Limits*: U.S. commodity exchanges may limit fluctuations in futures contracts prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. In addition, even if futures prices have not moved the daily limit, the Sub-Advisor may not be able to execute futures trades at favorable prices if little trading in such contracts is taking place (a “thin” market).

(iv) *Margin*: Futures are typically traded on “margin”. The “margin” is the amount of escrow or performance bond deposit that the Master Fund will have to make and maintain with its futures commission merchants (futures brokers) to secure its future obligation to close out open positions. The initial margin requirements may be satisfied by the deposit of cash (or, in some U.S. markets, certain U.S. government obligations). The open positions must be “marked to market” daily, requiring additional margin deposits if the position reflects a loss that reduces the Master Fund’s equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity. The level of margin that must be maintained for a given position is sometimes subject to increase, requiring additional cash outlays. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures contract trading typically is accompanied by a high degree of leverage. Because margin requirements normally range upward from as little as 2% or less of the total value of the contract, a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin. Such a profit or loss may materialize suddenly, since the prices of futures frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

(v) *Size of Master Fund’s Positions*: Depending upon the size of the Master Fund’s positions, it may be difficult or impossible for the Sub-Advisor to take or liquidate a position in a particular commodity, method or strategy at the then-market price due to the size of the accounts which may be managed by GlassBridge and/or the Sub-Advisor.

*Derivative Instruments*. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which the Master Fund may participate is evolving, and changes in the regulation or taxation of such Financial Instruments may have a material adverse effect on the Master Fund.

#### *Derivatives Regulation*

Since the introduction of the Dodd-Frank Act in 2010, the CFTC has promulgated many final rules related to derivatives and such regulations may negatively affect the Master Fund. Parties that act as dealers in swaps, for example, are subject to extensive business conduct standards, additional “know your counterparty” obligations, recordkeeping, reporting, portfolio reconciliation, documentation standards and capital requirements and, when regulations are finalized, will become subject to margin

requirements. Similar rules related to security-based swaps will soon be implemented. Requirements such as these will raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Master Fund. The new rules also add additional operational and technological burdens on the Master Fund. Currently, with respect to swaps, the Master Fund must engage in portfolio reconciliation, recordkeeping, reporting and other transaction-level obligations, which increase the compliance burdens and costs to the Master Fund. These compliance obligations require certain training of employees and technology, and there are operational risks as the Master Fund implements procedures to comply with many of these additional obligations. Certain swap transactions have become (or will become) subject to anonymous “real-time reporting”, meaning that transactions entered into by the Master Fund will become visible to the market in ways that may harm the Master Fund’s ability to enter into additional transactions at comparable prices or could enable competitors to “front run” or replicate the Master Fund’s strategies. In addition, certain swap transactions have become (or will become) subject to mandatory trading on regulated trading venues such as swap execution facilities, which will require the Master Fund to subject itself to regulation by these venues and subject the Master Fund to the jurisdiction of the CFTC. It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for the Master Fund to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of the new regulations. The SEC still is at a nascent stage for implementing rules related to security-based swaps. It is possible that security-based swaps will be subject to different rules and regulations than swaps. Since the division of “swaps” (regulated by the CFTC) and “security-based swaps” (regulated by the SEC) is a regulatory distinction rather than a product distinction, substantively similar products may have significantly different regulatory treatment. This may mean that the operational complexities of trading various derivative instruments is increased. Overall, new regulations may also render certain strategies in which the Master Fund might otherwise engage impossible or so costly that they will no longer be economical to implement. The impact of the Dodd-Frank Act or comparable regulations in other jurisdictions on the Master Fund is uncertain, and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime or any additional regulation in the future.

### *Call Options*

The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security 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 security 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*

The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security 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 security 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.

### *Index or Index Options*

The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the Master Fund will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

### *Index Futures*

The price of index futures contracts may not correlate perfectly with the movement in the underlying 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, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, 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 index futures contracts by the Master Fund also is subject to the Sub-Advisor's ability to correctly predict movements in the direction of the market.

### *Credit Default Swaps*

Credit default swaps can be used to implement the Sub-Advisor's views that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Master Fund may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Master Fund to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Master Fund may also buy credit default protection with respect to a referenced entity if, in the judgment

of the Sub-Advisor, there is a high likelihood of credit deterioration. In such instance, the Master Fund will pay a premium regardless of whether there is a credit event.

### *Futures Contracts*

The value of futures contracts depends upon the price of the Financial Instruments, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Master Fund's positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Master Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

### *Non-U.S. Futures Transactions*

Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the Master Fund may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

### *Forward Contracts*

The Master Fund may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Sub-Advisor would otherwise recommend, to the possible detriment of the Master Fund. In its forward trading, the Master Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Master Fund trades. Master Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Sub-Advisor may order trades for the Master Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Master Fund to the risk of loss.

### *Contracts for Differences*

Contracts for differences (“CFDs”) are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument’s value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer’s initiative. As is the case with owning any Financial Instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Master Fund’s obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Master Fund’s financial risk.

### *Failure to Enter into Offsetting Trade*



To the extent the Master Fund invests in a futures contract or long option, unless an offsetting trade is made, the Master Fund would be required to take physical delivery of the commodity underlying the future or option. To the extent the Master Fund fails to enter into such offsetting trade prior to the expiration of the contract, the Master Fund may suffer a loss since neither the Master Fund nor the Sub-Advisor or GlassBridge has the operational capacity to accept physical delivery of commodities.

### *Exotic Options*

Exotic options are typically, but not always, traded OTC. OTC contracts may not trade in a liquid market and pricing may be opaque. The illiquidity of these markets can be exacerbated in times of market stress. The Master Fund may incur substantial costs entering into and exiting positions that could have a material impact on performance. Exotic options may be subject to a higher degree of pricing risk as demonstrated by instances in which different counterparties in the market employ different valuation and pricing methodologies to the same exotic option. Because exotic options can often be highly customized, there is lower visibility with respect to the pricing and valuation of these instruments. Exotic options may be subject to high levels of price volatility. For example, in the case of barrier options, as the price of the asset underlying the option trades closer to a barrier level, the delta of the option (i.e., the ratio of the change in the price of the underlying asset to the corresponding change in the price of the option) and the gamma of the option (i.e., the rate of change of the delta with respect to the underlying asset's price) may become very high. Exotic options may be subject to higher levels of model risk than commonly traded options because standard models are not able to adequately capture or predict the risks associated with the exotic options. Exotic options may be "path dependent". This means that their terminal value (at exercise or expiration) depends upon the value of the underlying asset, not only at the time of exercise or expiration, but also at prior points in time. In this sense, the option's terminal value depends upon the "path" taken by the underlying asset over the life of the option. For example, a barrier option's value at expiration depends upon both the value of the underlying asset at expiration and whether the past value of the underlying asset ever satisfied a barrier condition. In contrast, a vanilla option (e.g., a call option) is not path dependent. Its value at exercise or expiration depends on the value of the underlying asset only at that point in time. The additional features incorporated by exotic options require additional judgments regarding the likelihood of certain conditions being satisfied, any one of which can result in loss if made incorrectly. An OTC option may be closed out only with the counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

**Equity Securities Generally.** The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Master Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Sub-Advisor's expectations or if equity markets generally move in a single direction and the Master Fund has not hedged against such a general move. The Master Fund also may

be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

*Exchange-Traded Funds.* Exchange-Traded Funds (“ETFs”) are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying Financial Instruments they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying Financial Instruments they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF’s expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Master Fund’s expenses (e.g., Management Fees and operating expenses), investors may also indirectly bear similar expenses of an ETF.

*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 and, thus, for the value of the interests in the Fund.

*Over-the-Counter Trading.* Financial Instruments that may be purchased or sold by the Master Fund may include instruments not traded on an exchange, including, but not limited to, swap transactions, and forward foreign currency transactions. Over-the-counter options, unlike exchange-traded options, are two-party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Master Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for Financial Instruments that are not traded on an exchange. Financial Instruments not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

To the extent that the Master Fund engages in these transactions, the Master Fund must rely on the creditworthiness of its counterparty. In certain instances, counterparty or

credit risk is affected by the lack of a central clearinghouse for foreign exchange trades. To reduce its credit risk exposure, the Master Fund may trade in the forward foreign currency market through money center banks and leading brokerage firms.

*Default and Counterparty Risk.* Some of the markets in which the Master Fund may effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the Master Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Master Fund to suffer a loss. In addition, in the case of a default, the Master Fund could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund has concentrated its transactions with a single or small group of counterparties. The Master Fund may not have an internal credit function which evaluates the creditworthiness of their counterparties. The ability of the Master Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Fund. Entering into swaps similarly will expose the Master Fund to counterparty risk with respect to the swap counterparty.

*Security Futures Contracts.* Security 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 SEC and the CFTC. Security 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.* Forward contracts and options thereon, unlike commodity interest contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals that deal in the forward markets are not required to continue to make markets in the commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell.

*Swap Counterparty Risk.* The Sub-Advisor may synthetically expose a portion of the assets of the Master Fund to the performance or credit risk of any other Financial Instrument or issuer of a Financial Instrument by entering into swaps or other derivative transactions; the performance of the Master Fund may, therefore, depend on the

performance by a swap counterparty of its payment obligations under such instrument. If a counterparty were to fail in its obligation to pay under a swap, the investors may suffer a loss of capital. Because a substantial portion of the Master Fund's assets may be invested in such swaps, if a counterparty has financial difficulties, it may be impossible for the Master Fund to recover its assets and thus investors may suffer a substantial or total loss of their investment. Prospective investors should understand that the Master Fund may have counterparty risk to its counterparties in respect of all or most of its assets. In the event of a bankruptcy or insolvency of a swap counterparty, the Master Fund could experience a partial or total loss of the Master Fund assets paid as upfront payments for the swap.

*Trading in Options and Swap Agreements.* The Master Fund may trade in options, including instruments that have option-like features (e.g., convertible debt) and swap agreements. The prices of all derivative instruments, including options, are highly volatile. Payments made pursuant to swap agreements also may be highly volatile. Price movements of 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 options and swap agreements also depends upon the price of the debt securities or commodities underlying them. In addition, the Master Fund is subject to the risk of the failure of any of the exchanges on which it trades or of their clearinghouses.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction the Master Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including the risks relating to the financial soundness and creditworthiness of the swap counterparty. The Master Fund does not have any fixed credit-rating requirements for the counterparties in which it may engage in swaps.

*Valuation of Financial Instruments and Determination of Net Asset Value.* To the extent that the Master Fund invests in thinly-traded Financial Instruments, the valuation of such Financial Instruments will be determined by GlassBridge, whose determination will be final and conclusive as to all parties. Since GlassBridge is paid a trading bonus or, in the case of certain interests, an incentive allocation, on a basis that includes unrealized gains, GlassBridge may be biased when ascribing value to the Master Fund's holdings. There is no guarantee that the valuation by GlassBridge will represent the value that will be realized by the Master Fund on the eventual disposition of the investment or would, in fact, be realized upon an immediate disposition of the investment.

## **Risks Relating to Non-U.S. Investments and Non-U.S. Jurisdictions**

*Trading in Currencies.* The Master Fund is exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the Master Fund's position. The Master Fund may trade currencies and Financial Instruments only in interbank and forward contract markets which the Sub-Advisor believes to be well-established and of recognized standing, and the Sub-Advisor effects such trades only with banks, brokers, dealers, financial institutions and other market participants which the Sub-Advisor believes to be creditworthy.

*Currencies.* A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Master Fund are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

*Currency and Exchange Rate Risks.* The Master Fund may invest all or a significant portion of its capital in Financial Instruments denominated in currencies other than the U.S. Dollar or in Financial Instruments which are determined with references to currencies other than the U.S. Dollar. The Master Fund, however, will generally value its assets in U.S. Dollars. To the extent unhedged, the value of the Master Fund's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of their investments in the various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which the Master Fund may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of the Master Fund's Financial Instruments in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Master Fund's non-U.S. Dollar Financial Instruments. The Master Fund also may utilize forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

*Non-U.S. Exchanges.* The Master Fund may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and CFTC and may, therefore, be subject to more risks than trading on domestic exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities, futures, commodities and other Financial Instruments also may include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

*Non-U.S. Investments.* Investing in the Financial Instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in Financial Instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Master Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Master Fund may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Master Fund's rights in such markets. For example, Financial Instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Master Fund under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

*Global Investments.* The Master Fund may invest all or a portion of its portfolio in Financial Instruments of issuers located outside the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such non-U.S. issuers.

Furthermore, some of the Financial Instruments may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by the Master Fund from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Master Fund will reduce its net income or return from such investments.

In addition, all or a portion of such investments may take place in emerging markets. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or markets. Such risks may include: (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 markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on realization of investments, 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 economy; (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 markets; (xii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xiv) certain considerations regarding the maintenance of the Master Fund's Financial Instruments with non-U.S. brokers and securities depositories.

*Dependence on Developing Countries.* The level of commodity prices can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made many developing countries, particularly China, disproportionately large users of commodities and has increased the extent to which commodity prices are dependent on the markets of those developing countries. Political, economic and other developments that affect these developing countries may affect the level of certain commodities and, thus, the value of the Master Fund's investments. Because certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers, political, economic and supply-related events in those countries could have a disproportionate impact on the prices of commodity futures contracts and other types of Financial Instruments in which the Master Fund will invest. Events affecting the prices of commodities tend to affect prices worldwide, regardless of the location of the event.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any material legal or disciplinary events that would be material to an evaluation of GlassBridge or the integrity of GlassBridge's management. GlassBridge does not have any material legal or disciplinary events to disclose.

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

### Other Investment Advisers/Sponsors of Limited Partnerships

GlassBridge Quant Strategy GP, LLC, the general partner of the U.S. Feeder Fund, is a wholly-owned subsidiary of GlassBridge. Please see Item 6 above regarding performance-based compensation that may be paid by the Fund to GlassBridge and GlassBridge Quant Strategy GP, LLC. All personnel of the general partner are subject to the compliance policies and procedures and Code of Ethics requirements of GlassBridge (in addition to any other compliance requirements of applicable regulatory authorities in their respective jurisdictions). In addition, due to GlassBridge managing the Fund and the Managed

Accounts, along with its affiliate acting as the general partner of the Fund, there can be conflicts in the allocation of time, resources and investment opportunities among the Fund and the Managed Accounts. GlassBridge believes these conflicts of interest are mitigated by its allocation procedures.

#### Other Business Relationships

The Sub-Advisor and its related persons collectively own approximately 28% of the outstanding common stock of GlassBridge Enterprises, Inc., a publicly traded company and the parent company of GlassBridge. Joseph DePerio and Daniel Strauss, who are both employees of the Sub-Advisor, serve as the Chairman of the Board of Directors and Chief Operating Officer, respectively, of GlassBridge and GlassBridge Enterprises, Inc. GlassBridge and the Sub-Advisor have entered into a sub-advisory agreement pursuant to which the Sub-Advisor advises the Master Fund. The Sub-Advisor has also entered into a Capacity and Services Agreement and a Management Services Agreement with GlassBridge under which the Sub-Advisor makes available one of its employees to serve as Chief Operating Officer of GlassBridge (Mr. Strauss) as well as provides services to GlassBridge. Under the Capacity and Services Agreement, the Sub-Advisor is obligated to manage up to a maximum of \$1.5 billion of capacity. Pursuant to the terms of the Capacity and Services Agreement, GlassBridge provides compensation to the Sub-Advisor for administrative and operational services.

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

#### Code of Ethics

GlassBridge has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act that is applicable to all officers and employees of the Investment Adviser. The Code requires all officers and employees to exercise their authority and responsibility for the benefit of Clients and identify and mitigate conflicts of interest with Clients. The portion of the Code that governs personal securities transactions is applicable to all "access persons" and members of their households. As defined in the Advisers Act, the term "access person" generally includes any firm employee who has access to non-public information regarding a Clients' purchases or sales of securities, is involved in making securities recommendations to Clients or who has access to such recommendations that are non-public.

The Code contains policies and procedures that, among other things:

- prohibit officers, employees and access persons from taking personal advantage of opportunities belonging to Clients;
- prohibit trading on the basis of material non-public information;
- place limits on personal trading by access persons and impose pre-clearance and reporting obligations with respect to such trading;



- impose limits on the giving or receiving of gifts and entertainment; and
- reporting of officers' and employees' outside business activities.

Access persons must report personal securities holdings upon becoming an access person and annually thereafter. Access persons must also report their personal securities transactions on a quarterly basis. In addition, access persons are required to have brokers send duplicate confirmations or account statements to GlassBridge's Chief Compliance Officer.

The Fund, the Managed Accounts, and prospective clients of GlassBridge may request a copy of the Code by contacting GlassBridge at the address or telephone number listed on the first page of this document.

### Insider Trading

GlassBridge and its related persons may, from time-to-time, come into possession of material, non-public and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, GlassBridge and its related persons are prohibited from improperly disclosing or using such information for their own benefit or for the benefit of any other person, regardless of whether the other person is the Fund or Managed Account.

By reason of its responsibilities to the Fund, Managed Accounts and other investment activities, and notwithstanding procedural safeguards including restricted securities lists and watch lists, GlassBridge may acquire material, non-public or other confidential information that would limit its ability to direct the purchase or sale of certain investments. Moreover, GlassBridge may be restricted from initiating transactions in certain instruments or selling certain investments, due to its possession of material, non-public or other confidential information, at a time when it would otherwise take such action. At times, GlassBridge, in an effort to avoid investment restrictions with respect to the Fund and Managed Accounts, may elect not to receive information that other market participants or counterparties are eligible to receive or have received.

### Additional Conflicts of Interest

The Fund or one or more Managed Accounts may invest in assets that are eligible for purchase by other Managed Accounts or the Fund, which raises potential conflicts. Conflicts may also arise if the Fund or a Managed Account makes an investment in which another Managed Account or the Fund has already invested, including conflicts related to investing in different or overlapping levels of an entity's capital structure. Decisions about what actions should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raise conflicts of interest. The Fund or a Managed Account may also participate in restructuring or recapitalization transactions (including those requiring additional investments of capital) involving companies in which other Managed Accounts or the Fund have invested or may invest.

These transactions may present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or low a price for the company or purchasing investments with terms that are more or less favorable than prevailing market terms. There can be no assurance that the return on the Fund's or a Managed Account's investments will not be less than the returns obtained by other Managed Accounts participating in the same overall capital structure.

The Fund will be subject to a number of actual and potential conflicts of interest involving GlassBridge, the Sub-Advisor and their respective affiliates. There can be no assurance that GlassBridge and the Sub-Advisor (collectively, the "Advisors") will resolve all conflicts of interest in a manner that is favorable to the Fund.

**Lack of an Independent Investment Manager.** Pursuant to a services agreement between GlassBridge and the Sub-Advisor, Daniel Strauss, a Portfolio Manager of the Sub-Advisor, serves as COO of GlassBridge. This relationship is subject to the oversight of the GlassBridge board of directors and may be terminated with (5) days' prior written notice by either party.

GlassBridge is governed by its initial board of directors, two of whom are appointed by GlassBridge, two of whom are appointed by the Sub-Advisor, and the fifth director is appointed jointly by GlassBridge and the Sub-Advisor. GlassBridge will also be acting as the investment manager of the Master Fund and the Sub-Advisor will be acting as the sub-advisor of the Master Fund with GlassBridge and its investment and trading activities for the Master Fund and the performance of duties under the Capacity and Services Agreement will not be subject to review, oversight, enforcement or termination by an independent investment manager. In addition, the Master Fund will not have available an independent investment manager to monitor investment and trading conducted for the Master Fund's account by the Sub-Advisor. The Sub-Advisor could also in the future have a conflict between its interest in directing investment and trading for the Master Fund and the discharge of its responsibility to the Master Fund regarding oversight of investment and trading conducted for the Master Fund, when such oversight could, in certain circumstances, indicate that the engagement of an independent investment manager or managers would be in the best interest of the Fund.

**Conflicts Relating to GlassBridge and the Sub-Advisor.** Certain clients, principals, affiliates and officers of GlassBridge and the Sub-Advisor are stockholders of GlassBridge which may present certain conflicts of interest. The existence of potential conflicts of interest between GlassBridge and the clients, principals, affiliates and officers of GlassBridge and the Sub-Advisor that are stockholders of GlassBridge does not mean that there will be actual conflicts of interest. Further, the existence of an actual or potential conflict of interest does not mean that it will be acted upon to the detriment of any GlassBridge-Managed Fund.

The Sub-Advisor and the Sub-Advisor's principals, officers, employees and affiliates (collectively, the "Sub-Advisor Affiliates") invest in accounts and entities managed by the

Sub-Advisor that invest substantially in parallel with the Master Fund (the “Sub-Advisor Parallel Accounts”, and together with the Sub-Advisor Affiliates, the “Sub-Advisor Investor Affiliates”). Certain of the Sub-Advisor Parallel Accounts have economic terms that are substantially similar to those set forth herein, including, without limitation, classes of interests that have substantially similar economic terms to the interests in the Fund. The Sub-Advisor will directly or indirectly manage the assets of the Master Fund in the best interest of all its shareholders; however, for the foregoing reasons, certain investments may be more beneficial to the holders of one class of interests than the holders of the others and/or may expose the entire capital of the Master Fund to certain risks, even though only the holders of certain classes of Interests may benefit from such risks.

**Related Party Transactions.** In connection with principal transactions, cross trades, related-party transactions and other transactions and relationships of the Master Fund involving potential conflicts of interest, the general partner of the U.S. Feeder Fund and the Master Fund’s board of directors are authorized to select one or more persons who are not affiliated with GlassBridge (such as one or more independent directors) to approve or disapprove, to the extent required by applicable law or applicable governing documents or deemed advisable by the general partner of the U.S. Feeder Fund or the Master Fund’s board of directors, such transactions and conflicts of interest. Such independent persons may approve such transactions prior to or contemporaneous with, or ratify such transactions subsequent to, their consummation.

**Other Activities of the Advisors.** Certain inherent conflicts of interest may arise from the fact that the Advisors and their respective affiliates provide management services to the Master Fund and carry on investment activities for other clients, including other investment funds, client accounts and proprietary accounts sponsored by the Advisors and their respective affiliates in which the Fund will have no interest (such other clients, funds and accounts, “Other Accounts”). The respective investment programs of the Master Fund and Other Accounts may or may not be substantially similar. The portfolio strategies employed by the Sub-Advisor and its affiliates for Other Accounts could conflict with the transactions and strategies employed by the Sub-Advisor in managing the Master Fund and may affect the prices and availability of the securities and instruments in which the Master Fund invests. Conversely, participation in specific investment opportunities may be appropriate, at times, for both the Master Fund and Other Accounts. It is the policy of the Sub-Advisor to allocate investment opportunities fairly and equitably over time. This means that such opportunities will be allocated among those accounts for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations, (a) whether the risk-return profile of the proposed investment is consistent with the account’s objectives, whether such objectives are considered (i) solely in light of the specific investment under consideration or (ii) in the context of the portfolio’s overall holdings; (b) the potential for the proposed investment to create an imbalance in the account’s portfolio; (c) liquidity requirements of the account; (d) potentially adverse tax consequences; (e) regulatory restrictions that would or could limit an account’s ability to participate in a proposed investment; and (f) the need to re-size risk in the account’s portfolio. Such considerations may result in allocations among the Master Fund and one or more Other Accounts on other than a *pari passu* basis.

In addition, the Advisors may give advice or take action with respect to the investments of Other Accounts with similar investment programs, objectives, and strategies that may not be given or taken with respect to the Master Fund. Accordingly, the Master Fund and Other Accounts having similar strategies may not hold the same securities or instruments or achieve the same performance. The general partner of the U.S. Feeder Fund, GlassBridge, the Sub-Advisor and their respective affiliates also may advise Other Accounts with conflicting programs, objectives or strategies to that of the Master Fund. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for the Master Fund. Finally, the general partner of the U.S. Feeder Fund, GlassBridge, the Sub-Advisor and their respective partners, officers and employees may have conflicts in allocating their time and services among the Fund and Other Accounts. The general partner of the U.S. Feeder Fund, GlassBridge, the Sub-Advisor and their respective partners, officers and employees will devote to the Fund as much time as they deem necessary and appropriate to manage the Fund's business, respectively. Future activities of the general partner of the U.S. Feeder Fund, GlassBridge and the Sub-Advisor including the establishment of other investment funds, may give rise to additional conflicts of interest.

**Investment Manager Expenses.** Expenses incurred, directly or indirectly, by GlassBridge (including costs and expenses incurred by GlassBridge and its affiliates on behalf of GlassBridge) and the expenses incurred by the Sub-Advisor and any other Sub-Advisor in connection with their activities with respect to the Feeder Funds and/or the Master Fund, excluding such costs and expenses if such costs and expenses fall within the scope of Feeder Funds or Master Fund expenses, including, but not limited to, overhead and operational expenses and expenditures (which include, without limitation, expenses for personnel (such as employees' total compensation, including bonuses and fringe benefits)), fees paid to persons or entities who assist in identifying and recruiting personnel, costs, fees and expenses of insurance that cover GlassBridge and certain affiliates and personnel, such as Directors and Officers and Errors and Omissions insurance, employment practices liability, fiduciary liability, key man and related coverage, rent, professional services fees, travel, lodging and entertainment, marketing and presentation expenses, insurance, fixtures and equipment expenditures, investment-related expenses (such as market information, analytics and related computer costs), costs, fees and expenses associated with registration, maintenance and compliance of GlassBridge under the Advisers Act, the CEA, the Dodd-Frank Act, the Alternative Investment Fund Managers Directive or any other applicable laws, costs, fees and expenses of compliance imposed upon, and policies expected of, GlassBridge, costs, fees and expenses incurred by GlassBridge's employees in connection with educational endeavors related to legal and regulatory requirements of the Feeder Funds' and the Master Fund's operations, costs associated with cybersecurity, solicitation, legal and other similar expenses and extraordinary expenses (including indemnification and litigation costs) ("Investment Manager Expenses"), will be paid or reimbursed by the Master Fund pursuant to the Investment Management Agreement between GlassBridge and the Master Fund. As a result of the foregoing, GlassBridge may have less of an incentive to reduce its overhead expenses than would be the case if GlassBridge paid such costs out of the fees paid to it. Additionally, while GlassBridge will generally attempt to allocate Investment Manager Expenses in a fair and equitable manner in accordance with the

methods discussed herein, GlassBridge may be biased in allocating such expenses, including the composition of investors in the various GlassBridge-Managed Funds, their respective capital and performance. Certain interests in the Fund will not bear any portion of GlassBridge Expenses paid or reimbursed by the Fund and such portion of Investment Manager Expenses shall be borne by GlassBridge.

**Trading Bonuses.** In addition, bonuses for investment personnel (“Trading Bonuses”) as determined in GlassBridge’s discretion will be payable, or reimbursed to GlassBridge, by the Feeder Funds based upon the realized and unrealized net capital appreciation of the Paired Class Interests adjusted for distributions and withdrawals of Interests during the calendar year. Trading Bonuses are not expected to exceed 20% of such net realized and unrealized appreciation. Certain classes of interests of the Fund may contribute a smaller percentage of their average month-end net asset value per annum to the payment of Investment Manager Expenses and Trading Bonuses. Certain interests in the Fund will not bear any portion of the Trading Bonuses paid by the Fund, if any.

**Investments by the Principal and Employees of the Sub-Advisor in the Sub-Advisor Parallel Accounts.** In addition, the principal and certain employees of the Sub-Advisor may have substantial personal investments in the Sub-Advisor Parallel Accounts and in certain of the Other Accounts managed by the Sub-Advisor. The amount of the principal’s or each employee’s personal investment in such accounts may change over time. The principal or employees are not expected to invest in the Fund. Investors will not be provided with notice of the principal’s or employees’ investment in, or withdrawal from, their respective investments in the Sub-Advisor Parallel Accounts.

**Use of a Master-Feeder Structure.** The use of a “master-feeder” structure may also create a conflict of interest in that different tax considerations for the Feeder Funds and any other Feeder Fund may cause the Master Fund to structure or dispose of an investment in a manner that is more advantageous to one Feeder Fund than another Feeder Fund.

**Board of Directors and Administrator.** The board of directors of the Master Fund and the Administrator of the U.S. Feeder Fund also act as directors and administrator, respectively for other companies and investments funds. The foregoing activities and relationships may cause certain conflicts of interest. The board of directors spends substantial time and attention on other business activities for other clients and the management of other investment vehicles and may act for, or manage other clients with overlapping investment objectives with those of the Master Fund (including entities in which the Master Fund may invest). The board of directors, however, owes a fiduciary duty to the Fund, as well as such other entities for which they act as directors, and will endeavor to ensure that any such conflict is resolved fairly.

**Advisory Council.** GlassBridge may establish an advisory council (the “Advisory Council”) that consults with GlassBridge; provided, however, that the Advisory Council’s determinations, decisions and recommendations are advisory in nature and non-binding. If formed, the Advisory Council will meet at such times as GlassBridge deems appropriate and may provide GlassBridge with non-binding strategic advice on its activities. If formed,

a majority of the Advisory Council will be comprised of individuals unaffiliated with GlassBridge or its affiliates, including representatives of the Limited Partners. Any Advisory Council members will be reimbursed for appropriate out-of-pocket expenses incurred directly in connection with their participation in Advisory Council meetings (e.g., travel expenses to Advisory Council meetings). Such expense reimbursements will be paid by the Master Fund. The members of the Advisory Council, if any, will be appointed by GlassBridge and the number of members may change from time to time, as determined by GlassBridge. If formed, the Advisory Council will be entitled to indemnification from the Master Fund and the Feeder Funds as set forth in the Investment Management Agreement.

While GlassBridge endeavors at all times to act in the best interests of the Fund and Managed Accounts, investors should be aware that the types of transactions described above create potential conflicts of interest with respect to GlassBridge, the Fund and Managed Accounts. GlassBridge will seek to resolve the conflicts of interest discussed above using its best judgment and in a manner that it believes to be fair and reasonable to the Fund and Managed Accounts in accordance with its duties as an investment adviser. GlassBridge also believes that these conflicts of interest are mitigated by its allocation procedures and its disciplined investment process.

## **Item 12. Brokerage Practices**

### **Broker Selection**

GlassBridge has delegated the responsibility for broker selection to the Sub-Advisor. The Sub-Advisor's policy with respect to the Fund is as follows:

In selecting an appropriate broker-dealer (each, a "Broker" and collectively, the "Brokers") to effect a trade for the Master Fund, the Sub-Advisor seeks to obtain best execution, taking into consideration relevant factors, including, but not limited to: price quotes; the size of the transaction; the nature of the market for the security; the timing of the transaction; difficulty of execution; the Broker's expertise in the specific security or sector in which the Master Fund seeks to trade; the extent to which the Broker makes a market in the security involved or has access to such markets; availability of accurate information regarding the market for the security; the Broker's skill in positioning the securities involved; the Broker's promptness of execution; the Broker's financial stability; adequacy of the Broker's trading infrastructure, technology and capital; the Broker's reputation for diligence, fairness and integrity; quality of service rendered by the Broker in other transactions for the Sub-Advisor; confidentiality considerations; the quality and usefulness of research services and investment ideas presented by the Broker; the Broker's ability and willingness to correct errors; the Broker's ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and other factors deemed appropriate by the Sub-Advisor. The Sub-Advisor need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

## Research and Other Soft Dollar Benefits

From time to time, the Master Fund may pay broker commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting transactions in excess of that which another Broker might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the Broker. The Sub-Advisor will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Consistent with Section 28(e), research services obtained with “soft dollars” generated by the Master Fund and one or more other accounts may be used by the Sub-Advisor to service one or more other accounts. Nonetheless, the Sub-Advisor believes that such investment information provides the Master Fund with benefits by supplementing the research otherwise available to the Master Fund.

Soft dollar credits generated in respect of futures, currency and derivatives transactions and principal transactions (that are not riskless principal transactions) do not generally fall within the safe harbor created by Section 28(e) and will be utilized only with respect to research-related services for the benefit of the Master Fund.

Where a service obtained with soft dollars provides both research and non-research assistance to the Sub-Advisor (e.g., a “mixed use” item), the Sub-Advisor will make a reasonable allocation of the cost which may be paid for with soft dollars.

On a periodic basis, the Sub-Advisor considers the amount and nature of research and research services provided by Brokers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of the Master Fund on the basis of that consideration. Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any Broker may be less than the suggested allocation, but can exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Sub-Advisor make binding commitments as to the level of brokerage commissions it will allocate to a Broker, nor will it commit to pay cash if any informal targets are not met. A Broker is not excluded from receiving business because it has not been identified as providing research services.

The Sub-Advisor may open “average price” accounts with Brokers. In an “average price” account, purchase and sale orders placed during a trading day on behalf of the Master Fund, other accounts or affiliates of the Sub-Advisor are combined, and securities bought and sold pursuant to such orders are allocated among such accounts on an average price basis.

From time to time, the Sub-Advisor may execute over-the-counter trades on an agency basis rather than on a principal basis. In these situations, the Broker used by the Sub-Advisor may acquire or dispose of a security through a market-maker (a practice known as “interpositioning”). The transaction may thus be subject to both a commission and a markup or markdown. The Sub-Advisor believes that the use of a Broker in such instances

is consistent with its duty of obtaining best execution for the Master Fund. The use of a Broker can provide anonymity in connection with a transaction. In addition, a Broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

Each Broker that the Master Fund utilizes and which has custody of the Master Fund's cash (including subscription proceeds) and Financial Instruments will meet the definition of "Qualified Custodian" under Rule 206(4)-2 of the Advisers Act. A "Qualified Custodian" generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, a U.S. SEC-registered Broker, a U.S. CFTC-registered futures commission merchant or a foreign financial institution that holds segregated customer assets.

Morgan Stanley, Morgan Stanley & Co., Incorporated and its affiliates (collectively, "Morgan Stanley") serves as prime broker of the Master Fund's Financial Instruments pursuant to a prime broker agreement (the "Prime Broker Agreement"). Pursuant to the terms of the Prime Broker Agreement, in addition to general prime brokerage related services, Morgan Stanley may provide custodial services as well as margin financing, clearing, settlement, stock borrowing and foreign exchange facilities. The previously described services and facilities are provided pursuant to a series of mutually acceptable agreements between the Master Fund and Morgan Stanley. Under the Prime Broker Agreement, Morgan Stanley will not be liable in connection with the execution, clearing, handling, purchasing or selling of securities, commodities or other property or assets, or other action, except in the event of gross negligence or willful misconduct on Morgan Stanley's part. The Master Fund has agreed to indemnify Morgan Stanley (and each of its parents, subsidiaries, affiliates, divisions, officers, directors, employees and agents) for all losses, claims, damages, liabilities, taxes, and expenses incurred by Morgan Stanley in connection with or arising out of the Master Fund's obligations or Morgan Stanley's activities under the Prime Broker Agreement, except for actions taken or omitted to be taken by Morgan Stanley which are a result of, or constitute, willful misconduct or gross negligence.

Further, certain of the Master Fund's assets may be held inside or outside the United States by unaffiliated agent banks, central clearinghouses and securities depositories. Morgan Stanley will exercise due care in the selection of any such sub-custodian or agent and will maintain a level of supervision that Morgan Stanley considers appropriate over such non-affiliate sub-custodian and agents. Morgan Stanley will not be liable to the Master Fund for any loss, liability or expense incurred by the Master Fund in connection with these arrangements except to the extent resulting from Morgan Stanley's (or its affiliated sub-custodians' or agents') gross negligence or willful misconduct. Consistent with general brokerage laws of the United States applicable to Morgan Stanley, certain assets of the Master Fund are not required to be segregated and in the event of Morgan Stanley's insolvency, may not be recoverable in full. Assets held as collateral by Morgan Stanley are deemed pledged to Morgan Stanley and may be re-hypothecated or otherwise used by Morgan Stanley for its own purposes to the extent permitted under general brokerage laws applicable to Morgan Stanley. Morgan Stanley is subject to Rule 15c3-3 of the Exchange



Act with respect to its use of securities held on behalf of the Master Fund, which permits Morgan Stanley to rehypothecate or otherwise use Master Fund securities having a value up to 140% of the Master Fund's net debit balance.

From time to time, the personnel of the Sub-Advisor and its affiliates may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by the Master Fund's prime brokers. Through such "capital introduction" events, prospective investors in the Master Fund have the opportunity to meet with the Sub-Advisor. Neither the Sub-Advisor nor the Master Fund compensates the prime brokers for organizing such events or for investments ultimately made by prospective investors attending such events. However, such events and other services (including, without limitation, capital introduction services) provided by a prime broker may influence the Sub-Advisor in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Master Fund.

The Master Fund's investment program emphasizes active management of the Master Fund's portfolios. The Master Fund's portfolio turnover and brokerage commission expenses may exceed those of other investment entities of comparable size.

The Master Fund is not committed to continue its prime brokerage or custodian relationships for any minimum period, and the Sub-Advisor may select other or additional brokers to act as prime brokers or custodians for the Master Fund.

#### Brokerage for Client Referrals

GlassBridge may receive investor referrals from registered representatives of broker-dealers that trade on behalf of the Fund and Managed Accounts. Such referrals may pose a conflict of interest, as GlassBridge could have an incentive to direct brokerage to broker-dealers that fail to achieve best execution in order to continue receiving referrals. GlassBridge will review referral relationships and the associated conflicts of interest during its periodic and systematic evaluations of execution quality. Neither GlassBridge nor the Sub-Advisor has received an investor referral from registered representatives of broker-dealers that trade on behalf of the Fund or Managed Accounts.

#### Directed Brokerage Arrangements

A Managed Account owner may direct GlassBridge to effect transactions through a specific broker-dealer. Under such a directed brokerage arrangement, the Managed Account owner is responsible for negotiating terms for its account directly with the broker-dealer. GlassBridge will only direct brokerage pursuant to specific instructions that have been approved by a Managed Account owner.

For Managed Accounts subject to directed brokerage arrangements, GlassBridge will not aggregate trades or seek better execution services or prices from other broker-dealers. Consequently, GlassBridge may not obtain best execution on behalf of a Managed Account that directs brokerage; such a Managed Account may pay materially disparate

commissions, greater spreads, or other transaction costs, or receive less favorable net prices on transactions than would otherwise be the case.

Before initiating management of a Managed Account subject to a directed brokerage arrangement, GlassBridge may review the financial solvency and execution capabilities of the designated broker-dealer. Upon completion of the review, GlassBridge may either approve the arrangement or ask the Managed Account to reconsider the direction.

In order to meet directed brokerage mandates and trade in an efficient manner, GlassBridge may ask Managed Accounts that direct brokerage to permit the use of “step-out” trades. The Portfolio Manager will document any step-out trades on the relevant trade ticket.

#### Cross Trades and Principal Trades

GlassBridge may trade assets between the Fund and a Managed Account, or between Managed Accounts (although to date it has not done so). A cross trade may permit GlassBridge to execute trades without impacting the market price of securities, can save brokerage commissions and, in certain cases, related transaction costs like custody expenses and transfer taxes. Any such cross trades will generally be valued and priced at fair market value and will be conducted on terms as favorable to the Fund and Managed Accounts involved in the transaction as would be the case in a transaction with an independent third party and in accordance with any fiduciary obligation of GlassBridge under applicable law and subject to any conditions or required consents under the Fund’s Offering Documents and the Managed Account’s documents. All cross trades must be approved by GlassBridge’s Chief Compliance Officer.

GlassBridge and/or certain related persons of GlassBridge may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to the Fund or a Managed Account, provided that the sale is consistent with GlassBridge’s fiduciary obligations to the Fund. Such transactions will be fully disclosed and the written consent of the Fund and applicable Managed Account owner will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act (to the extent such transactions constitute “principal transactions”) and all other applicable state and federal securities laws.

For the purpose of securing the consent of the Fund to execute affiliate transactions including transactions which may be deemed to be principal transactions governed by Section 206(3) of the Advisers Act, the general partner of the U.S. Feeder Fund and the Master Fund’s board of directors are authorized to select one or more persons who are not affiliated with GlassBridge (such as one or more independent directors) to approve or disapprove, to the extent required by applicable law or applicable governing documents or deemed advisable by the general partner of the U.S. Feeder Fund or the Master Fund’s board of directors, such transactions and conflicts of interest. Such independent persons may approve such transactions prior to or contemporaneous with, or ratify such transactions subsequent to, their consummation. In analyzing such principal transactions,

GlassBridge may have a conflict between acting in the best interests of the Fund and assisting its affiliate by selling or purchasing a particular security.

### Aggregation of Orders

Where appropriate, on occasion, the Sub-Advisor may, but is not obligated to aggregate or bunch client orders to achieve a more efficient execution. Individual and bunched order transactions generally are allocated at the time of the transaction. The Sub-Advisor generally provides average prices when allocating bunched trades to participating client accounts.

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

The Sub-Advisor's investment and business professionals are responsible for ongoing diligence and reviews of investments entered into on behalf of the Fund and Managed Accounts. These professionals review investments on a periodic basis, and in some cases as frequently as daily. These reviews are designed to monitor and analyze transactions, positions and investment levels.

The Sub-Advisor has a Valuation Committee comprised of senior management and portfolio managers, which meets once a month to review valuation issues in general and fair valuation of securities specifically.

A review of a client account may be triggered by any unusual activity or special circumstances.

Each investor in the Fund and each Managed Account owner generally receives in writing monthly performance return information, capital statements, and for the Fund investors, a copy of the quarterly (or more frequently) unaudited and annual audited financial statements for the Fund.

An independent auditor annually audits the Fund's financial statements.

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

GlassBridge and related persons of GlassBridge may enter into additional cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to the Fund. Any sales charge or placement fees associated with such arrangements will ultimately be payable by GlassBridge and/or its related persons. Notwithstanding the foregoing, indemnification payments (if any) to such placement agents or third parties may be borne by the Fund and not by GlassBridge. Additionally, if an investor that is placed in the Fund by a placement agent retained by GlassBridge has a brokerage, banking or other relationship with that placement agent, that investor may pay additional fees to the placement agent based on the terms of that relationship.

In the future, to the extent GlassBridge enters into an agreement to provide cash compensation to a party for the referral of Managed Account clients, GlassBridge will comply with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. These requirements include that the referring party be eligible to receive such compensation under the rule, the existence of a written agreement between GlassBridge and the referring party and the referring party's providing the prospective clients with a separate written disclosure statement describing, among other things, that GlassBridge will be paying the referring party and the terms of such compensation arrangement.

### **Item 15. Custody**

GlassBridge does not serve as the qualified custodian of any of the assets owned by the Fund or Managed Accounts and does not maintain physical custody of any securities or cash owned by the Fund or Managed Accounts (other than certain privately offered securities to the extent permitted by the Investment Advisers Act of 1940, as amended, and related SEC interpretive guidance). However, GlassBridge is deemed by the applicable regulatory rules to have constructive custody of the assets of the Fund as a result of its position as an affiliate of the general partner (or equivalent control person) of the Fund.

Morgan Stanley serves as custodian of the Master Fund's Financial Instruments. Each Broker that the Master Fund utilizes and which has custody of the Master Fund's cash (including subscription proceeds) and Financial Instruments will meet the definition of "Qualified Custodian" under Rule 206(4)-2 of the Advisers Act.

The Sub-Advisor is deemed to have custody of the funds and securities of the Fund because it has the authority to obtain funds or securities, for example, by deducting advisory fees from the Funds or otherwise withdrawing funds from the Funds. Account statements related to the Fund are sent by qualified custodians to the Sub-Advisor.

GlassBridge and the Sub-Advisor are subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, they are not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit 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 requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

The Sub-Advisor is not deemed to have custody of the funds and securities of any Managed Accounts.

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

The Fund and Managed Accounts (except as noted below) retain GlassBridge to exercise broad investment discretion in accordance with the investment objectives and investment

mandates of the Fund or Managed Account without investor consultation or consent, all as set forth in the applicable Fund Offering Documents or Managed Account documents. For the Fund, this authority is established through the Fund subscription documents completed and signed by each Fund investor as well as the management agreements between GlassBridge and the Fund. For Managed Accounts, this authority is established through the Managed Account documents completed and signed by the Managed Account owner.

Due to the nature of the sub-advisory relationship between GlassBridge and the Sub-Advisor, the Sub-Advisor has discretionary authority to manage securities on behalf of the Fund and any Managed Accounts for which the Sub-Advisor is engaged.

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

### Policies and Procedures Relating to Voting Client Securities

GlassBridge has delegated the responsibility for proxy voting to the Sub-Advisor. The Sub-Advisor's policy is as follows:

The Sub-Advisor has adopted written proxy voting guidelines in accordance with Rule 206(4)-6 of the Advisers Act. Pursuant to the Adviser's Act, the Sub-Advisor acts in a fiduciary capacity with respect to each of its clients, including the Fund and any Managed Accounts, and, therefore, when exercising voting authority, the Sub-Advisor must act in the best interest of such clients. The Sub-Advisor's primary objective is to vote in the manner that it believes will maximize the value of its clients' investments. The Sub-Advisor's judgment concerning the manner in which the best economic interest of its clients may be achieved may change over time based on additional information, further analysis, and changes in the economic environment. Generally, clients may not direct the Sub-Advisor's vote in a particular solicitation.

The Sub-Advisor receives proxy materials from Broadridge, which provides proxy processing services to the Sub-Advisor. The Sub-Advisor provides Broadridge security positions on a daily basis, and Broadridge assists the Sub-Advisor with managing meeting notifications, voting, tracking and reporting and management of institutional proxies. In rare cases, the Sub-Advisor will receive paper proxies which are then voted outside of Broadridge's proxy services. In these cases, the Sub-Advisor seeks to vote in accordance with the best interests of its clients.

Currently, Broadridge is under a standing order to vote "abstain" on certain proxies with respect to positions managed by the Statistical Arbitrage Group of the Sub-Advisor because of (i) the uncertain impact that such proposals may have on the valuation of the company's stock, (ii) the high cost associated with obtaining more information and (iii) the Sub-Advisor's current belief that it is highly unlikely that it will retain such positions for any extended period. For positions held by the Statistical Arbitrage Group, the Sub-Advisor may also follow the general guidelines put forward by Institutional Shareholder Services ("ISS"). In all cases, blocking ballots will not be voted on.

Where the Sub-Advisor identifies a potential conflict of interest related to voting proxies on behalf of its clients, the Sub-Advisor will initially determine whether such potential conflict is material. Where the Sub-Advisor determines there is a potential for a material conflict of interest regarding a proxy, the Sub-Advisor will take one or some of the following steps: (i) inform the client of the material conflict and the Sub-Advisor's voting decision; (ii) discuss the proxy vote with the client; (iii) fully disclose the material facts regarding the conflict and seek the client's consent to vote the proxy as intended; and/or (iv) seek the recommendations of an independent third party. The Sub-Advisor will document the steps it took to ensure the proxy vote or abstention was in the best interest of the client and not the product of any material conflict.

Clients or their underlying investors may obtain a copy of the Sub-Advisor's proxy policy, and a record of proxies voted with respect to their respective client account upon request.

### **Item 18. Financial Information**

Each registered investment adviser is required to disclose whether it has any financial condition that could impair its ability to meet its contractual commitments to its clients, and whether it has been the subject of a bankruptcy proceeding. GlassBridge does not have any adverse financial conditions to disclose and has not been the subject of a bankruptcy proceeding.