

# Ghisallo Capital Management LLC

## Part 2A of Form ADV Brochure

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This Brochure provides information about the qualifications and business practices of Ghisallo Capital Management LLC (“Ghisallo” or the “Investment Manager”). If you have any questions about the contents of this Brochure, please contact us at [compliance@ghisallo.com](mailto:compliance@ghisallo.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Ghisallo Capital Management LLC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to Ghisallo Capital Management LLC as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.

**THIS BROCHURE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY.**

## **Item 2: Material Changes**

This brochure, dated March 31, 2022, serves as an update to Ghisallo's last other-than-annual update filed on June 1, 2021. No material changes have been made to this brochure since Ghisallo filed its last update. However, this brochure does contain routine annual updates, certain clarifying changes, and some Client related and Ghisallo entity updates. As such, current and prospective investors are encouraged to review this brochure carefully and in its entirety.

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## Item 4: Advisory Business

### A. General Description of Advisory Firm.

Ghisallo, an investment advisory firm organized in March 2020 under the laws of the State of Delaware, provides discretionary investment advisory services to clients that currently includes commingled funds (collectively, the “Clients”).

Ghisallo is ultimately owned and controlled by Mr. Michael Germino.

### B. Description of Advisory Services.

Ghisallo anticipates managing assets for various clients, including, but not limited to, the following commingled funds: <sup>1</sup>

- Ghisallo Master Fund LP, a Cayman Island exempted limited partnership (“Master Fund”), Ghisallo Partners LP, a Delaware limited partnership (the “Onshore Feeder”), and Ghisallo International Fund Ltd (the “Offshore Feeder”), a Cayman Islands exempted limited company; and
- Ghisallo International SPV I Ltd (together with the Master Fund, Onshore Feeder, and Offshore Feeder, each a “Fund” and collectively, the “Funds”).

Ghisallo Master Fund General Partner LP (“General Partner”) is the general partner of Ghisallo Partners LP and Ghisallo Master Fund LP. Ghisallo (and together with the General Partner and their respective affiliates including those described below, collectively the “Ghisallo Group”), in addition to investment management, provides certain administrative services to Clients.

Ghisallo currently applies a multidisciplinary approach to investing and may pursue multiple investment strategies including, without limitation: multi-asset global macro; long/short equities; investing in commodity and commodity-related industries; high yield, credit and distressed credit; event-driven/special situations investing; and relative value investing. Ghisallo’s investment objective is to achieve superior risk-adjusted returns through event driven investing that aims to take advantage of dislocations, inefficiencies, and liquidity events in the market. Ghisallo will seek to retain flexibility in executing the investment strategy through investing across asset classes, geographies, and instruments. In managing Client portfolios, the Investment Manager will also include global macro overlays opportunistically and will attempt to identify opportunities regardless of market direction. In some cases, there are no limitations on the markets or types of instruments in which Ghisallo may pursue investments. The Investment Manager, in its discretion, utilizes the services of third parties (including, Key Square Capital Management LLC (the “Service Provider”)) to provide certain non-binding research (i.e., it has no authority to bind the Fund Group (as defined below) or make investment decisions), trade execution, accounting and operational and

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<sup>1</sup> In addition to its current and future commingled structures, Ghisallo may in the future, manage or sub-advise separate dedicated bespoke vehicles, single trading subsidiaries and/or managed accounts.

infrastructure support services to the Investment Manager. Please see Item 10 (Other Financial Industry Activities and Affiliations) below for additional information associated with the Service Provider.

Ghisallo's investment strategies are more fully described in the offering documents for each Fund and will be available in the offering documents or agreements for any other current or future Client. Please see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) below for a more detailed description of the investment strategies pursued and types of investments made by Ghisallo.

*The descriptions set forth in this Brochure of specific advisory services that Ghisallo offers to Clients, and investment strategies pursued and investments made by Ghisallo on behalf of its Clients, should not be understood to limit in any way Ghisallo's investment activities. Ghisallo may offer any advisory services, engage in any investment strategy and make any investment, even if not described in this Brochure, that Ghisallo considers appropriate, subject to each Client's investment objectives and guidelines. Not all of the strategies described in this Brochure may be used at the same time or in the same proportions, and Ghisallo may add, suspend, eliminate or modify investment strategies at its discretion. The investment strategies Ghisallo pursues are speculative and entail substantial risks. Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.*

#### C. Availability of Tailored Services for Clients.

As mentioned above, Ghisallo's investment advice is subject to investment objective and guidelines of each Client, as set forth in the offering documents and/or constituent documents of such Client, as applicable. With respect to the Funds, Ghisallo's advice is not subject to modification by investors, other than certain investors who currently have and may in the future have more favorable rights not afforded to other investors such as (i) greater information than may be provided to other investors, including greater transparency into a Client's portfolio; (ii) different liquidity rights; (iii) different fee and/or allocation terms; (iv) different transfer rights; (v) risk, tax or other reporting and/or (vi) different portfolios.

The terms of Clients (other than the Funds) in some cases, currently are, or may in the future be, individually negotiated and provide better terms than those offered to investors in the Funds, including, but not limited to, lower management and performance-based compensation, different liquidity, leverage, expenses, loss carry forward, high water mark, liability, indemnity, risk and/or compliance restrictions, tax reporting, co-investment, most favored nation and information rights (including better transparency with respect to the holdings of each Client) relative to other investors. Some Clients (including the Service Provider's clients) have overlapping strategies to other Clients and some do not and may not in the future.

#### D. Wrap Fee Programs.

Ghisallo does not participate in wrap fee arrangements.

#### E. Assets under Management.

As of December 31, 2021<sup>2</sup>, Ghisallo had approximately \$3 billion in assets under management.

## **Item 5: Fees and Compensation**

### **A. Advisory Fees and Compensation.**

Ghisallo or one of its affiliates will typically receive compensation from each Client based on a percentage of assets under management and a percentage of the performance achieved for such Client. As described below, Ghisallo charges each applicable Client an annual management fee equal to a percentage of the assets managed by Ghisallo (or comparable fixed fee), and each product (or in the case of a master/feeder structure, the master fund) makes a performance-based allocation or pays a performance-based fee, as applicable, equal to a percentage of its net appreciation, subject to certain limitations further described below. Performance-based allocations and fees are calculated after deducting certain expenses, including, without limitation, brokerage commissions, management fees, operational and research costs (as more fully described below).

Generally speaking, Ghisallo or an affiliate is expected to receive a management fee (the “Management Fee”) from the Fund, payable in advance at the beginning of each calendar quarter at a rate of .5% (2.0% per annum) of the net asset value of assets under its management (equivalent to 1% of the notional value of the Client).

Certain affiliates of Ghisallo are expected to receive performance-based compensation, typically equal to 20% of the net capital appreciation attributable to each applicable Client for the preceding fiscal year. In calculating the annual net capital appreciation of each Client, prior losses are carried forward subject to loss recovery provisions in the applicable Fund offering documents and generally must be made up before performance-based compensation is made. Performance-based compensation is generally assessed at the end of the fiscal year of the respective Client or upon full or partial withdrawal of an investor’s capital and paid to certain affiliates of Ghisallo.

In the event that an investor is permitted or required to withdraw or redeem completely or partially from any Client other than at the end of the fiscal year, generally the performance-compensation with respect to such investor for such year will be determined, at the time of withdrawal, with respect to the portion being withdrawn or redeemed through the applicable withdrawal date.

In general, fees of the Funds are not negotiable, although the Investment Manager will have the discretion to permit certain investors to invest in each Fund on different fee terms. There are, and may in the future be, different or negotiated fee schedules and other terms negotiated between Ghisallo and underlying Clients or Fund investors. In addition, Ghisallo, either directly or through one of its affiliates, has the discretion to waive all or a portion of the Management Fee and/or performance-based allocations. In general, principals, partners and employees of the Ghisallo Group do not pay management fees and are not subject to performance-based allocations. In addition, affiliates of Ghisallo, partners and employees (and former partners and former employees) of

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<sup>2</sup> This represents the aggregate of the notional assets under management as calculated for the Funds as of December 31, 2021.

Ghisallo, immediate family members of such persons, trusts or other entities primarily for such persons' benefit or for charitable purposes, friends and strategic investors may be granted a waiver with respect to the management fees and the performance-based allocation, at the discretion of Ghisallo or one of its affiliates. Although fund investors in Funds who are affiliated with Ghisallo do not pay management fees or performance-based fees, they do pay their pro rata share of private fund clients' operating costs. In addition, Ghisallo, the Funds or the General Partner have entered, and may in the future enter, into side letters or similar written agreements with investors, which have the effect of establishing rights under, or altering or supplementing the terms of, the relevant governing documents including the Management Fee or performance-based allocation.

#### B. Payment of Fees and Incentive Compensation.

The Investment Manager will deduct fees from the assets of each Fund that corresponds with the fees earned from the corresponding investor's capital account. Investors in the Funds will not have the ability to choose to be billed directly for fees incurred. Managed account Clients are expected to be invoiced for fees incurred.

#### C. Expenses.

In addition to the fees and compensation described above, each Client bears its own operational expenses as more fully described in the offering documents of each Fund and Investment Management Agreement of the Clients. Such expenses generally include, but are not limited to, legal and other organizational expenses including all expenses relating to the initial and ongoing offer and sale of interests and the negotiation of side letters, operating and other expenses, including, but not limited to, investment-related expenses (e.g., research-related expenses associated with the gathering of market intelligence and/or the discovery and exploration of new investments (including, but not limited to, news and quotation equipment and services, market data services (e.g., Reuters) and/or the Investment Manager's travel and lodging expenses associated with such investments)), other than those expenses to be paid for using soft dollars (e.g., consulting, advisory, investment banking, valuation, legal and other professional fees relating to investments, broken deal expenses and other transactional charges, fees or costs and/or portfolio risk management services); brokerage commissions; clearing and settlement charges; custodial fees; interest expenses; legal expenses (including with respect to litigation and threatened litigation, if any, including with respect to past holdings); any compliance expenses incurred in connection with the Client's operations and portfolio holdings, including regulatory filings (e.g., filings with the U.S. Securities and Exchange Commission (the "SEC") and the National Futures Association (the "NFA"), including Form PF, CPO-PQR and expenses related to the offering and sale of Interests in compliance with the Directive 2011/61/EU on Alternative Investment Fund Managers (the "AIFMD") and Article 10 § 3 of the Collective Investment Scheme Act 2006, as amended (CISA), but excluding the preparation of Form ADV or membership with the NFA) and third party monitoring of position/reporting limits; expenses related to the maintenance of the Fund's registered office; corporate licensing; middle office, reconciliation, operational settlement and other outsourced services; fees of pricing, data and exchange services; valuation firms and financial modeling services; the costs and expenses related to acquisition, installation, servicing of, and consulting with respect to, order, trade, and commission management products and services (including, without limitation, risk management and trading software or database packages); travel and lodging expenses of third parties incurred in connection

with the acquisition, holding, management, monitoring or disposition of investments; expenses incurred in the formation, maintenance and liquidation of any special purpose vehicles formed to effect or facilitate the acquisition of any investment; accounting, audit and tax advice and preparation expenses (including preparation costs of financial statements, tax returns, reports to the investors and Schedule K-1s); printing and mailing costs; market information systems and computer software and information expenses; insurance costs (including, without limitation, directors' and officers' liability or other similar insurance policies, errors and omissions insurance and other similar policies for the benefit of the Fund); filing and registration fees (e.g., blue sky and corporate filing fees and expenses); fees of the Administrator (as defined below); directors' fees or fees of an advisory board or the Independent Representative Committee (each, if applicable); the Management Fee; any extraordinary expenses (including indemnification or litigation expenses and any judgments or settlements paid in connection therewith); all other costs and expenses arising out of the Client's indemnification obligations; any and all taxes (including entity-level taxes) and governmental fees or other charges payable by or with respect to or levied against the Funds, its investments, or to Federal, state or other governmental agencies, domestic or foreign, including real estate, stamp or other transfer taxes and expenses related to complying with FATCA (as defined below); wind-up and liquidation expenses and other similar expenses related to the Clients and the Master Fund. For the avoidance of doubt, "similar expenses" refers to any expenses that are similar in type and nature to the expenses described in the previous sentence, and any expenses determined by Ghisallo to be primarily related to providing the proper infrastructure for the firm in connection with Client's investments and operations. To the extent that a Client is invested in an exchange-traded fund or mutual fund, the Client will bear, along with other shareholders, its pro rata portion of the exchange-traded fund's or mutual fund's management, trading, and administrative fees and expenses. All or a portion of any of any brokerage and research-related expenses may be paid for using soft dollars generated by each Client.

If any of the above expenses are incurred jointly by one or more Clients (including special purpose vehicles), such expenses will be allocated in proportion to their assets under management (such assets under management shall be equal to, with respect to the Funds, the aggregate of capital account balances at the Master Fund multiplied by 2 and, with respect to other Clients, net asset value or an equivalent concept, as applicable), the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as Ghisallo and its affiliates considers fair and equitable. Certain products or services, the costs of which are borne exclusively by Clients, may also benefit Ghisallo and its affiliates, or third parties directly or indirectly. Ghisallo has a conflict of interest in determining whether such expenses should be borne by Clients because Ghisallo or its affiliates also receive benefits from the products and services provided. At its discretion or pursuant to the terms of an investment advisory agreement or private fund offering documents, Ghisallo may pay expenses that would otherwise be allocated to a Client. Clients that do not pay a portion of these expenses may benefit from services paid for by other Clients or Ghisallo. To the extent that eligible expenses to be borne by Clients are paid by the General Partner, Ghisallo, or its affiliates, the Clients will reimburse such party(ies) for such expenses. See Item 12 (Brokerage Practices) for more additional detail on brokerage practices.

*Existing and prospective investors and Clients should refer to their respective offering memorandum or constituent documents, as applicable, for detailed information with respect to the fees and expenses associated with each Client, as applicable. The information contained here is a*



*summary only and is qualified in its entirety by such documents.*

#### D. Prepayment of Fees.

The Management Fees and performance-based allocations payable by investors in the Funds are expected to be generally prorated and subject to adjustment for any partial periods. Other Clients may have different terms and may be subject to bespoke agreements.

#### E. Additional Compensation and Conflicts of Interest.

Neither Ghisallo nor its officers, employees, or other affiliates accept compensation for the sale of securities or other investment products.

### **Item 6: Performance Based Fees and Side-by-Side Management**

As described in Item 5 above, Ghisallo (or an affiliate) expects to receive its performance-based allocation or fee, as applicable, from its Clients. The receipt of a performance-based allocation may create an incentive for Ghisallo to make investments that are riskier or more speculative than would be the case if such compensation arrangements were not in place.

It should also be noted that even though Ghisallo may receive a performance-based compensation from its Clients, there are differences in the compensation structure assigned to certain Clients. As such, Ghisallo's receipt of a performance-based compensation creates a potential conflict of interest in that it may create an incentive for Ghisallo to make investments on behalf of certain Clients that are riskier or more speculative than would be the case if all Clients assumed the same fee structure. In addition, since performance-based compensation will be calculated on the basis of realized and unrealized gains, such allocation may be based on gains that some Clients might never realize and Ghisallo has an incentive to inflate the value of client assets through fair valuation determinations. To the extent that any Clients did not pay performance-based fees, Ghisallo could have an incentive to favor performance-based compensation clients when allocating investment opportunities. Similarly, if different Clients have fund investors with different high-water marks for purposes of calculating incentive allocations, Ghisallo could have an interest in favoring a Client that is most likely to pay performance-based compensation.

In addition, Ghisallo or an affiliate such as the affiliated trading execution provider, may be incentivized to favor certain Clients over other Clients (i) as a result of higher investment participation levels by principals, partners and employees of Ghisallo in certain Clients and/or (ii) because the compensation received from some Clients may exceed the compensation received from other Clients. In order to mitigate this risk and conflict, Ghisallo and the Service Provider have implemented policies designed to seek fair and equitable treatment for all Clients including processes aimed to prevent conflicts from influencing the allocation of investment opportunities among the Clients, as further described in Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and Item 12 (Brokerage Practices) below.

A description of the services offered, and corresponding fees charged, by Ghisallo will be provided in the applicable offering documents or investment management agreements.

## **Item 7: Types of Clients**

As described in Item 4 (Advisory Business) above, Ghisallo and/or its affiliate(s) provides investment advice to its Clients. Investors in the Funds will not be considered clients of Ghisallo. Such investors may include pension plans, charitable foundations, endowments, fund of funds, sovereign wealth funds, private funds, investment companies, trusts, family offices, high net worth individuals and other entities and institutions. Investors in the Funds must meet certain suitability requirements as set forth in the respective Fund's offering documents.

Details concerning applicable suitability criteria are set forth in the respective Funds' offering and/or operational documents. Each Fund generally has a minimum initial investment requirement. These thresholds may be waived or otherwise modified at the discretion of Ghisallo or its affiliates. Each fund investor is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Regulation D under the Securities Act, as amended, and/or a "qualified purchaser" or "knowledgeable employee" as defined in the Investment Company Act, as amended. This brochure is not an offer to invest in Ghisallo private funds. Any offer to invest in Ghisallo private funds will only be made through the provision of their confidential offering documents. The Funds are not registered under the Securities Act of 1933 or the Investment Company Act of 1940.

While Ghisallo currently has no separately managed account clients, Ghisallo may in the future offer, separately managed accounts to potential clients including fund investors that meet certain financial and/or sophistication requirements, which may include a minimum size of investment which is individually negotiated or be based on a strategic relationship to Ghisallo and/or an affiliate.

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

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

Ghisallo's principal investment objective is to achieve superior risk-adjusted returns through event driven investing that aims to take advantage of dislocations, inefficiencies, and liquidity events in the market. Ghisallo will seek to retain flexibility in executing the investment strategy through investing across asset classes, geographies, and instruments. In managing Client portfolios, the Investment Manager will also include global macro overlays opportunistically and will attempt to identify opportunities regardless of market direction. The strategies pursued for the Clients at any time may (or may not) include, without limitation: multi-asset global macro; long/short equities; investing in commodity and commodity-related industries; high yield, credit and distressed credit; event-driven/special situations investing; and relative value investing. Generally, there are no limitations on the strategies, markets or types of instruments in which the Clients may invest.

Ghisallo expects to invest by creating long or short exposure globally in interests commonly referred to as securities, other financial instruments and other assets of U.S. and non-U.S. entities, whether traded on an organized exchange, through "pink sheets", over-the-counter ("OTC"), or otherwise, including capital stock; shares of beneficial interest; partnership interests and similar financial

instruments; bonds, notes and debentures (whether subordinated, convertible, or otherwise); SPACs; PIPEs; revolving loans; currencies; commodities; physical and intangible assets; interest rate, currency, commodity, equity and other derivative products, including, but not limited to, (i) futures contracts (and options thereon) relating to stock indices, currencies, U.S. government securities and securities of non-U.S. governments, other financial instruments and all other commodities, (ii) swaps (including credit default swaps), options, swaptions, warrants, caps, collars, floors and forward rate agreements, (iii) spot and forward currency transactions and (iv) agreements relating to or securing such transactions; mortgage-backed obligations issued or collateralized by U.S. federal agencies (including fixed rate pass-throughs, adjustable rate mortgages, collateralized mortgage obligations, stripped mortgage-backed securities and REMICs); repurchase and reverse repurchase agreements; equipment lease certificates; equipment trust certificates; loans; structured finance instruments; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; insurance, bankruptcy contract, and other claims; executory contracts; participations; mutual funds, exchange traded funds and similar financial instruments; money market funds; portfolio funds; obligations of the U.S. or any non-U.S. government, or any country, state, governmental agency or political subdivision thereof; commercial paper; certificates of deposit; bankers' acceptances; choses in action; trust receipts; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature that exist now or are hereafter created; in each case, of any natural person, partnership, limited liability company, corporation, unincorporated association, joint venture, trust, state or any other entity or any governmental agency or political subdivision thereof, whether or not publicly traded or readily marketable (collectively, "Financial Instruments"). Certain of the Financial Instruments in which Clients invest into may be thinly-traded, illiquid and/or privately-placed. The Investment Manager expects that, at certain times, portions of the Financial Instruments in which certain Clients invest will be thinly traded, less liquid, privately placed and/or have longer settlement times, with the expectation on being able to trade such transactions in 3-6 months of purchase for most transactions. There are neither formal diversification nor concentration limits for Client portfolios, nor any limitations on position size or leverage. As a result, Client investments may not be diversified and, therefore, should be viewed as carrying an unusually high level of risk. Clients may co-invest with third parties through joint ventures or otherwise. Such investments may involve risks in connection with such third-party involvement. See Item 10 (Other Financial Industry Activities and Affiliations) below for additional detail on co-investment activities.

Ghisallo has broad and unfettered investment authority depending on the Client, and may trade in any type of security, issuer or group of related issuers, country, region and sector that it believes will help each Client achieve its investment objective, subject to any negotiated terms. Additionally, the strategies that Ghisallo may pursue for Clients are not limited to the strategies described herein; furthermore, such strategies may change and evolve materially over time. Ghisallo generally has broad latitude with respect to the management of each Client's risk parameters.

Ghisallo will opportunistically implement whatever strategies, risk management techniques and discretionary approaches, as well as such other investment tactics, as it believes from time to time may be suited to prevailing market conditions. Ghisallo may utilize such leverage, position size, duration and other portfolio management techniques as it believes are appropriate for Clients. Prospective investors must recognize that in investing, they are placing their capital indirectly under the full discretionary management of Ghisallo and authorizing Ghisallo indirectly to trade using

whatever strategies in such manner as Ghisallo may determine. Any of these new investment strategies, techniques, discretionary approaches and investment tactics may not be thoroughly tested before being employed and may have operational or other shortcomings which could result in unsuccessful investments and, ultimately, losses to the Clients.

Clients generally will not be informed of any changes in Ghisallo's strategies, techniques, discretionary approach and tactics. There can be no assurance that Ghisallo will be successful in applying its approach and there is material risk that a Client may suffer significant impairment or total loss of its capital.

Investing in securities, including, listed equities, derivatives, fixed income securities, commodity interests, and Financial Instruments involves a risk of loss that investors should be prepared to bear. Investors should be aware that they will be required to bear the financial risks of an investment in any Fund for a substantial period of time. An investment in one or more products is suitable only for sophisticated investors who fully understand and are willing to assume the risks involved in the investment program of the relevant Client(s), including, without limitation, the risks that Ghisallo may not achieve its investment objectives and that investors may lose all or part of their investment. An investment with Ghisallo is not a complete investment program and should represent no more than a portion of a fund investor's or a client's portfolio management strategy.

The following risk factors do not purport to be a complete enumeration or explanation of the risks involved in an investment with Ghisallo.

#### B. Material, Significant or Unusual Risks Relating to Investment Strategies.

Relationship among Investment Manager's Clients. The terms of Clients (other than the Funds) in some cases, currently are, or may in the future be, individually negotiated and provide better terms than those offered to investors in the Funds or other Clients, including, but not limited to, lower management and performance-based compensation, different liquidity, leverage, expenses, loss carry forward, high water mark, liability, indemnity, risk and/or compliance restrictions, tax reporting, co-investment, most favored nation and information rights (including better transparency with respect to the holdings of each Client) relative to other investors.

In addition, the terms and conditions of the Funds, in some cases, include and may in the future include: (i) greater information than is provided to another Fund's investors (such as transparency with respect to the portfolio if not during the notice period in a given quarter), (ii) different or more favorable redemption rights such as more frequent redemptions or shorter redemption notice periods than the other Funds, (iii) different fee and allocation terms than the other Funds, (iv) more favorable transfer rights than the other Funds (v) risk, tax or other reporting and/or (vi) different portfolios than the other Funds.

Loss of Investment. Investments are exposed to the risk of the loss of capital. The prices of the Financial Instruments in which each Client invests may be volatile and market movements as they relate to such Financial Instruments are difficult to predict. No guarantee or representation is made that such Client's investment strategy will be successful. In addition, each Client is expected to use investment techniques such as leverage, short sales, uncovered option

transactions, forward transactions, futures and options on futures transactions, foreign currency transactions, securities lending and a highly concentrated portfolio with respect to the Financial Instruments, among others, which could under certain circumstances magnify the impact of any adverse market or investment developments.

An investment in any fund or through a managed account should not in itself be considered a balanced investment program, but rather is intended to provide diversification in a more complete investment portfolio. Investors should be able to withstand the loss of their entire investment, as there can be no assurance that the investments made by any fund or through a managed account will increase in value or that a Client or investing through a managed account will not incur significant losses.

Flexible Investment Approach. The Investment Manager has generally broad and unfettered investment authority, and may trade in any type of security, issuer or group of related issuers, country, region and sector that it believes will help each Client achieve its investment objective, subject to any negotiated investment restrictions for a Client. Additionally, the strategies that an Investment Manager may pursue for its Clients are not limited to the strategies described herein; furthermore, such strategies may change and evolve materially over time. The Investment Manager has generally broad latitude with respect to the management of each Client's risk parameters. The Funds, in particular, are subject neither to formal diversification policies limiting each Fund's portfolio investments nor to formal leverage policies limiting the leverage to be used by any Fund. This may vary for any Client depending on the negotiated terms of such account. The Investment Manager will opportunistically implement whatever strategies, risk management techniques and discretionary approaches, as well as such other investment tactics, as it believes from time to time may be suited to prevailing market conditions. The Investment Manager may utilize such leverage, position size, duration and other portfolio management techniques (such as taking a more active or engaged role with respect to certain investments) as it believes are appropriate for each Client (unless subject to a restriction). Prospective investors must recognize that in investing in any fund or through a managed account, they are placing their capital indirectly under the full discretionary management of the applicable Investment Manager and authorizing such Investment Manager indirectly to trade for such fund or account using whatever strategies in such manner as the Investment Manager may determine. Any of these new investment strategies, techniques, discretionary approaches and investment tactics may not be thoroughly tested before being employed and may have operational or other shortcomings which could result in unsuccessful investments and, ultimately, losses to each Client. In addition, any new investment strategy, technique and tactic developed by a Client (or any such strategy, technique or tactic pursued by a Client, but not fully described herein) may be more speculative than earlier investment strategies, techniques and tactics and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in such Client. Investors generally will not be informed of any changes in the Investment Manager's strategies, techniques, discretionary approach and tactics. There can be no assurance that the Investment Manager will be successful in applying its approach and there is material risk that an investor may suffer significant impairment or total loss of its capital.

Concentration of Investments. The Funds are not limited as to the amount of capital or exposure which may be committed to any one issuer, industry, sector, strategy, country or geographic region. In fact, each Fund's portfolio, at times, may be highly concentrated. Each Fund's

investment technique of concentrating investment positions increases the volatility of investment results over time and creates the potential that a loss in any such position could have a material adverse impact on such Client's Financial Instruments. While this would likely apply to other Clients as well, it may vary for any Client depending on the negotiated terms of such account.

Volatility Risk. The 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, including recent volatility as a result of the coronavirus pandemic, therefore, can adversely affect the value of investments held by the Fund.

Hedging Transactions. Clients are not required to hedge any particular risk in connection with a particular investment or its portfolio generally and may elect to not hedge its risks at all. For example, a Client may elect to not hedge against fluctuations in the value of its portfolio positions as a result of changes in market interest rates or any other developments. While a Client may enter into hedging transactions to seek to manage risk, such transactions may result in a poorer overall performance for such Client than if it had not engaged in any such hedging transaction. Moreover, such Client may not anticipate a particular risk so as to hedge against it and the portfolio will always be exposed to certain risks that may not be hedged.

Enforcement of Legal Rights. From time to time, a variety of different events may impact specific Financial Instruments in the Fund's portfolio and may lead the Investment Manager, on behalf of the Fund, to participate in business strategy, reorganization proceedings and/or legal action. The occurrence of such events may be difficult to predict, increase the chance of loss of capital and may create additional costs and expenses for the Fund, as well as increased regulatory risks.

Investment Strategy. The success of the Investment Manager's investment program depends on the Investment Manager's ability to identify and exploit such perceived opportunities. Identification and exploitation of such opportunities involves significant uncertainties. There can be no assurance that the Investment Manager will be able to locate investment opportunities. In the event that the theses underlying the Client's positions fail to be borne out in developments expected by the Investment Manager, Clients may incur losses, which could be substantial. Furthermore, although the Investment Manager believes that many attractive investments of the type in which Clients will invest are currently available, there can be no assurance that such investments will continue to be available or that available investments will continue to meet the Client's investment criteria.

Global Macro Strategy. When applicable, each Client's global macro investing will generally consist primarily of investing in global fixed income, currency and equity markets, and their related derivatives, in order to exploit fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. The success of the Investment Manager's global macro investing depends on the Investment Manager's ability to identify and exploit such perceived imbalances. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that the Investment Manager will be able to locate investment opportunities or to exploit such imbalances. In the event that the theses

underlying any Client's positions fail to be borne out in developments expected by the Investment Manager, such Client may incur losses, which could be substantial.

Reliance on Experts. The Investment Manager expects to engage and retain strategic advisors, consultants, senior advisors and other similar professionals, including "experts," who are not employees or affiliates of Ghisallo, which may include former public company officials, senior government officials, policy makers, central bankers, and as well as other high-profile political figures, including persons known to be close associates of such individuals. The nature of the relationship with each of these professionals and the amount of time devoted or required to be devoted by them may vary considerably. In certain cases, they provide the Investment Manager with industry- or jurisdiction-specific insights and feedback on investment themes, assist in transaction due diligence, make introductions to and provide reference checks on management teams. In other cases, they take on more extensive roles and contribute to the origination of new investment opportunities. In certain instances, the Investment Manager expects to have formal arrangements with these professionals (which may or may not be terminable upon notice by any party), and in other cases the relationships may be more informal.

There can be no assurance that any of the consultants and/or other professionals will continue to serve in such roles and/or continue their arrangements with the Investment Manager throughout the term of any Client relationship or fund term. Further, in the event that material non-public information is obtained by such persons, any Client may become subject to trading restrictions pursuant to the internal trading policies of the Investment Manager or as a result of applicable law or regulations or be prohibited for a period of time from purchasing or selling Financial Instruments, which prohibition may have an adverse effect on such Client. Any Client and the Investment Manager may also become subject to legal, regulatory, reputational and other unforeseen risks as a result of these professionals' high-profile positions.

Long/Short Investment Strategies. The identification of investment opportunities in the implementation of Clients' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully identified or realized. In the event that the perceived opportunities underlying such Client's positions fail to converge toward, or diverge further from, values expected by the Investment Manager, such Client may incur a loss. In the event of market disruptions, a Client could be forced to close out one or more positions at unfavorable prices, thereby incurring significant losses. Furthermore, the models and analytics used to determine whether an investment presents an attractive opportunity consistent with the Investment Manager's long/short strategies may become outdated and inaccurate as market conditions change.

Short Sales. Short selling involves selling securities which are not owned by the short seller, and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling may also refer to other instances in which a party engages in trading aimed to benefit from negative price movements (such as in the case of a "buyer" of a credit default swap). Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and, in the case of a securities short sale, the costs of borrowing the Financial Instruments. The extent to which a Client engages in short sales will depend upon the Investment Manager's investment strategy and opportunities. A securities short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could

theoretically increase without limit, thus increasing the cost to the Client of buying that security to cover the short position. There can be no assurance that such Client will be able to maintain the ability to borrow securities sold short. In such cases, such Client may be forced to repurchase securities in the open market to return to the lender. There also can be no assurance that the stocks necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Leverage; Borrowing for Operations. The Investment Manager intends to use a high degree of “leverage” as part of the investment program for the Clients. Leverage may take the form of, among other things, any of the Financial Instruments described herein, including, derivative instruments which are inherently leveraged and trading in products with embedded leverage such as options, short sales, swaps and forwards. The use of leverage should allow the Clients to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital; however, leverage may also magnify the volatility of changes in the value of such Client’s portfolio. The effect of the use of leverage by a Client in a market that moves adversely to its investments could result in substantial losses to such Client, which would be greater than if such Client were not leveraged. In addition, such Client will have the authority to borrow money for cash management purposes and to meet withdrawals that would otherwise result in the premature liquidation of its investments. The level of interest rates generally, and the rates at which a Client can borrow particularly, will affect the operating results of such Client. The amount of borrowings and leverage which such Client may have outstanding at any time may be substantial in relation to its capital.

The instruments and borrowings used by such Clients to leverage investments may be collateralized by such Client’s portfolio. Accordingly, such Clients may pledge its Financial Instruments in order to borrow or otherwise obtain leverage for investment or other purposes. The expiration or termination of available financing for leveraged positions, and the requirement to post collateral in respect of changes in the fair value of leveraged exposures or changes in advance rates or other terms and conditions of such Client’s repurchase agreements, can rapidly result in adverse effects to its access to liquidity and its ability to maintain leveraged positions, and may cause such Client to incur material losses. Should the Financial Instruments pledged to lenders to secure such Client’s margin accounts decline in value, such Client could be subject to a “margin call,” pursuant to which such Client must either deposit additional funds or Financial Instruments with the lender or suffer mandatory liquidation of the pledged Financial Instruments to compensate for the decline in value. Lenders providing financing to such Client can apply essentially discretionary margin, haircut, financing, and collateral valuation policies. Changes by lenders in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that such Client will be able to secure or maintain adequate financing.

While a Client expects to borrow or use other forms of leverage (on a secured or unsecured basis) for any purpose, including to increase investment capacity, cover operating expenses or for clearance of transactions, there is no guarantee that any such borrowing arrangements or other arrangements for obtaining leverage will be available, or, if available, will be available on terms and conditions acceptable to such Client. Unfavorable economic conditions also



could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit to such Client. Furthermore, because the Master Fund will use reasonable best efforts to effect its investment strategy by trading based on the aggregate capital account balances of the investors indirectly investing in the Master Fund multiplied by 2, the Master Fund is expected to hold substantially less unencumbered cash relative to its investments than it would have otherwise without having its aggregate capital account balances invested in the Master Fund multiplied by 2. There can be no assurance that this will not affect the availability, pricing or terms of leverage and the behavior of counterparties (including in respect of the compulsory unwinding of trading positions) in a manner that is adverse to the Master Fund and that differs materially from other Clients.

Margin Borrowings. Whenever a Client uses financing extended by broker-dealers to leverage its portfolio, it may be subject to changes in the value that broker-dealers ascribe to a given Financial Instrument, the amount of margin required to support such Financial Instrument, the borrowing rate to finance such Financial Instrument and/or such broker-dealers' willingness to continue to provide any such credit to such Client. Any Client could be forced to liquidate its portfolio on short notice to meet its financing obligations. The forced liquidation of all or any portion of a Client's portfolio at distressed prices could result in significant losses to such Client.

In particular, any Client could be subject to a "margin call," pursuant to which such Client would either be required to deposit additional funds or Financial Instruments with the broker-dealer, or suffer mandatory liquidation of the pledged Financial Instruments to compensate for the decline in value. In the event of a sudden drop in the value of any Client's assets, such Client might not be able to liquidate assets quickly enough to satisfy its margin requirements.

Event-Driven Investing. Event-driven investing requires the investor to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a Financial Instrument. If the event fails to occur or it does not have the predicted effect, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Investment Manager had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, resulting in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to a Client of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in prices; (vi) compliance with any applicable U.S. federal or state securities laws, or in the case of foreign issuers, non-U.S. laws; and (vii) inability to obtain adequate financing. Certain similar events may be applicable to sovereign issuers and government sponsored enterprises.

Fundamental Analysis. Certain decisions made by the Investment Manager may be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate and/or generally available to other market participants. To the extent that any such data is inaccurate or that other market participants have developed, based on such data, trading strategies similar to Ghisallo's trading strategies, Ghisallo may not be able to realize its investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Investment Manager misinterprets the meaning of certain data, Clients may incur losses.

Relative Value Investing. The Investment Manager may use "relative value" investing strategies, which attempt to exploit relative mispricings among interrelated instruments (such as securities, derivatives, futures, bank debt, etc.), rather than making directional "bets" on absolute price movements. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for a Client to maintain a position. Even "pure" arbitrage positions can result in significant losses if the Investment Manager is not able to maintain both sides of the position until expiration, for example, in circumstances where such Client is forced to prematurely return a borrowed security. The Investment Manager may use a high degree of leverage and could be forced to liquidate positions prematurely in order to meet margin calls, causing an otherwise "pure" arbitrage position to result in major losses.

The success of the Investment Manager's relative value investment strategy depends on the Investment Manager's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such discrepancies involve uncertainty. There can be no assurance that the Investment Manager will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. A reduction in the pricing inefficiency of the markets in which the Investment Manager seeks to invest will reduce the scope for the Investment Manager's investment strategies. In the event that the perceived mispricings underlying a Client's positions were to fail to converge toward, or were to diverge further from, relationships expected by the Investment Manager, such Client may incur losses. Even if the Investment Manager's relative value investment strategy is successful, it may result in high portfolio turnover and, consequently, high transaction costs.

Event-Driven Arbitrage. In general, event-driven arbitrage investing is exposed to adverse outcomes of the "event" being positioned. Adverse outcomes or developments might arise from fundamental reasons, regulatory rulings, legal or tax rulings, or even extreme market movements. The financing component of many announced corporate actions could come under pressure and result in a cancellation or change in terms of the proposed transaction. Even where the corporate action or event occurs as expected, but is significantly delayed or advanced in the timing for its completion, deviations from the expected return or profitability could be high. At times, the amount of announced deals in the market might be inadequate to allow for a diversified portfolio to be constructed, or for returns to be near historic and meaningful levels relative to the risks. There can be no assurance that the Investment Manager's event-driven arbitrage strategy will result in a Client achieving its objective.

Corporate Governance Approaches. The Investment Manager generally does not expect to take an "activist" approach toward the management team or board of directors of the companies in which a Client invests and, consequently, does not expect to enter into an investment

for the purpose of implementing an activist strategy toward an issuer. In certain circumstances, however, the success of a Client's investment of any portion of its capital in publicly traded equity and/or debt securities may require that a Client adopt an "activist" or "suggestivist" approach to defend its investment in such Financial Instruments. Such approach may also be pursued in connection with sovereign issuers and government sponsored enterprises. In pursuing an activist or "suggestivist" approach for defensive purposes, a Client may act alone or together with one or more other investors or investment managers acting as a group. In order to implement any actions deemed necessary to defend the investment and maximize value, the Investment Manager, or other members of the investing group, may share their perspectives on long-term value creation with the management team, and occasionally with the board of directors of the issuer to design an alternate strategic plan and assist them in the plan's execution and may secure the appointment of persons selected by the Investment Manager or other members of the group to the company's management team or board of directors. In order to accomplish the foregoing, the Investment Manager may cause a Client, either alone or together with other members of a group, to acquire a "control" position in the issuer's securities. Moreover, there can be no assurance that any of the foregoing will succeed, and such control positions may subject a Client to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability including those in which the limited liability that is generally characteristic of such business operations may be ignored. All of a Client's capital might be used to satisfy these liabilities.

The regulatory overlay, and consequently, risks, associated with activist, or even not entirely passive, investments is fundamentally different from the regulatory overlay that is applicable to purely passive investments. For instance, a Client may be required to make filings pursuant to Sections 13(d), 13(g) and/or 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the rules and regulations promulgated pursuant thereto, and possibly be subject to "short swing profits" disgorgement, and to certain fees, penalties or sanctions, if it fails to do so. A Client may also be required to make filings pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Special Purpose Acquisition Companies. Clients invest in special purpose acquisition companies (each a "SPAC") and profits from an investment in a SPAC will be dependent on a special purpose acquisition company's ("SPAC") ability to successfully complete its IPO (as defined below) and initial business combination transaction, the performance of a SPAC and of its acquired company at and following the business combination and the market value of a SPAC's securities. An investment in a SPAC creates a number of significant risks, including those described below.

A SPAC is a publicly traded company formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more undervalued operating businesses. Following the acquisition of a target company, a SPAC typically would exercise control over the management of such target company in an effort to increase the value of such target company. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company's value increased. In the event that a SPAC is unable to locate and acquire

target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in “blank check” companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, most SPACs are illiquid and have a concentrated shareholder base that tends to be comprised of hedge funds (at least at inception).

In addition, SPACs may not be as actively traded as other types of listed securities and may have a concentrated shareholder base that tends to be composed of institutional investors, registered investment advisers and/or hedge funds (at least at inception). The Partnership may invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be limited basis for the Partnership to evaluate the possible merits or risks of such SPAC’s investment in any particular target business. Further, the SPAC may, in certain circumstances, complete an initial business combination without seeking stockholder approval. As a result, if the SPAC does not seek stockholder approval of an initial business combination, the Partnership’s only opportunity to affect the investment decision regarding a potential business combination may be limited to exercising its redemption rights in connection with the initial business combination.

Each SPAC will apply to have its units listed on a national securities exchange. A SPAC cannot guarantee that its securities will be approved for listing or, if approved, that its securities will continue to remain listed on such exchange. Additionally, a SPAC will be required to demonstrate compliance with the exchange’s initial listing requirements at both the time of its IPO and at the time of its initial business combination, and the initial listing requirements are more rigorous than the continued listing requirements. A SPAC cannot assure that it will be able to meet those initial listing requirements at that time. If the exchange delists a SPAC’s securities from trading on its exchange and the SPAC is unable to list on another exchange, the securities could be quoted on an over-the-counter market, and the SPAC could face significant material adverse consequences, including: (i) a limited availability of market quotations for its securities, (ii) reduced liquidity for its securities, (iii) a determination that the common stock is a “penny stock,” requiring brokers to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for its securities, (iv) a limited amount of news and analyst coverage; and/or (v) a decreased ability to issue additional securities or obtain additional financing in the future, any of which could limit the ability of the Partnership to make transactions in the SPAC’s securities, and could adversely affect the market value of the Partnership’s securities.

The Investment Manager may cause clients to invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be limited basis for the Investment Manager to evaluate the possible merits or risks of such SPAC's investment in any particular target business. To the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies. For these and additional reasons, investments in SPACs are speculative and involve a high degree of risk.

Risks Related to Litigation. Clients' investment program includes investments in SPACs; consequently, litigation against SPACs, the sponsors of SPACs, and directors and/or officers of SPACs ("SPAC Litigation") may pose a risk to each Client and the value of the Client's investments. SPAC Litigation continues to evolve, and the risks that SPAC Litigation poses to a Client, now and in the future, are not quantifiable. Recently, there has been an increased volume of SPAC Litigation filed by SPAC shareholders. Additionally, the SEC has publicly indicated that SPACs will be subject to increased regulatory scrutiny.

While many of the lawsuits filed to-date against SPACs resemble claims brought against any public company, whether it became public through a SPAC or not, the plaintiffs' bar is seizing on unique structural features of SPACs to plead aggressive new theories, to bolster allegations of scienter or to try to evade defenses such as "the business judgment rule." For example, some SPAC Litigation has focused on allegations that the directors and officers of a SPAC breached their fiduciary duties by rushing to complete a transaction prior to the two-year term of the SPAC expiring. Other SPAC Litigation has focused on alleged misrepresentations by the directors and officers of a SPAC with respect to the due diligence process associated with identifying a target company. A Client may, in certain circumstances, be named in SPAC Litigation.

Developments in SPAC Litigation may also lead to adverse developments in the market for liability insurance for SPACs and their directors and officers. Recently, the cost of obtaining liability insurance for the directors and officers of SPACs has increased, and fewer insurance companies have offered quotes for directors and officers liability coverage. These trends may continue or worsen in the future. Even after a business combination involving a SPAC is complete, the directors and/or officers of the merged company may need to purchase additional insurance with respect to ongoing or new claims. Such "run-off" insurance may become more expensive in the future, and may even interfere with or frustrate the ability of a SPAC to consummate a business combination on terms favorable to its shareholders.

Private Investments. Investments by the Investment Manager may take years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures and realization of investment theses typically will not provide for liquidity of the applicable Client investment prior to that time. In light of the foregoing, it is likely that no significant return from the realization of such Client's investments will occur for several years or more.

Client investments may consist of securities that are subject to restrictions on sale under U.S. securities laws. In that case, the Clients will not be able to sell these securities publicly in the U.S. without the expense and time required to register the securities under the Securities Act of 1933, as amended (the "Securities Act") or will be able to sell the securities only under Rule 144

or other rules under the Securities Act that permit only limited sales under specified conditions. When restricted securities are sold to the public, the applicable Client or the Investment Manager may be deemed a controlling person, or possibly an “underwriter,” with respect thereto for the purpose of the Securities Act and be subject to liability as such under that Act.

The sale of investments may be subject to restrictions imposed by the applicable securities laws of non-U.S. jurisdictions in the case of portfolio companies that are not U.S. companies or of the countries in which certain Clients invest. In addition, practical limitations may inhibit the ability to liquidate certain of its investments in the portfolio companies since the issuer will be privately held and any such Client may own a relatively large percentage of the issuer’s equity securities. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. The limitations on liquidity could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

Independent Money Managers. The Investment Manager does not generally expect to allocate any portion of its capital to other money managers (the “Money Managers”). To the extent a Client does allocate any portion of its capital to such managers, investors are not expected to bear two layers of incentive or similar fees. Each of such Money Managers may invest wholly independently of one another (and of a Client) and may at times hold economically offsetting positions. To the extent that the Money Managers and/or a Client do, in fact, hold offsetting positions, a Client, considered as a whole, may not achieve any gain or loss despite incurring investment expenses, including, without limitation, performance-based compensation. If a Client is concentrated in a position, as a result of such Client and/or one or more funds managed by a Money Manager holding the same position, the risks associated with such position will be magnified. Clients and some Money Managers also may compete with each other from time to time for the same positions in certain markets. Such competition may adversely affect the performance of such Client and/or such funds managed by the Money Managers.

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur in the Financial Instruments in which a Client may invest will be affected by a variety of factors, including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal, political and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since certain of the Financial Instruments in which a Client may invest may be discount instruments when interest rates and/or spreads are high, and may be premium instruments when interest rates and/or spreads are low, such Financial Instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact a Client's portfolio negatively in various ways. For example, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Furthermore, particular investments may underperform relative to hedges that the Investment Manager may have constructed for these investments, resulting in a loss to a Client's overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Swap Transactions. A Client may engage in swap transactions. Currency swaps involve the exchange of cash flows on a notional amount of two or more currencies based on their relative future values. Interest rate swaps involve the exchange of cash flows on a notional amount of two or more interest rates based on their relative future rates. An equity swap is an agreement to exchange streams of payments computed by reference to a notional amount based on the performance of a basket of stocks or a single stock. A Client will usually enter into swaps on a net basis; *i.e.*, the two payment streams are netted out in a cash settlement on the payment date or dates specified in the agreement. A Client receives or pays, as the case may be, only the net amount of the two payments. A Client may employ swaps for speculative purposes, such as to obtain the price performance of a security without purchasing it in cases where the security is illiquid, unavailable for direct investment or available only on less attractive terms.

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") includes provisions that comprehensively regulate OTC derivatives markets for the first time, including the swap markets.

The Dodd-Frank Act and regulations implementing the Act mandate that certain OTC derivatives must be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearing member and clearinghouse, as well as possible SEC or U.S. Commodity Futures Trading Commission ("CFTC") mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements on holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral a Client is required to provide and the costs associated with providing it. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for certain "end-users," a Client does not expect to be able to rely on such exemptions. In addition, the OTC derivative dealers with which such Client executes the majority of its OTC derivatives will be subject to clearing and margin requirements irrespective of whether such Client is subject to such requirements. OTC derivative dealers also will be required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as is currently permitted. This will increase the OTC derivative dealers' costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the possible imposition of new or increased fees.

The SEC and CFTC may also require certain derivative transactions that are currently executed on a bilateral basis in the OTC markets to be executed through a regulated

securities, futures, or swap exchange or execution facility. Such requirements may make it more difficult and costly for investment funds, including the Clients, to enter into tailored or customized transactions. They may also render certain strategies in which a Client might otherwise engage impossible, or so costly that they will no longer be economical to implement.

OTC derivative dealers and major OTC derivatives market participants will be required to register with the SEC and/or CFTC. Although neither Clients nor the Investment Manager is required to register as a dealer or major participant in the OTC derivatives markets, it is possible that going forward, Clients and/or the Investment Manager may be required to be registered as a dealer or major participant. Registered OTC derivatives dealers and major participants are subject to a number of regulatory requirements, including minimum capital and margin requirements. These requirements may apply irrespective of whether the OTC derivatives in question are OTC derivatives, exchange-traded or cleared. OTC derivatives dealers will also be subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest and other regulatory burdens. These requirements may further increase the overall costs for OTC derivative dealers, which costs are also likely to be passed along to market participants. The overall impact of the Dodd-Frank Act on Clients is highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime.

Although the Dodd-Frank Act will require many OTC derivative transactions previously entered into on a principal-to-principal basis to be submitted for clearing by a regulated clearinghouse, certain of the derivatives that may be traded by a Client may remain OTC or principal-to-principal contracts entered into privately by such Client and third parties. The risk of counterparty nonperformance can be significant in the case of these OTC instruments, and “bid-ask” spreads may be unusually wide in these heretofore substantially unregulated markets. While the Dodd-Frank Act is intended in part to reduce these risks, its success in this respect may not be evident for some time after the Dodd-Frank Act is fully implemented, a process that may take several years or more.

The European Market Infrastructure Regulation (“EMIR”) similarly seeks to comprehensively regulate the OTC derivatives market in Europe for the first time including, in particular, imposing mandatory central clearing, trade reporting and, for non-centrally cleared trades, risk management obligations on counterparties. Taken together, these regulatory developments will increase the OTC derivative dealers’ costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing and possible new or increased fees.

Proposed Legislation and Rule Makings Relating to the Private Investment Fund Industry. Regulation of the private investment fund industry in the United States has recently been the subject of increased focus from the SEC as well as from existing and prospective public officials. In particular, the SEC and multiple members of the United States Congress have introduced proposed rules and put forth bills and/or outlined proposed legislation, respectively, intended to, among other things, impose certain requirements on the economic, governance and transparency of private investment funds, their investors, their portfolio holdings and their managers. While it is unclear whether any of these (or other) proposals will be enacted and what the terms of any enacted



legislation would provide, any such legislation or rule proposals could increase the compliance and similar burdens on the Client and Ghisallo or otherwise limit the ability of Ghisallo to manage the Client and its investments in the manner believed to be in the best interest of the Client. Any such consequences could materially and adversely affect the Client and its performance.

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

Force Majeure Risk. Companies or assets may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of infectious disease, pandemic, epidemics, or any other serious public health concern, supply and commodity shortages, military conflicts, war, terrorism and labor strikes). Natural disasters, epidemics and other acts of God, which are beyond the control of the Investment Manager, may negatively affect the economy, infrastructure and livelihood of people throughout the world. For example, a number of countries in Asia, including China, Japan, Indonesia and Australia have been affected by earthquakes, floods, typhoons, drought, heat waves or forest fires. Disease outbreaks have occurred in Asia in the past and are affecting the United State and a numbers of other countries currently (including severe acute respiratory syndrome, or SARS, avian flu, H1N1/09 flu and Coronavirus) and any prolonged occurrence of infectious disease (including Coronavirus, which has spread to countries beyond Asia), or other adverse public health developments or natural disasters in any country in which the Fund targets investments may have a negative effect on the business operations of the Fund's investments. Resulting catastrophic losses may either be uninsurable or insurable at such high rates as to make such coverage impracticable. If such a major uninsured loss were to occur with respect to any of the Fund's investments, the Fund could lose both invested capital and anticipated profits.

Some force majeure events may negatively affect the ability of a party (including a company or a counterparty to the Fund or a company) to perform its obligations until it is able to

remedy the force majeure event. In addition, the cost to a company or the Fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an outbreak of infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Fund invests specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more companies or assets, could result in a loss to the Fund, including if its investment in such company or asset is canceled, unwound or acquired (which could be without what the Fund considers to be adequate compensation). Any of the foregoing may therefore negatively affect the performance of the Fund and its investments.

Political Uncertainty. Following the Global Financial Crisis and the subsequent uneven global recovery, the rise of populist political parties and economic nationalist sentiments has led to increasing political uncertainty and unpredictability throughout the world, including within many countries in Europe. For example, in France, there are growing demonstrations (the so-called “yellow vests movement”) to protest recent tax increases and to express broader discontent at the incumbent French government led by President Macron. Such protests, which began in November 2018, have led to similar demonstrations in countries around the world. Among the attendant risks of such rising populist movements and economic nationalist sentiments are greater regulatory uncertainty, including, for example, regarding the posture of governments with respect to (i) changes in the structure and regulation of public, private and quasi-governmental institutions with which the Fund may transact, (ii) taxation and international trade, and law enforcement and (iii) other regulatory and political developments, in each case, that could have a negative effect on the Fund and its investments. Recent elections within certain major Western European economies have mitigated these concerns to some degree. However, the results of future global elections, including, but not limited to, in the United States, and the ability of current governments to maintain effective coalitions remain uncertain. Political instability or uncertainty in the future could have a negative effect on the economy of such countries including, but not limited to, in the United States. Political and civil unrest and uncertainty is heightened given that the United States held political elections during the unprecedented COVID-19 pandemic. As a result, voters requested mail-in or absentee ballots at an unprecedented rate. While historical evidence does not support the claim that mail-in or absentee ballots are inaccurate or lead to voter fraud, there have been attempts to cast into doubt the ability of the United States to run a free and fair election in 2020. Since the elections took place, election results have been contested, through the court system or otherwise, as a result of actual or perceived unfairness, undue influence or illegal action. Additionally, persons and organizations have claimed that certain political actions by certain governmental officials, in connection with the election or otherwise, are “corrupt” or a departure from historical norms. On January 6, 2021, DVEs and other persons participated in a violent riot at the U.S. Capitol, which resulted in extensive property damage and multiple fatalities. Political instability or uncertainty in the future could have a negative effect on the economy of many countries.

COVID-19. The recent outbreak of the novel coronavirus in many countries, including the United States continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting quarantines, restrictions on travel, bans on public events, bans

on public gatherings, closures of a variety of venues (*e.g.*, restaurants, concert halls, museums, theaters, schools and stadiums, non-essential stores, malls and other entertainment facilities) or shelter-in-place orders. On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. On March 13, 2020, the President of the United States declared the COVID-19 outbreak a national emergency. The U.S. federal government and U.S. state governments are continuing to implement a variety of actions to mobilize efforts to mitigate the ongoing and expected impact, and the Center for Disease Control is implementing its pandemic preparedness and response plans, working on multiple fronts, including providing specific guidance on measures to prepare communities to respond to the local spread of COVID-19 throughout the United States. Such actions are creating disruption in global and local supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment and resulting in an unprecedented demand for capital. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development of this situation precludes any prediction as to the ultimate adverse impact of the novel coronavirus. There are no comparable recent events in the United States which provide guidance as to the effect of the spread of COVID-19 and a potential pandemic on the business, financial condition and results of operations of the Fund's portfolio companies. The novel coronavirus presents material uncertainty and risk with respect to a Client's performance and financial results. There is substantial uncertainty of COVID-19's potential effect on a Client, which could have a material adverse effect on a Client's investments. Failure to meet any such financial obligations could result in a Client being subject to margin calls or being required to repay indebtedness or other financial obligations immediately in whole or in part, together with any attendant costs, and a Client could be forced to sell some of its assets to fund such costs. In the event of any such consequences, a Client could lose both invested capital in and anticipated profits from the affected investment. No previous success by the Investment Manager or its affiliates in dislocated markets is any guarantee of a Client's success in respect of investing and managing any portfolio investment during and post- the COVID-19 pandemic.

The U.S. Food and Drug Administration has approved COVID-19 vaccines for emergency use, and such vaccines have been and are continuing to be rolled out. As newly developed vaccines, not all of the side effects are currently known. A portion of the population may continue to choose to "wait and see" before getting vaccinated, which could prolong the effects of COVID-19. In addition, the vaccines have been found to be about 95 percent effective, which means a small portion of the population that receives such vaccinations may not be protected against the disease. There can be no assurance on the continuing effects of COVID-19 on the economy generally or its effect on the Funds. No previous success by the Investment Manager or its affiliates in dislocated markets is any guarantee of Ghisallo's success in respect of investing and managing any portfolio investment during and post- the COVID-19 pandemic.

United Kingdom Withdrawal from the European Union. The United Kingdom ("UK") ceased to be a member of the European Union (the "EU") on January 31, 2020. During a prescribed period (the "Transition Period"), certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "Cooperation Agreement"), and on December 30, 2020, the Council of the European Union adopted a decision authorizing the signature of the Cooperation Agreement and its provisional

application for a limited period between January 1, 2021 to April 30, 2021. On April 28, 2021, the Cooperation Agreement was ratified by the European Parliament. The Cooperation Agreement is limited in its scope primarily to the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets.

The impact of such events on the Funds is difficult to predict, but they may adversely affect the performance of the Funds and their investments. There may be detrimental implications for the value of certain of Funds' investments and/or ability to enter into transactions, to value or realize their investments or to otherwise implement their investment program. It is possible that certain of Funds' investments may need to be restructured to enable their objectives to be pursued fully. This may increase costs or make it more difficult for Funds to pursue their investment objectives.

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

Cash and Forward Trading. Clients may trade cash commodities and forward contracts. These contracts, unlike exchange-traded futures contracts and options on futures, are not regulated by the CFTC. Therefore, a Client will not receive any benefit of CFTC regulation for these trading activities.

These transactions are not exchange-traded and thus create non-performance risk because no clearinghouse or exchange stands ready to meet the obligations of the contract. This risk may cause some or all of a Client's gains to be unrealized. At times, certain market makers have refused to quote prices for cash commodities or forward contracts, or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and sell. If this occurs, the Investment Manager may be unable to effectively use its cash and forward trading programs and a Client could experience significant losses.

Risks Associated with Investing in Companies in Bankruptcy. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that are contrary to a Client's interests. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of

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

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

Co-Investments with Third Parties. A Client may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of a Client or may be in a position to take (or block) action in a manner contrary to a Client's investment objective. In those circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and a Client. Based on the compensation structure or composition of investors participating in such co-investment opportunities, the Ghisallo Group may be biased when determining the capacity of a Client with respect to certain investments.

Limited Operating History/ No Guarantee of Past Performance. There can be no assurance that the Investment Manager will achieve Client's investment objectives. The Clients, the Investment Manager or the General Partner have limited operating history upon which prospective fund investors or clients can meaningfully evaluate their anticipated performance. Any past investment performance of the strategy employed in other funds managed by the Ghisallo Group or an affiliate is not necessarily indicative of the future results of the Client or of an investment with Ghisallo. Furthermore, because the Master Fund will use reasonable best efforts to effect its investment strategy by trading based on the aggregate of capital account balances at the Master Fund level multiplied by 2, the performance returns of Clients are expected to be materially different than any other entity managed by the Investment Manager or an affiliate. In particular, the performance of the Client may be characterized by substantially more volatility than it would have if the aggregate of capital account balances at the Master Fund level were not multiplied by 2. The Investment Manager's investment program should be evaluated on the basis that there can be no assurance that its assessments of the short-term or long-term prospects of investments will prove accurate, despite any previous trading of such similar strategies by affiliates. Moreover, prospective investors and Clients should consider that the extraordinary market conditions that have prevailed

during recent periods suggest, among other things, that: (i) performance achieved under prior market conditions may not be representative of performance under future market conditions; (ii) there may be substantially greater regulation of the financial markets, reducing profit opportunities or creating regulatory obstacles and requiring significant attention and resources generally; and (iii) previously successful strategies may no longer be viable.

Investment Analysis. When assessing investment opportunities, the Investment Manager relies on resources that may have limited or incomplete information. In particular, the Investment Manager relies on publicly available information and data filed with various government regulators. Although the Investment Manager expects that it will evaluate information and data as it deems appropriate and will seek independent corroboration when reasonably available, the Investment Manager will not evaluate all publicly available information and data and is not in a position to confirm the completeness, genuineness or accuracy of the information and data that it evaluates. As a result, there can be no assurance that the due diligence exercise carried out by the Investment Manager will reveal or highlight all relevant facts that may be necessary or helpful in evaluating investment opportunities. Any failure to have identified the relevant facts may result in an inappropriate investment decision, which may have a material adverse effect on the value of any Client investment.

Necessity for Counterparty Trading Relationships; Counterparty Risk. Ghisallo expects to establish relationships for Clients to obtain financing, derivative intermediation and prime brokerage services that permit Clients to trade in a variety of markets or asset classes over time; however, there can be no assurance that Clients will be able to establish or maintain such relationships. An inability to establish or maintain such relationships is likely to limit the Client's trading activities or its ability to engage in certain transactions, could result in losses and might prevent the Client from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any party before the Client establishes additional relationships could have a significant impact on the Client's business due to the Client's reliance on such counterparties.

Some of the markets in which the Client may effect transactions are not "exchange-based," including OTC or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of OTC markets exposes the Client 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 Client to suffer a loss. In addition, in the case of a default, the Client 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 Client has concentrated its transactions with a single or small group of counterparties.

Generally, Clients will not be restricted from dealing with any particular counterparties. While Ghisallo intends to engage U.S.-based counterparties, the Investment Manager also may engage counterparties located in various jurisdictions outside the U.S., either directly or indirectly through U.S.-based counterparties that outsource certain services to

counterparties operating outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Client's capital are subject to substantial limitations and uncertainties. Such counterparties may borrow, lend or otherwise use the Client's money, investments and other assets for its or their own purposes, and may take such investments as collateral. Such assets may cease to be the property of the Client, and in the event of an insolvency of that counterparty may be available to creditors of that counterparty. As a result, Clients may not be able to recover such assets in full. In the context of any contractual term relating to the rehypothecation of the Client's assets, counterparties typically have certain discretion as to how that limit is calculated and applied. In addition, the benefits of any such limit may be undermined to the extent that a counterparty does not adhere to the relevant limit and there can be no guarantee or assurance that any measures to monitor the adherence to such limits will be effective.

In addition, there are risks involved in dealing with the custodians or brokers settling Client trades. Financial Instruments deposited with custodians or brokers may not be clearly identified as being assets of the Client, and hence the Client may be exposed to a credit risk with regard to such parties. In some jurisdictions, the Client may only be an unsecured creditor of its broker in the event of bankruptcy or administration of such broker. The Investment Manager's evaluation of the creditworthiness of their counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Client's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by Clients. There is also a risk that any of such counterparties could become insolvent. The insolvency of a counterparty is likely to impair the operational capabilities and/or the assets of Clients. Although the Investment Manager regularly monitors the financial condition of the counterparties it uses, if one or more of Client's counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the U.S. Securities Investor Protection Act of 1970 (the "Securities Investor Protection Act") or the U.S. Bankruptcy Code (the "Bankruptcy Code")), there exists the risk that the recovery of the Client's Financial Instruments and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the Financial Instruments originally entrusted to such prime broker or broker-dealer. Investors should assume that the insolvency of any counterparty would result in a loss to the Client, which could be material.

Failure of Futures Commission Merchants. Under Section 4d(a)(2) of the Commodity Exchange Act, a futures commission merchant ("FCM") is required to maintain customers' assets in segregated bank accounts. A segregated account is not a guaranteed account. If one of the Client's FCMs fails to properly segregate customer funds, the Client may be subject to a risk of loss of its funds on deposit in the event of such FCM's bankruptcy or insolvency. In addition, under certain circumstances, such as the inability of another customer of one of the Client's FCMs or the FCMs' own inability to satisfy substantial deficiencies in such other customer's account, the Client may be subject to a risk of loss of its funds on deposit even if such funds are properly segregated. In the case of any such bankruptcy or customer loss, the Client's claims to deposits in accounts held by FCMs will be subject to the Bankruptcy Code. Under the Bankruptcy Code, all assets held by that FCM, including certain property specifically traceable to the Client, will be returned, transferred or distributed to the FCM's customers only to the extent of each

customer's pro rata share of all property available for distribution to customers. The Client may not, therefore, receive the full value of its segregated funds held at an FCM that fails, and if no property is available for distribution, the Client will not recover any of its assets.

Systems Risk and Cybersecurity. Clients depends on the Investment Manager to develop and implement appropriate systems for various Client activities. Clients rely extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, trading, clearing and settling transactions, evaluating certain Financial Instruments, monitoring its portfolio and net capital, and generating risk management and other reports that are critical to oversight of the Client's activities. Certain of the Client's and the Investment Manager's operations interfaces will be dependent upon systems operated by third parties, including prime broker(s), third party administrators including Citco Fund Administration (Cayman Islands) Limited (the "Administrator"), market counterparties and their sub-custodians and other service providers. Client's service providers may also depend on information technology systems and, notwithstanding the diligence that Ghisallo may perform on its service providers, the Investment Manager may not be in a position to verify the risks or reliability of such information technology systems.

Clients, the Investment Manager and their service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. For example, information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Such damage or interruptions to information technology systems may cause losses to Clients or fund investors by interfering with the processing of transactions, affecting the Client's ability to calculate net asset value or impeding or sabotaging trading.

Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose both the Client and the Investment Manager (which in turn may be indemnified by the Client) to civil liability as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial redemptions by Clients and fund investors. Individual investors and Clients could also be exposed to losses resulting from unauthorized use of their personal information. While the Investment Manager has implemented various measures to manage risks associated with cybersecurity breaches, including establishing business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity risks also are present for issuers of securities in which Client's invest, which could affect their business and financial performance, resulting in material



adverse consequences for such issuers, and causing the Client's investment in such securities to lose value.

Execution of Orders. Client's investment program depends on Ghisallo's or an affiliates ability to establish and maintain an overall market position in a combination of Financial Instruments selected by the Investment Manager. Client's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, systems failures or human error attributable to the Investment Manager, affiliates, its broker-dealers, agents or other service providers. In such events, Clients might only be able to acquire or dispose of some, but not all, of the components of such position, or if the overall position were to need adjustment, Ghisallo might not be able to make such adjustment. As a result, Clients would not be able to achieve the market position selected by the Investment Manager, and might incur a loss in liquidating its position.

Trading Error Risk. Clients (and neither the Investment Manager nor any other Indemnified Party (as defined below)) will be responsible for any losses resulting from trading errors and similar human errors, absent any act or omission that is judicially determined to be attributable to the bad faith, gross negligence (as defined in the respective Fund offering documents), willful misconduct or fraud of such indemnified party. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Given the volume of transactions executed by the Investment Manager and its affiliates on behalf of the Client, investors should assume that trading errors (and similar errors) will occur and that the Client will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of any indemnified [arty. The Investment Manager or an affiliate may be biased when determining whether losses resulting from a trading error will be borne by the Client. Generally, in determining whether the Investment Manager was grossly negligent, the Investment Manager will evaluate and consider, among other things, the adequacy of the supervisory procedures in place to prevent such errors from recurring with any frequency. From time to time, the Investment Manager or its affiliates may elect to voluntarily reimburse Clients for losses suffered as a result of certain trading errors identified by the Investment Manager, its affiliates or otherwise. However, notwithstanding the previous sentence, investors should not carry the expectation that a reimbursement will ever take place, and, in evaluating the Investment Manager, no decisions should be made in reliance on any such reimbursements to Clients for losses suffered as a result of such trading errors. Any decision to reimburse is not precedential and should not create the expectation of any reimbursement in the future.

Operational Risk. Clients depends on the Investment Manager to develop appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or potential disruption of Ghisallo's operations. Ghisallo's business is dynamic and complex. As a result, certain operational risks are intrinsic to Ghisallo's operations, especially given the volume, diversity and complexity of transactions (the number of trades to be allocated among the Master Fund and Clients) that the Investment Manager is expected to enter into daily. Ghisallo's business is highly dependent on its ability to process, on a daily basis, transactions across numerous and diverse markets. Consequently, Ghisallo relies heavily on its financial, accounting and other data processing systems. The ability of its systems to accommodate an

increasing volume, diversity and complexity of transactions could also constrain the ability of the Investment Manager to properly manage Client portfolios. Systemic failures in the systems employed by Ghisallo, prime broker(s) and custodian(s), the Administrator, the Investment Manager, to the extent applicable, the Investment Manager's middle-office services provider and/or counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions in Ghisallo's operations may cause Clients to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage.

Turnover. A substantial portion of Client's capital may be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant and could involve substantial brokerage commissions and other transaction costs. These commissions and costs reduce Client's net profits. In addition, active trading may act to reduce Client's investment profits, or create a loss for investors and may result in additional taxes for investors depending on the tax rules applicable to such investors. The after-tax impact of portfolio turnover is not considered when making investment decisions for Clients.

Terrorist Action. There is a risk of terrorist attacks on the United States and elsewhere causing significant loss of life and property damage and disruptions in the global market. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear but could have a material effect on general economic conditions, market liquidity and the Investment Manager's ability to manage Client assets.

Governmental Intervention. Pervasive and fundamental disruptions that global financial markets undergo may lead to extensive and unprecedented governmental intervention, including conservatorship and the suspensions of short selling with respect to certain companies. Such intervention may be implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, some of these interventions may be unclear in scope and application, resulting in market uncertainty that may negatively affect the efficient functioning of the markets, as well as previously successful investment strategies. It is impossible to predict whether and when such governmental intervention may occur and any such governmental intervention may affect the success of Ghisallo's investment strategy and may cause Clients to sustain significant loss.

Certain legislation proposing greater regulation of the private fund industry periodically is considered by Congress, as well as the governing bodies in non-U.S. jurisdictions. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on Ghisallo strategies. Any such regulation could also require increased transparency as to the identity of the Fund investors.

Market Risk and Lack of Liquidity. Clients are exposed to market risk. Among other things, this means that the prices of the Financial Instruments in which Clients may invest can be highly volatile. Price movements of Financial Instruments in which Client's capital may be

invested 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. Moreover, war, political or economic crisis, terrorist action or other events may occur which can be highly disruptive to the markets, regardless of the strategies being employed. Clients may incur significant losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that in disrupted markets, many positions become illiquid, making it difficult or impossible for the Clients to realize profits, limit losses or execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, Client's net asset value may fluctuate widely from one period to the next.

Governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

In addition, in an effort to reduce risk in financial markets, there has been a heightened effort by regulators across the globe, including through the Basel III framework and the Dodd-Frank Act, to institute measures that help ensure that banks have sufficient capital and liquidity to cover loan losses and cash outflows in the event of another financial crisis. These regulations, which among other things, govern the amount of Supplementary Leverage Ratio and Liquidity Coverage Ratio that the banks must maintain are expected to affect the way banks think about their risk management and compliance processes, leading to a ripple effect on corporate treasuries and general liquidity available in the market.

The success of a Client's investment program depends to a great extent on the Investment Manager's ability to assess correctly the future course of regulations, price movements of stocks, bonds, commodities, foreign currencies and Financial Instruments. There can be no assurance that the Investment Manager will accurately predict these movements. Clients are also subject to the risk of the failure of any exchanges on which its positions trade and of their clearinghouses. Sustained cyclical market declines and periods of unusual market volatility make it more difficult to produce positive trading results, and there can be no assurance that Ghisallo's strategies will be successful in such markets. Depending on market conditions, Clients may incur substantial realized losses and may suffer unrealized losses in future periods, all of which may adversely affect its results of operations and the value of any investment.

Valuation Risk; Use of Estimates. Assets and liabilities of Client will be valued in good faith in accordance with the Investment Manager's valuation policy. There is no guarantee that the value determined according to the valuation policy will represent the value that will be realized by Clients on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. As a result, an investor withdrawing its fund interests prior to realization of such an investment may not participate in gains or losses therefrom. Additionally, Client's portfolio of investments may, at any given time, include Financial Instruments that are illiquid, are thinly traded or for which a limited market or no market exists or

which are restricted as to their transferability under applicable laws. These investments (as well as other investments held by Clients) may be difficult to value accurately. In light of the foregoing, there is a risk that a fund investor that makes a withdrawal while the Client holds such investments will be paid an amount less than it would otherwise be paid if the actual value of such investments is higher than the value designated pursuant to the valuation policy. Similarly, there is a risk that such fund investor might, in effect, be overpaid if the actual value of the investments is lower than the value designated pursuant to the valuation policy.

The Management Fee and the incentive allocation or performance fee are calculated based on valuations ascribed to Client holdings by applying the Investment Manager's valuation policy. To the extent that the General Partner and/or the Investment Manager participate in any valuation pursuant to its valuation policy, the Management Fee and the incentive allocation (which is allocated to an affiliate of the Investment Manager) or performance fee may create an incentive for the General Partner and/or the Investment Manager to assign biased valuations to Client holdings, and in particular to its illiquid or hard-to-value holdings. Additionally, Ghisallo or the General Partner, in its sole discretion, may determine that the valuation policy results in valuations that do not accurately reflect fair values, and consequently may amend the valuation procedures as deemed appropriate by it to result in valuations that it believes would better reflect fair values. Any such amendment may have a material effect on the valuations of the assets of Client portfolios, and as a result, among other things, on the Management Fee and incentive allocation or performance fee.

Client's net asset value will be based, to the extent possible, on quotes provided by brokers and other competent third-party pricing sources. However, certain valuations cannot be made on the basis of third-party pricing sources. The fair market value of those investments for which a reliable third-party quote is not available is based on other relevant sources deemed reliable by the Investment Manager in its good faith judgment. To the extent that there is a pricing uncertainty beyond acceptable tolerances, the final authority ultimately rests with the General Partner, in consultation with the Investment Manager, to resolve such uncertainty.

Data Protection. Prospective investors and clients should note that personal data often must be supplied in order for an investment in Ghisallo to be made and for the investment to continue. Certain personal data must be supplied to enable the investment to be redeemed. If the required personal data is not provided, a prospective investor will not be able to invest or continue to invest with Ghisallo.

Ghisallo's use of personal data is governed by the Cayman Islands Data Protection Law, 2017 and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "Data Protection Legislation"). Under the Data Protection Legislation, individual data subjects have rights and Ghisallo as data controller has obligations with respect to the processing of personal data by Ghisallo and its affiliates and delegates, including but not limited to the Administrator. Breach of the Data Protection Legislation by Ghisallo could lead to enforcement action. Ghisallo's privacy notice provides information on the Investment Manager and affiliates use of personal data under the Data Protection Legislation. Ghisallo's privacy notice is also contained in subscription agreements and is made available to existing investors via routine investor communications.

If you are an individual prospective investor or client, the processing of personal data by and on behalf of Ghisallo is directly relevant to you. If you are an institutional investor that provides personal data on individuals connected to you for any reason in relation to your investment with us (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), this will be relevant for those individuals and you should transmit the privacy notice to such individuals or otherwise advise them of its content.

Relationship with the Funds and Clients. The Investment Manager, Service Provider, and/or an affiliate thereof manages capital for other clients. The Investment Manager is expected to also manage one or more other clients that are expected to pursue an investment strategy that is, or may at times be, substantially similar to that of the Master Fund, subject to certain differing risk, liquidity, leverage (which, generally, will be measured with respect to the notional amounts), futures positions parameters and differing regulatory and compliance requirements.

The terms and conditions of the Funds in some cases currently, or may in the future, include: (i) greater information than may be provided to Fund investors (including greater transparency into such other Client's portfolio), (ii) different or more favorable withdrawal rights such as more frequent withdrawals or shorter withdrawal notice periods, (iii) different fee, incentive allocation, high water mark, loss recovery account or expense terms, (iv) more favorable transfer rights (v) different portfolios (vi) the right to participate in certain co-investment opportunities generated by Ghisallo, the Service Provider, or affiliates, (vii) different terms relating to liability and/or indemnity, and/or (viii) additional compliance, risk or other restrictions that may impose unanticipated burdens on pursuing the investment program of the Client.

Expenses. Clients will bear all of its (and its allocable share of the Master Fund's (which will generally be calculated on a pro rata basis based on the Client's capital invested in the Master Fund)) legal, operating and other organizational expenses, including, but not limited to, formation-related expenses, all expenses relating to the initial and ongoing offer and sale of the fund interests, the negotiation of Side Letters (as defined below) and investment-related expenses (including, for the avoidance of doubt, research-related expenses associated with the gathering of market intelligence and/or the discovery and exploration of new investments (including, but not limited to, news and quotation equipment and services, market data services (e.g., Reuters) and/or the Investment Manager's travel and lodging expenses associated with such investments)) other than those expenses to be paid for using soft dollars (e.g., consulting, advisory, investment banking, valuation, legal and other professional fees relating to investments, broken deal expenses and other transactional charges, fees or costs, research-related expenses and/or portfolio risk management services); brokerage commissions; clearing and settlement charges; custodial fees; interest expenses; legal expenses (including with respect to litigation and threatened litigation, if any, including with respect to past holdings). See Item 5 (Fees and Compensation) above for more detail on Ghisallo's expense practices.

Any description in Fund offering documents or investment management agreement of the expenses that the Client may bear is not exhaustive. From time to time the Investment Manager will need to make certain determinations regarding whether certain expenses are the Client's "own" expenses and therefore are to be borne by the Client or expenses of the Investment Manager, an affiliate, the Service Provider, or clients of the Service Provider, and therefore to be

borne by the Investment Manager or allocated among the aforementioned entities. Note this list of entities among which expenses could be allocated is not exhaustive.

Side Letters; Different Terms. At times, Ghisallo or an affiliate may waive or modify the application of any provision of the Fund offering documents or grant special or more favorable rights with respect to any provision, including, without limitation, the provisions relating to fees, allocations (including “allocating away” of profits and losses relating to certain investments), withdrawals, transfers, notices and transparency, with respect to any fund investor, including affiliates of Ghisallo, partners and employees (and former partners and former employees) of Ghisallo, immediate family members of such persons, trusts or other entities primarily for such persons’ benefit or for charitable purposes, friends and strategic investors. To effect such waivers or modifications or to grant any special or more favorable rights, Ghisallo or the General Partner may enter into agreements (“Side Letters”) or issue other fund interests to certain investors in the future, that provide for, among other things, (i) greater information than may be provided to other investors (including greater transparency into the Client’s portfolio), (ii) different or more favorable withdrawal rights such as more frequent withdrawals or shorter withdrawal notice periods, (iii) different fee and allocation terms, (iv) more favorable transfer rights and/or (v) different portfolios. Ghisallo and the General Partner may in the future issue such fund interests and Ghisallo or the General Partner have and may in the future enter into such Side Letters without notice to, or the consent of, other fund investors. Pursuant to such Side Letters, certain fund investors may receive notification with respect to the occurrence of certain events and/or circumstances. To the extent deemed material by Ghisallo, all fund investors will be notified of such events and/or circumstances.

Investor Due Diligence and Risk Aggregators. Potential investors and current investors may conduct due diligence on Ghisallo in determining whether to invest (or maintain or increase an investment in, as the case may be) with Ghisallo (“Due Diligence”). Such Due Diligence may be conducted verbally or in writing, and may include, without limitation, the completion of questionnaires by Ghisallo, onsite visits or telephonic and email communications with representatives of Ghisallo and the receipt of additional reporting on Client portfolios. Various inquiries made during the Due Diligence process may result in the inquiring investors obtaining information that is not otherwise available to investors. The Investment Manager reserves the right to determine, in its sole discretion, what information is appropriate to provide in response to inquiries from fund investors or prospective fund investors or clients.

Additionally, from time to time, the Investment Manager and/or their respective affiliates may agree to provide “risk aggregators” reasonably acceptable to them with certain information pertaining to Client’s portfolios. While Ghisallo and their respective affiliates (as the case may be) will attempt to provide information that they believe is accurate, they have no control over how such information is being processed, and will not monitor, supervise or exercise any control over how such information is being reported by these “risk aggregators.” By requesting information to be provided by “risk aggregators,” fund investors acknowledge that the Investment Manager and their respective affiliates have no liability with respect to any report received by client or fund investors from such “risk aggregators.”

Discontinuation of LIBOR. It is expected that the London Interbank Offered Rate ("LIBOR"), which is commonly used as a reference rate within various financial contracts (any such rate, a "Reference Rate"), will not be published after the year 2021. In anticipation of the end of LIBOR, the United States and other countries are currently working to replace LIBOR with alternative reference rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which Ghisallo or a Client is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a reference rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including Ghisallo or a Client and its counterparties. With respect to financial contracts to which Ghisallo or a Client is a party, including corporate and municipal bonds and loans, consumer loans, bank loans, floating rate debt, certain asset-backed securities, and interest rate swaps and other derivatives, any such contract that has a maturity that extends beyond 2021 and uses LIBOR as a reference rate (other than contracts that include curative fallback language or other curative mechanisms) may need to be renegotiated, the process of which will consume resources of a Ghisallo and may result in disputes among counterparties, the result of which may be adverse to Ghisallo or a Client(s). Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which Ghisallo or a Client is a party may adversely affect the performance of a Client portfolio.

Dependence on Key Personnel and Service Providers. The Investment Manager is dependent on the services of certain key portfolio managers, consultants and other personnel for conducting its investment advisory services, including, in particular Mr. Michael Germino, the Service Provider, and the Chief Compliance Officer. Were the services of these people or entities, and in particular of Mr. Germino, to become unavailable for any reason, the consequences to Clients could be material and adverse and could lead to premature dissolution of the Client.

Reliance on the Service Provider for Services. Ghisallo will engage service providers, including the Service Provider and the UK Manager, that are affiliated with, and may also provide services to other affiliated entities and clients. Key Square Group LP ("KSG") is the ultimate parent of the Service Provider and the UK Advisor. Ghisallo intends to select these service providers based on a number of factors, including expertise and experience, knowledge of related or similar products, quality of service, reputation in the marketplace, relationships with KSG or others, and price. These service providers may have business, financial, or other relationships with KSG. These relationships may or may not influence Ghisallo's selection of these service providers. In such circumstances, there are conflicts of interest between Ghisallo, on the one hand, and KSG, on the other hand, if Ghisallo determines not to engage or continue to engage these service providers. The service providers selected by Ghisallo may charge different rates to different recipients based on the specific services provided, the personnel providing the services, or other factors. As a result, the rates paid with respect to these service providers by Ghisallo, on the one hand, may be more or less favorable than the rates paid by KSG or its affiliates, on the other hand. Furthermore, KSG and the Investment Manager will share office space.

Future Managed Accounts. In addition to managing the Funds and Clients, the Investment Manager is expected to manage one or more managed accounts or other investment vehicles in the future that are expected to pursue investment strategies that are substantially similar to that of the Master Fund, subject to certain differing risk, liquidity, leverage (which, generally, may be measured with respect to the notional commitment of any managed account), futures positions parameters and differing regulatory and compliance requirements (including compliance with a managed account investor's restricted list). Ghisallo intends to allocate any investment opportunities among the Clients, future managed accounts or investment vehicles managed *pari passu* with the Funds, in a manner determined by the Ghisallo to be fair and equitable. However, there can be no assurance that the Investment Manager will be able to do so as a result of allocations of investment opportunities being made on the basis of multiplying the aggregate of capital account balances at the Master Fund level by 2, additional leverage created by multiplying the aggregate of capital account balances at the Master Fund level by 2, discretionary rebalancing or lack thereof, or other circumstances. Furthermore, such factors may cause differences in allocations among the Clients, other future managed accounts or investments managed by the Investment Manager or the Ghisallo.

#### C. Risks Associated with Particular Types of Investments.

Trading in Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by a Client 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. A Client may or may not seek to hedge its currency exposure.

Sovereign Debt. It is anticipated that a Client will invest in Financial Instruments issued by a government, its agencies, its instrumentalities or its central bank ("Sovereign Debt"). Sovereign Debt may include Financial Instruments that the Investment Manager believes are likely to be included in restructurings of the external debt obligations of the issuer in question. The ability of an issuer to make payments on Sovereign Debt, the market value of such debt and the inclusion of Sovereign Debt in future restructurings may be affected by a number of other factors, including such issuer's (i) balance of trade and access to international financing, (ii) cost of servicing such obligations, which may be affected by changes in international interest rates, and (iii) level of international currency reserves, which may affect the amount of foreign exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt. While the General Partner carefully examines the regulatory risks associated with such investments, there can be no assurance that the implementation of existing legislative, judicial or regulatory action will not adversely affect the investments held by a Client. For example, actions taken in the future by a government, its agencies, its instrumentalities or its central bank may have the effect of encouraging, or may require, that the terms of such Sovereign Debt be modified in order to reduce the applicable interest rate, reduce the outstanding principal



amount, extend the term to maturity or otherwise benefit the borrower to the detriment of the bondholders. The trading market for such Sovereign Debt is volatile, and may be thinly traded or quickly become illiquid.

Interest Rate Risk. Changes in interest rates can affect the value of a Client's investments in fixed-income instruments. Increases in interest rates may cause the value of a Client's investments to decline. A Client may experience increased interest rate risk to the extent it invests, if at all, in lower rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Credit Derivatives. A Client may purchase and sell credit derivatives. Credit derivatives trading is subject not only to the credit risk of the issuer and of the underlying obligations to which such derivatives are referenced, but also, to those bilateral contracts which are not centrally cleared, to the credit risk of the counterparty to the credit derivative transaction. A default by a credit derivative counterparty could result in a substantial loss to a Client. For centrally cleared derivatives, a Client is also exposed to the risk of failure of the central clearinghouse and a Client's brokers. In certain cases, the credit derivatives market is significantly less liquid than the market in the underlying debt obligations, due to the generally customized and individually negotiated terms of such derivatives, and provisions restricting the assignment or transfer of such credit derivatives.

Equity Securities. A Client may invest in equities and equity derivatives. The value of these Financial Instruments generally will vary with the performance of the issuer and movements in the equity markets, and may also be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

A Client may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if general market conditions not specifically related to any particular equity investment of a Client move in a single direction and a Client has not hedged against such a general move. Market prices may decline as a result of, among other things, real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally.

Further, equity investments may be even more susceptible to such events given their subordinate position in the issuer's capital structure. As such, equity investments generally have greater price volatility than fixed income and other investments with a scheduled stream of payments, and the market price of equity investments is more susceptible to moving up or down in a rapid or unpredictable manner.

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

Fixed-Income. The value of fixed-income securities in which the Investment Manager may invest will change in response to fluctuations in interest rates. Except to the extent

that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-income instruments generally can be expected to decline.

A Client may invest in zero coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

A Client may purchase low-rated or unrated debt instruments. These instruments may offer higher yields than do higher rated instruments, but generally involve greater price volatility. These instruments carry a higher risk that the issuer will be unable to pay principal and interest when due. The market for these instruments may also be limited and some issuers may limit the intervals for redemptions.

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

Derivative Financial Instruments and Instruments Generally. A Client may utilize both exchange-traded and OTC derivative securities and instruments in order to gain exposure to the value of Financial Instruments. Derivative securities and instruments, or “derivatives,” include securities, instruments and contracts that are derived from and are valued in relation to one or more underlying securities, financial benchmarks or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the “referenced” (or “underlying”) asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. registered clearinghouse or exchange and to regulatory oversight, while other derivatives are subject to risks of trading in OTC markets, via “pink sheets” or on non-U.S. clearinghouses or exchanges. A

Client's assets are subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities or other referenced assets underlying them. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value of a Client, incorrect collateral calls or delays in collateral recovery. A Client may also sell covered and uncovered options on securities. To the extent that such options are uncovered, a Client could incur an unlimited loss. Additional risks associated with derivatives trading include:

- Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivatives and the underlying investment sought to be hedged may prevent a Client from achieving the intended hedging effect or expose a Client to risk of loss. If a Client invests in derivatives at inopportune times or incorrectly judges market conditions, the investments may lower the return of a Client or result in a loss. A Client also could experience losses if derivatives are poorly correlated with its other investments.
- Liquidity. Derivatives, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets a Client may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which a Client may conduct its transactions in derivatives may prevent profitable liquidation of positions, subjecting a Client to the potential of greater losses. The market for many derivatives is, or suddenly can become, illiquid, which may result in significant, rapid and unpredictable changes in the prices for derivatives.
- Leverage. Trading in derivatives may involve significant leverage. Thus, the leverage offered by trading in derivatives will magnify the gains and losses experienced by a Client and could cause a Client's net asset value to be subject to wider fluctuations than would be the case if a Client did not use the leverage feature of derivatives.

OTC and Derivatives Trading. Derivatives that may be purchased or sold by a Client may include securities and instruments not traded on an exchange or cleared by a central clearinghouse. The risk of nonperformance by the obligor on such security or instrument may be greater than, and the ease with which a Client can dispose of or enter into closing transactions with respect to such security or instrument may be less than, the risk associated with an exchange traded or centrally cleared security and instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivatives that are not traded on an exchange. Derivatives not traded on exchanges or cleared by registered clearinghouses also are not subject to the same type of government regulation as exchange traded or centrally cleared securities and instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. For example, there is no limitation on daily price movements on these instruments. The principals dealing in these markets are also not required to continue to make markets, 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 contracts or have quoted prices with unusually wide spreads between the prices at which they were prepared to buy and those at which they were prepared to sell. Market illiquidity or disruption could result in significant losses to a Client.

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

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

Repurchase and Reverse Repurchase Agreements. In a reverse repurchase transaction, a Client “buys” Financial Instruments issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such Financial Instruments at the price paid by a Client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Client involves a variety of risks relating to the default of the seller under such agreements. For example, if the seller of Financial Instruments to a Client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying Financial Instruments, as a result of its bankruptcy or otherwise, a Client will seek to dispose of such Financial Instruments, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, a Client’s ability to dispose of the underlying Financial Instruments may be restricted. It is possible,

in a bankruptcy or liquidation scenario, that a Client may not be able to substantiate its interest in the underlying Financial Instruments. Finally, if a seller defaults on its obligation to repurchase Financial Instruments under a reverse repurchase agreement, a Client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying Financial Instruments are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

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

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

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

Non-U.S. Investments. Each Client is expected to invest a portion of its capital outside the United States in non-dollar denominated securities and instruments, including in securities and instruments issued by non-U.S. companies and the governments of non-U.S. countries and in non-U.S. currency. These investments involve special risks not usually associated with investing in securities of U.S. companies or the U.S. federal, state or local government. Because investments in Financial Instruments issued by or referring to non-U.S. issuers may involve non-U.S. dollar currencies, and because a Client may temporarily hold funds in bank deposits in such currencies during the completion of its investment program, a Client may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of a non-U.S. currency) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. entities, there may be different types of, and lower quality,

information available about the issuer of any Financial Instruments than a U.S. company or government issuer. There is also less regulation, generally, of the securities markets in non-U.S. countries than there is in the U.S. Some non-U.S. securities markets have a higher potential for price volatility and relative illiquidity compared to the U.S. securities and capital markets. With respect to certain countries, especially in the context of Sovereign Debt, there may be the possibility of expropriation or confiscatory taxation, political, economic or social instability, limitation on the removal of funds or other assets or the repatriation of profits, restrictions on investment opportunities, the imposition of trading controls, withholding or other taxes on interest, dividends, capital gain, other income or gross sales proceeds, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could adversely affect a Client's investments in those countries. Greater tax risks and complexities also may be associated with these investments. In some instances, national governments may also issue a new currency to replace an existing currency or alter the exchange rate by devaluation or revaluation of a currency. All of these types of governmental actions could affect the yield of any credit instruments denominated in a currency other than the U.S. dollar.

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

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

Futures Contracts Risks. A Client may purchase and sell futures contracts. The principal risks associated with investing in futures contracts are described below.

- *Volatility.* Futures prices are highly volatile. The average initial margin deposit on a Client's futures trades will generally be less than 10% of the value of the contract. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement

in a futures contract may result in substantial losses to a Client. Like other leveraged investments, any purchase or sale of a futures contract may result in losses that exceed the amount invested. Relatively small futures positions have the potential to significantly erode or erase a Client's gains in other investments.

- *Margin Requirements.* Margin requirements for commodities trading may vary significantly and are likely to impact a Client's volatility and performance.
- *Daily Price Fluctuation Limits.* Commodity exchanges and trading facilities limit fluctuations in certain commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity cannot be taken or liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. This could prevent the prompt liquidation of unfavorable positions and subject a Client to substantial losses.
- *Possible Effects of Speculative Position Limits.* The CFTC is proposing to establish, and certain exchanges and trading facilities have established, "speculative position limits" on the maximum net long or net short positions that any person may hold or control in particular commodities. All futures positions held by all accounts owned or controlled by the Investment Manager and its principals will be aggregated with a Client's positions for purposes of determining compliance with these limits. Trading instructions may have to be modified and a Client's positions may need to be liquidated to avoid exceeding these limits. These actions could adversely affect a Client's operations and profitability. As noted above, certain proposed legislation could limit the trading of speculators (such as a Client) in the futures markets.
- *Risk Disclosure.* Commodity futures trading is highly speculative. Price movements of commodity futures contracts are influenced by, among other things, changing supply and demand relationships, governmental agricultural and trade programs and policies, and national and international political and economic events.

Stock Index Futures. The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, market participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. 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 stock index futures contracts by a Client also is subject to the Investment Manager's ability to correctly predict movements in the direction of the market.

Synthetic Assets; Credit Default Swaps. A Client may enter into credit default swaps or acquire credit-linked notes secured by credit default swaps for, among other reasons, the purpose of implementing the Investment Manager's view that a particular credit, or group of credits, will experience credit improvement or credit deterioration, or to pursue other investment strategies. In the case of expected credit improvement, a Client may "write" or "sell" credit default protection in exchange for a fixed premium or spread income. A Client may also "purchase" credit default protection even in the case in which it does not own the referenced obligation if, in the judgment of the Investment Manager, there is a high likelihood of credit deterioration. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the underlying Reference Obligation (as defined below), and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

Specifically, a Client may acquire exposure to the risk of certain Financial Instruments synthetically through products such as credit default swaps, total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a "Synthetic Asset"). A Synthetic Asset could take many forms, including a credit derivative transaction that references a specific Financial Instrument, or a credit derivative transaction that references a portfolio or index of reference obligations consisting of multiple Financial Instruments (each, a "Reference Obligation").

Selling credit default protection creates a synthetic "long" position which may replicate credit exposure to the Reference Obligation. However, there can be no assurance that the price relationship between the Reference Obligation and the Synthetic Asset will remain constant (as, among other reasons, the pricing of each may be based upon different factors), and events unrelated to the Reference Obligation (such as those affecting availability of borrowed money and liquidity) can cause the price relationship to change. This risk is often referred to as "basis risk", and it may cause a Client to realize a greater loss on a Synthetic Asset than might otherwise be the case with a direct investment in a Reference Obligation.

As a "seller" of credit default protection, a Client will generally receive a fixed rate of income throughout the term of the contract, which generally is between six months and ten years (depending on the maturity of the underlying Reference Obligation), provided that there is no credit event. If a credit event occurs, a Client (as the seller of protection) will be required to pay the notional value of the Reference Obligation and, depending on the terms of the contract, either may receive in return a security representing the Reference Obligation, which will have a heavily discounted value or perhaps little or even no value, or may receive nothing in return other than the right to receive reimbursements of recoveries from the counterparty to the extent that the Reference Obligation subsequently performs.

Exposure to Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of the assets referenced. A Client will have a contractual relationship only with the Synthetic Asset counterparty, and not with the issuer(s) (the "Reference Entity") of the Reference Obligations unless a termination (in whole or in part) of the contract prior to such contract's scheduled maturity date (in the event of a credit event) occurs with respect to any such Reference Obligation, physical settlement applies and the Synthetic Asset



counterparty delivers the Reference Obligation to a Client. Other than in the event of such delivery, a Client generally will have no right directly to enforce compliance by the Reference Entity with the terms of any such Reference Obligation and a Client will not have any rights of set-off against the Reference Entity. In addition, a Client generally will not have any voting or other consensual rights of ownership with respect to the Reference Obligation. A Client also will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation.

Where a Client is a “purchaser” of credit default protection and no credit event occurs, a Client will lose its investment and recover nothing. However, if a credit event occurs, a Client (as purchaser) may receive the notional value of the Reference Obligation from the Synthetic Asset counterparty even if the Reference Obligation has little or no value.

In the event of the bankruptcy or insolvency of the Synthetic Asset counterparty, a Client will be treated as a general unsecured creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. Consequently, a Client will be subject to the credit risk of the Synthetic Asset counterparty, as well as that of the Reference Entity. As a result, concentrations of Synthetic Assets entered into with any one Synthetic Asset counterparty will subject a Client to an additional degree of risk with respect to defaults by such Synthetic Asset counterparty as well as by the respective Reference Entities. Where a Client is the purchaser of credit default protection, a Client is exposed to the risk that the Synthetic Asset counterparty may fail to satisfy its payment obligation to a Client following a credit event. The failure of a Synthetic Asset counterparty to perform may cause a Client’s hedging strategies, to the extent that they involve the purchase of credit default protection, to be less effective or ineffective

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

Distressed Financial Instruments. A Client may invest in distressed Financial Instruments and obligations of U.S. and non-U.S. issuers (in each case, sovereign, quasi-sovereign and/or corporate) experiencing significant financial or business difficulties, including issuers involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to a Client, they involve a substantial degree of risk. Any one or all of the issuers of the Financial Instruments and obligations in which a Client may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in issuers experiencing significant business and financial difficulties is unusually high. There can be no assurance that the Investment Manager will correctly evaluate the value of an issuer’s assets or the prospects for a successful reorganization or similar action. In any reorganization or liquidation

proceeding relating to an issuer in which a Client invests, a Client may lose its entire investment, may be required to accept cash or Financial Instruments with a value less than its original investment, and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from a Client's investments may not compensate the investors adequately for the risks assumed.

Troubled issuer and other asset-based investments require active monitoring and may, at times, require the Investment Manager, on behalf of a Client, to participate in business strategy, reorganization proceedings and/or legal action. To the extent that the Investment Manager, on behalf of a Client, becomes involved in such proceedings, the Investment Manager, on behalf of a Client, may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by the Investment Manager in an issuer's reorganization proceedings could result in the imposition of restrictions that limit a Client's ability to liquidate its position in the issuer or to hedge its exposure.

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

Exchange Traded Funds and Mutual Funds. A Client may invest in mutual funds and exchange-traded funds ("ETFs"), which are shares of 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-based, or international. However, mutual fund and ETF investors are generally subject to the same risk as holders of the underlying securities they are designed to track. Mutual funds and 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 securities 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. In addition, a Client may bear, along with other investors of a mutual fund or ETF, its *pro rata* portion of such mutual fund's or ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of a Client's expenses (e.g., Management Fees and operating expenses), fund investors may also indirectly bear similar expenses of a mutual fund or ETF.

Small- and Mid-Cap Companies. A Client may invest a portion of its assets in securities of small- and mid-cap companies. While the Investment Manager believes they provide significant potential for appreciation, such securities are perceived to involve higher risks in some respects than do investments in the securities of larger companies. For example, small- and mid-cap companies may have more limited product lines, markets and financial and other resources, and

they may depend upon a limited or less experienced management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology.

In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies (among other reasons, due to only limited coverage by securities analysts). A Client may reach a relatively significant level of ownership in its portfolio companies, including its small- or mid-cap portfolio companies. As such, when making large sales, a Client may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities. A Client may also be required to deal with only a few market makers when purchasing and selling these securities. In addition, these securities may be traded only on the OTC markets or on a regional securities exchange and may not be traded daily or in the volume typical of trading on a national securities exchange. This somewhat greater illiquidity of investments in small and mid-cap companies could make it difficult for a Client to react quickly to negative economic or political developments. Transaction costs in small- and mid-cap company stocks may be higher than those for larger-capitalized companies.

Preferred Stock. Preferred stock generally has a preference as to dividends and upon the event of liquidation over an issuer's common stock, but it ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Trading Cash Commodities. A Client may from time to time trade physical or cash commodities for immediate or deferred delivery. Cash transactions relate to the purchase and sale of specific physical commodities and such contracts 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. Importantly, 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. Furthermore, at times, certain market makers have refused to quote prices for cash commodities or forward contracts, or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and sell. If this occurs, the Investment Manager may be unable to effectively use its cash and forward trading programs and a Client could experience significant losses.

In addition, issuers in commodity-related industries often share the common characteristic that their products generally cannot be differentiated or tiered within their industry group, and those products, in turn, must be sold at similar prices in global markets, allowing for local variables such as delivery costs. Accordingly, the market prices of Financial Instruments related to these companies are highly influenced by the price of the commodity or product they

supply. Relative valuations of these companies over the medium to long term are driven primarily by their relative efficiencies in supplying, processing and distributing commodities. In low commodity price environments, higher-cost producers are less profitable, have lower returns on equity and ultimately are marginalized. However, in high commodity price environments higher-cost producers may benefit disproportionately from higher price leverage. In low and stable commodity price environments, lower-cost producers are more profitable, have higher returns on equity and often are able to add capacity at attractive prices and acquire market share.

Senior Loans. Generally, Clients may invest in senior secured loans, which are generally rated below investment grade or may also be unrated. As a result, the risks associated with senior secured loans are similar to the risks of below investment grade fixed-income instruments, although senior secured loans are senior and secured in contrast to other below investment grade fixed-income instruments, which are often subordinated or unsecured. Investment in senior secured loans rated below investment grade is considered speculative because of the credit risk of their issuers. Such companies are more likely than investment grade issuers to default on their payments of interest and principal owed to a Client, and such defaults could have a materially adverse effect on a Client's performance. An economic downturn would generally lead to a higher non-payment rate, and a senior secured loan may lose significant market value before a default occurs. Moreover, there is a risk that the collateral securing such loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, a Client's liens could be subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that a Client will receive principal and interest payments according to the loan's terms, or at all, or that a Client will be able to collect on the loan should it be forced to enforce its remedies.

There may be less readily available and reliable information about most senior secured loans than is the case for many other types of securities, including securities issued in transactions registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or registered under the Exchange Act. As a result, the Investment Manager may have to rely primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. Therefore, any Client will be particularly dependent on the analytical abilities of the Investment Manager.

Consumer Loans/Specialty Finance. The investment portfolio of each Client may include consumer loans and other specialty finance assets, including credit cards, auto loans, small business loans, and investments in companies that originate and service specialty finance assets. Pricing and optimizing the value of smaller balance credits requires strong analytics and extensive infrastructure. The form of investment may vary and may require reliance on networks of asset managers to provide the resources necessary to originate new receivables, manage portfolios of performing receivables, and work out portfolios of stressed or non-performing receivables. These loans may not be secured and may be subject to increasing regulation. In addition, these loans may be at the time of their acquisition, or may become after acquisition, non-performing for a wide variety of reasons. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loans.

Illiquid Investments. In some cases, Clients may invest in illiquid or less liquid instruments, which include Restricted Financial Instruments (as defined below). Investments in illiquid instruments (as opposed to investments in Restricted Financial Instruments) are not expected to comprise a significant portion of a Client's investments.

Restricted Financial Instruments. The Investment Manager may purchase Financial Instruments in connection with privately negotiated transactions (e.g. under Rule 144A promulgated under the Securities Act) that are not registered under relevant securities laws ("Restricted Financial Instruments"). Restricted Financial Instruments cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted Financial Instruments can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A promulgated under the Securities Act). Corporate debt securities, mortgage-backed securities, bank loans, mezzanine investments and certain other investments that may be purchased and sold are traded in private, unregistered transactions and subject to restrictions on resale. Although these Financial Instruments may be resold in privately negotiated transactions, because there is less liquidity for these Financial Instruments, the market prices for these Financial Instruments may be volatile, and prices realized from these sales could be less than those originally paid by a Client. If a Client is required to liquidate all or any portion of its portfolio quickly, a Client may realize significantly less than the value at which it previously recorded those investments. Even those Restricted Financial Instruments with respect to which the Investment Manager expects relatively high liquidity can experience periods, possibly extended periods, of illiquidity. Companies whose Financial Instruments are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded Financial Instruments. Restricted Financial Instruments may involve a high degree of business and financial risk, which may result in substantial losses.

Uncertain Exit Strategies. Due to the potentially illiquid nature of the positions (taking into account such factors as "trading windows") which the Fund may acquire, the Investment Manager is unable to predict with confidence what the exit strategy will ultimately be for any given investment. Exit strategies that appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

*The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in an investment in any Ghisallo managed Client. Please refer to each Fund's offering documents for a more detailed description of such risks.*

#### **Item 9: Disciplinary Information**

Neither Ghisallo nor its employees have been involved in any legal or disciplinary events in the past 10 years that would be material to a Client's, prospective Client's, investor's or prospective investor's evaluation of Ghisallo's business or its personnel.

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

#### A. Broker-Dealer Registration Status.

Neither Ghisallo nor any of its management persons are registered, or have an application pending to register, as a broker/dealer or a registered representative of a broker-dealer.

#### B. Material Relationships or Arrangements with Other Industry Participants.

The Service Provider is a direct subsidiary of KSG. The Service Provider will provide certain non-discretionary services to the Investment Manager, including, but not limited to, non-binding research recommendations (i.e., it has no authority to bind the Funds or Clients or make investment decisions), trade execution, due diligence and ongoing monitoring of investments, and infrastructure services. In providing the aforementioned services to the Investment Manager, the Service Provider has delegated certain responsibilities to its affiliate Key Square Capital Management (UK) LLP (the “UK Manager”). The Service Provider may also delegate the provision of these services to third parties as it deems necessary.

Ghisallo’s affiliates, and their principals and employees, may from time to time purchase interests in a Fund, and investments by such parties generally are not subject to the management fees or performance-based allocation or fees described in Item 5 (Fees and Compensation) above. Ghisallo believes that its relationships or arrangements with KSG, the Service Provider, and the General Partner do not create a material conflict of interest for Ghisallo with its clients and/or investors though Ghisallo discuss these conflicts throughout this brochure and in the *Conflicts of Interest* section below. In addition, Ghisallo has entered (and may in the future enter into) into investment management agreements (or service agreements, as applicable) with Clients. The material terms of the investment management agreements are fully disclosed to all investors in each Client prior to their investment.

#### C. Conflicts of Interest.

Ghisallo’s founder also has an economic interest in KSG. KSG is a registered investment adviser with the United States Securities and Exchange Commission that was formed in 2015 and for some clients, pursues certain of the same or substantially similar investment strategies and investment opportunities as those of Ghisallo’s Clients. Key Square Capital Management LLC, an affiliate of KSG provides various services to Ghisallo and Ghisallo clients, including non-binding research recommendations, trade execution and due diligence and ongoing monitoring of investments and infrastructure services. Various management persons of Ghisallo, including Mr. Germino, who is responsible for Client investment decisions, are supervised persons of KSG. Ghisallo’s Chief Compliance Officer also serves as chief compliance officer of KSG.

Furthermore, Ghisallo has engaged certain service providers, including the Service Provider and the UK Manager, that are affiliated with, and also provide services to KSG. Ghisallo has selected these service providers based on a number of factors, including expertise and experience, knowledge of related or similar products, quality of service, reputation in the marketplace, relationships with KSG or others, and price. These service providers have business, financial, or other relationships with KSG. These relationships may or may not influence Ghisallo’s selection of these service providers. In such circumstances, there may be a conflict of interest between Ghisallo, on the one hand, and

KSG, on the other hand, if Ghisallo determines not to engage or continue to engage these service providers. The use of affiliated service providers by the Ghisallo Group (including but not limited to the Service Provider and KSG) presents various conflicts of interest including conflicts associated with the selection, retention, and evaluation of the service provider. Affiliates are owned and at times controlled by the same individuals, therefore, Ghisallo employees have economic incentives to select and retain affiliated service providers. Ghisallo Group employees also determine the rates that Ghisallo or Ghisallo clients will pay for the services received from affiliated service providers which also present conflicts in determining market rates since they are not assessed at arms-length.

KSG supervised persons could be incentivized either economically or otherwise to advantage KSG clients relative to Ghisallo clients. In addition to disclosing to its Clients these arrangements with KSG and the conflicts and potential benefits to supervised persons associated with these arrangements, Ghisallo monitors the execution services, due diligence and ongoing monitoring provided to Ghisallo and Clients by KSG. Additional information associated with conflicts of interest are discussed throughout this brochure. Prospective clients or fund investors are encouraged to discuss the conflicts associated with KSG with Ghisallo.

KSG and the Investment Manager will also share office space. As discussed in greater detail below in *Restrictions on Client Trading Activities Resulting from the Acquisition of Material Non-Public Information*, the Investment Manager does not anticipate implementing information barriers with KSG. Accordingly, the Investment Manager will share business, investment and other information with KSG due to the overlap in personnel, investment strategies, and shared office space. Ghisallo has established policies and procedures with respect to confidential information designed to protect the interests of Ghisallo clients.

From time to time, the Ghisallo Group and/or the Investment Manager may offer, in their sole discretion, co-investment opportunities alongside the clients to third parties, employees of Ghisallo or KSG, certain fund investors and/or clients; however because this may depend on timing, tax, size, confidentiality or other considerations, only certain third parties, employees of Ghisallo or KSG, fund investors and/or clients of the Ghisallo Group may be offered such opportunities. Co-investment opportunities may be made available through limited partnerships, limited liability companies, other entities formed to make such investments, or otherwise. The Ghisallo Group and/or the Investment Manager may (or may not) earn asset-based fees and/or performance-based compensation (which may or may not be different than the fees and/or compensation charged to Clients) in respect of such co-investments. Based on the compensation structure or composition of investors participating in such co-investment opportunities, the Ghisallo Group and/or the Investment Manager may be biased when determining the capacity of the Clients or fund investors with respect to certain investments. Certain affiliated investors will have the right to participate in certain co-investment opportunities generated by the Ghisallo Group. Additionally, offering co-investment opportunities may introduce certain other conflicts such as with regard to the allocation of co-investment expenses. Broken deal expenses associated with co-investment opportunities that are ultimately not consummated will not be allocated to the Master Fund.

Ghisallo has various supervised persons individuals including other executive officers that provide services to the Ghisallo Group and other financial industry affiliates including KSG. These individuals are typically supervised persons of Ghisallo and KSG, are subject to the Ghisallo

Compliance Manual and Code of Ethics, receive compliance-related training, and have also executed confidentiality agreements with a Ghisallo Group entity. These shared resources individuals also make annual attestations along with other supervised persons which are designed to assess compliance with ongoing regulatory-related responsibilities. For clarity, Ghisallo's management team is not independent of KSG. All of Ghisallo's officers and directors are affiliated with KSG and may be affiliated with other entities engaged in business activities similar to those intended to be conducted by Ghisallo. Therefore, each of these members presently has, and any of them in the future may have additional, fiduciary, contractual or other obligations or duties to KSG. Accordingly, such Ghisallo supervised persons will have conflicts of interest in determining to which entity a particular business opportunity or other transaction should be presented. These conflicts may not be resolved in a Client's favor and an investment opportunity may be presented to KSG prior to its presentation to Clients. Additionally, all KSG personnel are subject to firm-wide policies and procedures regarding confidential and proprietary information, information barriers, private investments, outside business activities and personal trading. Specifically, Mr. Michael Germino, the Chief Investment Officer of the Investment Manager, is the president of KSG and Ghisallo's Chief Compliance Officer is the CCO for KSG, consequently, neither will be independent of KSG. As a result, Mr. Germino has, and in the future may have additional, fiduciary, contractual or other obligations or duties, in addition to his obligations and duties as the Chief Investment Officer of the Investment Manager, including as a result of his association with KSG, which could result in conflicts of interest. Accordingly, in these situations, there will also be conflicts of interests between such individual's duties to Ghisallo and such individual's duties to other entities, Clients, or KSG clients. As a result of the conflicts of interest, Ghisallo and KSG are subject to policies and procedures designed to protect the interests of clients. Since shared resource individuals including executive officers of Ghisallo are not dedicated resources or employees of Ghisallo consequently they will have conflicts on interest in allocating their time to Ghisallo clients. Ghisallo will use its best efforts in connection with the purposes and objectives of Clients to devote so much of its time and effort to the affairs of Clients as may, in its judgment, be necessary to accomplish the purposes of the respective Clients. Current and prospective clients and fund investors are encouraged to inquire about and discuss any conflicts of interest including any policies or controls we have adopted to assist Ghisallo in managing or mitigating the respective conflict.

As noted above in Item 4 (Advisory Business), an affiliate of Ghisallo serves as the General Partner to the Funds. Ghisallo MGP LLC, which is controlled by Mr. Germino, is the general partner of Ghisallo Master Fund General Partner LP. The General Partner intends to appoint an "Independent Representative Committee" for the Master Fund, and a majority of the committee is anticipated to be unaffiliated with the General Partner. Ghisallo private fund clients do not have independent management or governance and while Ghisallo offshore fund clients have a majority of independent directors, Ghisallo or an affiliate hires and retains those directors. Although this arrangement may give Ghisallo heightened control and discretion over private fund clients, Ghisallo seeks to manage any potential conflicts of interest by strictly adhering to the investment strategy and investment allocation policy discussed in the Fund offering documents. Ghisallo GP LLC serves as the general partner of the Ghisallo Group LP and is ultimately owned and controlled by Mr. Germino. Ghisallo Group LP, which is the sole member of Ghisallo, is ultimately owned and controlled by Mr. Germino.



In addition, individuals performing services for the Ghisallo Group (and their family members) may (i) directly or through investments in other investment funds or otherwise, have personal or other interests in the securities in which a Client invests as well as interests in investments in which a Client does not invest, and (ii) have personal or business relationships with brokers, service providers, Fund investors, corporate management, directors or other parties with whom Ghisallo or the Clients themselves have relationships. As a result, the Ghisallo Group may have conflicts of interest between the Clients (including KSG clients) and other entities, in allocating investments among the Clients (including KSG clients) and other entities, and in effecting transactions, evaluating investments or potential investments, or retaining or evaluating services for Clients and other entities, including ones in which individuals performing services for the Ghisallo Group (and their family members) may be employed or have a greater financial interest. Although Ghisallo will seek to limit any such conflicts and will act in a manner that is in accordance with their fiduciary duties to the Clients, these potential conflicts of interest may have an impact on an employee's ability to perform his responsibilities on behalf of a Client.

Certain Clients and KSG clients may have investment objectives, programs, strategies and positions that are similar to those of other Clients, while others may conflict with, or may compete with, or have interests adverse to other Clients. The portfolio strategies employed by the Ghisallo Group for Clients could conflict with the transactions and strategies employed by the Ghisallo Group in managing other Client (including KSG client) portfolios and may affect the prices and availability of the securities and instruments in which Clients invest. Conversely, participation in specific investment opportunities may be appropriate, at times, for Clients.

Ghisallo does not recommend or select other investment advisers for its Clients or investors in a Client. Ghisallo regularly reviews any relationships in which Ghisallo's principals, partners and employees have with investors in, and service providers to, a Client to identify and address any potential conflicts of interests.

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

### **A. Code of Ethics.**

Ghisallo's Code of Ethics (the "Code") and related policies and procedures have been designed to comply with the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act") and is applicable to all of Ghisallo's employees. Ghisallo's Code is available for review upon request.

#### **1. Policies on Insider Trading.**

By reason of its various activities, Ghisallo may become privy to material non-public information and be restricted from effecting transactions in investments that might otherwise have been initiated. Ghisallo has designed and implemented policies in order to prevent the improper use of material non-public information (the "Insider Trading Policies").

Ghisallo's Insider Trading Policies prohibit Ghisallo and its personnel from (i) trading either personally or on behalf of a Client, or recommending trading, in securities of a company while in possession of material non-public information in violation of the law and (ii) communicating material non-public information to others in violation of the law. Additionally, Ghisallo personnel are required to promptly inform the Chief Compliance Officer ("CCO") if they come into contact with material non-public information. The CCO will then take steps, as appropriate, to prevent dissemination of material non-public information and to restrict the trading in the security by Ghisallo and its personnel.

Each person covered by the Insider Trading Policies must acknowledge at the time of hire and on an annual basis thereafter that he or she understands and agrees to adhere to the Insider Trading Policies.

## 2. Personal Account Trading.

Subject to certain limited exceptions, and given the broad investment mandates of its Clients, Ghisallo generally does not allow its employees or their immediate family or household members to conduct personal securities transactions in an effort to avoid conflicts of interest resulting from personal trading activities.

The limited exceptions to Ghisallo's trading restrictions fall into two categories. The first exception is for certain instruments, the purchase or sale of which is permitted without pre-approval; these instruments are: open-end mutual funds, money market instruments, obligations issued or guaranteed by the U.S. government, investment grade municipal bonds, senior unsecured agency instruments from Fannie Mae and/or Freddie Mac, and ETFs whose net asset value exceeds a pre-approved threshold. The second exception is for certain types of transactions that may be permitted, but only after pre-approval from the CCO. These transactions requiring pre-approval are: interests in private investment partnerships; purchase of securities in private companies (*i.e.*, entities whose securities are not publicly-traded) or loans to such companies; and sales of securities held by an employee at the time he or she began employment at Ghisallo. For any transaction approved by the CCO, employees are bound by a holding period for certain types of securities.

The CCO will analyze the request for approval to determine whether the investment is appropriate in light of Ghisallo's fiduciary duty to its Clients.

To supervise compliance with the Code, Ghisallo requires all employees to report their personal securities holdings and transaction activities to the CCO. Employees must submit these quarterly, and must provide a representation that the submitted statements represent all relevant external accounts and that all trading activity is in compliance with Ghisallo's policies. The CCO or designee monitors and reviews all employee personal securities transactions to detect potential abuses and to ensure compliance with Ghisallo's personal securities transactions policies and procedures.

## 3. Political Contributions.

Ghisallo maintains policies and procedures to govern, monitor and place limitations on the political contributions made by its employees and affiliates in order to comply with the Advisers Act and local laws and regulations.

#### 4. Gifts and Entertainment.

Ghisallo maintains policies and procedures intended to prevent employees from being unduly influenced in their decisions by the receipt of gifts or other inducements from third parties, such as trading counterparties, vendors and investors. To do so, Ghisallo's Code requires the preclearance of gifts and entertainment above certain values.

#### 5. Outside Business Activities.

Any outside business activity of an employee is subject to approval by Ghisallo. For example, an employee may not serve as an officer or director of a public or private company without obtaining the requisite approval. In granting approval, Ghisallo will consider whether any outside business activity conflicts or may conflict with the business of Ghisallo or a Client.

#### 6. Cross Trades and Principal Transactions.

At times, Ghisallo directs clients to enter into cross trades, whereby the buyer and the seller of a particular security are clients managed by the Ghisallo Group including Clients of Ghisallo. Ghisallo or an affiliate is expected to utilize cross trades to rebalance Client portfolios so positions held in the same strategy are held in substantially similar proportions across the individual Clients that invest in such strategy. Rebalancing is typically done to rebalance in connection with capital movements in and out of each individual client which may have caused position sizes across parallel Clients (as a percentage of net asset value), including KSG clients, to differ. Cross trades may also be effected when an independent portfolio management decision has been made to decrease one Client's (or KSG clients) exposure to a certain security and increase another Client's (or KSG clients) exposure to the same security. Such decisions may be motivated by a number of reasons, including but not limited to, different projected return thresholds, different risk parameters, tax or liquidity reasons.

Such cross transactions may be made with or without the services of a broker-dealer. Cross trades for securities (other than options and futures) that are custodied at a prime broker are effected as journal transactions between Clients (or KSG clients) at the prior day's closing price and no commissions or fees are paid to any third party. Cross trades for positions held on swap or otherwise not custodied at a prime broker (e.g., bank debt) are typically done at the prior day's closing prices and are effected by the relevant counterparty. Trades for futures and options are typically executed in the market and are subject to market risk and standard brokerage and transaction costs, although it is possible that rebalances off market may occur if permitted by the relevant exchange. It is generally expected that cross trades will only be executed for assets where independent quotes or valuations can be obtained. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in a Client (or KSG clients) by personnel or entities affiliated with Ghisallo, the Investment Manager will comply with the requirements of Section 206(3) of the Advisers Act.

#### B. Securities in which Ghisallo has a Material Financial Interest.

Ghisallo's personal trading policy has been designed to reduce the potential for conflicts that may arise in connection with employee personal trading activities and therefore employees are only allowed to trade on a limited basis. However, Ghisallo recognizes that certain situations may exist where employee legacy investment holdings, such as equity securities, may overlap with the securities that are recommended to Clients. Since an employee is limited to only selling or reducing their legacy holdings, such personal transaction may differ from, or be contrary to the investment activities of Ghisallo Clients (e.g., an employee sells while a Ghisallo Client is building a position in the same security). Ghisallo seeks to mitigate this conflict by requiring all employees to receive written approval prior to engaging in such personal trading activities. The CCO or designee is responsible for approving all employee transaction requests and will compare such request against Client trading activities prior to granting approval. On an on-going basis, the CCO or designee will conduct periodic reviews of employee trading activities and provide compliance training to ensure that employees abide by Ghisallo's personal trading policy and do not engage in any conflicting or prohibited transactions.

#### C. Investing in Securities Recommended to Clients.

Given the restrictive nature of Ghisallo's personal trading policies, as described in detail in the preceding sections, Ghisallo believes that it has developed and implemented reasonably designed policies and procedures to avoid conflicts of interest and to ensure that Ghisallo and its employees act in a manner consistent with its fiduciary obligations.

#### D. Contemporaneous Trading.

Given the potential conflicts associated with employees trading contemporaneously with Ghisallo's Client trading activity, Ghisallo has implemented a pre-clearance process to ensure that the limited employee trading allowed by Ghisallo does not conflict with Client investment activities.

#### E. Allocation of Investment Opportunities.

The Ghisallo Group and/or the Investment Manager intend to allocate any investment opportunities among Clients, future managed accounts or investment vehicles managed *pari passu*, and in a manner determined by the Ghisallo Group and/or the Investment Manager to be fair and equitable. However, there can be no assurance that the Ghisallo Group and/or the Investment Manager will be able to do so as a result of allocations of investment opportunities being made on the basis of multiplying the aggregate of capital account balances at the Master Fund level by 2, additional leverage created by multiplying the aggregate of capital account balances at the Master Fund level by 2, discretionary rebalancing or lack thereof, or other circumstances. Furthermore, such factors may cause differences in allocations among the Clients, other future managed accounts or investments managed by the Investment Manager or the Ghisallo Group. Clients will have lower proportions of unencumbered cash than other Clients because the Client's trade allocations will be made on the basis of multiplying the aggregate of capital account balances at the Master Fund level by 2. For that reason, among others, there may be certain times that the Investment Manager or an affiliate, in its sole discretion, may determine not to (i) allocate trades to the Master Fund based on the multiple of 2 described above and (ii) rebalance the Master Fund to trade based on the same multiple of 2. A determination as to whether a particular investment opportunity is appropriate for a particular fund or account will take into account factors that the Investment Manager and the

Ghisallo Group determine in good faith to be relevant. Investment opportunities appropriate for more than one fund or account will generally be allocated pro rata based on the relative amount of capital available (for the Master Fund, multiplying the aggregate of capital account balances at the Master Fund level by 2, or an equivalent concept for other Clients, as applicable, or in some cases a fixed percentage of the Master Fund's net asset value), in each instance after taking into account factors deemed appropriate or relevant by the Ghisallo Group, including, without limitation, (i) the investment focus, objectives, guidelines or restrictions of such fund or account (including differing risk, liquidity, leverage (which, generally, will be measured with respect to the notional value of applicable Clients), futures positions parameters and differing regulatory and compliance requirements, including restricted lists and "target allocations"); (ii) the current portfolio composition of such fund or account; (iii) the need for cash to satisfy withdrawal and/or redemption requests or other obligations; (iv) tax considerations; (v) the need to bring such fund or account into compliance with its investment guidelines and/or internal risk policies; (vi) whether such opportunity will be de minimis for such fund or account; (vii) cash balances, liquidity and other operational factors, including those inherent at the inception of a fund or account, or at the time of acceptance of a significant inflow of investor capital by a fund or account, in each case, until the applicable subscription proceeds have been invested or substantially invested; and (viii) on the basis of such other then-current factors that the Ghisallo Group deems appropriate under the circumstances.

In particular, certain specific investment strategies of the Clients and KSG clients are similar or anticipated to be similar to that of the Master Fund, which is expected to result in the sharing of investment opportunities among the Clients and KSG clients, potentially resulting in fewer, smaller or less favorable investment opportunities being made available to Clients.

#### F. Potential conflicts due to overlapping Client investments.

Where Clients, Ghisallo Group clients, Ghisallo itself, or its employees hold the same investment, the differing investment objectives of such Clients (or KSG clients), as well as other factors applicable to the specific situation, may result in a determination to dispose of, or retain, all or a portion of such investment on behalf of a Client (or KSG clients or on behalf of Ghisallo itself or its employees) at different times as such investment or portion thereof is being disposed of, or retained, by other Clients (or KSG clients). In addition, particularly with respect to illiquid or private investments, conflicts of interest can arise when disposing of a particular investment would be beneficial for one Client (or KSG clients) while retaining such investment would be beneficial for another Client (or KSG client). Ghisallo may also invest in securities on behalf of one Client (or Ghisallo itself or its employees may purchase such securities) that may differ from investments made on behalf of other Clients (or KSG clients), even though the investment objectives of other Clients (or KSG clients) may be similar. Moreover, Ghisallo, Clients, or Ghisallo employees may make investments or engage in other activities that express inconsistent views with respect to an investment, a particular security or relevant market conditions. In addition, Ghisallo expects to make other investment decisions on behalf of certain Clients relating to investments independently of the manner in which it approaches a similar or even the same investment held by other Clients (or KSG clients). Consequently, Ghisallo, on behalf of certain Ghisallo Clients, may choose not to hedge certain risks that other Ghisallo Clients hedge, or certain Ghisallo Clients may be exposed to risks of financing on an investment when other Ghisallo Clients are not. Further, in some instances,

Ghisallo may choose to coordinate its Clients' activities (such as timing of acquiring or dispositions in an orderly way in order to avoid affecting the share price of an investment in an unduly volatile manner) with respect to investments held by more than one Client (or KSG clients), when it would theoretically be possible for Ghisallo to act unilaterally with respect to a particular Client's holdings in such investment. Although the coordination is intended to be in the best interest of Clients and KSG clients, such coordination among Clients and KSG clients could have the effect of lowering returns with respect to an investment relative to what might have been achieved absent such coordination. Should a particular Client invest in entities or assets in which other Ghisallo Clients hold an investment, the investment by such Client could be viewed, especially in hindsight, to have been made on a non-arm's length basis and could have an effect (either positive or negative) on the market price of the initial investment. It is possible for a Ghisallo Client, or Ghisallo itself, to hold interests in an entity that are of a different class or type than the class or type of interest held by another Ghisallo Client (or a KSG client). Conflicts may arise in determining the appropriate investment terms, particularly where Clients (including KSG clients) may invest in different types of securities of the same issuer. Questions may also arise as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced. Decisions about what action to pursue in troubled or distressed situations, including whether or not to pursue or initiate a restructuring or liquidation (inside or outside of bankruptcy), and the terms of any work-out or restructuring may raise conflicts of interest, particularly among Clients (including KSG clients) that have invested in different securities of the same issuer. Certain Clients or clients of Ghisallo affiliates also invest in bank debt and credit instruments and securities of companies in which other Clients (including KSG clients) hold other securities, including equity securities. As a result, the interests of certain clients including KSG clients (i.e., debt holders) will at times be in conflict with the interest of other Clients, Ghisallo, or affiliates of Ghisallo (i.e., equity holders), particularly in circumstances where the underlying issuer is facing financial distress. The Ghisallo's Group involvement at both the equity and debt levels also has the potential to inhibit the exchange of information among fellow creditors. Different capital structure investment in the same issuer among Clients (including KSG clients) may also prohibit Clients from exercising voting or other rights, and increase the likelihood of claims by other creditors.

#### G. Restrictions on Client Trading Activities Resulting from the Acquisition of Material Non-Public Information.

Ghisallo Group employees occasionally acquire confidential information and Ghisallo or affiliates may enter into confidentiality and/or "standstill agreements" when assessing investment opportunities. By reason of its various activities, the Ghisallo Group may have access to material non-public information about an issuer ("MNPI"). For example, employees of KSG may acquire MNPI in the ordinary course of their investment activities, which acquisition may result in restrictions on Ghisallo and Client's ability to sell a portfolio investment at a time when it might otherwise have done so. Any of these activities could prevent Clients from buying or selling securities or other interests in an issuer, potentially for an extended period. In addition, in certain circumstances, a Client may have its position in an investment aggregated with a position held by other Ghisallo Group clients or KSG clients. This could require a Client, together with such Ghisallo Clients or entities, to make certain disclosure filings or could otherwise restrict or constrain Ghisallo's activities with respect to such investment. The foregoing and related potential conflicts are likely more pronounced due to the lack of an information barrier between Ghisallo and KSG. Ghisallo has adopted certain policies and procedures concerning the handling of MNPI. These

policies and procedures are designed to prevent insider trading and violations of applicable securities laws by each employee, Clients and Ghisallo itself. As such, in the event that an employee of the Ghisallo Group obtains MNPI with respect to any company or otherwise becomes restricted from trading the securities of such company for any reason (or because Ghisallo has determined to treat such information as if it were MNPI), Ghisallo may be prohibited for a period of time from engaging in transactions on behalf of some or all its Clients with respect to the securities of such company, which prohibitions may have an adverse effect on such Clients.

#### H. Potential Regulatory Limitations/Obligations

Certain Clients may be subject to regulatory or legal restrictions on, or regulatory reporting requirements with respect to, the types or amounts of securities, derivatives, or other financial instruments that Ghisallo or the Ghisallo Group may trade on their behalf because other Ghisallo Group clients also invest in or hold the same instrument. For example, investments in the securities of a single company by multiple Ghisallo Group clients may be aggregated for contractual or regulatory purposes, and, in the case of a public issuer, may result in public disclosure of the investment. In addition, position limits – i.e., the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument – imposed by various regulators may limit Ghisallo's ability to effect certain desired trades for Clients. Moreover, positions in certain types of financial instruments, such as certain futures contracts and options on futures contracts, owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of applicable position limits. Further, some Ghisallo Group client positions may be required to be aggregated with those of other Clients (and KSG clients) or those of the principal owner of Ghisallo or KSG for purposes of position limit rules. Thus, even if the amount of a particular financial instrument held by one Client's account does not exceed an applicable position limit, the ability of Ghisallo to increase or modify holdings for the Client in that financial instrument or related financial instruments may be limited by virtue of the aggregation requirements or aggregation policies of Ghisallo. If at any time the positions managed by Ghisallo (together with those of any other account with which they are aggregated) exceed applicable position limits, Ghisallo would be required to liquidate positions in Client accounts to the extent necessary to come within those limits. Furthermore, to avoid exceeding the position limits, Clients might have to forego or modify certain of their contemplated investments based on positions taken by Ghisallo or KSG.

#### I. Allocation of New Issue Income

Allocation of income from new-issues (as defined in U.S. Financial Industry Regulatory Authority, Inc. Rule 5130) among Clients and KSG clients will generally be made on a pari-passu basis, based on the relative amount of capital available (i.e., notional commitment available or capital, applicable and for the Master Fund, multiplying the aggregate of capital account balances at the Master Fund level by 2 or an equivalent concept for Clients, as applicable)). The percentage of new issue eligible investors within each Client will vary from time to time, and will potentially result in a Client receiving more or less new issue income than it would have if such allocation was made on the basis of the new issue eligible capital in such Client. Client access to new-issues is often determined by the syndicate bringing the respective issue. The syndicate could aggregate the amount of a new-issue awarded to Ghisallo and KSG clients, and consequently, the amount awarded

to Clients may be reduced relative to Ghisallo presenting an individual indication of interest to the syndicate.

## **Item 12: Brokerage Practices**

### **A. Selection of Broker-Dealers.**

Ghisallo has discretionary authority to determine what securities are bought or sold for its Clients, as well as, with respect to the Funds, the broker-dealer(s) that will affect those transactions. As part of the overall services relationship with Ghisallo, one of the Service Provider's ancillary responsibilities is managing trade execution and the Investment Manager expects to continue to this delegation for the foreseeable future. This arrangement may involve substantial risks and conflicts of interest. For example, the utilization of the Service Provider's services may make it more difficult for Ghisallo to manage conflicts of interest and carry out and implement policies, including those described herein and in relevant client governing documents with respect to allocations of trades and investment opportunities, order aggregation and average pricing, cross trades, principal transactions and trade errors. The Service Provider may also have an incentive, economic or otherwise, to advantage KSG clients relative to Ghisallo Clients.

Ghisallo has engaged certain financial institutions to serve as prime brokers (the "Prime Brokers") to the Funds. The Prime Brokers will serve certain administrative functions including the issuance of broker account statements and recordkeeping on all custody transactions.

#### **1. Selection Criteria.**

In addition to the Prime Brokers, Ghisallo is authorized to determine the broker or dealer to be used for each Client's securities transaction. Ghisallo may be subject to conflicts relating to its selection of brokers, dealers and counterparties on behalf of Clients. Ghisallo will direct the Service Provider to place trades for execution with broker-dealers on the basis of seeking best execution and in consideration of relevant factors, including, but not limited to, listed bids and asks, the opportunity for price improvement, transaction costs, anonymity, liquidity, speed of execution, quality of research, expertise with difficult securities, trading style and strategy, geographic location, frequency of errors, access to new issues, commission rates, reliability, financial responsibility, strength of the broker and the ability of the broker to execute transactions efficiently, the broker's facilities, and the broker's provision or payment of the costs of brokerage and research services that are of benefit to the Clients. Ghisallo need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Neither the Ghisallo Group, nor Ghisallo receive any commissions generated by a Client trading activities.

If Ghisallo concludes that the commissions charged by a broker or the spreads applied by a dealer are reasonable in relation to the quality of services rendered by such broker or dealer (including, without limitation, the value of the brokerage and research products or services provided by such broker or dealer), Ghisallo's Clients may pay commissions to or be subject to spreads applied by such broker dealer in an amount greater than the amount another broker-dealer might charge or apply.



In addition, the Prime Brokers may provide other services that are beneficial to the Ghisallo Group, Ghisallo, or the Service Provider but not necessarily beneficial to the Clients, including, without limitation, consulting with respect to technology, operations or equipment, capital introduction programs, and other services or items. Such services and items may influence Ghisallo's selection of Prime Brokers.

Ghisallo maintains policies and procedures to review the quality of executions, including periodic review by its investment professionals.

Ghisallo does not recommend, request or require that a Client direct Ghisallo to execute transactions through a specified broker-dealer.

## 2. Research and Other Soft Dollar Benefits.

Soft dollar items may be provided directly by broker dealers, by third parties at the direction of broker dealers or purchased on behalf of Clients with credits or rebates provided by broker dealers. The use of commissions or "soft dollars" generated by any Client through to pay for brokerage and research-related products or services, will fall within the safe harbor created by Section 28(e) of the Exchange Act ("Section 28(e)"). While Ghisallo has not yet acquired any products or services with client brokerage commissions during the last fiscal year, it expects to do so. "Soft dollar" research-related goods and services (collectively, "soft dollar items") used by Ghisallo in making investment decisions are anticipated to include, but are not limited to, research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, certain research services, and other goods and services providing lawful and appropriate assistance in the performance of investment decision making responsibilities on behalf of Ghisallo's Clients. In addition, such research services may include invitations to attend conferences or meetings with management teams, security analysts, industry consultants and economists. To the extent that "soft dollar" arrangements are used, Clients will likely pay commissions to a broker in an amount greater than the amount another broker might charge in recognition of the value of the brokerage and research services provided by the broker-dealer. Ghisallo's receipt of soft dollar benefits presents a potential conflict of interest because Ghisallo is effectively using client assets to pay for research or brokerage that we might be able to generate internally or would otherwise have to purchase. This conflict of interest could motivate Ghisallo or the Ghisallo Group to allocate trades to research providers, even if those providers were not offering the best available execution. Since research services are often bundled and Clients have different investment objectives, a Client that does or does not pay a portion of research or brokerage expenses directly or through soft dollars will not always benefit proportionally from services paid or not paid for by the Client or Ghisallo. Periodically, Ghisallo considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Clients on the basis of that consideration.

Specifically, Ghisallo expects to utilize "soft dollars" through Client Commission Arrangements or Commission Sharing Arrangements (collectively "CSA") to obtain research that falls within Section 28(e) of the Exchange Act's safe harbor. Under these types of arrangements, Ghisallo or an affiliate requests that executing brokers allocate a portion of total commissions paid to a pool of "credits"

maintained by the broker that can be used to obtain research. After accumulating a number of credits within the pool, Ghisallo or an affiliate subsequently directs that those credits be used to pay appropriate parties in return for eligible research. The research obtained by Ghisallo or affiliates in connection with Client commission credits is not used exclusively for the Client generating the brokerage credit. Clients generate CSA credits as part of its trading activities and at times may have material balances of CSA credits. Brokerage, research and/or research-related expenses (whether they are otherwise to be payable by Ghisallo or a Client) will be paid for using soft dollars generated by its Clients. The foregoing and related potential conflicts are likely more pronounced due to the relationship with the Service Provider. For example, if multiple Clients (and KSG clients) receive benefits from the use of a research provider and therefore are responsible for some or all of a particular cost, Ghisallo or an affiliate will allocate the cost using the corresponding Client (and KSG clients, as applicable) CSA credits among all entities, Clients (and KSG clients, as applicable) that benefit from the research provider. The benefit assessment will be performed by Ghisallo and the shared allocation will be set in a fair and equitable manner as determined by Ghisallo in its sole discretion. Ghisallo has also designed policies and procedures to mitigate the conflicts associated with the usage of soft dollars.

#### B. Order Aggregation.

If Ghisallo or the Ghisallo Group determines that the purchase or sale of a security is appropriate with regard to multiple Clients, Ghisallo (or the Service Provider) may, but is not obligated to, purchase or sell such a security on behalf of such Clients (including KSG clients) with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. If any order is not filled at the same price, it may be allocated on an average price basis or by another method deemed fair and equitable by Ghisallo and/or the Service Provider. Participating accounts (including KSG accounts) may also receive a pro rata portion of block executions, or receive the average price associated with a Ghisallo aggregated order. Ghisallo and the Service Provider are expected to typically allocate partially filled orders pro rata based on the size of each participating Client's (including KSG clients) initial order. However, Ghisallo or the affiliated trading execution provider may deviate from the general allocation policy to avoid de minimus position sizes, or in other circumstances if Ghisallo or the Service Provider determines that a deviation is fair to all affected Clients (including KSG clients, as applicable).

Instances in which Client orders may not be aggregated include, but are not limited to, the following: (1) Ghisallo or the Service Provider determines that the aggregation is not appropriate because of market conditions or appetite is significantly disparate among accounts; (2) Situations where Ghisallo must effect the transactions at different times or prices, making aggregation unfeasible; and (3) A determination is made by Ghisallo or the affiliated trading execution provider not to aggregate orders because of tax, legal, regulatory or administrative reasons. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by Ghisallo or the Service Provider. As a result, certain trades in the same security for one Client (including a Client in which Ghisallo and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another Client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. At times when the appetite is significantly disparate among accounts eligible for aggregation, Ghisallo or the affiliated trading execution provider may present distinct orders

(i.e., for “large” appetite accounts and “small” appetite accounts) in an effort to ensure the accounts with the larger appetite do not cause a significant delay in execution for the account(s) with the smaller appetite. The disparate appetite assessment will be performed by Ghisallo or the affiliated trading execution provider at such times identified by either Ghisallo or the affiliated trading execution provider in their sole discretion. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved. Such considerations may also result in allocations among the Clients including KSG clients on other than a *pari passu* basis.

### C. Liability for Trade Errors

On occasion, trades may be executed on behalf of Clients that are inconsistent with the trading instructions of a portfolio manager or are the result of some other error in the trading process. Given the volume of transactions executed by the Investment Manager and its affiliates on behalf of a Client, investors should assume that trading errors (and similar errors) will occur and that a Client will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of Ghisallo. Ghisallo may be biased when determining whether losses resulting from a trading error will be borne by a Client. The foregoing and related bias or potential conflicts are likely more pronounced due to the same individual serving as the Chief Compliance Officer for Ghisallo and KSG. Generally, in determining whether the Investment Manager was grossly negligent, the Investment Manager will evaluate and consider, among other things, the adequacy of the supervisory procedures in place to prevent such errors from recurring with any frequency.

To the extent a trade Error is caused by a third party, such as a broker, Ghisallo will determine, in its sole discretion, whether to seek to recover any losses associated with the trade Error from such third party; however, Ghisallo will not be liable for such losses if it does not seek to recover such losses from such broker. Ghisallo will not use soft dollars or commitments of future brokerage business to compensate any broker-dealer for absorbing the cost of a trade error.

It is possible that in certain limited circumstances, Ghisallo may elect to voluntarily reimburse a Client for losses suffered as a result of certain trading errors it identifies. However, notwithstanding the previous sentence, investors should not carry the expectation that a reimbursement will ever take place, and, in evaluating a Client, no decisions should be made in reliance on any such reimbursements to a Client for losses suffered as a result of such trading errors. Any decision to reimburse is not precedential and should not create the expectation of any reimbursement in the future.

## Item 13: Review of Account

Ghisallo’s investment professionals will continuously monitor and review positions held by Clients. Additionally, Client accounts will be reviewed in the context of their stated investment objectives. More frequent reviews may be triggered by material changes in variables such as the Clients’ individual needs, or the market, political, or economic environment.

Ghisallo expects to provide Fund investors with periodic unaudited statements setting forth the estimated capital account balance. On an annual basis, Fund investors will receive audited financial statements and other information necessary to enable each investor to prepare its income tax returns.

Clients in managed accounts are expected to receive information that is negotiated on a case by case basis. Ghisallo may also prepare and deliver to investors additional information on a more frequent and detailed basis at Ghisallo's discretion.

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

Ghisallo does not have any arrangements in place to compensate anyone or be compensated for the referral of investors.

With respect to the selection criteria for Prime Brokers identified above in Item 12 (Brokerage Practices), Ghisallo may have access to certain services that may influence Ghisallo's decision to engage certain of its Prime Brokers. Specifically, the Prime Brokers may provide Ghisallo or an affiliate with access to their respective capital introduction services. While this presents a conflict and may be considered indirect payment for referrals, Ghisallo's decision to engage its prime brokers, as noted above in Item 12 (Brokerage Practices), will be based on a wide range of selection criteria and not focus on access to capital introduction services.

In the event a fund investor subscribes as a result of the services of a placement agent, no placement fee to be paid to such agent will be borne by a private fund client. If a prospective fund investor is introduced to Ghisallo through a placement agent, the arrangement, with such placement agent will be disclosed to, and acknowledged by, such prospective investor. Although Ghisallo does not have any cash solicitation arrangements to the extent it enters into any such arrangements they will be made in compliance with Rule 206(4)-3 under the Investment Advisers Act if applicable.

#### **Item 15: Custody**

##### **A. Custody of Fund Assets.**

With respect to each Fund, Ghisallo and its affiliates are deemed to have custody of investors' funds and securities invested in such Fund because it or an affiliate has the authority to obtain investors' funds or securities, by, for example, deducting advisory fees from an investor's account or by virtue of their status as general partners and investment managers of the Funds.

Because Ghisallo and its affiliates are deemed to have custody of each Fund assets, Ghisallo is subject to Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with all requirements of the Custody Rule with respect to each Fund because, among other things, it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which 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. Clients' cash and securities are generally held by banks and broker/dealers that meet the definition of a "qualified custodian" under the SEC's "custody rule." Certain Client assets, such as privately offered securities, may not be reflected on the books and records of our

Clients' qualified custodians though these assets would be subject to the aforementioned annual audit.

#### B. Custody of Managed Account Assets.

Ghisallo does not and is not expected to have any custody over the assets of any managed account because all assets are expected to be held by a qualified custodian and no fees are expected to be deducted from any such account. All fees would likely be invoiced to the account holder.

### **Item 16: Investment Discretion**

Ghisallo expects to have discretionary authority to determine which securities and the amounts of securities that are bought or sold, as well as the broker-dealer to be used and the commission rates to be paid with respect to its Client. Each Fund's investors generally will not have the ability to place any limits on the Ghisallo's authority beyond the limitations set forth in the applicable Fund's offering and governing documents. Each Fund will enter into an investment management agreement granting to the Investment Manager discretionary trading authority.

With respect to managed account, Ghisallo or its affiliates will abide by any limitations placed upon it by the relevant investment management agreement.

### **Item 17: Voting Client Securities**

#### A. Proxy Voting

Ghisallo has been delegated the authority to vote Client securities on the behalf of each respective Client. Ghisallo has adopted detailed policies and procedures to ensure that proxies will be voted with diligence, care, and loyalty, and in accordance with Rule 206(4)-6 under the Advisers Act and Ghisallo's fiduciary duty to its Clients.

Ghisallo will engage a third party service proxy voting service, Institutional Shareholder Services, Inc. ("ISS"). Ghisallo will use the service to vote both domestic and global proxies for its Client accounts and is generally expected to follow ISS voting recommendations. Ghisallo will also require the proxy service provider to notify Ghisallo if it experiences a material conflict of interest in the voting of Clients' proxies and as any additional relevant information becomes available as the proxy date approaches. Ghisallo's general policy is to vote in accordance with the recommendation of the third-party proxy service provider unless Ghisallo determines that such recommendation is not in the best interests of the Clients. At times, investment professionals may deviate from the recommendations of the third-party proxy service provider though an explanation of the reason for the deviation must be provided. Under certain circumstances, Ghisallo may abstain from voting specific proxies if it believes that doing so is in the best interests of the Clients. For example, Ghisallo generally will abstain from voting proxies where (i) Clients no longer hold the securities at the time of the vote (whether or not they held them on the record date of the vote), (ii) Ghisallo, on behalf of Clients, has a net short position in such issuer; or (iii) the proxy involves "share blocking" which can limit Ghisallo's ability to sell the affected security during a blocking period.

Ghisallo does not anticipate material conflicts of interest to arise between Ghisallo and its Clients during the proxy voting process. However, recognizing that such risk may still exist, Ghisallo has adopted a process to ensure that actual or potential conflicts of interest related to Client securities voting are brought to the attention of the CCO. Ghisallo's CCO will conduct further research and endeavor to resolve the conflict in the Client's best interests.

Investors may obtain a copy of Ghisallo's proxy voting policies and procedures by submitting a request to the CCO. The results of any individual proxy vote may also be requested from the CCO. A non-private fund Client can contact Ghisallo's Chief Compliance Officer to revoke all discretionary proxy voting authority or revoke voting authority for a particular proxy solicitation.

#### B. Client Participation in Class Action Securities Litigations

From time to time, Clients may be eligible to participate in and recover from class action securities litigations ("Class Actions"). Although not required under the Adviser's Act, Ghisallo has adopted policies and procedures to address the handling of Class Actions for Clients. Ghisallo or an affiliate will engage a third party service focused on Class Actions, Financial Recovery Technologies ("FRT") to handle Class Actions for Clients. FRT is compensated on a contingency basis through which they are eligible to receive a percentage of any recovery proceeds from a Class Action and as a result any such recovery proceeds paid to Clients will be reduced proportionately by amounts paid to FRT.

In determining how to handle Class Actions and whether to have a Client refrain from participation, Ghisallo or an affiliate may take into account some combination of the following factors to the extent applicable: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) industry and business practices; (iv) a reputational impact that could adversely affect Ghisallo's ability to invest for its Clients, (v) the degree to which Client interests are aligned with those of an issuer's management and (vi) such other factor Ghisallo deems reasonable. In those instances where the Client has reserved to itself the right to handle its own Class Actions, Ghisallo will not participate in the handling such Class Actions. Ghisallo or an affiliate credits any class action settlements received for a Fund to current investors in that particular Fund at the time the award is received. If a Fund has already been liquidated before recovery amounts are received Ghisallo or an affiliate will take reasonable efforts to identify and deliver funds to eligible investors. In the event investors cannot be identified Ghisallo will distribute the proceeds to a charitable organization or in a manner it otherwise deems reasonable.

Ghisallo does not anticipate material conflicts of interest to arise between Ghisallo and its Clients in connection with the handling of Class Actions. However, recognizing that such risk may still exist, Ghisallo has adopted a process to ensure that actual or potential conflicts of interest related to Client Class Actions are brought to the attention of the CCO. Ghisallo's CCO will conduct further research and endeavor to resolve the conflict in the Client's best interests. Ghisallo may, from time to time, determine that it is in the best interests of its Clients to depart from specific policies described herein.

## **Item 18: Financial Information**

Ghisallo has never filed for bankruptcy nor is it aware of any financial condition that is expected to impair its ability to meet its contractual commitments to its Clients.