



Cladrius Partners LLC

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Montvale, NJ 07645

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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Cladrius Partners LLC. If you have any questions about the contents of this brochure, contact us at 646-993-6301. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Cladrius Partners LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Cladrius Partners LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

This Item discusses material changes that were made to our brochure since our initial registration filing, dated June 2022. Since that date we have changed our address as follows.

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Item 4 Advisory Business

Cladrius Partners LLC ("Cladrius" or the "Firm") was founded in 2019 by Dennis Ruggere and he serves as the Chief Investment Officer and Chief Executive Officer of the Firm. Mr. Ruggere is responsible for the day-to-day management of Cladrius and the investment program of the Cladrius Funds. M.D. Sass Cladrius Partners, LLC (the "M.D. Sass Member") has provided operating and seed capital to Cladrius. The M.D. Sass Member is owned by certain officers of M.D. Sass Investors Services, Inc. ("M.D. Sass") and family trusts of the foregoing persons. M.D. Sass is the managing member of the M.D. Sass Member. M.D. Sass is controlled by Martin D. Sass. Mr. Ruggere and the M.D. Sass Member have equal ownership in each of the Investment Manager and the General Partner. FTP Investment I LLC ("Fir Tree"), an entity sponsored by certain senior partners of Fir Tree Partners, has provided seed capital in exchange for a minority economic participation in each of the Firm and the General Partner.

Cladrius provides advisory services to privately offered pooled investment vehicles exempt from registration under the Investment Company Act of 1940, as amended. Cladrius is the investment manager for Cladrius International Ltd., (the "Cayman Feeder Fund"), Cladrius LP, (the "U.S. Feeder Fund" and together with the Cayman Feeder Fund, the "Feeder Funds") and Cladrius Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Master Fund" and together with the Feeder Funds, the "Funds"). The Funds are subject to the overall supervision of Cladrius Partners LLC, Cladrius GP LLC (the general partner of the U.S. Feeder Fund, the "General Partner") and the Board of Directors of the Cayman Feeder Fund and the Master Fund (the "Directors"), and pursuant to the limited partnership agreement of the U.S. Feeder Fund and the Memorandum and Articles of Association of the Cayman Feeder Fund and the Master Fund (the "Operating Agreements"). The funds and related entities are controlled by affiliates of Cladrius.

The Partnership and the Partnership's offshore counterpart, the Offshore Fund, a Cayman Islands exempted company, will invest substantially all of their capital in the Master Fund, a Cayman Islands exempted company, except when the Investment Manager (as defined below) determines otherwise. Although investment and trading activity is currently expected primarily to be at the Master Fund level, the Partnership and the Offshore Fund may also make direct investments when the Investment Manager determines that it is appropriate to do so. The Investment Manager may, in its sole discretion, limit investing by the Partnership to indirect investing through the Master Fund in order to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Investment Manager will serve as the investment manager of each of the Partnership, the Offshore Fund and the Master Fund (collectively, the "Cladrius Funds").

The Investment Manager is exempt from registration as a commodity pool operator with the Commodity Futures Trading Commission ("CFTC") with respect to the Funds in reliance upon an exemption under CFTC Rule 4.13 and exempt as a commodity trading advisor pursuant to CFTC Rule 4.14.

Cladrius has full discretionary authority with respect to investment decisions for the Funds, and its advice is made in accordance with the investment objectives and guidelines set forth in

the Fund's offering documents. Cladrius does not provide specifically tailored advice to investors in the Fund. Cladrius is the investment manager for Cladrius Special Situations Fund I LLC (the "SS1 Fund").

Assets Under Management

As of December 31, 2022, Cladrius' regulatory assets under management were approximately \$316,977,898 all of which are managed on a discretionary basis.

Types of Investments

The Funds will primarily invest in credit instruments (corporate, sovereign, structured credit), convertible securities, quasi-equity securities (preferred, hybrid), equity securities, including options, single name and index derivatives and other securities as Cladrius may determine from time to time. Cladrius will pursue investments on a global basis. Many of the Funds' investments are liquid, but liquidity can vary considerably from investment to investment.

Item 5: Fees and Compensation

Management Fee

Cladrius Funds

Cladrius receives fees for investment advisory services based on assets under management as disclosed in the respective Fund offering documents. The management fee is calculated and payable quarterly in advance. The Management Fee will be prorated for partial quarters. Cladrius has entered into arrangements (side-letters) that reduce or waive the management fee for certain investors. Cladrius reserves the right to waive, reduce or calculate differently, the Management Fee in respect of certain Limited Partners in its sole discretion, without notice to or the consent of other Limited Partners. Management fees for the funds are calculated by a third-party administrator and deducted from each investor's capital account.

SS1 Fund

Cladrius receives fees for investment advisory services based on assets under management as disclosed in the SS1 Agreement. The Management Fee is calculated and payable quarterly in advance. The Management Fee will be prorated for partial quarters. Management fees are deducted from each investor's capital account.

Other Fees

The Funds pay pro rata share of the organizational and initial costs of the Partnership, Master Fund and Offshore Fund. The Funds pay operating expenses to include: brokerage commissions and other costs of executing transactions, installation and implementation and maintenance of order management and execution management systems and software, all investment expenses, investment research, the cost of trading, research and or data screens and risk management and data services, tax preparation fees and expenses, tax imposed on the Funds, custody fees and expenses, insurance premiums, the Fund's bookkeeping, accounting, audit and other professional fees and expenses; tax preparation fees; legal fees; expenses the incurred for investment research and due diligence; travel and travel-related expenses incurred in connection with investment activities (including attending professional investment and industry specific conferences); and costs of compliance including securities

filings.

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

Incentive Allocation

Cladrius Funds

At the end of each calendar year (and as of each Withdrawal Date with respect to the amount withdrawn), the General Partner will have allocated to its Incentive Allocation Shares (as defined below) in the Master Fund an amount (the “Incentive Allocation”) equal to: (i) 20% of any New Appreciation attributable to each Series A Interest; and (ii) 15% of any New Appreciation attributable to each Series B Interest.

The Incentive Allocation will be calculated on the basis of each Limited Partner’s overall Interest, not separately with respect to the individual Capital Contributions made by such Limited Partner, except if such Limited Partner has made Capital Contributions to the Partnership that are subject to different Incentive Allocations (i.e., certain Capital Contributions in respect of one Series of Interest while other Capital Contributions are in respect of another Series of Interest). Cladrius has entered into arrangements (side-letters) that reduce or waive the incentive allocation for certain investors. Cladrius reserves the right to waive, reduce or calculate differently, the incentive allocation in respect of certain Limited Partners in its sole discretion, without notice to or the consent of other Limited Partners.

SS1 Fund

Cladrius is entitled to a performance-based fee as described in the investment management agreement.

Cladrius recognizes that these types of performance fees may create an incentive to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Cladrius also recognizes that such fee arrangements create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities and that such fee arrangements create an incentive to favor accounts for which the managing members have personal capital investments. In order to address these potential conflicts, Cladrius has developed policies and procedures for allocating investments to clients in a fair and equitable manner.

Item 7 Types of Clients

Cladrius’ provides investment management services to private funds. The minimum subscription amount for investors in the Funds is generally \$1 million, but this amount may vary and is set out in the relevant Fund Documentation. With respect to the Funds, any initial and additional subscription minimums are disclosed in the relevant Fund Documentation. The General Partner of the Fund may waive the applicable minimum in its sole discretion.

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

The investment objective is to maximize returns subject to preserving capital and minimizing

correlation with the overall financial markets. Cladrius expects that its focus on capital preservation and minimizing correlation with the markets will have the effect of reducing portfolio volatility, but Cladrius will not seek to manage volatility as an independent investment objective or compromise returns in an effort to reduce volatility.

Cladrius will implement a global special situations strategy seeking actively to participate in legally and structurally complex investment situations. Cladrius has a well-developed investment process which includes three key components: (i) sourcing, (ii) evaluation and (iii) archiving. Cladrius uses proprietary screens and qualitative means to source investment opportunities that meet four criteria.

Risk of Loss

An investment in the Funds involves a high degree of risk, including the risk that the entire investment may be lost. There can be no assurance that the Fund's investment objective will be achieved. Investors should understand such risks and have the financial ability and willingness to accept them for an extended period of time. The information provided with respect to this item is not intended to be a summary of all the risks associated with an investment in the Funds, but rather some of the more specific risks associated with our strategy and the types of securities in which we typically invest. Investors should refer to the fund offering documents for an expanded description of our investment strategy and risks.

Limited Operating History for the Funds

The Funds have a limited operating history. While Mr. Ruggere has experience investing in the types of opportunities that the Funds will pursue, there can be no assurance that the Funds will generate performance results equivalent or similar to the past results generated by Mr. Ruggere or that the Funds will avoid losses. **Past performance is not necessarily indicative of future results.**

Limited Operating History for Cladrius

Cladrius has a limited operating history. There can be no assurance that Mr. Ruggere will be successful operating as part of a stand-alone manager as opposed to as part of a major financial institution. Moreover, Cladrius' strategy may be successful while Cladrius itself fails as a business—leading to a premature termination of the Fund, perhaps under unfavorable market conditions.

Reliance on Key Personnel

The operations of the Funds and Cladrius are substantially dependent upon the skill, judgment and expertise of Mr. Ruggere. The absence of Mr. Ruggere's management of the Funds may result in material losses. The Funds will permit redemptions in the event of a Key Person Event. See "*Redemptions—Key Person Event.*"

Competition

The Funds compete with numerous other private investment funds and financial institutions (both diversified and specialized funds), as well as other investors, many of which have substantially greater resources than the Funds. The amount of capital committed to "alternative investment strategies" has increased significantly over the past decade. At the same time, market conditions have become materially more adverse to many of such strategies than they were in the past. The profit potential of the Funds may be reduced as a

result of the increased competition within the alternative investment field.

Limitations on Redemptions

With respect to the Funds, a shareholder's right to redeem will be limited and subject to certain restrictions, limitations and conditions, as well as the Board of Directors' right to postpone the calculation of Net Asset Value or delay the payment of redemption proceeds. In particular, a shareholder's shares will be subject to the lock-up period and the redeemable amount limitations as described in the Fund offering documents. Accordingly, an investment in the Funds should be considered illiquid and not a readily available source of liquid funds. Redemptions by shareholders may only be made as of specified redemption dates with 60 days' prior written notice. Because notices of redemptions must be submitted significantly in advance of the actual redemption date, the value received upon a redemption may differ materially from the value at the time a decision to request a redemption is made.

No Market for Shares

Although amounts may be redeemed from the Funds on a periodic basis according to the terms set forth in the Funds' offering documents, shares may not be assigned, pledged or otherwise transferred without the prior written consent of the Board of Directors or the Investment Manager as its delegate. There is no market for the shares, and none is expected to develop. Shares will not be registered under the securities laws of any jurisdiction and will be subject to strict restrictions on resale and transferability. Therefore, shareholders must be prepared to bear the risk of their investment in the Funds for a substantial period of time.

Substantial Costs

The Funds will be subject to management fees payable to the Investment Manager and other costs and expenses irrespective of the Funds' performance. If the investment returns are insufficient to offset such costs and expenses, the Funds will not be able to generate a positive return for the Shareholders.

Financing Arrangements; Availability of Credit

The Funds' use of leverage will depend on the availability of credit in order to finance the portfolio. There can be no assurance that the Funds will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to the Funds can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the Funds to liquidate all or part of its portfolio at disadvantageous prices. The financing available to the Funds from banks, dealers and other counterparties is likely to be restricted in disrupted markets.

Reliance on Corporate Management and Financial Reporting

Cladius will select investments for the Funds in part on the basis of information and data filed

by issuers of securities with various government regulators and publicly available information or information made directly available to Cladrius by such issuers or third parties. Although Cladrius will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, Cladrius will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. Cladrius is dependent upon the integrity of the management of such issuers and of such third parties as well as the financial reporting process in general. Material losses can be incurred by investors such as the Funds as a result of corporate mismanagement, fraud and accounting irregularities.

Risk of Natural Disasters, Epidemics/Pandemics, Terrorist Attacks and War

Countries and regions in which the Funds invest, where Cladrius has offices or where the Funds or Cladrius otherwise do business are susceptible to natural disasters (e.g., fire, flood, earthquake, storm and hurricane), epidemics/pandemics or other outbreaks of serious contagious diseases. The occurrence of a natural disaster or epidemic/pandemic could, directly or indirectly, adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic/pandemic) and could adversely affect the Funds' investment program or Cladrius' ability to do business.

In addition, terrorist attacks or civil unrest, or the fear of or the precautions taken in anticipation of such attacks or unrest, could, directly or indirectly, materially and adversely affect certain industries in which the Funds invest or could affect the countries and regions in which the Funds invest, where Cladrius has offices or where the Funds or Cladrius otherwise do business. Other acts of war (e.g., war, invasion, acts of foreign enemies, hostilities and insurrection, regardless of whether war is declared) could also have a material adverse impact on the financial condition of industries or countries in which the Funds invest. Russia's invasion of Ukraine, which began in February 2022, has created significant turmoil and uncertainty that ripple well beyond the conflict zone. The United States, the United Kingdom (the "UK") and various certain other countries have announced unprecedented economic sanctions on Russian government officials, private individuals, financial institutions and companies, as well as sanctions targeting various sectors of the Russian economy and the removal of certain Russian banks from the SWIFT messaging system. Certain investors and companies, particularly in the United States and Western Europe, have also decided for legal or reputational reasons to divest from, or cease operations in, Russia. No assurances can be given regarding the future of relations between Russia and other countries. It is difficult to predict the ultimate outcome of the Ukraine crisis, its geopolitical and economic repercussions and the effects that it may have on the Fund's investments and the markets in which it invests and trades.

Sanctions

Cladrius is subject to laws that restrict it from dealing with entities, individuals, organizations and/or investments which are subject to applicable sanctions regimes. Should any investment made on behalf of the Funds subsequently become subject to applicable sanctions, the Funds may immediately and without notice to investors cease any further dealings with that investment until the applicable sanctions are lifted or a license is obtained under applicable law to continue such dealings, even if such investment is subject to a material deterioration in value while subject to applicable sanctions. Alternatively, the application of sanctions may

require Cladrius to divest from particular positions on behalf of the Fund, potentially requiring the Funds to liquidate positions at an inopportune time and incur losses. The violation of sanctions may result in penalties being imposed on Cladrius or the Fund.

Certain Risks Associated with the Cladrius Strategy

“Process Leadership” Investing

Cladrius will seek actively to influence the outcome and/or create the catalysts in respect of situations in which Cladrius invests. While the overwhelming majority of its “process leadership” in the past has been collaborative, such an approach can become adversarial or contentious. In the case of the latter, this style of investment tends to attract greater regulatory scrutiny, adversary proceedings and litigation than more conventional investment styles. Given this approach, it is possible Cladrius and/or the Funds may be named as defendants in civil proceedings relating to certain of the Funds’ investments. The expenses incurred in defending against any claims and paying any resulting settlements or judgments will be borne by the Fund. In addition, significant adverse publicity may accompany any such adversary proceedings.

Importance of Individual Subjective Judgment

Although Cladrius will use quantitative valuation models in evaluating the economic components of certain prospective investments, Cladrius’ strategy will rely primarily on the judgment and discretion of Cladrius’ personnel. The greater the importance of subjective factors, the more unpredictable a trading strategy becomes.

Illiquid and Long-Term Investments

Cladrius may make illiquid and long-term investments on behalf of the Funds. Although such investments may generate current income, such income is not expected to be significant, and operating expenses of the Funds may exceed income during certain periods. The return of capital and the realization of gains, if any, from such investments generally will most likely occur only upon the partial or complete disposition of such investment. The disposition of such investments could take years. In addition, in some cases the Funds may be prohibited by contract from selling certain securities for a period of time.

Importance of Exit Strategies

Cladrius will often make an investment with an aim that it will be able to engineer an exit from the investment largely irrespective of changes in overall market conditions. However, there can be no assurance that Cladrius’ exit strategy will, in fact, be practicable. If Cladrius is unable to monetize an investment on a timely basis, both absolute and present value losses, as well as material opportunity costs, could be incurred by the Fund.

Non-Consummation Risk

In any of the Funds’ investments, the success of the investment will be subject to the risk of the non-consummation of the reorganization, asset or business unit sale, merger, litigation, etc., that created the special situation in question.

Potential for Insufficient Investment Opportunities

Cladrius may not be able to secure a sufficient number of investment opportunities to utilize the full amount of the subscriptions and it may take an extended period of time to deploy the Funds’ capital. The activity of identifying, completing, and realizing attractive “special

situations” investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities will be materially affected by prevailing market conditions (despite Cladrius’ focus on designing non-correlated exit strategies) as well as the regulatory and political climate.

Concentration of Investments

Cladrius’ strategy is resource and time-intensive; particularly in those cases in which Cladrius takes a position of control or influence in a company in which Cladrius invests (a “**Portfolio Company**”). In addition, Cladrius may incur significant costs on the Funds’ account in evaluating and attempting to execute an investment opportunity, which costs may be incurred even if an investment is not ultimately consummated on behalf of the Funds. Accordingly, the failure of only a limited number of these investments could make it highly unlikely that the Funds will be able to achieve its investment objective (or avoid substantial losses). Further, the investment portfolio of the Funds may be subject to more rapid changes in value than would be the case if the Funds were required to maintain a wide diversification among companies, industries and types of securities.

Uncertain Recovery Value of Collateral

One component of Cladrius’ analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investment in the event of the insolvency of the issuer. This recovery value will be driven primarily by the value of the underlying assets constituting the collateral for such investment. The value of collateral can, however, be extremely difficult to predict, and in certain market circumstances there could be little, if any, market for such assets. Moreover, depending upon the status of these assets at the time of an issuer’s default, they may be substantially worthless. Further, during times of recession and economic contraction, there may be little or no ability to realize on such assets.

Projections

Cladrius will make investments relying, in part, upon projections developed by Cladrius or a portfolio company concerning such portfolio company’s future performance, cash flow, recovery value and other factors. Projections are inherently uncertain and subject to factors beyond the control of Cladrius and the portfolio company in question. The inaccuracy of certain assumptions, the failure of a portfolio company to satisfy certain financial requirements and the occurrence of unforeseen events could cause any such projection to be materially inaccurate.

Limitations on Hedging; Hedging Risks

Cladrius will often look to hedge particular risks at the position and portfolio level. However, Cladrius employs certain hedging techniques designed to reduce the Funds’ exposure to risks extraneous to Cladrius’ strategy—e.g., overall debt or equity market “beta” risk or exchange-rate fluctuations. While such transactions may reduce certain risks, they create others. The Funds may benefit from the use of these hedging strategies; however, such strategies may also result in losses and poorer overall performance than if Cladrius had not entered into such hedging transactions.

Short Sales

The Funds engage in short sales of both bonds and equities. Short sales involve the risk of a theoretically unlimited increase in the market price of the applicable security, which could

result in an inability to cover the short position as well as in a theoretically unlimited loss (in respect of short sales of equities). There can also be no guarantee that securities necessary to cover a short position will be available when needed.

Issuers in Weak Financial Condition

The Funds invest in distressed securities and in other assets and instruments, such as trade and litigation claims, that may facilitate taking control of distressed issuers. These securities, assets and instruments by their nature are issued by or relate to companies in unstable financial condition and entail substantial inherent risks. Although Cladrius will attempt to manage these risks, there can be no assurance that the Fund's investments will increase in value or that the Funds will not incur significant losses.

Exchange-Rate Risk

The Funds' net asset value and all distributions paid will be in U.S. dollars, and the majority of the Funds' portfolio is expected to be denominated in dollars. Shareholders for which the dollar is not their functional currency will be subject to material exchange-rate risk in investing in the Funds. Cladrius may attempt to hedge such exchange-rate risks, but any such hedging efforts may not be successful.

Investments Outside of the United States

Cladrius will invest outside of the United States. Such investments involve certain special risks, including: (i) political or economic instability; (ii) the unpredictability of international trade patterns; (iii) the possibility of foreign governmental actions such as expropriation, nationalization or confiscatory taxation; (iv) the imposition or modification of currency controls; (v) price volatility; (vi) fluctuations in the rate of exchange between currencies and costs associated with currency conversion; (vii) the imposition of withholding taxes on dividends, interest and gains; and (viii) different or less developed bankruptcy laws and practice. As compared to U.S. entities, non-U.S. entities generally disclose less financial and other information publicly and are subject to less stringent and less uniform accounting, auditing and financial reporting standards. Also, it may be more difficult to predict the outcome of legal proceedings in non-U.S. jurisdictions or to obtain and enforce legal judgments against non-U.S. entities than against U.S. entities.

Emerging Markets Investing Involves Particular Risks

The Funds expect to invest in the securities of, or instruments providing exposure to, markets within less developed countries or countries with new or developing capital markets ("**emerging markets**"). The value of emerging market securities and currencies may be drastically affected by political developments in the country of issuance. In addition, the existing governments in the relevant countries could take actions that could have a negative impact on the Fund, including nationalization, expropriation, imposition of confiscatory taxation or regulatory or imposition of withholding taxes on interest payments.

Some of the countries in which the Funds may invest have experienced political, economic and/or social instability. Many such countries have also experienced dramatic swings in the value of their national currency. There can be no assurance that such instability or such fluctuations will not occur in the future and, if they do occur, that they will not have a substantial adverse effect on the performance of the Funds.

The economies of many of the emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. Also, many emerging market country economies have a high dependence on a small group of markets or even a single market. Emerging market countries also tend to have periods of high inflation and high interest rates, as well as substantial volatility in interest rates, which could affect the Funds adversely.

Foreign investment in the emerging market countries is in some cases restricted. Many of these countries have non-convertible currencies and the value of investments may be affected by fluctuation in available currency rates and exchange control regulations. The remittance of profits may therefore be restricted, and the Funds may utilize swaps and other forms of indirect investment to access such markets.

Moreover, the banking systems in these countries are not fully developed and considerable delays may occur in the transfer of funds within, and the remittance of monies out of, emerging market countries.

Certain emerging markets countries are particularly likely to require identifying information about entities and persons who have direct, or even indirect, exposure to the securities of issuers in those countries. This may result in the Funds being asked to provide information about Shareholders to emerging market regulators or to the brokers who are providing services to the Funds in connection with trading activities. Such information may include, but may not be limited to, the identities, addresses and countries of origin of the Shareholders.

Certain Risks Associated with the Investments Traded

Debt Securities

Debt securities are, in general, subject to price volatility due to various factors including changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. In addition to the sensitivity of debt securities to overall interest rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues.

Debt securities may pay fixed, variable or floating rates of interest, may include zero coupon obligations and may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks.

The Funds to invest in both investment grade debt securities and non-investment grade debt securities (commonly referred to as "**junk bonds**"). Non-investment grade debt securities in the lowest-ranking categories may involve a substantial risk of default or may be in default. The value of such debt typically trades almost entirely on the basis of credit risk rather than interest rate fluctuations.

Trade Claims

Cladrius can cause the Funds to acquire trade claims—*i.e.*, amounts due from a company to its suppliers. Trade claims are not "securities" for regulatory purposes, and the Funds, in investing in trade claims, will not have the protection of the securities laws. Trade claims may

be illiquid and may have a relatively junior position compared to securities and other debt owed by the issuer. There may be defenses to trade claims—for example, the services or products furnished not meeting specifications—of which Cladius may not be aware at the time of Cladius' acquisition of such claims.

Distressed Securities

The Funds invest in distressed securities. Distressed investment strategies generally involve investing in the securities and other assets of issuers in weak financial condition (perhaps having a negative net worth), experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems, or involved in various stages of bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled issuers is the fact that it is frequently difficult to obtain reliable information as to their true financial prospects. The market prices of distressed securities are subject to abrupt and erratic market movements and excessive price volatility, and the “bid-ask” spreads for such securities may be greater than normally expected.

Bank Loans

The Funds can acquire interests in bank loans and other debt obligations either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. A participation interest in a portion of a debt obligation typically results in a contractual relationship with only the institution acting as a lender under the credit agreement, not with the borrower. As a holder of a participation interest, the Funds generally will have no right to exercise the rights of the lender under the credit agreement, including the right to enforce compliance by the borrower with the terms of the loan agreement, approve amendments or waivers of terms, nor will the Funds have any rights of set-off against the borrower, and the Funds may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Funds will be exposed to the credit risk of both the borrower and the institution selling the participation.

The Funds may invest directly or through participations in loans with revolving credit features or other commitments or guarantees to lend funds in the future. A failure by the Funds to advance requested funds to a borrower could result in claims against the Funds and in possible assertions of offsets against amounts previously lent.

Whole Loans

Cladius may cause the Funds to acquire whole loans, as opposed to structured finance securities whose payment flows are dependent on payments of the underlying loans. When the Funds hold a whole loan, Cladius will be responsible for dealing directly with the issuer—which can both consume valuable Investment Manager resources which could be more profitably employed in other investments and subject the Funds to all the uncertainties, expenses and adversary proceedings which surround foreclosures in general.

Derivatives

Cladius will utilize derivative instruments for both hedging and speculative purposes. The price of derivative instruments is highly volatile and acquiring or selling such instruments involves certain leveraged and unusual risks. The low initial margin deposits normally required to establish a position in such instruments permits an unusually high degree of leverage. As a result, a relatively small movement in the price of a contract may result in substantial losses to the Funds (which, in the instance when a derivative instrument is used for hedging purposes, may not be offset by an increase in the value of an instrument being hedged). When used for hedging purposes, there may be an imperfect correlation between an instrument acquired for hedging purposes and the investment or market sector being hedged—in which case, a speculative element is added to the highly leveraged position acquired through a derivative instrument primarily for hedging purposes.

Credit Default Swaps

The Funds purchase and sell credit derivatives contracts—such as credit default swaps—both for hedging and other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experience specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Funds may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps (“**CDS**”), the Funds may be exposed to the risk that deliverable securities will not be available in the market or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation had occurred. In either of these cases, the Funds would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Funds may incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Funds will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion in selecting which of the reference entity’s debt obligations to deliver to the Funds following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Funds.

Asset-Backed Securities

The Funds invest in asset-backed securities (“**ABS**”) including, but not limited to, collateralized debt obligations of such securities. These securities may be in the form of pass-through instruments or asset-backed obligations. Such securities are limited recourse obligations payable solely from the assets of the issuer. The payments of ABS are derived from underlying receivables and there can be no assurance as to the timing and amount of such payments. The governing documents for ABS may establish highly complex structures, with payments allocated according to complicated procedures to various classes of securities and with varying forms of credit enhancement. There is a risk that such governing documents may

contain ambiguous terms, which may delay receipt of payments. Certain ABS may be subject to interest rate mismatches, if liabilities are fixed-rate and receivables bear interest at a floating-rate, or vice versa. The Funds may invest in subordinate classes of ABS, which classes will be allocated losses prior to more senior classes and which may allow for the deferral of certain payments.

Equities

The Funds' equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies; the business market in which individual companies compete; industry market conditions; interest rates and general economic environments. In addition, events such as domestic and international political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Funds. There are no absolute restrictions in regard to the size or operating experience of the companies in which the Funds may invest. Relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth. Equity prices are directly affected by issuer-specific events as well as general market conditions. In addition, in many countries investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

Options

Trading options is highly speculative and may entail risks that are greater than investing in other securities. Prices of options are generally more volatile than prices of other securities. In trading options, Cladrius will seek to profit or hedge based on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying such option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that Cladrius causes the Funds to purchase options that it does not sell or exercise, the Funds will suffer the loss of the premium paid in such purchase. To the extent Cladrius causes the Funds to sell uncovered options and must deliver the underlying securities at the option price, the Funds have a theoretically unlimited risk of loss if the price of such underlying securities increases. If the Funds must buy those underlying securities, the Funds risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the obligor on an option may be greater and the ease with which the Funds can dispose of such an option may be less than in the case of an exchange traded option.

Cladrius may cause the Funds to buy or sell OTC options—options that are not traded on a securities exchange and are not issued or cleared by an internationally recognized clearing corporation. The risk of nonperformance by the obligor on such an option may be greater, and the ease with which the Funds can dispose of such an option may be less, than in the case of an exchange traded option issued by an internationally recognized clearing corporation.

Preferred Stock

The Funds may invest in preferred stocks, which are securities that evidence ownership in a corporation and pay a fixed or variable stream of dividends. Preferred stocks have a preference over common stocks in the event of the liquidation of an issuer and usually do not carry voting rights. Because preferred stocks pay a fixed or variable stream of dividends, they have many of the characteristics of a fixed income security. Depending on the features of the particular security, holders of preferred stocks may bear risks similar to those of equity or fixed income securities.

Convertible Securities

The Funds may invest in convertible securities. Convertible securities are stocks or other securities that may be converted into, or exchanged for, a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Typically, the market value of a convertible security performs like that of a debt security. 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 the Funds is called for redemption, the Funds 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 a material adverse effect on the Funds' performance. Convertible securities are also subject to liquidity risk based on market conditions.

Exchange Traded Funds

The Funds may invest in exchange traded funds ("ETFs") from time to time. ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including the expenses associated with ETFs and a number of other factors.

Risks Associated with Collateral

A portion of the debt acquired by the Funds may be secured by certain underlying assets of the applicable issuers. Were the Funds to foreclose on their security interest and/or become an owner of such collateral, the Funds could be exposed to a number of incremental risks, certain of which are outlined below.

Risks of Property Ownership

The Funds may be required, perhaps to a degree substantially greater than it anticipated, to attempt to enforce its security interests. The foreclosure process can involve all the uncertainty and potential delays of any legal process, as well as the related expense. Moreover, once property has been acquired (whether through foreclosure or consent), the Funds will be subject to all the risks and expenses of a property owner.

These risks may include, without limitation, general and local economic and social conditions,

fluctuations in real estate values, the financial resources of tenants, vacancies, changes in tax, zoning, building, environmental and other applicable laws, real property tax rates and changes in interest rates. There can be no assurance of profitable operations for any property or the repayment of any debt investment made by the Funds that is secured by such property. The cost of operating a property may exceed the income it generates, and the Funds may be forced to advance funds to protect an equity investment, forego the receipt of interest income on debt investments and/or dispose of collateral on disadvantageous terms.

Valuations of Collateral

In assessing whether to make an investment, Cladrius will often attempt to value the underlying collateral (if any). Such valuation will be based, in part, on complex models that incorporate a range of different inputs. Inadequate or incorrect factual information, misstated assumptions and unforeseeable changes in economic factors can cause these models to yield materially inaccurate valuations—even if the model is fundamentally sound. Moreover, there can be no assurance that Cladrius' models are fundamentally sound, or more accurate than those used by its competitors.

The models used by Cladrius to value collateral will typically require certain market forecasts. There can be no assurance that such forecasts will be accurate, and, to the extent that they are not, the Funds may be adversely affected.

The collateral of issuers in certain sectors—for example, biotechnology and computer technology—is particularly subject to becoming substantially valueless due to accelerated obsolescence.

Secured Instruments Subject to Repayment or Bankruptcy Plans

Certain of the instruments that Cladrius may purchase on behalf of the Funds may be secured by collateral that is subject to repayment or bankruptcy plans, under which prior delinquent payments and advances must be paid during a specified period after the plan is instituted. As a result, this collateral will be forced to generate larger payments until the obligations under the plans are paid in full, perhaps degrading the value of such collateral as security for the investments made by the Funds. In addition, certain collateral may have arrearages that are not subject to plans and must be discharged before the collateral can be of any value to the Funds.

Certain Miscellaneous Risks

The Master Fund Structure

The Funds will invest through a “master-feeder” structure. The “master-feeder” fund structure presents certain unique risks to Shareholders. For example, a smaller fund investing in the Master Fund may be materially affected by the actions of a larger feeder fund. If a larger feeder fund withdrew from the Master Fund, the remaining feeder fund may experience higher *pro rata* operating expenses, thereby providing lower returns. The Master Fund may become less diverse due to redemption by a larger feeder fund, resulting in increased portfolio risk. In addition, the Master Fund may structure certain transactions with the aim of securing a particular tax, regulatory or other benefit that is relevant for one feeder fund but not another. Any incremental costs associated with such structuring will be borne by all investors in the Master Fund, and, indirectly, the Shareholders. The Master Fund is a single entity and

creditors of the Master Fund may enforce claims against all of the assets of the Master Fund.

Cybersecurity Breaches

Each of the Funds and Cladrius is subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from “hacking” by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data, as well as misappropriation of confidential information. If a cybersecurity breach occurs, the Funds may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; reputational damage and increased and upgraded cybersecurity. Any such breach could expose the Funds and Cladrius to civil liability, as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial redemptions from the Fund. In addition, Shareholders could be exposed to additional losses as a result of unauthorized use of their personal information.

Item 9 Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Cladrius or the integrity of Cladrius’ management. Cladrius has no information to disclose applicable to this Item.

Item 10 Other Financial Industry Activities and Affiliations

Neither Cladrius nor any of its Employees is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities. Further, neither Cladrius nor any of its Employees has any relationship or arrangement that is material to its advisory business or to our clients with any related persons with whom such a relationship or arrangement would be reportable under this Item. Each of the Funds has entered and may in the future enter into agreements or “side letters” with certain prospective or existing limited partners where such investors may be subject to terms and conditions that are more advantageous than those set out in the fund documentation. The modifications are solely at the discretion of the Fund.

As described in Item 4 and Form ADV Part 1, Cladrius has related parties that control the Funds as General Partners and Directors, and related parties that are investment advisors and broker-dealers. The General Partner and Cladrius utilize M.D. Sass Securities, L.L.C. as a non-exclusive selling agent for the Funds to a limited number of relationships. In consideration of its services to the Funds, M.D. Sass Securities, L.L.C. receives a portion of the management fee or incentive allocations received by Cladrius.

Cladrius employs a CFO consultant that is employed by a broker dealer and an investment adviser.

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

Description of Our Code of Ethics

Cladrius has adopted a Code of Ethics for all supervised persons of the Firm describing its high standards of business conduct and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, guidelines surrounding gifts and business entertainment items, personal securities trading, conflicts of interest, among other things. All supervised persons must acknowledge the terms of the Code initially upon hire as well as annually, or as amended.

Employees maintain personal securities accounts but are subject to trading guidelines, restrictions and applicable regulatory requirements. Employees are permitted to make trades for their own accounts in accordance with the Firm's Code of Ethics. Employees are permitted to transact in private placements or limited offering (as those terms are defined). Furthermore, employees of the firm may buy or sell securities from their personal accounts similar to those securities recommended to or owned by clients but must first obtain pre-approval by the Chief Compliance Officer and Chief Executive Officer. Transactions are reported to the Chief Compliance Officer in accordance with the reporting requirements outlined in the Code and personal trading is monitored in order to reasonably prevent conflicts of interest between Cladrius and its clients.

A copy of our Code will be provided upon request.

Principal and Cross Transactions

Although principal and cross trades are not common transactions for our advisory practice Cladrius reserves the right to conduct such transactions. Cladrius can cause a Client to participate in a principal trade only after providing full disclosure regarding the terms of the transaction and receiving appropriate Client consent. And to the extent permitted under applicable law, Cladrius can effect client cross-transactions where Cladrius causes a transaction to be effected between two Client accounts only after obtaining Client consent, the trade is done at a fair price, and the trade is done for the benefit of both accounts.

Item 12 Brokerage Practices

Cladrius has discretion over what securities and the amount thereof to be bought and sold, the broker or dealer to be used as well as the commission rates to be paid for the Funds. In keeping with our fiduciary duties to the Funds, we seek "best execution" in effecting trades for the Funds. In general, this means we seek to effect transactions for the Funds in a way that the total cost or proceeds to the Funds of each transaction is the most favorable under the circumstances. "Best execution" is not measured solely by reference to commission rates or price. Paying a broker a higher commission than rates charged by other brokers is appropriate when the difference in commission rates is reasonably justified by the value of the brokerage services obtained for the Funds. Cladrius need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Commission rates are generally negotiable, and selecting brokers on the basis of considerations that are not limited to commission rates may result in higher transaction costs than would otherwise be obtainable.

Brokers may provide research and brokerage services directly or by paying service providers engaged by Cladrius. In addition, Cladrius may, subject to its best execution policy, trade with certain brokers primarily in consideration for providing research services. In any such case, Cladrius will determine in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research products or services provided by the broker.

In selecting the brokers for the Funds, Cladrius considers such factors as: price; execution capabilities, including efficiency of execution and willingness to execute difficult transactions; financial strength and stability; block trading and block positioning capabilities; reputation; infrastructure; reliability; quality of research products or services; and other value-added services.

Cladrius reserves the right to use soft dollars to pay for research and brokerage services so long as such usage meets the safe harbor criteria of Section 28(e) of the Securities Exchange Act of 1934, as amended, which provides, in summary, that it is not a breach of fiduciary duty for an adviser to cause an account to pay a commission in excess of the lowest rate available if the adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided. Such arrangements provide an incentive for Cladrius to select brokers that offer soft dollar arrangements.

Services constituting “research” under Section 28(e) that Cladrius may receive in connection with Fund trading include, but are not limited to: newswire and quotation services; research reports; financial newsletters and trade journals; software used to analyze securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; economic and market information; portfolio strategy advice; industry and company comments; technical data; recommendations; information on industries, groups of securities, individual companies, political developments, legal developments affecting portfolio securities and technical market action; statistical information; accounting and legal interpretations relating to Client transactions; credit analysis; risk measurement analysis, and performance analysis. In addition, such research services may be provided in the form of access to computer-generated data and meetings arranged with corporate and industry spokespersons, economists, academicians and/or government representatives. Products and services constituting “brokerage” under Section 28(e) that Cladrius may receive in connection with the Client’s trading may include, but are not limited to: services related to the execution, clearing and settlement of securities transactions and functions incidental thereto, such as connectivity services between Cladrius and a broker-dealer and other relevant parties such as custodians; trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; trade clearance and settlement; electronic communication of allocation instructions; routing of settlement instructions; post-trade matching of trade information; and services required by the SEC or a self-regulatory organization, such as comparison services, electronic confirms or trade affirmations.

Cladrius does not currently participate in any directed brokerage arrangements.

Cladrius has adopted appropriate procedures with respect to allocating securities purchased and sold among Client accounts and if applicable, aggregating (“bunching”) orders for purchases

of securities. Cladrius recognizes that in certain circumstances, strict compliance with these procedures may not be feasible and that unusual or extraordinary conditions may on occasion warrant deviation from the standard practices and procedures. In these circumstances, Cladrius will determine the appropriate action that will serve the best interests of, and will be fair and equitable to, all Clients.

Item 13 Review of Accounts

Reviews

Mr. Ruggere continuously reviews the Funds' investments to ensure they are consistent with the investment objectives, philosophy, strategy and methodologies set forth in such Funds' offering documents.

Reporting – Fund Investors

Monthly capital statements are sent to each investor by the Fund Administrator summarizing the investor's individual performance. In addition, a monthly estimated Fund performance update is provided to those investors who request it.

On an annual basis, investors receive a copy of the Fund's audited financial statements prepared by the independent auditors and tax reporting information. Cladrius may also provide periodic ad hoc reports/information to investors upon request.

Item 14 Client Referrals and Other Compensation

Cladrius has in place a Distribution agreement with M.D. Sass Securities, LLC to promote and market the Funds to a limited number of relationships. Cladrius will pay M.D. Sass Securities, LLC a fee equal to 10% of the management fees and incentive fees/allocations for any investments associated with the promotion and marketing. Cladrius shall also reimburse M.D. Sass Securities for any extraordinary expenses incurred in the promotion and solicitation the Funds.

Cladrius has in place a solicitation agreement with M.D. Sass Investors Services, Inc. to promote and market Cladrius investment management services to a limited number of relationships. Cladrius will pay M.D. Sass a fee equal to 10% of the management fee and incentive fee/allocations associated with the solicited accounts and Cladrius shall also reimburse M.D. Sass Investors Services for any extraordinary expenses incurred in the promotion and solicitation of solicited accounts.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

Item 15 Custody

Cladrius does not maintain physical possession of client cash and/or securities. However, as the investment manager and related general partner for the Funds, Cladrius does have access to cash and securities in the Funds, along with the authority to perform various acts that are

deemed to result in custody, as defined under Rule 206(4)-2 of the Advisers Act.

Consistent with the requirements under the Advisers Act, the assets of the Funds are held in accounts maintained with our custodians, who are “qualified custodians” within the meaning of the Advisers Act. Our custodians are registered broker-dealers or banks that hold Fund assets in separate accounts (or in a separate customer account with records identifying the assets of the Funds in accordance with applicable broker-dealer and custodial bank regulation).

The financial statements of the Funds are audited annually (in accordance with GAAP) by an independent public accounting firm that is registered with, and subject to regular inspection by, the PCAOB (the Public Company Accounting Oversight Board). Copies of the audited financial statements will independently distribute to each investor within 120 days of the Funds' fiscal year end.

Item 16 Investment Discretion

Cladrius has full discretionary authority over the Funds pursuant to the investment management agreement. Discretion is exercised in a manner consistent with the investment objectives and strategies described in the confidential offering memorandums.

Cladrius has discretionary trading authority but does not have sole authority to make investment decisions for the SS1 Fund pursuant to the investment management agreement.

Item 17 Voting Client Securities

Cladrius votes proxies in the manner that it believes is consistent with efforts to achieve a Client's stated objectives, including maximizing the value of the Client's portfolio. Cladrius follows procedures that are designed to identify conflicts or potential conflicts that could arise between its own interests and those of Clients. If it is determined that any such conflict or potential conflict is not material, Cladrius may vote proxies notwithstanding the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, the Chief Investment Officer will work with appropriate personnel to agree upon a method to resolve such conflict before voting proxies affected by the conflict.

Item 18 Financial Information

Registered investment advisers are required to provide you with certain financial information or disclosures about Cladrius' financial condition. Cladrius has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.