

Perimeter Capital Partners, LLC  
Part 2A of Form ADV

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This brochure provides information about the qualifications and business practices of Perimeter Capital Partners, LLC (dba Perimeter Capital Management) herein referred to as "Perimeter". If you have any questions about the contents of this brochure, please contact us at (770) 350-8700. 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.

Perimeter is a registered investment adviser. Registration does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Perimeter is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2- Material Changes

Effective March 30<sup>th</sup>, 2012, affiliate Perimeter Concourse Capital (“Concourse”) registered with the SEC as an Exempt Reporting Adviser. As such, references to Concourse’s advisory business will no longer be detailed in Perimeter’s Form ADV. Perimeter remains affiliated with Concourse and details regarding this relationship can be found below in Item 10. Additional information regarding Concourse’s ADV registration can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4- Advisory Business

Perimeter Capital Management (“Perimeter”) is an independent, employee-owned investment boutique founded in Atlanta, GA in 2006.

Perimeter provides discretionary investment advisory services to separately managed accounts and portfolio investment management services as an adviser and a sub-adviser to investment companies registered under the Investment Company Act of 1940 (collectively “Clients”). Perimeter generally provides fully discretionary investment management services to its Clients. Clients may impose reasonable investing restrictions through their account investment guidelines. Perimeter will work closely with Clients to accommodate various needs and requests.

As of December 31, 2012 Perimeter managed approximately \$765 million on a discretionary basis on behalf of 24 clients and \$124 million on behalf of one non-discretionary client.

#### **Item 5- Fees and Compensation**

Perimeter generally charges Clients a fixed percentage fee based on assets under management according to the following schedules:

##### **Small Cap Growth**

1.00% per annum for the first \$25 million in a Client's account; (ii) 0.90% per annum for any amount more than \$25 million but less than \$100 million in a Client's account; and (iii) 0.80% per annum for any amount more than \$100 million in a Client's account.

##### **Extended Small Cap Growth**

0.90% per annum for the first \$25 million in a Client's account; (ii) 0.80% per annum for any amount more than \$25 million but less than \$100 million in a Client's account; and (iii) 0.70% per annum for any amount more than \$100 million in a Client's account.

##### **Small Cap Value**

1.00% per annum for the first \$25 million in a Client's account; (ii) 0.90% per annum for any amount more than \$25 million but less than \$100 million in a Client's account; and (iii) 0.80% per annum for any amount more than \$100 million in a Client's account

Fees are assessed against all assets in a Client's account. Perimeter reserves the right to adjust this fee schedule for Client accounts depending on the size and type of account, and the services required to be rendered. In some cases, the negotiation of fees may result in different fees being charged for similar services and may be less than the above-stated fee schedule. Should assets fall below a tier minimum due to investment loss, the annual fee would remain at the lower rate previously established.

Perimeter reserves the right to offer preferential fee structures to early investors in certain products we may have available.

Perimeter provides invoices to Clients for their investment management fees. The basic annual fee is typically payable in arrears on a quarterly basis. Such fee is payable as of the last day of the calendar quarter and is based on the market value of the assets under management as of that day. The fee is typically prorated for contributions and

withdrawals during the quarter. Pursuant to a Client's investment advisory agreement, the fee may be debited directly from the Client's brokerage/custodial account.

Perimeter's investment management fees are exclusive of brokerage commissions and other trading related costs that may be incurred. See Item 12 Brokerage Practices for additional information. Clients will also incur fees charged by the custodian of their assets that are separate from any fees charged by Perimeter.

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

In certain instances Perimeter may enter into performance-based fee arrangements with qualified clients. The terms of any such arrangements are based upon a negotiated agreement with the client. Performance based fee arrangements may create an incentive for Perimeter to favor accounts paying a higher fee in the allocation of profitable trades in an unfair manner. Perimeter mitigates this potential conflict through its policies, procedures and trading strategies which are designed to treat all clients fair and equally. See Item 12 Brokerage Practices for additional information. Employees are not compensated on the performance of individual accounts thus no incentive exists for them to favor a performance based fee account over other accounts.

### **Item 7- Types of Clients**

Perimeter primarily provides customized investment management services to investment companies, associated trusts, estates, charitable organizations, pension and profit sharing plans, and corporations or business entities.

Perimeter requires separately managed accounts to have a minimum account balance of \$10,000,000. However, this amount may be waived from time to time at Perimeter's discretion.

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

Each of Perimeter's client mandates employs the use of a specific strategy, such as "small cap growth," whereby Perimeter follows an investment process (outlined below for each of the firm's strategies) to select securities deemed to have potential for outperformance versus a strategy's appropriate benchmark.

Perimeter believes that investing in small, publicly traded companies can offer tremendous potential for growth and appreciation; however, history has also shown that investments in these small cap companies can experience greater volatility. Therefore, we believe a thoughtfully constructed, diversified portfolio of small cap stocks can minimize the risk and volatility inherent to small cap investing and can do so without sacrificing the upside potential that makes small cap investing so attractive.

For each of the following investment strategies and risks described, it should be noted that investing in securities involves a risk of loss that clients should be prepared to bear.

Certain investments may be considered to be higher risk than others due to such factors as individual security trading liquidity, as an example, and are further outlined below.

#### Small Cap Growth & Extended Small Cap Growth:

The following outlines the multi-step investment process for Perimeter's Small Cap Growth & Extended Small Cap Growth portfolios:

I. Initial Screening & Ranking: Perimeter screens companies based on a combination of the following metrics - market capitalization, minimum liquidity levels and debt-to-capital ratios. Perimeter seeks to focus on small cap stocks with sufficient trading liquidity that exhibit strong financial characteristics (e.g. not too much debt). These companies are then quantitatively ranked based on earnings strength, earnings momentum, relative price strength and valuation.

II. Senior Team Review: The portfolio management team next focuses on the top ranked companies for potential new idea candidates, prioritizing the most attractive stocks. The team uses a process of elimination to exclude securities that have slowing earnings growth, a weak profitability profile or a weak balance sheet (negative book value, significant goodwill assets, etc).

III. Fundamental Research: Perimeter considers fundamental analysis to be the critical element of our stock selection process. Fundamental analysis is also the key determinant of the sustainability of earnings trends. A multitude of elements are included in this analysis such as earnings trends, earnings quality, profitability momentum, business fundamentals, valuation, and intangibles analysis.

The final part of our formal research process is to determine the important data points that will drive earnings and, ultimately, a stock's price appreciation. It is our goal to concentrate on the important and relevant data points and not get lost in superfluous minutia.

Equity security selection is made by the portfolio management team after careful evaluation of an analyst's written assessments together with the results of his/her fundamental analysis. Subsequent to the research report, extensive dialog will occur before a buy decision is reached. This type of interaction amongst the team occurs on a daily basis. The ultimate goal of Perimeter's Small Cap Growth and Extended Small Cap Growth strategies is to maintain a portfolio of small/small-mid cap stocks that have the best combination of earnings growth and fundamental characteristics.

#### Small Cap Value:

The following outlines the following multi-step investment process for Perimeter's Small Cap Value portfolios:

The majority of Perimeter's new ideas are generated from the team's proprietary screens and models. Publicly traded U.S. common stocks and ADRs are screened for minimum/maximum market capitalizations and minimum trading liquidity levels. To

further narrow the investable universe, the team employs a series of proprietary screens and models. Stocks need only meet one (1) of the following screens to move onto the next step in the process: Price-to-Book, Intrinsic Value, LBO, Free Cash Flow/ROIC/Revenue Growth, Price Volatility and Insider Buying. We view this step as a dynamic process and, as such, do not assign any weighting scheme to the screens. In addition, the team will also consider stocks not necessarily found via the screens since they understand value can be manifested in many different ways.

Members of the investment team then focus the bulk of their time conducting fundamental research, specifically assessing a company's ability to improve one or more of the following growth and profitability metrics: margin structure, growth trajectory, return on invested capital profile and/or capital structure.

With regard to valuation, the team employs proprietary templates and models to help determine what investors are paying for the company today. Valuation multiples such as price-to-book, enterprise value-to-free cash flow, enterprise value-to-EBITDA, price-to-earnings, etc. are evaluated. Intrinsic value is also considered (e.g. discounted cash flow, CSFB HOLT reports).

In managing the portfolio, we believe fundamentals trump valuation. However, we constantly assess the above metrics in order to determine the risk/reward for a particular security and whether it is appropriate for purchase, sale, add or trim. The goal of the Small Cap Value strategy is to construct a diverse portfolio of companies generally exhibiting a combination of the following characteristics: improving business fundamentals, higher return on invested capital, higher free cash flow, attractive valuation and/or higher growth prospects.

### **Risk of Loss**

Before deciding whether to invest in any of the above outlined strategies, prospective investors should carefully consider the risk factors associated with investing, which may cause investors to lose money.

Perimeter primarily purchases equity securities in the form of common stocks of small/small-mid capitalizations. A portfolio of these smaller capitalization stocks is subject to the risk of a sudden decline in the market value of a security, or by an overall decline in the stock market over short or extended periods of time. Market risk may affect a single issuer, industry, sector of the economy or the market as a whole. The value of the equity securities held may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held may participate, or factors relating to specific companies in which the Fund invests.

Further, small/small-mid capitalization stocks may underperform other segments of the equity market or the equity market as a whole since smaller companies may be more vulnerable to adverse business or economic events than larger, more established companies. Since equity securities of smaller companies may lack sufficient market liquidity and may not be regularly traded, it may be difficult or impossible to sell securities at an advantageous time or a desirable price.

**Item 9- Disciplinary Information**

Perimeter and its employees have not been involved in any legal or disciplinary events that would be considered material to a client's evaluation of the company or its personnel.

**Item 10- Other Financial Industry Activities and Affiliations****Investment Companies and Other Pooled Investment Vehicles**

Perimeter serves as investment adviser to no-load mutual fund portfolios within The RBB Fund, Inc. and Investment Manager Series Trust, neither of which is affiliated with Perimeter. Perimeter may also act as sub-adviser to portfolios and/or mutual funds offered by other non-affiliated investment companies. Investment strategies for those funds are identical or similar to the strategies employed by Perimeter for its Clients. In some situations, the funds may be viewed as an economical alternative to individually managed separate accounts.

**Other Investment Advisers**

Perimeter is affiliated with Perimeter Concourse Capital, LLC ("Concourse"), a registered investment adviser and general partner to the Concourse Capital Partners, L.P. Fund, a long/short global equity private fund. Concourse is registered with the SEC as an Exempt Reporting Adviser. Additional information regarding Concourse is available on the SEC website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Perimeter and Concourse operate in the same office facilities and share certain back office staff and administrative personnel. All employees of Concourse have adopted Perimeter's Compliance Program and Code of Ethics.

Perimeter seeks to manage potential conflicts of interest as described above with regard to trade allocations (where applicable) and personal trading. In addition, Perimeter and Concourse may occasionally have opposing views on the same securities, markets or investment instruments. As such, it is possible that Perimeter recommends or has recommended the purchase of a security (long) in which Concourse has recommended a short position or implemented an investment strategy expressing an opposing outlook for the same or similar securities. The portfolio managers of Perimeter and Concourse have discretion to independently implement portfolio recommendations. The Company monitors instances where opposing positions have been implemented to ensure that clients are not unduly disadvantaged by such opposing positions.

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

At times Perimeter's employees may buy or sell securities for their own account which are also recommended to its Clients. To avoid any potential conflicts of interest involving personal trades, Perimeter requires all employees to strictly comply with the Code. Perimeter's Code of Ethics requires, among other things, that employees:

- Act within an ethical manner with the public, Clients, prospective Clients and investors;
- Place the interests of Clients above their own personal interests;
- Not take inappropriate advantage of their position;
- Avoid actual or potential material conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Uphold the rules governing, capital markets;
- Comply with applicable provisions of the federal securities laws.

Perimeter's Code of Ethics also requires employee to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide Perimeter with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employee have a direct or indirect beneficial interest.

A copy of Perimeter's full Code of Ethics is available upon request.

### **Item 12- Brokerage Practices**

Although Perimeter seeks competitive brokerage arrangements, Clients will not necessarily pay the lowest brokerage rates available. The compensation paid to any one broker-dealer may be greater than the amount charged by another firm for executing the same transactions if Perimeter determines in good faith that such compensation is reasonable in relation to the value of the brokerage and research services provided. Selecting brokers on the basis of considerations which are not limited to commission rates may result in higher transaction costs.

Perimeter seeks to allocate investment opportunities among Clients in a fair and equitable manner taking into account Clients' best interests. Perimeter's investment personnel routinely review investment allocations to ensure that allocations do not unduly favor any one Client or group of Clients. Perimeter manages numerous accounts that have investment objectives that are substantially similar. Accounts that have substantially similar investment objectives generally do not have identical investment portfolios due to the dynamic nature of capital markets and/or Perimeter's portfolio management implementation processes. Differing investment portfolios can be expected to result from several factors including, but not limit to: regulatory constraints that apply to certain accounts but not to others; investment constraints imposed by Clients; the amount of cash available for investment at various times; rapidly moving markets; different weightings between accounts based on the portfolio manager's professional judgment and discretion. In addition, there may be circumstances that warrant one account to sell a security, while another account to purchase the same security, on the same day. As a result of such factors, among others, performance results between



managed accounts differ even though such accounts have identical or substantially similar investment objectives.

On occasion, a Client may direct Perimeter to execute securities transactions for their account through a specific broker-dealer. This instruction shall be construed as a “directed brokerage arrangement.” In such circumstances, the Client is responsible for negotiating the terms of the directed brokerage arrangement. Perimeter will not seek better execution services or prices from other broker-dealers and may not be able to aggregate the Client’s transactions with orders for other Client accounts for execution through other broker-dealers. As a result, Clients may or may not pay materially disparate commissions, greater spreads or other transactions costs, or receive less favorable net prices on transactions than would otherwise be the case.

In order to facilitate directed brokerage arrangements, Perimeter may elect to conduct “step-out” trades. In such cases, Perimeter will instruct the executing broker dealer to allocate a portion of an intended transaction to a second broker-dealer. Each broker-dealer would receive a commission or brokerage fee with respect to their designated portion of the transaction.

Orders for the same security entered on behalf of more than one Client will generally be aggregated if the aggregation is in the best interests of all participating Clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Filled orders may be allocated separately from subsequent orders or in instances where the market price of the security has not materially changed, subsequent orders may be aggregated with filled orders. Clients participating in an aggregated order shall receive the average price and pay a pro rata portion of commissions subject to any applicable broker dealer minimum ticket charges.

Trade orders are created and electronically pre-allocated on a pro rata basis in the order management system. The allocation of securities across Client accounts will be based on various factors including: account size, diversification, cash availability, as well as round lot considerations, where appropriate. If an order is partially filled, the allocation shall be made in the best interests of all the Clients participating in the order, taking into account all relevant factors including, but not limited to, the size of each Client’s allocation, each Client’s liquidity needs, and previous allocations. Perimeter may purchase certain securities for some accounts and not for others. Perimeter uses its professional judgment and discretion to manage all portfolios in a manner that it feels best suits the Client’s objectives and risk tolerances. Whenever a pro rata allocation may not be reasonable (such as Clients receiving odd lots or de minimis amounts), the individual placing the order may reallocate the order on a random basis.

Broker dealers provide Perimeter with research products or services that fall within the “safe harbor” established by Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) permits the use of soft dollars to obtain brokerage and research services that provide lawful and appropriate assistance to an adviser with its investment decisions. Soft dollar arrangements are generally understood to be situations in which

products or services other than the mere execution of securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of client brokerage transactions by the investment adviser to such broker-dealer. Soft dollars are the portion of brokerage commissions that exceed the lowest rate available from that broker-dealer for basic execution services. Payment of this excess amount is frequently referred to as “paying up.”

If a research product or service received from a broker dealer under a soft dollar arrangement has both, a research and non-research use, Perimeter will pay for the non-research portion. The allocation of the cost of the product or service will be made according to the component that provides assistance to Perimeter in its investment decision-making. The allocation of cost will generally be made based on the percentage of time devoted to Perimeter’s use of the product for research or non-research applications.

Investment research and brokerage services received through soft dollar arrangements may be used by Perimeter in servicing various Clients. Not all such services will benefit all Clients. Relationships with broker-dealers providing soft dollar services to Perimeter may influence Perimeter’s judgment in allocating brokerage business, and may create a conflict of interest in using the services of such broker-dealers to execute securities transactions for Clients. Selecting broker-dealers on the basis of considerations other than applicable commissions may at times result in higher transaction costs than would otherwise be the case. Perimeter derives substantial direct and indirect benefit from these services, particularly to the extent soft dollars are used to pay expenses which Perimeter would otherwise pay.

#### **Item 13- Review of Accounts**

Generally, accounts are reviewed on a continuous basis by the lead portfolio manager assigned to the account. These reviews include monitoring and analyzing securities positions, cash levels, and total portfolio performance. In addition, Perimeter has designated professionals responsible for conducting periodic reviews of Client portfolios. Each client account is reviewed for compliance with account investment objectives, guidelines, restrictions and adherence to other items outlined in the Client’s investment advisory agreement and investment policy statement.

Clients are provided with at least quarterly appraisals that include cost basis and current market values. An accompanying letter summarizes Perimeter’s investment performance results and a brief discussion of the market environment.

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

Other than the previously described products and services that Perimeter receives from a broker, Perimeter does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

Perimeter does not directly or indirectly compensate any person for client referrals.

**Item 15- Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks. Clients should receive at least quarterly statements from the broker/dealer, bank or other qualified custodian maintaining their assets. Perimeter urges Clients to carefully review and consider those statements to be the official custodial record. Quarterly Client updates that we provide may differ and should be considered supplemental information to the custodial statements.

**Item 16- Investment Discretion**

Perimeter has discretionary authority to determine which securities or instruments to buy or sell, the total amount of securities or instruments to buy or sell, the executing broker or dealer for a transaction and the commission rates or commission equivalents paid for transactions.

**Item 17- Voting Client Securities**

Perimeter shall vote Client proxies in a way that it believes will cause securities to increase the most, or decline the least, in value in order to maximize shareholder value. Consideration will be given to both the short- and long-term implications of the proposal to be voted on. Perimeter has retained Glass, Lewis & Co. to assist in the due diligence process related to proxy decisions. Perimeter votes all proxies for the Perimeter mutual funds for which it serves as investment adviser.

Perimeter's complete proxy voting policy and procedures are memorialized in writing and available to Clients upon request. In addition, Perimeter maintains a record of all proxy votes cast on behalf of Clients, which is also available to Clients upon request.

Perimeter will not advise or take action on behalf of a Client in any legal proceedings, including bankruptcies or class actions, involving securities held in, or formerly held in, Client's accounts. Perimeter will, on a best efforts basis, provide Clients with information we may receive relating to class actions including transactional information that may helpful to the Client should he or she choose to file.

**Item 18- Financial Information**

Perimeter is not aware of any financial condition that is expected to affect its ability to manage client accounts.