

## Part 2A of Form ADV: Firm Brochure

### Item 1 - Cover Page

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The date of this brochure is ~~March 25,~~[October 4,](#) 2019.

**This brochure provides information about the qualifications and business practices of Trinnacle Capital Management LLC. If you have any questions about the contents of this brochure, please contact Eric A. Kohlmann at [eric@trinnaclecapital.com](mailto:eric@trinnaclecapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

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

**Item 2 - Material Changes**

~~This is the first annual update of our brochure.~~ There are no material changes to our brochure that we are required to report since ~~our initial brochure, dated March 22, 2018,~~ or since the last ~~other than~~ annual update of our brochure dated ~~May 3, 2018.~~ March 25, 2019.

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**Item 4 - Advisory Business**

Trinnacle Capital Management LLC (“Trinnacle,” “we,” “us” or “our”) is a Delaware limited liability company that was formed in August 2015. We are principally owned by Eric A. Kohlmann and Joel N. Bloch.

We (i) currently manage Trinnacle Fund, LP (the “Onshore Fund”), Trinnacle Fund, Ltd. (the “Offshore Fund,” and together with the Onshore Fund, the “Feeder Funds”) and Trinnacle Master Fund, LP (the “Master Fund,” and together with the Feeder Funds, the “Funds”), (ii) currently subadvise a private investment fund managed by a third-party investment manager, and (iii) may in the future provide investment advisory services to one or more separately managed accounts (“SMAs”) and/or other private investment funds (collectively, “clients”).

Trinnacle LLC is the general partner of the Onshore Fund and the Master Fund (the “General Partner”). Trinnacle Capital Advisors LLC (“Trinnacle Capital Advisors”) provides certain services to Trinnacle as described in Item 10. Like Trinnacle, the General Partner and Trinnacle Capital Advisors are principally owned by Mr. Kohlmann and Mr. Bloch. Each of the General Partner and Trinnacle Capital Advisors is a “relying adviser,” as defined in the Glossary to Form ADV, with respect to Trinnacle. Unless and only to the extent that the context otherwise requires, references to “Trinnacle,” “we,” “us” and “our” herein are deemed to include references to the General Partner and Trinnacle Capital Advisors.

We generally invest on behalf of our clients primarily in U.S. equities and focus on three distinct approaches: (1) engaging in opportunistic trades by responding to short-term market signals, (2) trading in response to various public company events, such as earnings announcements, as well as around other events on the financial calendar, and (3) pursuing a long-term trading strategy based on economic trends and sentiments across various asset classes. Across these approaches, we are focused on gaining insights through innovative data-sets that are designed to allow us to predict market movements and enter opportunistic trades for such cases.

Under certain circumstances, we may contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. We negotiate such arrangements on a case-by-case basis. The Funds are governed by the investment restrictions and guidelines contained in their respective governing and offering documents (collectively, “Memorandum”). We generally will not permit investors in a Fund to impose limitations on the investment activities described in the Memorandum for the Fund. Information about the Funds, including information about investment strategies, fees, expenses, risks and other material information, is contained in each Fund’s Memorandum. (*See Item 16 “Investment Discretion” below.*)

We do not participate in wrap fee programs.

As of March 1, 2019, we managed approximately \$25.5 million in regulatory assets under management for the Funds on a discretionary basis. We currently do not manage any assets on a non-discretionary basis.

**Item 5 - Fees and Compensation**

The extent to and specific manner in which we charge management fees, performance-based compensation and expenses are set forth in each client's written agreement with us (and, with respect to each Fund, in the Memorandum).

Generally, we are paid management fees quarterly in advance. We typically receive performance-based fees or allocations on an annual basis in arrears and upon redemptions by investors in the Funds. Management fees are generally pro-rated for partial periods. We normally have authority to deduct our management from client accounts.

Generally, the Feeder Funds are currently obligated to pay, or reimburse Trinnacle or its affiliates for advancing, the Feeder Funds' operating expenses, including, but not limited to, expenses related to investment transactions and positions for the Funds' account, including brokerage commissions and custody charges, clearing and settlement charges, interest and commitment fees on loans and debit balances, and costs of borrowing securities to be sold short (see Item 12 "*Brokerage Practices*" below); third-party operations, accounting and portfolio and trading-related software and system costs; research and market data fees, expenses and materials (including subscriptions to online news and quotation services and print publications, computer hardware, data feed for portfolio securities, data and software used for research (and any exchange fees related thereto), Bloomberg services and terminal, and travel expenses (including transportation, lodging and meals) relating to investment research, due diligence and execution); fees and expenses incurred in connection with the Funds' risk management systems and processes (including software); costs of any outside appraisers, accountants, auditors, attorneys, independent pricing services or other experts or consultants engaged by Trinnacle, the General Partner and/or the Master Fund to serve the needs of the Funds; fees of the Offshore Fund's independent directors; fees and expenses of the Funds' administrator (such as portfolio and investor accounting, middle office, tax and financial reporting and investor servicing costs); costs and expenses in connection with communications to investors, including preparation and distribution to investors of marketing and reporting materials; bank charges; costs of insuring against risks to the Funds' assets; all legal fees and costs, including legal expenses arising in connection with the Funds' investing activities; legal expenses relating to the formation and organization of the Funds and legal expenses and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against the Funds, Trinnacle and/or the General Partner regarding the affairs of the Funds; the Funds', the General Partner's and Trinnacle's costs and expenses relating to regulatory and statutory filings and reporting (such as any filings or reporting with respect to the Foreign Account Tax Compliance Act ("FATCA") provisions of the United States Hiring Incentives to Restore Employment Act of 2010, Cayman Islands regulations to give effect to the automatic exchange of financial account information standard (*i.e.*, the Common Reporting Standard) published by the Organisation for Economic Co-operation and Development together with certain regulations related to FATCA as more fully set forth in the Memorandum, Form D, Form PF and blue sky); fees and expenses incurred in connection with the compliance by the Funds (or by Trinnacle and/or the General Partner in relation to advising the Funds) with applicable laws, rules, regulations and procedures

(including the cost of any outside compliance consultants, but excluding the preparation of Trinnacle's Form ADV); any taxes applicable to the Feeder Funds on account of their operations and/or investments (including the cost of professional advice relating thereto), including any withholding or transfer taxes; administrative costs, including portfolio and investor accounting, tax and investor servicing costs; valuation costs and the costs of the audit of the Funds' annual financial statements; expenses related to the offering of the shares and interests in the Funds; and other similar fees and expenses. In addition, the Feeder Funds will bear their pro rata shares of the Master Fund's operating expenses. Trinnacle and/or the General Partner may, in their discretion, waive their right to be reimbursed for any of the foregoing expenses for any period of time.

The Feeder Funds will also be responsible for their (and their pro rata share of the Master Fund's) organizational fees and expenses (including the costs of preparing the Memorandum, and the articles of association and limited partnership agreement of the Master Fund).

The Feeder Funds and/or the Master Fund may purchase and maintain (or reimburse Trinnacle and/or the General Partner for purchasing or maintaining) directors' and officers' and errors and omissions insurance on behalf of the Feeder Funds, the Master Fund, the General Partner, Trinnacle, their principals, officers, employees, partners, directors, members, affiliates or agents of any of the foregoing.

Trinnacle and/or the General Partner may, in their discretion, waive their right to be reimbursed for any of the foregoing expenses for any period of time.

Except as provided above, Trinnacle and the General Partner will bear their own operating, rent and similar overhead expenses, in addition to the salaries and benefits of their employees.

The General Partner or Trinnacle, in their discretion, may allocate Fund expenses between or among the Funds' general accounts and any special memorandum accounts or between or among different classes and/or series of interests or shares based on the portion of such expenses that are reasonably attributable to such accounts or classes and/or series of interests or shares.

To the extent any expenses are advanced by Trinnacle on behalf of the Funds, such expenses will be promptly reimbursed. In addition, to the extent any expenses are incurred by Trinnacle or the General Partner on behalf of a Fund and one or more other investment vehicles or accounts managed by Trinnacle, the General Partner or one of their respective affiliates, Trinnacle or the General Partner, as applicable, will allocate such expenses in a reasonable manner among such Fund and such other investment vehicles and/or accounts.

We may allocate a portion of certain clients' capital to money market funds, exchange-traded funds or similar fee-bearing products or private investment funds and accounts that are managed by other investment managers. In addition to the fees and expenses discussed above, a client will indirectly incur similar fees and expenses if we invest such client's capital in such products, as these products in turn pay similar fees to

their investment managers and other service providers.

Management fees and performance-based compensation may be reduced or waived in certain circumstances.

Clients other than the Funds may have management fee, performance-based compensation and/or expense arrangements that differ in one or more respects from those applicable to the Funds, and will be subject to the terms of their applicable client agreement.

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

Generally, we receive annual performance-based fees or allocations from the client accounts that we manage, which are based on a percentage of the capital appreciation of client assets. Performance-based compensation with respect to clients will conform to Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), to the extent required.

The terms of performance-based compensation may differ between the various client accounts that we advise. This may result in a conflict of interest when we allocate opportunities among these accounts because we will have an incentive to favor an account that has higher performance-based compensation. To avoid such a conflict of interest, generally we follow documented procedures in allocating opportunities among such accounts, which does not take into account the performance-based compensation to which such accounts are subject.

When we determine that a particular investment opportunity would be desirable for more than one client, we generally seek to allocate such opportunity among such clients in a manner that we deem fair and equitable under the circumstances existing at such time based on a number of factors. See “*Allocation of Investment Opportunities*” under Item 12 for more information.

Our affiliates (including Eric A. Kohlmann ~~and~~, Joel N. Bloch and Stephen E. Gallant) may invest in one or more of our clients. In such case, we may have an incentive to favor the client(s) in which our affiliates have a greater economic interest and/or may have a conflict of interest in allocating investment opportunities among those client accounts and other client accounts. In order to mitigate these potential conflicts, we will generally follow the documented procedures described above.

As management fees and performance-based compensation are based directly on the net asset value of client accounts, we have a conflict of interest in valuing the assets held in the accounts. To the extent that we are responsible for valuing a client’s assets, we will follow our documented valuation policies and, with respect to the Funds, may consult with a third-party administrator as needed in order to mitigate this risk.

Since the amount of fees paid/allocations made to us is dependent in part on the profitability of the applicable client, we may have an incentive to cause a client to make investments that are riskier or more speculative than would be the case if such fees/allocations were not dependent on the client's net asset value and profitability. We recognize that we have a fiduciary duty to our clients, and that we must conduct our business in a manner that enables us to fulfill this fiduciary duty.

Each Trinnacle client and Fund investor is urged to review the investment management agreement or Memorandum applicable to it, in addition to this brochure, for complete information on the specific fees, compensation and expenses associated with its investment.

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

We generally provide investment advice to private investment funds, high net worth individuals, family offices and institutional clients.

Investors in the Funds may at any time include one or more of the following: high net worth individuals, family offices, funds of hedge funds, endowments, foundations, trusts, charitable organizations, pension plans, and corporate or business entities that generally qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended) and "qualified clients" (as defined in Rule 205-3 of the Advisers Act).

The minimum initial investment in the Funds generally is \$1,000,000. We will determine the minimum investment amount (and any other conditions for opening and maintaining an account) for other clients, including SMAs, on a case-by-case basis.

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

Currently, our primary investment strategy includes investing primarily in U.S. equities, and focuses on three distinct approaches: (1) engaging in opportunistic trades by responding to short-term market signals, (2) trading in response to various public company events, such as earnings announcements, as well as around other events on the financial calendar, and (3) pursuing a long-term trading strategy based on economic trends and sentiments across various asset classes. Across these approaches, our strategy is focused on gaining insights through innovative data-sets that are designed to allow us to predict market movements and enter opportunistic trades for such cases.

We consider disciplined risk management and a focus on capital preservation as core aspects of our investment strategy. As part of our risk assessment, we intend to use quantitative methods such as sensitivity analyses and statistical methods, as well as a qualitative sectorial and overall market view. Additionally, we will seek to select investment horizons such that positions are held generally for the time period during which the strategy to which such positions relate remains valid.

We generally expect to invest in a security if we believe that an initial investment can be established within the time horizon associated with any given strategy in light of the

average daily trading volume under normal market conditions. Here, the liquidity of such instruments plays an important role in our approach. The short holding periods that make up a large part of our investment strategy generally provide clients with increased liquidity.

We may invest in various other securities and financial instruments, including, without limitation, fixed income securities, currencies, futures and forward contracts. In addition, we may, but are not obligated to, employ various hedging and other portfolio management techniques utilizing index, single stock and other derivative instruments with the intention of managing risk or for investment purposes.

We may in the future develop and utilize new or different techniques and instruments in managing the client portfolio.

There is no guarantee that the strategies or methods utilized by us will be profitable.

**Investing in securities involves risk of loss that clients and investors should be prepared to bear.**

A brief explanation of the material risks associated with our significant investment strategies and methods of analysis follows. Each Trinnacle client and Fund investor is urged to review the investment management agreement or Memorandum applicable to it for a description of the risks specifically associated with its investment.

*Investment and Trading Risks.* All securities investments risk the loss of capital. We believe that our investment program and research techniques will moderate this risk through a careful selection of securities and other financial instruments. However, no guarantee or representation is made that our investment program will be successful or that our clients will not incur losses. Our investment program may utilize investment and trading techniques including, but not limited to, trading in put and call options and other derivatives, the use of leverage, and short sales, which in practice can, in certain circumstances, increase the adverse impact to which our clients may be subject.

In certain transactions, our clients may not be “hedged” against market fluctuations or, in reorganization or liquidation situations, may not accurately value the assets of the subject company or the degree of legal and regulatory risk associated with investments in the securities of companies in such situations. This can result in losses, even if the proposed transaction is consummated.

We will attempt to assess the foregoing risk factors, and others, in determining the extent of the position we will take in the relevant securities and the price we are willing to pay for such securities. However, such risks cannot be eliminated.

*Business Dependent upon Key Individuals and Individual Judgment.* Our operations are dependent upon Eric A. Kohlmann, our co-founder ~~and Chief Executive Officer, and~~ co-Chief Investment Officer and Chief Operating Officer, Joel N. Bloch, our co-founder ~~and~~ co-Chief Investment Officer and Chief Technology Officer, and Stephen E. Gallant, our Chief Executive Officer. The judgment and discretion of Messrs. Kohlmann ~~and~~



Bloch and Gallant are fundamental to the implementation of our strategies. There can be no assurance that such judgment will be accurate, achieve profits or avoid losses. If ~~either any~~ of Messrs. Kohlmann ~~or~~, Bloch or Gallant were to become unable to directly participate in our management, the consequences may be material and adverse and may lead to the premature termination of our management of client assets.

*Quantitative Trading.* We utilize a proprietary model in seeking to achieve our objectives. The success of our activities depends on, among other things, our ability to adequately build and adjust our model, utilize such model, identify appropriate investment opportunities and to successfully implement our trading strategies. Building quantitative models requires heavy reliance on historical information and past statistical patterns which could prove not predictive of future behavior of financial markets. Adequate utilization of models, identification of opportunities and successful implementation of trading strategies involves a high degree of uncertainty. A reduction in the volatility and pricing inefficiency of markets, as well as other factors, may reduce the number and scope of available investment opportunities and strategies for our clients. If numerous traders employ a similar system, this may impede our ability to execute these trades at attractive prices.

In addition, our decisions are based on our assumptions, assessments and estimates and our personnel, which are subject to error.

In seeking to implement our trading program, we, among other things, generally seeks to monitor the risk of each trading strategy and the correlation of, and among, such strategies. Such determinations are based upon our forecasts and estimates, and on analysis of historical events. These determinations may, for a variety of reasons, fail to accurately predict the risk and correlation of such strategies, because of scarcity of historical data in respect of certain trading strategies, or because future events may not necessarily follow historical norms. Accordingly, there can be no assurance that we will be successful in implementing our trading program, including, without limitation, its risk control goals.

*Concentration of Investments.* Our clients are generally not restricted in the amount of their capital that they may commit to any geographic region, industry, sector or market, and at times a client may hold a relatively large concentration in a particular security, geographic region, industry, sector or market. Losses incurred in those positions could have a material adverse effect on the client's overall financial condition. This is because the value of the client's investment portfolio will be more susceptible to any single occurrence affecting one or more of those issuers, geographic regions, industries, sectors or markets than would be the case with a more diversified investment portfolio.

*Obsolescence Risk.* Our clients are unlikely to be successful unless the assumptions underlying our quantitative model are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trades will not be generated. If and to the extent that the models do not reflect certain factors, and we do not successfully address such omission through testing and evaluation and modify the models accordingly, major losses may result. We

will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. Any modification of the models will generally not be subject to any requirement that clients or investors therein receive notice of the change or that they consent to it. There can be no assurance as to the effects (positive or negative) of any modification on our clients' performance.

*Our Trading Decisions Are Based on Statistical Analysis.* Trading decisions made by us on behalf of our clients are generated systematically, based primarily on statistical, as distinguished from fundamental, analysis.

The profitability of technical analysis depends upon the ability to predict price moves based on statistical and historical trends. However, such a method may fail to identify a profitable price move on which action should be taken and thus establish a position that may result in losses. In addition, historical trends cannot be guaranteed to predict future results.

The calculations that underlie our trading program involve a number of variables that are determined in part by information generated by computer analysis. The use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing price information. Accordingly, no assurance is given that the decisions based on our trading program will produce profits for our clients.

*Risk of Programming and Modeling Errors.* The research and modeling process engaged in by Trinnacle is extremely complex. Although we seek to hire individuals skilled in programming and modeling and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raises the chances that the finished models may contain an error; one or more of such errors could adversely affect our clients' performance.

*Competition; Availability of Investments.* Certain markets in which our clients may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that we will be able to identify or successfully pursue attractive investment opportunities in such environments. There has been significant growth in the number of firms organized to make such investments, which may result in increased competition to our clients in obtaining suitable investments. Competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities or alter the terms on which our clients are able to invest. It may be difficult for our clients to capitalize on investment opportunities or to purchase investments at their initial desired price. There can be no assurance that we will be able to identify or successfully pursue attractive investment opportunities for our clients.

*Special Situations.* Our clients may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment

opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to our clients of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, our clients may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which our clients may invest, there is a potential risk of loss by our clients of their entire investment in such companies.

*Event and Risk Arbitrage.* An event and risk arbitrage position is generally taken after a merger, tender offer, exchange offer or other transaction is announced, at which point the security has generally risen to a significant premium over the market price that prevailed prior to the announcement. The difference between the price paid by a client for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline sharply, usually to a level comparable to or below that which existed prior to the announcement and generally by more than the client's anticipated profit. Further, a client may invest and trade in securities of companies which, although they are not the subject of an announced proposed merger or acquisition, are viewed as potential candidates for such a transaction. Either of these scenarios (non-consummation of an announced deal or non-consummation of an anticipated unannounced deal) can cause clients to suffer a significant loss with respect to any long positions that they had established in the relevant security. Similarly, with respect to any short positions, to the extent such positions have to be covered, clients could be adversely affected. Various events may occur which may result in a transaction not being consummated which could adversely affect client's position.

*Purchase of Distressed Securities, Etc.* Our clients may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy, reorganization or other liquidation proceedings. Although such investments may produce significant returns to our clients, they involve a high degree of risk over a potentially lengthy period of time, and may provide less liquidity than many other investments. Investment in these types of securities requires sophisticated analysis and there can be no assurance that we will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these investments ordinarily remain stagnant until the applicable company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time. Such trades also may be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market price of such securities is subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. At certain times the markets for these securities can become illiquid, and certain of these investments by their nature are illiquid and do not publicly trade. In

trading distressed securities, litigation is sometimes required, which can be time-consuming and expensive, and can frequently lead to unpredictable delays or losses.

Certain types of investments require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by Trinnacle. To the extent that we become involved in such proceedings, our clients may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, our participation in such proceedings may restrict or limit our clients' ability to invest in securities of the subject company.

The profitability of a portion of our investment program depends to a great extent upon correctly assessing the future course of price movements of securities and other investments. There can be no assurance that we will be able to predict accurately these price movements. Although we may attempt to mitigate market risk through, among other strategies, the use of long and short positions, there is always some, and often a significant, degree of market risk.

The Dodd-Frank Act established the Orderly Liquidation Authority (the "OLA"), an insolvency regime for large, interconnected financial companies, including broker-dealers, whose failure poses a significant risk to the financial stability of the United States. Our clients may invest in, or transact with, such large, interconnected financial companies and therefore may face losses if such financial companies are put into receivership and then liquidated or reorganized upon a determination by the U.S. Federal Deposit Insurance Corporation and the board of governors of the U.S. Federal Reserve. If a financial company becomes liquidated or reorganized by the OLA, our clients' investments in such a financial company could be adversely affected. Unlike in bankruptcy proceedings, creditors, shareholders and contract counterparties will not have any input into, or advance notice about, the liquidation or reorganization of the applicable financial company. Many of the procedural rules for the OLA have not yet been written, and it is unclear how financial companies that become subject to liquidation proceedings would be affected.

Equity Securities. Our clients will invest in equity and equity-related securities. 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 political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by our clients.

Small to Medium Capitalization Companies. Our clients may invest a portion of their assets in the stocks of companies with small- to medium-sized market capitalizations. While we believe these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some of such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks. Such companies may also not be covered or

followed by as many financial analysts as companies with larger market capitalizations, and therefore, there may be less information available to Trinnacle with respect to the finances, operations and prospects of such small and mid-cap companies. The lack of such information could lead to riskier investments by our clients.

*Purchasing Securities of Initial Public Offerings.* Our clients may purchase securities of companies during their initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the companies and limited operating histories. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for our clients to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies engaged in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

*Capital Structure Arbitrage.* Our clients may invest based on capital structure arbitrage strategies. The success of any such strategies will depend on our ability to identify and exploit inefficiencies in the pricing of credit risk within a company's or sovereign's capital structure. Identification and exploitation of market opportunities involve uncertainty. There can be no assurance that we will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which our clients seek to invest will reduce the scope for their involvement in these strategies. In the event that the perceived mispricings underlying our clients' positions fail to materialize, these strategies could be unsuccessful or result in losses.

*Fixed Income Securities and Loans.* Our clients may invest in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bank debt, bonds, notes, debentures and commercial paper, as well as derivatives thereon. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which our clients invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities and bank loans can fluctuate in response to perceptions of creditworthiness, foreign exchange rates, political stability or soundness of economic policies.

*Convertible Securities.* Our clients may invest in convertible securities. The market value of convertible securities, as with all fixed income securities, tends to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and, thus, may not decline in price to the same extent as the underlying common stock. If a convertible security held by our clients is called for redemption, such will be required to permit the

issuer to redeem the security, convert it into the underlying stock or sell it to a third party. Any of these actions could have an adverse effect on our ability to achieve our investment objective.

*Foreign Investments.* Our clients may invest in non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the U.S. Such transactions require consideration of certain risks not typically associated with trading in U.S. securities or other instruments. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the U.S. or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the U.S., and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

*Currency Risks.* Since our clients may invest in securities and other instruments denominated or quoted in currencies other than the U.S. Dollar, changes in currency exchange rates will affect the value of our clients' portfolio and the unrealized gains or losses on investments. Further, our clients may incur costs in connection with conversions between various currencies. Foreign currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a client at one rate, while offering a lesser rate of exchange should the client desire immediately to resell that currency to the dealer. Our clients will conduct their currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward contracts to purchase or sell non-U.S. currencies.

*Short Sales.* A short sale involves the sale of a security that a client does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the client must borrow the security and is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the client. When the client makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss to the client. The extent to which our clients will engage in short sales will depend upon our investment strategy and perception of market direction and the value of individual securities. We may engage in short sales on behalf of our clients as a hedge against potential market declines and/or based on our fundamental analysis of the subject issuers.

*Price Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which our clients invest may decline or rise substantially. In particular, purchasing assets at prices that may appear to be “undervalued” is no guarantee that such assets will not be trading at even more “undervalued” levels at the time of valuation or at the time of sale. Similarly, shorting assets at prices that may appear to be “overvalued” is no guarantee that such assets will not be trading at even more “overvalued” levels at the time of valuation or at the time of sale.

*Call Options.* There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

*Put Options.* There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Derivatives Generally.* Derivative instruments, or “derivatives,” include options, swaps, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The Partnership may seek to acquire derivatives for these or other reasons.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to investing in the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives. For

example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose our clients to the possibility of a loss exceeding the original amount invested. Over-the-counter derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for derivatives is relatively illiquid. In the case of over-the-counter derivatives contracts, our clients are subject to the credit risk of the counterparty.

Our clients may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the clients and legally permissible. Special risks may apply to instruments in which our clients invest in the future that cannot be determined at this time or until such instruments are developed or invested in by our clients.

*Forward Trading.* We may engage in forward trading on behalf of our clients. Deliverable forward contracts (including certain foreign exchange contracts) and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Such forward trading is largely unregulated and currently daily price movements are not limited and speculative position limits are not applicable. The principals who deal in such forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration, which could result in substantial losses to our clients.

*Counterparty Risk.* Some of the markets in which our clients may effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets typically are not subject to the same credit evaluation and regulatory oversight as are members of “exchange-based” markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such “over-the-counter” transactions. This exposes our clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing our clients to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where our clients have concentrated their transactions with a single or small group of counterparties. We are not restricted from dealing with any particular counterparty or from concentrating any or all of our clients’ transactions with one counterparty. The ability of our clients to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by our clients.



In addition, our clients could suffer losses if there were a default or bankruptcy by certain third parties, including brokerage firms and banks with which our clients do business, or to which securities have been entrusted for custodial purposes. For example, if one of our clients' primary brokers or custodians were to become insolvent or file for bankruptcy, our clients could suffer significant losses with respect to any securities held by such firm and/or experience significant delays in being able to transact in the securities that are custodied with such primary broker or custodian.

*Higher Expenses.* Our trading program may involve more frequent trading and a greater reliance on technology and data than other investment vehicles pursuing a more traditional trading program. As a result, the trading, technology and data costs and expenses that are borne by our clients may be higher than the costs and expenses incurred by such other investment vehicles.

*Hedging Transactions.* We may utilize financial instruments, both for investment purposes and for risk management purposes, in order (i) to protect against possible changes in the market value of our clients' portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) to protect our clients' unrealized gains in the value of our clients' portfolio; (iii) to facilitate the sale of any such investments; (iv) to enhance or preserve returns, spreads or gains on any investment in our clients' portfolio; (v) to hedge the interest rate or currency exchange rate on any of our clients' liabilities or assets; (vi) to protect against any increase in the price of any securities our clients anticipate purchasing at a later date; or (vii) for any other reason that we deem appropriate.

The success of our hedging strategy will depend, in part, upon our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of our hedging strategy will also be subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While our clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for our clients than if they had not engaged in such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent our clients from achieving the intended hedge or expose our clients to risk of loss. We may not hedge against a particular risk because we do not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because we do not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of our clients' portfolio holdings.

*Leverage and Borrowing Risks.* Our clients have the power to borrow funds and may do so when we deem appropriate, including to enhance our clients returns and satisfy

withdrawal requests that would otherwise result in the premature liquidation of investments. Our clients may borrow funds from brokers, banks and other lenders to finance their investment operations, which borrowings may be secured by assets of the clients. The use of such leverage can, in certain circumstances, maximize the losses to which our clients' investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that asset or our clients are leveraged. The cumulative effect of the use of leverage by our clients in a market that moves adversely to our clients' investments could result in a substantial loss to our clients, which would be greater than if our clients were not leveraged. Leverage may be achieved through, among other methods, direct borrowing, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. The access to capital could be impaired by many factors, including market forces or regulatory changes.

The use of margin and short-term borrowings creates several risks for our clients. If the value of a client's securities falls below the margin level required by a prime broker, additional margin deposits would be required. If the client is unable to satisfy any margin call by a prime broker, then the prime broker could liquidate the client's position in some or all of the financial instruments that are in the client's accounts at the prime broker and cause the client to incur significant losses. Furthermore, secured counterparties and lenders may have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by our clients. This could increase exposure to the risk of a counterparty default since, under such circumstances, our clients may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under our clients' agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of our clients.

The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involves little or no margin deposit and, therefore, will provide substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to our clients.

*Certain Risks Relating to Market Conditions.* The financial markets have exhibited increased volatility at certain times. Events and uncertainty have, from time to time, resulted in vast fluctuations in market prices on a daily basis. In such circumstances, market participants may react quickly to unconfirmed reports or information and as a result there may be drastic unexpected market movements, up or down, in short periods of time. While this may create opportunities to identify undervalued opportunities, it also may make it more difficult than at other times to anticipate or predict future market movements. In such circumstances, certain positions may have to be held for longer periods of time until their value potential can be realized, if at all. Changes in government regulations may impact investment opportunities in ways that are hard to anticipate, and may impose significant limitations on our

investment strategy.

*Herding Risk.* The substantial growth of the hedge fund industry, including funds trading large, highly-leveraged positions of the same nature as those held by other funds, have augmented herding risks. While we typically may not invest in companies that are broadly followed by other funds, such funds may later discover opportunities in the same companies in which our clients have already invested. Whatever the “fair price” of a security or a relationship, its trading price is sometimes radically altered or influenced by the market activity of traders executing parallel trading programs. This factor may provide surprising and sudden losses at unpredictable times, even after long periods of calm. The negative impact of herding is greatest when markets are under stress and traders holding large leveraged positions seek to liquidate or cover positions simultaneously.

*Changes and Uncertainty in U.S. and International Regulation.* Our clients may be adversely affected by uncertainties such as international and domestic political developments, changes in government policies, taxation, currency fluctuations and other developments in the laws and regulations of the countries to which our clients are exposed through their investments or investor base. The tax and regulatory environment for hedge funds is evolving, and changes in the regulation or tax treatment of hedge funds and their investments may adversely affect the value of investments held by our clients, and may impair our ability to pursue our trading strategy. During this period of uncertainty, market participants may react quickly to unconfirmed reports or information and as a result there may be increased market volatility. This unpredictability could cause us to alter investment and trading plans, including the holding period of positions and the nature of instruments used to achieve our investment objective.

In the United States, we and our clients may be adversely affected as a result of new or revised legislation or regulations imposed by the United States Securities and Exchange Commission, the Financial Stability Oversight Council, and other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In addition, the securities and futures markets are subject to comprehensive statutes and regulations including margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and the rules promulgated thereunder could result in us and our clients becoming subject to additional regulatory compliance burdens and trade reporting, which may add significant costs to our clients. The Dodd-Frank Act endows the SEC, the U.S. Commodities Futures Trading Commission (“CFTC”), and other regulators with discretionary authority to write and interpret new rules. The ultimate impact of the Dodd-Frank Act on our clients and us is unclear and will depend in large part on the final regulations and guidance that the CFTC and the SEC promulgate. None of Trinnacle, the General Partner or the Funds undertakes to update investors therein or other clients upon finalization of any such regulations or guidance.

*Operational and Information Security Risk from Cyberattacks.* The clients and their service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting clients, Trinnacle, certain clients' administrator, the clients' brokers, custodians, and other third-party service providers may adversely impact the clients. For instance, cyberattacks may interfere with the processing of investor transactions, impact the ability to calculate clients' net asset value, cause the release of private investor information or other confidential information, impede trading, subject clients and their service providers to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for clients, and may cause clients' investments to lose value. Clients and their service providers may incur additional costs relating to cybersecurity preparations, and such preparations, though taken in good faith, may be inadequate. Cyberattacks are viewed as an emerging risk and the scope of the risk and related mitigation techniques are not yet fully understood and are subject to continuing change.

#### **Item 9 - Disciplinary Information**

There have been no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or the integrity of our management.

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

Trinnacle, the General Partner and Trinnacle Capital Advisors are principally owned by Eric A. Kohlmann and Joel N. Bloch. Messrs. Kohlmann and Bloch also serves as directors of the Offshore Fund. Trinnacle and its management personnel ~~(including Mr. Kohlmann and Mr. Bloch)~~ and employees may have conflicts of interest in allocating their time and activity among, (ii) allocating investments among, and (iii) effecting transactions for, client accounts where Trinnacle or its management personnel, employees or affiliates may have a greater financial interest and other client accounts. As described above in Item 6, Trinnacle does not discriminate on an impermissible basis against one client or group of clients, and has established allocation procedures so that clients are treated fairly on an overall basis.

Currently, Trinnacle Capital Advisors provides certain services (including data analytics, research and programming) exclusively to Trinnacle in connection with Trinnacle's investment strategy, but does not manage or have discretion over any client accounts. Trinnacle Capital Advisors regularly invoices Trinnacle for the costs that it incurs in providing Trinnacle with such services, and may in the future charge Trinnacle a nominal fee for such services.

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

We have adopted a Code of Ethics (the “Code of Ethics”) which provides that we are committed to conducting our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, we recognize that we have a fiduciary duty to our clients, and that we must conduct our business in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, our Code of Ethics governs all personal investment transactions by our employees, our policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of our Code of Ethics are to be reported, and certain other outside activities of our employees. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Subject to applicable law, we may effect transactions between client accounts (generally for rebalancing purposes and to correct misallocations of trades) whereby one client account will purchase securities from or sell securities to another client account (including a private investment fund or account in which Trinnacle, its affiliates, principals or employees may have a significant interest). Such transactions (*i.e.*, cross trades) will be effected only when we believe that such transactions are in the best interest of the applicable clients. Such transactions will be placed through an unaffiliated broker-dealer or custodian, will not involve any accounts subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and will be effected for cash consideration, at prices that reflect prevailing market conditions. In addition, no brokerage commission or transfer fee will be paid to Trinnacle or its affiliates in connection with any such transaction. Any transaction costs incurred in connection with any such transaction will be shared *pro rata* between the applicable clients.

In the event that we effect a cross trade between an account in which we or a principal of Trinnacle owns more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Advisers Act. Such transactions may create a conflict of interest for us because we may put our or our principal’s interests in such accounts before the interests of our clients in the other account. In order to mitigate this conflict of interest, we monitor the interests of our principals, their immediate family members and their affiliates in our client accounts, as well as the interests in such accounts of our employees, and we will not effect any cross trades between accounts if we believe that such trade would result in a principal transaction unless:

- 1) We believe that such transaction is in the best interest of the clients participating in the transaction; and
- 2) We obtain the consent of the applicable clients as required by the Advisers Act.

Employees are generally prohibited from engaging in personal securities transactions, with certain limited exceptions as described in the Code of Ethics. Prohibitions relating to personal trading also generally apply to an employee's immediate family members (including any relative by blood or marriage either living in the employee's household or financially dependent on the employee).

We may buy or sell securities for one client at the same time that we buy or sell the same security for one or more other clients. This will typically happen when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. We will generally aggregate trades, subject to best execution to avoid any such conflict of interest. (*See Item 12 "Aggregation of Orders" below.*)

## **Item 12 - Brokerage Practices**

### Selection of Brokers

We have discretion to determine the broker-dealers and other financial intermediaries to use in effecting transactions for our clients, and the commission rates or mark-ups/mark-downs to be paid for such transactions.

In selecting brokers to effect portfolio transactions for our clients, we consider factors such as, without limitation, execution capability, execution quality, commission rate, financial responsibility and the provision or payment (or the rebate to our clients for payment) of the costs of property or services (*e.g.*, certain custodial services, research services, news and quotation services, certain publications, analytical and trading software, and trading products and services), willingness and ability to commit capital, confidentiality, trading expertise, facilities, reputation and integrity, reliability in keeping records, responsiveness, and with respect to a particular trade, the timing and size of the order, available liquidity and market conditions. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, then our clients may pay commissions to such broker in an amount greater than the amount another broker might charge.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

### Research and Other Soft Dollar Benefits

Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing

client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for us in that such arrangements provide us with a benefit by allowing us to pay expenses with client commissions that would otherwise be borne by us. We may have an incentive to select or recommend a broker based on our interest in receiving such products and services, rather than on our clients' interest in receiving best execution. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits. To the extent that we use soft dollars, we will do so in a manner that is consistent with our duty to seek best execution, and any requirements or limitations concerning our soft dollar usage that may be contained in our written agreements with clients. Currently, we do not have any soft dollar arrangements in place that would commit our clients to any implied or explicit level of trading, but we may in the future.

In the event that we engage in soft dollar transactions, we intend to comply with the safe harbor provisions of Section 28(e) of the Exchange Act. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for our clients, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services (collectively, "Research") provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, databases, reports, surveys regarding companies and industries and quotation services. Research services may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, algorithmic trading software, and invitations to attend conferences or meetings with management or industry consultants. We may in the future acquire other products and services with client brokerage commissions in accordance with our policies and procedures. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, our clients may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers may be used to service all of our clients and not exclusively in connection with the management of such clients that generated the particular soft dollar credits.

Where a product or service obtained with client commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

We execute securities transactions on behalf of our clients with broker-dealers that provide us with access to proprietary research reports (such as standard investment research). To the best of our knowledge, these services are generally made available

to all institutional investors doing business with such broker-dealers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such broker-dealers.

Subject to each client's applicable written agreement with us, we may participate in "client commission arrangements" pursuant to which we may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to us. We exclude from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

#### Services from Prime Brokers

Prime brokers servicing our clients provide us with certain front and back office services, which may include trading, securities lending, clearing, reporting, and settlement for fixed income, swaps, foreign currency and options, among others. Such prime brokers may also provide us with capital introduction, talent recruitment and other services. Our clients will pay fees to the prime brokers in accordance with the fee schedules negotiated with such prime brokers.

#### Brokerage for Client Referrals

Subject to applicable law, we may direct some client brokerage business to brokers who refer prospective investors to the Funds, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to clients, we will have a conflict of interest with our clients when allocating client brokerage business to a broker who has referred investors to a Fund. To prevent client brokerage commissions from being used to pay investor referral fees, we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account.

#### Trade Error Policy

Subject to applicable law and the terms of our written agreements with clients, we will reimburse the applicable client account(s) for net losses that occur as a result of trade errors resulting from our gross negligence or willful misconduct.

We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If an erroneous allocation cannot be corrected prior to or after settlement, we may, if appropriate and subject to applicable law, correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.



### Allocation of Investment Opportunities

We generally allocate investment opportunities so that each security held by the client accounts that we manage is held on a *pari passu* basis. In certain circumstances, we may allocate securities among client accounts on a different basis. In such cases, the factors that we consider in making such determination generally include (but are not limited to): the relative amounts of capital in each client's account available for new positions of the type at issue; the mandate of each client account; our perception of the appropriate risk/reward ratio for each client account; the intended trading strategy of each client account; the liquidity of each client account at the time of investment and thereafter; applicable legal, tax and regulatory considerations; the ability to add positions to an account on a leveraged basis; whether the position is an "odd lot"; whether the position is being added in a "de minimis" amount; the overall portfolio composition of each client account; and/or such other considerations as we believe are relevant at such time.

### Aggregation of Orders

We will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, securities purchased or sold will generally be allocated among client accounts on an average price basis. When an aggregated order is only partially filled, we will allocate the investment opportunity as described in Item 6 above.

We may also aggregate subsequent orders for the same security entered during the same day with any previously filled orders. This determination may take into consideration changes in the market price of the security and differences in allocations among accounts.

Our brokerage practices, including our ability to receive soft dollar benefits or to enter into soft dollar arrangements or similar arrangements, as described above, may differ for certain clients based on the client's applicable written agreement with us.

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

Client portfolios are typically reviewed monthly, and their performance analyzed, by ~~Mr~~Eric A. Kohlmann, ~~the co-Chief Executive~~Investment Officer, Chief Operating Officer and Chief Compliance Officer of Trinnacle, and/or MrJoel N. Bloch, ~~the co-Chief Investment Officer and Chief Technology Officer of Trinnacle, and/or Stephen E. Gallant, the Chief Executive~~ Officer of Trinnacle. Client investments are generally evaluated based on performance, SEC filings, company fundamentals, news and press releases, analyst reports, general market conditions and such other considerations as we deem appropriate.

Within 120 calendar days after the end of each fiscal year (or as soon thereafter as is practicable), we or our affiliate will distribute or cause to be distributed to each Fund investor such investor's closing account balance, as well as audited financial statements of the applicable Fund, including a statement of financial condition. In addition, we or our affiliate will distribute, or cause to be distributed, annual U.S. federal income tax information to each applicable investor who was an investor during such year. The Funds also provide periodic unaudited account statements, no less frequently than quarterly, to investors.

We may enter into agreements ("side letters") with one or more investors that will result in different terms of an investment in a Fund than the terms applicable to other investors in that Fund including, without limitation, with respect to management fees, performance-based fees or allocations, withdrawal terms and/or transparency. As a result of such side letters, certain investors may receive additional rights that other investors will not necessarily receive. Subject to applicable law and contractual arrangements, we do not intend to disclose the terms of side letter agreements or other arrangements and do not intend to disclose the identities of the investors that have entered into such agreements with the Funds or us. We will not be required to offer such additional or different rights and terms to any or all other investors.

We may provide certain additional information to any investor, or prospective investor, in the Feeder Funds who requests such information. This information may be provided in response to questions and requests and in connection with due diligence meetings and other communications, but will not be distributed to other investors and prospective investors who do not request such information. Such information may affect a prospective investor's decision to invest, and investors (which may include our personnel and affiliates) may be able to act on such additional information and redeem their investments potentially at higher values than other investors. Each investor is responsible for asking such questions that it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

We may provide the owners of any SMAs that we may manage with periodic unaudited reports at such times as the owners of such accounts and we agree. The custodians of such accounts normally send account statements to the owners of such accounts on a quarterly basis. In addition, since an SMA client would directly own the positions in its SMA, such client could have full, real-time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the private investment funds managed by us. SMA clients may have the right to withdraw all or a portion of their capital from such accounts on shorter notice and/or with more frequency than the terms applicable to an investment in the private investment funds we manage.

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

We currently compensate third parties for referring investors to the Funds, and in the

future may do the same for SMA client referrals. These referral arrangements will comply, to the extent required, with Rule 206(4)-3 under the Advisers Act. Referral fees generally are comprised of a percentage of the management fees and/or performance-based compensation received by us, although we may agree to a different compensation arrangement with a referring third party on a case-by-case basis.

### **Item 15 - Custody**

Client funds and securities are held in custody by qualified custodians. However, for purposes of Rule 206(4)-2 under the Advisers Act, we may be deemed to have custody of certain client assets. A qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors because annual audited financial statements are delivered to Fund investors pursuant to such rule.

SMA clients will receive account statements from their respective brokers and/or custodians, and are urged to carefully review those statements. To the extent that those clients were to receive any account statements from us (which currently is not expected), they are urged to compare those statements with the statements that they receive from their brokers and/or custodians.

### **Item 16 - Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of our clients. Clients give us this discretionary authority when they enter into a written agreement with us. On a case-by-case basis, clients or investors therein may negotiate certain limitations on our discretionary authority over their accounts.

On a case by case basis, owners of any SMAs that we may manage on a discretionary basis may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such accounts.

### **Item 17 - Voting Client Securities**

We have the authority to vote proxies on behalf of the Funds. We may be delegated the authority to vote proxies for other client accounts to the extent provided in a written agreement with a particular client.

To the extent that we are authorized to vote proxies for a client account, invest in a security for a client account for which a proxy vote may arise and receive timely notice of such proxy from the client's broker under the terms of the applicable brokerage agreement, we will be guided by general fiduciary principles and will seek to treat proxies in a manner intended to enhance the overall economic value of the applicable client's assets. However, depending on the securities in which our clients are invested, we may not frequently vote proxies. For example, we may refrain from voting a client proxy under certain circumstances, including, but not limited to, when (i) the economic effect on shareholder's interests or the value of the portfolio holding

is indeterminable or insignificant; (ii) voting the proxy would unduly impair the investment management process; or (iii) the cost of voting the proxies outweighs the benefits or is otherwise impractical. In addition, we may refrain from voting a proxy on behalf of our clients' accounts due to (1) de minimis holdings; (2) de minimis impact on the portfolio; (3) items relating to non-U.S. issuers (such as those described below); (4) contractual arrangements with clients; and/or (5) their authorized delegates or the failure of a proxy to provide sufficient information to allow for informed decision making. For example, we may refrain from voting a proxy of a non-U.S. issuer due to logistical considerations that may have a detrimental effect on our ability to vote the proxy. These issues may include, but are not limited to: (a) proxy statements and ballots being written in a foreign language; (b) untimely notice of a shareholder meeting; (c) requirements to vote proxies in person; (d) restrictions on non-U.S. person's ability to exercise votes; (e) restrictions on the sale of securities for a period of time in proximity to the shareholder meeting (e.g., share blocking); or (f) requirements to provide local agents with power of attorney to facilitate the voting instructions. Any actual or apparent conflict of interest between our interests and the interests of our clients is resolved in a manner that is consistent with the best interests of clients and in a manner not affected by such actual or apparent conflict of interest.

In the event that we do not accept proxy voting authority over a client's securities, we generally will not accept questions about particular solicitations from such client, who should contact its custodian to coordinate receipt of proxies and other solicitations directly from the custodian.

To the extent that we have discretion to participate in class action lawsuits filed against companies or issuers in which our clients are invested, we may participate in such class action lawsuit if we believe that such participation is in the best interest of our clients on a case-by-case basis.

We currently do not permit clients to direct our vote in a particular solicitation.

A client may obtain a copy of our proxy voting policy and information about how we voted the client's securities by contacting us at the address set forth on the cover page of this brochure.

#### **Item 18 - Financial Information**

Currently, there is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

#### **Item 19 - Requirements for State-Registered Advisers**

*Not applicable.*

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