

Toronado Partners LLC
Part 2A of Form ADV

44 Montgomery Street, Suite 1200
San Francisco, CA 94104

March 2024

This brochure ("*Brochure*") provides information about the qualifications and business practices of Toronado Partners, LLC ("*Toronado*") CRD# 283612. If you have any questions about the contents of this Brochure, please contact us at 415-969-8681 or email mclifford@toronadocap.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("*SEC*") or by any state securities authority.

Registration as an investment adviser does not imply any particular level of skill or training in the investment advisory business.

Additional information about Toronado is also available on the SEC's website at www.adviserinfo.sec.gov.

This brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities or interests in any of the entities described in this brochure. Any such offer or solicitation will be made solely to qualified investors by means of the Governing Documents of a Fund or by means of a managed account investment agreement and related documentation.

Item 2: Material Changes

This ADV Part 2A, dated March 2024, serves as an update to Toronado's last annual update filed in March 2023. No material changes have been made to this brochure since the last annual update. However, this brochure does contain routine annual updates and certain clarifying changes. As such, current and prospective investors are encouraged to review this brochure carefully and in its entirety.

Item 3: Table of Contents

Item 2: Material Changes	2
Item 3: Table of contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	5
Item 6: Performance-Based Fees and Side-By-Side Management.....	7
Item 7: Types of Clients.....	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9: Disciplinary Information.....	15
Item 10: Other Financial Industry Activities and Affiliations	15
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	16
Item 12: Brokerage Practices	17
Item 13: Review of Accounts.....	21
Item 14: Client Referrals and Other Compensation	21
Item 15: Custody.....	21
Item 16: Investment Discretion	22
Item 17: Voting Client Securities.....	23
Item 18: Financial Information	23

Item 4: Advisory Business

Toronado Partners, LLC (“**Toronado**” or the “Investment Adviser”), a California limited liability company, was formed in March 2016 as an investment firm with a long/short equity technology focus. Toronado’s principal place of business is in San Francisco, California. Toronado Capital Management, LLC (the “**General Partner**”), a Delaware limited liability company under common control with Toronado, serves as the Master Fund’s (defined below) general partner.

Toronado provides investment advisory services on a discretionary basis to pooled investment vehicles organized in a “mini master-feeder” structure. Toronado currently provides advisory services to Toronado Fund, L.P., a Delaware limited partnership (the “**Master Fund**”) and Toronado Offshore Fund, Ltd., a Cayman Islands exempted company (the “**Offshore Fund**”) and collectively, the “**Funds**”), each of which is a private investment fund offered to financially sophisticated individuals and institutional investors.

Toronado also provides investment advisory services to an institutional client as Trading Manager to a pooled investment vehicle (the “**SMA**” and collectively with the Funds the “**Clients**”). Managing the SMA creates conflicts of interest in that we may have an incentive to favor a specific Fund or SMA to the detriment of others due to factors such as differing fee structures. The specific terms applicable to our SMA, including fees, redemption rights, and investment restrictions, are set forth in the Trading Management Agreement and may differ from those applicable to the Funds or other separately managed accounts that we may service in the future. Please refer to Item 10 for additional information regarding the conflicts of interest presented by such arrangements.

The principal owner of the business is John Stephen Perkins. Toronado currently employs five full-time employees.

Toronado manages the accounts of the Clients in accordance with each Client’s strategies, restrictions and guidelines.

Toronado has complete discretion over investment decisions for the Funds, and investors have no authority to change a Fund’s investment objectives or limitations. Investors in the Funds have no right to remove or replace Toronado. Information about each Fund can be found in the relevant offering documents, which consists of the Confidential Explanatory Memorandum for the Offshore Fund or the Confidential Private Placement Memorandum and Limited Partnership Agreement for the Master Fund (collectively the “**Fund Governing Documents**”).

Toronado acts as trading manager to the SMA, and has discretion over investment and trading decisions, per the terms of the Trading Manager Agreement (collectively with the Fund Governing Documents the “**Governing Documents**”). The SMA is managed according to a strategy that has similarities to those of our Funds but it invests long-only (it does not short securities) and is subject to express investment restrictions and other special terms that are different than or do not apply to our Funds. These special terms are subject to negotiation on a client-by-client basis.

Please refer to Item 8 of this brochure for additional information regarding our investment strategies and their associated risks. The information provided above merely summarizes the detailed information provided in the appropriate Client Governing Documents. Prospective investors should be aware of additional risks and requirements associated with any investment

and should refer to the Governing Documents for important additional information and considerations.

Tornado does not participate in wrap fee programs.

As of December 31, 2023, Tornado had \$378,846,879 in regulatory assets under management.

As of December 31, 2023, Tornado had total net assets under management of approximately \$222,334,428. This number differs from Tornado's "regulatory assets under management" reported above and on Form ADV Part 1 because it reflects the net value of the assets under management. "Regulatory assets under management" is a gross assets measurement adopted by the SEC that does not allow for the deduction of liabilities associated with borrowing securities to affect a short sale and other accrued but unpaid liabilities.

Tornado does not provide non-discretionary investment advice.

Item 5: Fees and Compensation

It is critical that prospective investors refer to the relevant Fund or SMA's Governing Documents for a complete understanding of fees and expenses they pay to Tornado. The information contained herein is a summary only and is qualified in its entirety by such documents.

The Funds

Management Fee. The Funds pay an asset-based management fee (the "**Management Fee**") to Tornado quarterly in advance. The Management Fee is generally equal to 1.5% per annum of the value of the Funds' net assets under management.

Performance Compensation. In addition, the General Partner is entitled to a special allocation of net profits experienced by the investors in the Funds, (the "**Special Profit Allocation**"). The Special Profit Allocation is generally calculated and paid annually on December 31st, generally in an amount equal to 20% of the net profits (realized and unrealized), if any, from the performance of the Funds. A Special Profit Allocation is also calculated and allocated upon an investor's withdrawal or redemption from a Fund, but only on the amount withdrawn or redeemed. Payment of the Special Profit Allocation is subject to a "high water mark:" paid only after losses, if any, have been recovered.

As a general matter, Tornado has the discretion to alter, reduce or waive the Management Fee or Special Profit Allocation (collectively the "**Fund Fees**") and arrangements with particular investors may vary. Tornado has reduced or waived the Fund Fees for certain early investors and its employees, and has provided discounted fees through side letter agreements for investors making large contributions or those committing to a longer lock-up period.

Tornado deducts Management Fees quarterly, on the first day of the quarter, from the Fund's assets, and Special Profit Allocations annually, on the last day of the year, and when investors withdraw. Fund investors do not have the ability to choose to be billed directly for fees incurred. Funds pay management fees in advance (based on the relevant Fund's assets at the beginning of the quarter).

The foregoing represents Toronado's basic compensation arrangements. Although Toronado believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.

Withdrawal Fee. Under certain circumstances detailed in the Governing Documents (including relating to Class B Interests as described below), investors may be required to pay withdrawal fees. Withdrawal fees are paid back into the Funds and not to Toronado and may be waived by the General Partner of the Master Fund or the Board of Directors of the Offshore Fund in its sole discretion.

The Funds' Interests are issued in "Classes." There are currently two Classes of Interests: "Class A" and "Class B." Interests issued prior to January 1, 2023, have been designated as "Class A Interests." As of January, 2023 the Funds do not intend to continue to offer additional Class A Interests; however, it has and may in the future do so to reflect investor transfers or for other reasons at its sole discretion. The Funds are currently offering "Class B Interests."

Class A and Class B both allow redemptions after an investor has maintained an investment in the Partnership for a minimum of twelve (12) months (the "Lock-Up Period"). After completion of the Lock-Up Period, Class A or Class B investors may generally withdraw all or any part of the balance of its Capital Account with respect to such Class as of (i) the last day of any calendar quarter on at least 45 days' prior notice to the General Partner, but Class B redemptions are subject to a withdrawal fee on any amount in excess of the Class B Eligible Withdrawal Amount (defined as 20% of the greater of (a) the initial amount contributed with respect to the particular capital contribution into Class B or (b) the highest month end balance in such investor's Class B Capital Account relating to a particular Capital Contribution since the date such Capital Contribution was made). Class B withdrawal fees are equal to three percent (3%) of the Excess Withdrawal Amount, provided that such fee will be reduced to one and a half percent (1.5%) if the Master Fund's aggregate assets under management attributable to Class B Interests are less than \$75,000,000 at the time of such withdrawal.

Expenses. In addition to Toronado's Management Fees and Special Profit Allocations, Funds also bear expenses incidental to their ongoing operation including, without limitation, all trading costs and expenses, all interest and commitment fees on loans and debt balances, all costs and expenses of negotiating and entering into contracts and arrangements and making investments and similar expenses in terminating those contracts and arrangements and disposing of the Funds' investments, all costs and expenses incurred in performing investment research including but not limited to subscriptions to research and risk management services, obtaining research pieces from brokers, speaking with experts through expert network providers, visiting companies and attending research conferences, costs and expenses associated with regulatory filings of the Funds, General Partner, the Investment Adviser or their affiliates relating to the Funds, all costs and expenses associated with registering the Fund's restricted Securities, all costs and expenses incurred in attempting to protect or enhance the value of the Funds' investments, all income taxes, withholding taxes, transfer taxes and other governmental charges and duties, all fees and charges of custodians, clearing agencies and banks, all administration, bookkeeping, recordkeeping, legal, accounting, auditing, tax preparation and all professional, expert and consulting fees and expenses arising in connection with the Funds' activities, all fees, costs and expenses of offering and selling Fund interests and communicating with existing and prospective investors, all costs and expenses of investing the Funds' assets indirectly, such as through a partnership or other entity, including the Offshore Fund's proportionate share of the costs and expenses of operating the Master Fund, all premiums and other costs and expenses of insurance policies as the General Partner or the

Investment Adviser considers appropriate, insuring the Funds, the General Partner, the Investment Adviser and their affiliates against liabilities that may arise in connection with the business or management of the Funds, all costs and expenses of proxy voting services, any contingencies for which the General Partner determines reserves are required, and any extraordinary expenses. Additionally, in regards to the Offshore Fund expenses specific to regulatory filings in the Cayman Islands, the cost of AML compliance officers and the Offshore Director fees. The General Partner or the Investment Adviser shall be entitled to and may request reimbursement from the Partnership for any of such expenses paid by the General Partner or the Investment Adviser, as applicable.

Please see *Item 12: Brokerage Practices* in this Brochure for further information on arrangements that may relieve Toronado from certain costs and expenses.

Separately Managed Accounts

For the SMA Toronado receives a combination of asset-based and performance-based fees. These fees and the expenses borne by the SMA are negotiated on a case-by-case basis with the Client. The SMA is invoiced for such fees and deducted for such expenses according to the fee and expense provisions included in the Trading Manager Agreement. In the event of a termination of a SMA's Trading Manager Agreement, fees will be prorated. Any paid but unearned fees will be promptly refunded to the SMA, and any fees due to Toronado from the SMA will be invoiced or deducted from the SMA prior to termination. Notwithstanding the foregoing, Toronado may negotiate or set fees or expenses different with respect to other SMAs or any other Client Toronado manages in the future.

Neither Toronado nor any of its supervised persons accepts commissions or other compensation for the sale of securities or other investment products.

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

As discussed above under *Item 5: Fees and Compensation*, in addition to Management Fee, Toronado generally has the right to receive an Special Profit Allocation based on the performance of the Funds and SMA. Performance-based compensation may create an incentive for Toronado to make more risky and speculative investments than it would otherwise make under a different fee arrangement.

In addition, Toronado provides investment advisory services to the SMA with different fee arrangements than the Funds, Toronado faces certain potential conflicts of interest with respect to such different fee arrangements. Toronado has implemented allocation procedures among accounts which share similar investment objectives and strategies and continue to act in the best interest of each Client. These procedures are discussed more fully in Item 12.

Item 7: Types of Clients

Toronado provides investment advisory services to pooled investment vehicles operating as private funds including a pooled investment vehicle managed by an institutional client through a separately managed account. See *Item 4: Advisory Business* above.

Generally, investors in the Funds and the SMA are required to be "accredited investors" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and "qualified clients" as defined in Rule 205-3 under the Advisers Act. In addition, investors in the Funds

are required to be “qualified purchasers” as defined in section 2(a)(51)(A) of the Investment Company Act. The Funds generally require a minimum initial investment of \$1,000,000, however, the minimum initial contribution is subject to reduction or waiver at the discretion of the Fund General Partner or Offshore Fund Board of Directors. Account minimums for the SMA client are separately negotiated. Potential Fund investors may read the eligibility criteria and minimum investment requirements specific to each Fund in the relevant Fund’s Governing Documents and subscription application.

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

Toronado currently manages two strategies, an equity long short strategy (“Long/Short Equity”) for the Funds and a long-only (“Long-Only Equity”) strategy for the SMA. Toronado uses different, though often overlapping, methods of analysis tailored for each of these investment strategies it offers. Set forth below are the primary methods of analysis that Toronado utilizes for each strategy.

Long/Short Equity

Toronado's Long/Short Equity investment strategy invests on both a long and short basis and is focused on smaller companies within fast growing segments of technology. Toronado maintains a concentrated portfolio, typically holding less than fifteen longs and thirty-five shorts, with low overall net exposure. Toronado focuses on investing in select ideas in an effort to meet our goal of delivering strong investment returns with low market correlation. The investment team of Toronado evaluates investments through a process of deep fundamental analysis with considerations for market size, technology advantage, expertise of executive leadership, and quality of business models. The firm utilizes institutional risk management tools to measure exposure to factor and market risks and manage the portfolio to minimize these non-idiosyncratic risks.

The Funds’ Governing Documents contain additional detail regarding the Funds’ objective and strategy.

Long-Only Equity

Toronado’s Long-Only investment strategy invests only on a long basis and is also focused on smaller companies within fast growing segments of technology. Toronado Long-Only Equity is a very concentrated portfolio, typically holding less than ten longs, with overall gross exposure generally between 75% - 100%. The Long-Only Equity strategy also focuses on investing in select ideas in an effort to meet our goal of delivering strong investment returns with low market correlation. Toronado evaluates investments through a process of deep fundamental analysis with considerations for market size, technology advantage, expertise of executive leadership, and quality of business models.

There is intentional overlap of many of the long positions in Toronado’s two strategies though there are variances in both names and size of positions due to different investment objectives, liquidity and market cap target ranges, and additional restrictions unique to each Client.

General Market Risk

The following is a summary of some of the material risks associated with our investment strategies. As a summary, it is inherently incomplete and does not attempt to describe all of the risks associated with those strategies.

Risk of Loss. An investor could incur substantial, or even total, losses on an investment with Toronado. An investment is only suitable for persons willing to accept this high level of risk.

Risks of Investments in Securities Generally. All securities investments risk the loss of capital. No guarantee or representation is made that Toronado's investment program will be successful. Certain investment techniques can, in certain circumstances, substantially increase the impact of adverse market movements to which the investments may be subject. In addition, investments in securities may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where assets are invested. Toronado's methods of minimizing such risks may not accurately predict future risk exposures. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

Force Majeure. The investments made on behalf of Clients may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including Toronado and the General Partner) to perform its obligations until it is able to remedy the force majeure event and/or prompt precautionary government-imposed closures of certain travel and business. In addition, forced events, such as the cessation of the operation of machinery for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact the returns of Clients, cause personal injury or loss of life, disrupt global markets, damage property, or instigate disruptions of service. In addition, the cost to a Client of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a Client's expected returns. Certain force majeure events (such as war, terrorism, or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which a Toronado may invest and the markets Toronado may trade specifically. Military action or governmental sanctions prompted by certain force majeure events may further impact general economic conditions and market liquidity internationally or in the specific markets Toronado invests. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over industry assets, could result in losses to Clients, including if its investments are canceled, unwound or acquired (which could be without adequate compensation). Any of the foregoing may therefore adversely affect the performance of the Clients and their investments.

Cybersecurity Risks. Toronado and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to Clients by interfering with the processing of transactions, affecting Toronado's ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with the forensic analysis of the

origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose Toronado to civil liability as well as regulatory inquiry and/or action. In addition, Clients could be exposed to additional losses as a result of unauthorized use of their personal information. While we have established business continuity plans, incident response plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity risks also are present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers and may cause a Client's investment in such securities to lose value.

Financial Institution Risk; Distress Events. An investment in a Fund is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a "Financial Institution") of some or all of a Fund's (or any portfolio company's) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including, but not limited to, eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, the Management Company, the General Partner, the Funds and/or any of the portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that any intervention will occur, be successful or avoid the risks of loss, substantial delays or negative impacts on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Toronado to manage the Funds and their investments, and on the ability of Toronado, any Fund or any portfolio company to maintain operations, which in each case could result in operational burdens, significant losses and unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event the Funds are unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of the Funds to access capital contributions or otherwise); the inability of the Funds to acquire or dispose of investments, including at prices that Toronado believes reflect the fair value of such investments; and/or the inability of the Management Company or portfolio companies to make payroll, fulfill obligations and/or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that Toronado will experience operational burdens and expenses, and a Fund or a portfolio company will incur additional expenses and/or delays, in putting in place alternative arrangements and/or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital or otherwise). There can be no assurance that Toronado will be able to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, or that such remedies will be successful or avoid losses, delays, or other negative impacts. The Funds and their portfolio companies are subject to additional risks in the event a

Financial Institution utilized by investors of the Funds or suppliers, vendors, service providers or other counterparties of a portfolio company become subject to Distress Events, which could have a material adverse effect on the Funds, its investors or such portfolio companies, including the risk of investor defaults.

Many Financial Institutions require, as a condition to using their services (including lending services), that the Toronado and/or the relevant Fund maintain a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although Toronado seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Toronado is under no obligation to use a minimum number of Financial Institutions with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

Risks of Investment in the Funds or SMA

Reliance on the General Partner and/or the Investment Adviser. All decisions regarding the management and affairs of the Funds will be made exclusively by the General Partner and trading decisions for both the Funds and the SMA will be made by the Investment Adviser, Toronado, and, in regards to the Funds, also in consultation with the General Partner. Accordingly, no person should invest in the Funds unless such person is willing to entrust all aspects of management to the General Partner and/or Toronado. Investors will have no right or power to take part in the management of the Funds. As a result, the success of the Funds for the foreseeable future depends solely on the abilities of the General Partner and Toronado.

Dependence on Key Personnel. The General Partner and Toronado are dependent on the services of its principals and key personnel, specifically Mr. John Stephen Perkins. The success of the Clients will depend to a great extent on the investment skills of Mr. Perkins. The Clients could be adversely affected if, because of illness, resignation or other factors, the services of Mr. Perkins were not available for any significant period of time.

Changes in Investment Strategies. The General Partner and Toronado have broad discretion to expand, revise or contract the Funds' business without the consent of the investors. The Funds' investment strategies may be altered, without prior approval by, or notice to, the investors, if the General Partner and Toronado determine that such change is in the best interest of the Funds.

Undisclosed Investing Strategy. The full scope of the General Partner and Toronado's investment strategies and the techniques that will be employed to attempt to reach a particular Clients' goal are proprietary and will not be disclosed to potential investors or Clients. As a result, a potential investor's decision to invest must be made without the benefit of being able to review and analyze the General Partner and Toronado's strategies and techniques.

Risks of Investments

Equity Securities. The value of equity securities are subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and riskier than some other forms of investment.

Common Stock. The Funds and SMA invest in common stock of issuers. Common stocks are shares of a corporation or other entity that entitle the holder to a pro rata share of the profits, if any, of the entity without preference over any other shareholder or claim of shareholders, after making required payments to holders of the entity's preferred stock and other senior securities. Common stock usually carries with it the right to vote and frequently an exclusive right to do so.

Micro, Small and Medium Capitalization Companies. The Funds and SMA invest in the securities of companies with micro- or small- to medium-sized market capitalizations. The Investment Adviser believes such securities often provide significant potential for appreciation, but those securities involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of micro- and small capitalization and even medium-capitalization stocks are often more volatile than prices of large capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue chip" companies. In addition, because of thin trading, an investment in those securities may be less liquid or illiquid.

Option Transactions. The purchase or sale of an option involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying investment for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying investment does not change in price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying investment in excess of the premium payment received. Over-the-counter options also involve counterparty solvency risk. The Funds may also sell covered and uncovered options on securities. To the extent that such options are uncovered, the Funds could incur unlimited loss.

Derivative Investments. Derivatives are financial contracts whose value depend on, or is derived from, an underlying product, such as the value of a securities index. The risks generally associated with derivatives include the risks that: (1) the value of the derivative will change in a manner detrimental to the Funds; (2) before purchasing the derivative, the Funds or SMA client will not have the opportunity to observe its performance under all market conditions; (3) another party to the derivative may fail to comply with the terms of the derivative contract; (4) the derivative may be difficult to purchase or sell; and (5) the derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations.

Convertible Securities. Convertible securities ("Convertibles") are generally debt securities or preferred stocks that may be converted into common stock. Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks). A Convertible's value usually reflects both the stream of current income payments and the value of the underlying common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly.

Preferred Securities. Investment in preferred securities carries certain risks including: (i) deferral risk; (ii) redemption risk; (iii) limited voting rights; (iv) subordination; and (v) liquidity.

1. Deferral Risk – Typically preferred securities contain provisions that allow an issuer, at its discretion, to defer distributions for up to 20 consecutive quarters. If the Partnership owns a preferred security that is deferring its distributions, the Partnership may be required to report income for tax purposes while it is not receiving any income.
2. Redemption Risk – Preferred securities typically contain provisions that allow for redemption in the event of tax or security law changes in addition to call features at the option of the issuer. In the event of a redemption, the Partnership may not be able to reinvest the proceeds at comparable rates of return.
3. Limited Voting Rights – Preferred securities typically do not provide any voting rights.
4. Subordination – Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than those debt instruments.
5. Liquidity – Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities.

PIPES and Other Restricted Securities. Toronado may invest, to a limited extent, in private investments in public equity ("PIPE") transactions. In a PIPE transaction, a purchaser typically purchases unregistered equity securities of a class of securities that is publicly traded and receives registration rights with respect to the unregistered securities that it purchases. Toronado's intention is to only participate in PIPE transactions that would be registered concurrent with the transaction or promptly thereafter, but in some cases, delays may occur until the securities are publicly tradable. PIPE transactions also may result in receipt of shares with selling restrictions that may include required holding periods or restrictions as to the parties in which resale can be made. Securities that hold such restrictions may be difficult or impossible to sell at prices comparable to the market prices of similar securities and it may be difficult to find purchasers that meet resale requirements.

Non-U.S. Securities. Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than in the U.S. There is generally less government supervision and regulation of exchanges, brokers, and issuers than there is in the United States. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The Partnership might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of

transactions, thereby creating substantial delays and settlement failures that could adversely affect the Partnership's performance.

Trading Risks

Liquidity Risk. Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Clients from selling out of these illiquid securities at an advantageous price. In addition, liquidity risk tends to increase to the extent the Clients invest in debt securities whose sale may be restricted by law or by contract.

Extreme Market Volatility Risk. Extreme market volatility causing individual equity prices to make extreme short-term price moves has recently been driven due to concerted efforts of retail participants through social media and trading sites such as the WallStreetBets forum on Reddit. These drastic moves can be caused entirely by investor sentiment through trading in common stock and options and be unrelated to changes in fundamental conditions of the issuer. It can be hard to predict when and to what extent these moves can occur, and Toronado can be caught holding positions in Client portfolios causing significant short-term losses and/or decreased liquidity.

Short Selling. The Funds' portfolios include short positions. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Hedging Transactions. Toronado will not, in general, attempt to hedge all market or other risks inherent in the Funds' portfolio positions, and will hedge certain risks, if at all, only partially. The Funds may choose not, or may determine that it is economically unattractive, to hedge certain risks – either in respect of particular positions or in respect of its overall portfolio. The Funds' portfolio composition will commonly result in various directional market risks remaining unhedged. Even if Toronado is successful in reducing or controlling risk through hedging, the cost of hedging may have the effect of reducing returns. Furthermore, it is possible that Toronado's hedging strategies will not be effective in controlling risk, due to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged, increasing rather than reducing both risk and losses. Additionally, Toronado should not be expected to hedge much, if any, of the market or other risks inherent in the portfolio positions held in the SMA as it is managed in a long only strategy.

Lack of Diversification. Although the Partnership will structure its portfolios so that investments (both individually and in the aggregate) have desirable risk/reward characteristics and so that the Funds and SMA may be able to satisfy requests for withdrawals, the Clients are not subject to any restrictions with respect to investments in any particular issuer, industry or type of investment. The Funds may have a non-diversified portfolio and may have large

amounts of assets invested in a small number of investments. Such lack of diversification substantially increases security-specific risks and the risk of loss associated with an investment in the Clients.

Industry Concentration. Toronado on behalf of the Clients may concentrate its investments in a single or a few industries. Because of this potentially narrow focus, the performance of the Clients may be tied closely to and affected by the industries in which they invest. Companies within a single industry often face similar obstacles, issues, or regulatory burdens. Consequently, the securities of similarly situated companies may react similarly and move in unison to changes in these or other market conditions. Moreover, because the Clients' investments are generally concentrated in a specific industry, the value of the Clients may be subject to greater volatility than funds with portfolios that are less concentrated.

Counterparty Risk. Some of the markets in which Toronado may affect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically 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 OTC transactions. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated its transactions with a single or small group of counterparties. Toronado is not restricted from dealing with any particular counterparty or from concentrating any or all of the Clients' transactions with one counterparty. The ability of the 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 the Clients.

The risks described above are not a complete list of risks involved with investing in a Fund or as an SMA client-specific risks and conflicts of interest associated with an investment are described in detail in the relevant Governing Documents. Investors and prospective investors in a Fund or SMA should carefully review the Governing Documents for further information.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

Toronado Capital Management, LLC is under common ownership with Toronado Partners, LLC. Toronado Capital Management LLC serves as the Master Fund's General Partner. Toronado Capital Management, LLC receives a Special Profit Allocation from the Master Fund (through its partnership ownership in the Master Fund).

Toronado Capital Management, LLC does not directly provide investment advisory services to clients nor manage client assets, has not entered into investment advisory agreements with any

clients, and does not receive investment advisory fees or other compensation from clients aside from the Special Profit Allocation.

Toronado and its employees are not registered (and do not have any application pending to register) as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing entities. Toronado and its affiliates rely on an exemption from registration as a commodity pool operator and commodity trading advisor.

One of Toronado's employees holds a passive beneficial ownership in a financial services company that provides investment research and expert network services to Toronado and the Funds. Such arrangements may create an incentive for Toronado and the Funds to pay higher fees when similar services are available for a lower cost. Toronado addresses this potential conflict of interest by conducting service provider due diligence no less than annually to ensure that compensation paid to such providers is competitive with the marketplace for similar services.

Toronado's Clients and Investors may include corporate executives of public companies, members of the board of directors of public companies, or financial professionals. Such investors may have access to information about public companies in which Toronado may make investments. Conversations may occur with such investors as part of Toronado's investor relations process or as part of the investment research process. Though Toronado expects that such investors will comply with applicable rules and regulations relating to dissemination of material non-public information, Toronado is aware that conversations with these investors may present a risk that an employee of Toronado may gain access to insider information. Toronado has adopted procedures that seek to mitigate these potential risks.

Other than as described above, Toronado and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest. Finally, Toronado does not recommend or select for its clients, or have other business relationships with, other investment advisers.

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

Toronado has adopted a written Code of Ethics (the "**Code**") applicable to all personnel. Among other things, the Code requires that Toronado and its employees act in clients' best interests, abide by all applicable regulations, not engage in insider trading, and pre-clear and report on many types of personal securities transactions. Toronado's restrictions on personal securities trading apply to all employees employed by Toronado and its affiliates, as well as employees' family members living in the same household. Limited permission is granted to invest in publicly-traded securities and other financial instruments in their personal accounts, or those in which they control, with advance pre-clearance required for certain transactions, and a required one month hold period. Trade permission is typically not granted for trading of securities in the technology, media, or telecom sectors in the market cap range in which the Funds are generally invested. Nonetheless, because the Code in some circumstances could permit Toronado personnel to hold certain investment positions (e.g., if such positions were held at the time the employee joined the firm, were thereafter obtained through a gift or bequest, where the Funds opt to invest outside of their usual sectors or market cap range, or where the sector or market cap range of a security changes over time), there is a possibility that Toronado may recommend to Clients the purchase or sale of securities in which Toronado Personnel have a

financial interest. Under these limited circumstances, the investments of Toronado personnel may differ from, or be contrary to, those taken by the Funds. Toronado believes the significant restrictions on personal trading and extensive pre-approval procedures described above are reasonably designed to avoid conflicts of interest and to preserve Toronado's ability to discharge the fiduciary duties it owes to its clients. All employees are required to report all brokerage accounts in which they have a beneficial interest, as well as their securities holdings. In addition, all employees are required to pre-clear with the Chief Compliance Officer all proposed securities transactions (except with respect to certain government securities, shares of mutual funds and certain other types of securities that Toronado does not believe create a potential for conflicts of interest). Toronado monitors all employees' securities transactions through receipt of transaction and holding data from account custodians.

Because Toronado manages more than one Client portfolio, there could be conflicts of interest over its time devoted to managing any one Client and allocating investment opportunities among all Clients that it manages. For example, Toronado selects investments for each Client based solely on investment considerations for that Client. Different Clients may have differing investment strategies and expected levels of trading. Toronado frequently buys or sells securities for one Client but not for another or buys (or sells) a security for one client while simultaneously selling (or buying) the same security for another client. Toronado gives advice to, and takes action on behalf of, each client that occasionally differs from the advice that it gives or the timing or nature of action that it takes on behalf of other clients. Toronado is not obligated to acquire for any account any security that Toronado or its officers, managers, members or employees may acquire for its or their own accounts or for any other client, if in Toronado's absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

Clients or prospective Clients and investors may view a copy of the Code of Ethics by contacting Michele Clifford by email at mclifford@toronadocap.com or by telephone at 415-969-8681.

Item 12: Brokerage Practices

Selection Criteria. The Funds spend substantial amounts on brokerage commissions and other expenses for transactions in the portfolio. Toronado has complete discretion to decide who executes transactions and how much the Clients will pay them. Some broker-dealers (and other counterparties involved in portfolio transactions—collectively, “broker-dealers”) may provide Toronado with information, services, and other products beyond pure transaction execution.

In choosing brokers, Toronado seeks “best execution” of the Clients' securities transactions. In evaluating whether a broker provides best execution, Toronado considers a range of factors including, among others, historical net prices (after markups, markdowns and other transaction-related compensation); execution, clearance and settlement and error correction capabilities generally and in connection with securities of the type and in the amounts to be bought or sold; the size of the transaction; the availability of securities to borrow for short sales; the market for the security; and the nature, quantity and quality of research and other services and products provided. Toronado is not required to select the broker that charges the lowest transaction cost, even if that broker can provide execution quality comparable to other brokers. The Funds expect at times to pay more than the lowest transaction cost available in order to obtain products other than the execution of securities transactions and may select brokers in recognition of the value of various services or products (“soft dollars”), beyond transaction execution that they provide to the Funds.

“Soft Dollars.” Toronado also selects broker-dealers in recognition of the value of various services or products, beyond transaction execution, that they provide to the Clients or Toronado. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” This is common in the professional management of securities portfolios. Toronado acquires services or products with the Clients’ soft dollars through an account at the Prime Broker.

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as Toronado) of soft dollars but provides a “safe harbor” from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which a Fund would not otherwise be required to pay. Services or products generally will qualify as “research” under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent Toronado uses them for lawful and appropriate assistance in making investment decisions for the Clients. “Brokerage” services and products are those used to effect portfolio transactions for Toronado’s Clients or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or required in connection with transactions. Toronado only uses soft dollars for those products or services that fall within the Section 28(e) safe harbor.

Because many services and products Toronado may receive from broker-dealers may benefit Toronado, Toronado’s interests in allocating Clients’ securities transactional business may conflict with its Clients’. For example, Toronado may have an incentive, in order to induce brokers and dealers to provide it with services or benefits to, among other things, cause its Clients to: (i) pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products; (ii) place more trades than would be optimal for the client’s investment strategy; (iii) use broker-dealers that do not obtain for the Client the best possible price on portfolio transactions; (iv) agree to adjust negotiated commission rates upward in order to receive additional soft dollar “credits” and (v) use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions. Toronado may use one Client’s soft dollars to pay for services and products another Client pays for and, if it does, that use may not be in proportion to account size, transaction volume, or uses of those services and products. Toronado may use Client soft dollars to buy products or services that benefit Toronado and/or other Clients of Toronado.

“Research and Brokerage.” The types of “research” Toronado may receive from broker-dealers include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; large data set analysis of publicly available data (“alternative data”), and other products or services that may enhance Toronado’s investment decision-making. “Brokerage” services and products (beyond typical execution services) include (but are not limited to): computer systems and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing broker-dealers and the Prime Broker, post-trade matching of trade information, communicating

allocation instructions, and other clearance and settlement functions. Even where Toronado's use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), Toronado will have a conflict of interest in connection with that use because it might otherwise have to pay cash for those services and products and it may have an incentive to use broker-dealers who provide those services and products more than it otherwise would.

Other Services and Products. If Toronado receives an eligible product or service that it also utilizes for non-eligible research or brokerage purposes, it will make a good faith determination as to the cost of such "mixed-use item" between the eligible and non-eligible purposes and use soft dollars to pay only for that portion of the cost related to its eligible purpose. Generally, ineligible purposes are all or a portion of a product or service that does not aid in investment decision-making or trade execution. These are generally products or services that Toronado may utilize for administrative needs connected to its trade order management system, performance reporting and other administrative functions. In addition, in the event that Toronado receives both eligible and ineligible products and services for a bundled commission rate, Toronado will make a reasonable allocation of the cost of the product according to its use.

Procedures. Broker-dealers from which Toronado obtains soft dollar services or products generally establish "credits" based on past transactional business (including markups and markdowns on principal transactions, such as transactions with market-makers for Nasdaq securities), which may be used to pay or reimburse Toronado for specified expenses. In some cases the process is less formal; a broker-dealer simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. The Clients' actual transactional business with a broker-dealer may be less than the suggested level but may exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because the Clients' investment activities generate aggregate commissions in excess of the levels of future business suggested by all broker-dealers who provide services and products. And it may be in part because those broker-dealers may also provide superior execution and may therefore be most appropriate for particular transactions. Toronado may ask a broker-dealer who is executing a transaction for several Client accounts (see the discussion below regarding aggregation of orders) to "step out" of a portion of the transaction in favor of a broker-dealer who has provided or is willing to provide products or services for soft dollars. That is, the executing broker-dealer will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar broker-dealer. This assists Toronado in acquiring products and services with soft dollars while providing the benefits of aggregated transactions described below. It may result in the Clients paying additional commissions or other transaction compensation to the broker-dealer to whom the Clients' portion of an aggregated transaction is "stepped out" and therefore incurring higher transaction costs for that transaction than do other clients of Toronado who are buying or selling the same security at the same time.

These procedures are generally consistent with the requirements of Section 28(e).

Aggregation of Orders. Toronado generally combines orders on behalf of a Fund or SMA with orders for another Fund or SMA when trading strategies align with trades on the same day. When it does, Toronado allocates the proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Toronado believes that combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a particular Client than if that Client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of Toronado's interest in the Funds, there may be circumstances in which the Fund's transactions may not, under certain laws and regulations, be combined with

those of some of Toronado's other Clients, and the Fund may obtain less advantageous execution than those other Clients.

Toronado frequently places orders for the same security for different Clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order and practicability of participating in "block" transactions. The level of participation by different Clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular Client. Toronado has adopted policies and procedures intended to ensure that its trading allocations are fair to all its clients. In addition, Toronado and/or its related persons or funds may buy or sell specific securities for its or their own account that are not deemed appropriate for a Client at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the client are made. Where execution opportunities for a particular security are limited, but a security is nevertheless still appropriate for multiple strategies, Toronado attempts in good faith to allocate such opportunities among clients in a manner that, over time, is equitable to all its clients.

Cross Transactions. Toronado may, but is not obligated to, cause Clients to effect "cross" transactions (i.e. buy and sell securities from and to each other), subject to applicable law or regulation. Toronado may do so, if Toronado believes that the cross transactions will be beneficial to both parties. ERISA and other laws or regulations may prevent a Client from engaging in cross transactions that could be beneficial to the Client.

Investment Opportunities. It is Toronado's general policy to allocate purchase or sale opportunities fairly to appropriate Client accounts. At times, however, the Investment Manager may cause Clients to effect transactions that differ in substance, timing and amount. This may be due to, among other things, differences in investment objectives or other factors affecting the appropriateness or suitability of particular investment activities to the particular Clients, limitations on the availability of particular investment or transactional opportunities, tax and regulatory treatment, or differences in withdrawal or redemption rights. Toronado will allocate transactions and opportunities among the various Client accounts it manages in a manner it believes to be the most equitable and consistent with its fiduciary obligations to its Clients, considering each account's objectives, programs, limitations, risk profile, and capital available for investment, but even accounts managed on a *pari passu* basis will often have different investment portfolios.

Neither Toronado, nor any of its principals or affiliates has any obligation to provide a Client with any particular investment opportunity. Toronado may engage in transactions on behalf of Clients with or involving (including investing in) companies in which Toronado or its affiliates have an interest. If the Client invests in securities issued by a company of which Toronado is considered an affiliate or to own beneficially more than 10% of the outstanding voting securities, Toronado could face potential adverse economic consequences if the Client were to buy or sell that company's securities. The potential for such consequences could create an incentive for Toronado to avoid transactions in the securities that would otherwise be beneficial for a Client.

Notwithstanding these conflicts, Toronado will allocate transactions and opportunities among the various accounts it manages in a manner it believes to be the most equitable and consistent with its fiduciary obligations to its Clients, considering each account's objectives, programs, limitations, risk profile, and capital available for investment. Toronado has adopted the Code of Ethics that describes the standards of business conduct that it requires of employees and their

accounts, and establishes procedures intended to prevent Toronado and its personnel, and certain of their relatives, from inappropriately benefiting from Toronado's relationships with its Clients

Item 13: Review of Accounts

Review of Accounts

Toronado's Portfolio Manager reviews Client accounts on an ongoing basis. This review takes into account such matters as asset allocation, cash management, the prospects of individual portfolio holdings, changes in issuer earnings, industry outlook, market outlook, and price levels, among other factors.

Reporting

Fund investors receive monthly estimated Fund performance and unaudited account statements, quarterly letters that discuss investment performance and outlook and annual audited financial statements. In addition, Toronado provides investors in the Master Fund with annual tax information in the form of a U.S. Schedule K-1. Toronado also has a variety of reporting obligations to the SMA client in regard to their account including provision of daily estimated performance and accounting reconciliation reports.

Item 14: Client Referrals and Other Compensation

Toronado has no client or investor referral agreements in place and does not pay third parties a fee or compensation for the referral of a client or investor to Toronado. From time to time, prime brokers or other brokers may however assist the Funds in raising additional funds from investors by making introductions, and representatives of Toronado may speak at conferences and programs sponsored by such brokers for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in the Funds would have the opportunity to meet with Toronado. Currently, Toronado does not compensate any broker for making introductions or organizing such events or for any investments ultimately made by prospective investors whom have been introduced or attended such events, nor do we anticipate doing so in the future. As discussed above, subject to best execution, Toronado may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending brokers or dealers for the Funds. While such events and other services provided by a prime broker may influence us in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds, Toronado will not commit to allocate a particular amount of brokerage to a broker in any such situation. Toronado does not receive any compensation or other economic benefit from any party other than any "soft dollar" benefits described in *Item 12: Brokerage Practices*.

Item 15: Custody

Toronado maintains the Clients' assets in the custody of unaffiliated broker-dealers or banks, so called "qualified custodians," as required by Rule 206(4)-2 under the Investment Advisers Act.

The Funds obtain custodial, clearing and related services through what is known as a "prime brokerage" arrangement. Currently Toronado is party to two prime brokerage arrangements, the "Prime Brokers". One Prime Broker acts as qualified custodian and maintains an account on behalf of the Master Fund and the other serves as introducing broker to a third party which acts as a qualified custodian. The custodians (i) maintain custody of the Funds' assets (either directly or through affiliated companies or sub-custodians); (ii) provide margin credit and locates securities to borrow to facilitate short sales; (iii) arrange

for the receipt and delivery of securities bought, sold, borrowed and lent; (iv) make and receive payments for securities; (v) tender securities in connection with tender offers, exchange offers, mergers or other corporate reorganizations; (vi) provide Toronado detailed portfolio and related reports; and (vii) provide related services. The Funds' arrangement with the Prime Brokers permit the Funds to maintain custodial relationships, while using other brokers (in addition to the Prime Brokers) to execute transactions, thereby enabling Toronado to seek valuable research and to compare execution quality and commission rates. The Master Fund compensates the custodians and prime brokers through interest on credit balances, margin borrowings, stock loans and brokerage commissions. It is possible that a material amount of the Master Fund's capital will be treated by the custodians as margin and collateral.

The Funds engage prime brokers, custodians, and banks to serve as the Funds' qualified custodians. The Funds may change the Prime Brokers, custodians and banks, use additional prime brokers, custodians and banks, alter the terms of its arrangements with these counterparties, or make alternative arrangements to receive the services currently provided by these counterparties, all in Toronado's sole discretion.

In addition, Toronado Capital Management LLC, as the General Partner of the Master Fund, is deemed to have custody over the assets of that Fund. That is because the General Partner of a partnership has broad authority to take possession of the partnership's assets. Toronado generally also has the ability to instruct the custodians to deduct fees directly from the Funds' account, which the SEC also considers to be a form of "custody."

Toronado employs various safeguards to balance its "custodial" powers. For example, a reputable, PCAOB¹-registered independent accountant performs an annual audit of each Fund's financial statements. All investors receive these audited financial statements, prepared in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of the Funds' fiscal year. In addition, the Funds employ an independent third-party administrator, which calculates management fees and other compensation, and prepares and sends monthly statements to investors.

The assets of the SMA are held in a custodial account at Northern Trust as qualified custodian and does not utilize a Prime Broker.

Item 16: Investment Discretion

Toronado has full investment discretion over all Client accounts. Clients grant Toronado that discretion through the execution of an investment management agreement, limited partnership agreement, trading manager agreement or similar contract. By signing a subscription application, each investor in the Master Fund (which is a U.S. limited partnership) also grants Toronado discretion through a power of attorney. Except for the general investment guidelines set forth in the Governing Documents of the Funds and SMA, there are no limitations on Toronado's investment authority.

¹ PCAOB is the Public Company Accounting Oversight Board, a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

Item 17: Voting Client Securities***Proxy Voting Policy***

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, Toronado has adopted and implemented written policies and procedures governing the voting of client securities. Toronado seeks to handle the voting of client proxies in the best interests of its clients. Specifically, Toronado decides how to vote a proxy on behalf of clients after considering a proposal's merits and considers both qualitative and quantitative factors in deciding how to vote. Toronado reviews all proxy solicitation materials and evaluates such information. Toronado's policy is generally to vote against any management proposals that the Firm believes could prevent companies from realizing their maximum market value or would insulate companies and/or management from accountability to shareholders.

Toronado may abstain from voting proxies in the event that the Client's economic interest in the matter being voted upon is limited relative to the Client's overall portfolio or the Client's vote will not have an effect on the outcome or on the Client's economic interests.

The Firm must act as a fiduciary when voting proxies on behalf of its Clients. In that regard, the Firm seeks to avoid possible conflicts of interest in connection with proxy voting. Potential conflict of interest may exist if Toronado votes a proxy solicited by an issuer with which Toronado or any Toronado personnel has or had a business or personal relationship (including Fund investors) that may be affected by Toronado's proxy vote, as per its stated policy, the Chief Compliance Officer will review all potential conflicts of interest and determine further actions keeping in mind the best overall interest of the Clients.

Toronado reviews its proxy voting policy annually in order to determine if it is necessary to amend the current policy.

Clients or prospective clients and investors may obtain a copy of Toronado's proxy voting policies and procedures and/or information concerning its voting record by contacting Michele Clifford by email at mclifford@toronadocap.com or by telephone at 415-969-8681.

Item 18: Financial Information

Toronado is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients. Toronado has not been the subject of a bankruptcy petition.