

Trellus Management Company, LLC

**350 Madison Avenue, 9th Floor
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This brochure provides information about the qualifications and business practices of Trellus Management Company, LLC (“Trellus”). If you have any questions about the contents of this brochure, please contact us at 212-389-8805 or jscaplen@trellus.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.

Our registration with the SEC does not imply a certain level of skill or training.

Additional information about Trellus Management Company, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

As of December 31, 2012, Trellus’s investment decisions will be made by the firm’s owner, Adam Usdan, supported by a team of one analyst and one trader.

As of January 31, 2013, Trellus managed two clients (both private investment funds) with total assets under management of \$92 million on a discretionary basis.

This Item 2 only discusses material changes since the last annual update of the Trellus brochure dated June 9, 2012.

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Item 4: Advisory Business

A. Background Information on the Firm

Trellus Management Co., LLC (“Trellus”) is an investment adviser that provides investment advisory or sub-advisory services to funds and separate account clients. As of January 31, 2013, Trellus had assets under management of \$92 million.

Trellus was formed in 1994 as a limited liability company and is wholly owned by Adam Usdan. During the third quarter of 2010, Trellus voluntarily registered as an investment adviser with the SEC. Trellus’s investment decisions are made by Mr. Usdan who is supported by one analyst and one trader. As of June 30, 2012, John W. Alderman, former portfolio manager, left the firm.

Trellus’s affiliates, Trellus Company, LLC and Trellus Small Cap Management Company, LLC, are operated in the course of Trellus investment management business and are “relying advisers” under applicable SEC guidance. Trellus Company, LLC serves as the general partner to the two fund clients and Trellus Small Cap Management, LLC is the sub-advisor of one fund client.

B. Services that the Firm Offers

Trellus provides discretionary investment advisory services. Trellus primarily focuses on trading in equity securities including both long and short U.S. and non-U.S. equities, but also advises broadly on securities from time to time. Trellus’s investment strategies include, but are not limited to, purchasing and shorting common stocks, preferred stocks, warrants, instruments convertible into such securities, and debt securities.

Trellus provides investment advisory services to two domestic private investment funds, (each, a “client” and collectively, “clients”) by effecting purchases and sales of securities in its clients’ accounts.

C. Tailoring Services to Individual Needs of Clients

Trellus provides investment advisory services that are focused on trading equity securities both long and short. Within this framework, Trellus manages each client account consistently with the investment restrictions set forth in the applicable investment management agreement and/or limited partnership agreement. Trellus may offer a particular strategy to a managed account client or customize a strategy for a managed account client. When Trellus acts as the adviser to a fund client, Trellus will typically establish a strategy that it believes will be attractive to prospective investors. When Trellus acts as sub-adviser, it will typically agree to a strategy in discussions with the primary adviser.

D. Wrap Fee Programs

Trellus does not currently participate in any wrap fee program, but may do so in the future. At that time, Trellus would provide further brochure disclosures.

E. Amount of Client Assets

Trellus currently manages two clients (both private investment funds) on a discretionary basis, with total assets under management of \$92 million as of January 31, 2013.

Item 5: Fees and Compensation

A. General

Trellus's fee schedule for its clients includes a management fee, determined as a percentage of net assets under management, and an incentive fee, determined as a percentage of profit. All of the clients pay the management fee quarterly. The management fee for all clients is generally calculated at an annual rate of 1.50%, although certain investors in fund clients may be charged at an annual rate of 1.0%.

Each of the clients pays an incentive fee of 20% of the net profits (as defined in the applicable offering memorandum and/or investment advisory agreement) generated for the applicable fiscal period with a high water mark in the case of a net loss during a prior fiscal period. The high-water mark is determined on an investor-by-investor basis for clients that are funds. The two clients calculate and pay the incentive fee annually.

Client fees are negotiable. All fees are intended to comply with the provisions of the Investment Advisers Act of 1940, as amended (the "Advisers Act") and Rule 205-3 promulgated thereunder (except pursuant to the grandfather exceptions of Rule 205-3(c)).

B. Arranging Payment from Clients

Trellus's clients are charged a quarterly management fee. SEI Global Services, Inc., the administrator of the hedge fund clients computes the management fee quarterly and the amount is debited from the clients' accounts by the Funds' custodian. Trellus's clients are also charged an incentive fee annually that is either debited or reallocated from the clients' accounts after the end of the year.

C. Other Expenses

An advisory client is subject to costs and expenses in addition to the expenses described above. The costs and expenses may include, but are not limited to, audit fees, legal fees, administrative fees, other service provider fees, consulting fees, insurance fees, transactions costs and expenses, and organizational expenses. Clients also incur brokerage fees. See Item 12.

D. Advance Payment of Fees

Management fees charged to the clients are debited from the clients' accounts in the third month of each quarter. In the event that an advisory agreement was terminated during the third month of a quarter, Trellus (or its affiliates) would rebate a pro rata portion of the management fee for that period. All other fees are charged in arrears.

E. Sale of Securities

Neither Trellus nor its supervised persons currently accept compensation for the sale of investment products.

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

As noted above in Item 5, Trellus (or its affiliates) receives incentive fees from its clients. The receipt of incentive fees may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of an incentive fee.

Item 7: Types of Clients

Currently, Trellus serves as the adviser to two domestic private investment funds. Clients of Trellus or investors in the funds advised by Trellus must be “qualified clients” as defined in the Advisers Act. In addition, other restrictions apply, including minimum investment amounts. The minimum investment for an investor in a fund client is generally no less than \$250,000.

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

A. General

Trellus’s investment objective is to achieve capital appreciation. This objective is pursued primarily by investing in a diversified portfolio of selected core investments and opportunistic trading positions in both long and short U.S. equities. Trellus invests in micro-, small-, mid- and large-cap U.S. companies by purchasing common stocks, preferred stocks, warrants, instruments convertible into such securities and debt securities. Trellus also invests in securities of non-U.S. issuers. In addition to purchasing securities, Trellus may sell securities short and use margin to secure positions in options and stock index options and other securities when deemed appropriate. Trellus also invests in securities whose transfer is subject to legal or contractual restrictions.

Trellus’s investment advice is based on the merits of the security involved and on the investment guidelines and restrictions of the client. Trellus performs extensive research and examines companies and investment opportunities in all market caps and in all sectors of equities. Trellus’s research includes, but is not limited to, a thorough quantitative review, valuation and due diligence by reviewing public documents and financial disclosures, conducting management interviews, seeking advice of experts and consultants with knowledge of a particular company or industry, contacting customers, suppliers and competitors, and reviewing sell side research.

B. Risks of Strategies

Risk factors, which should be carefully considered prior to an investment with Trellus, include among others:

Investment Risk. There can be no assurances that Trellus will achieve its investment objective on behalf of its clients. Clients of Trellus may underperform the general equity markets. In addition, as noted above, Trellus may, on behalf of its clients, engage in margin transactions, options transactions and short sales.

Investment Concentration. Clients of Trellus may have a high concentration of its assets in a single investment or the securities of a limited number of issuers. Additionally, clients may have a high concentration of its assets in a single industry. A lack of diversification could magnify potential losses (or gains). Accordingly, the investment portfolio of a client may be subject to more rapid change in value than would be the case if the client were subject to more stringent requirements with respect to diversification among companies, securities and types of securities, as well as other types of investments.

Leverage. At times, Trellus may, on behalf of its clients, trade securities on a leveraged basis, i.e., where the security can be purchased by putting up only a portion of the instrument’s value and borrowing the remainder. As a result, a relatively small downward price movement in a security may result in immediate and substantial losses to the client. In addition, any purchase or sale of securities will result in interest charges to the client, which may be substantial. Leveraged investments, including any purchase or sale of securities on margin, may result in losses in excess of the amount invested.

Short Selling. Trellus may from time to time, on behalf of its clients, engage in short selling. Selling securities short runs the risk of losing an amount greater than the amount invested. Short selling is subject to theoretically unlimited risk of loss because there is no limit on how much the price of the stock may appreciate before the short position is closed. A short sale may result in a sudden and substantial loss if, for example, an acquisition proposal is made for the subject company at a substantial premium over market price.

Investment in Small Companies. Generally, there is no limitation on the size or operating experience of the companies in which Trellus may invest on behalf of its clients. Some small companies in which Trellus may invest on behalf of its clients may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries, may face intense competition from larger companies and typically entail a greater risk than investment in larger companies.

Illiquidity of Markets. At various times, the markets for securities purchased or sold by Trellus on behalf of its clients may be “thin” or illiquid, making purchase or sale of securities at desired prices or in desired quantities difficult or impossible. For example, securities exchanges and the SEC have authority to suspend trading in a particular security without notice. In addition, Trellus may invest on behalf of clients in private placements of securities that are not registered under the Securities Act and may have little or no trading market.

Investing in Illiquid Securities. Trellus will, on behalf of its clients, from time to time invest in unregistered securities of public companies and at times in the securities of private companies, the securities of which may be, and often are, illiquid. To the extent that a fund client’s assets are invested in these types of illiquid securities, Trellus may be forced to hold a larger cash reserve than normal as a precaution in the event of a large number of redemption requests within a short period of time.

C. Risk of Investing in Equity Securities

Trellus’s investment strategy focuses on investing in equity securities. Certain risks of investing in equity securities are described above in Item 8(b).

Item 9: Disciplinary Information

Neither Trellus nor its principals have been involved in any material legal or disciplinary events.

Item 10: Other Financial Industry Activities and Affiliations

Neither Trellus nor its management persons have any other material financial industry affiliations or engage in other financial industry activities.

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

A. Code of Ethics

Trellus has adopted a Code of Ethics that affirms its fiduciary duty to its clients. The Code of Ethics contains a Personal Investment Policy, Policy on Outside Affiliations, Policy on Self-Dealing, Policy on Confidentiality and Gifts Policy.

Employees must annually affirm and sign the Code of Ethics. The form to be completed by employees includes a Securities Holdings Report and a list of questions relating to the policies contained in the Code of Ethics.

A copy of our Code of Ethics is available to any client or prospective client upon request.

B. Recommendations of Securities to Clients

Trellus does not recommend securities for its clients in which it or a related person has a material financial interest (other than described in Item 11.C below).

C. Personal Trading

Employees of Trellus may, from time to time, hold or trade in the same securities as client hold or trade. Such trading presents potential conflicts of interests. These potential conflicts of interest include an incentive for a Trellus employee to invest on behalf of a client in a security in which it holds an interest in order to benefit the performance of the security.

Trellus believes that these potential conflicts of interest are mitigated because Trellus's employees are subject to Trellus's Personal Investment Policy. Each employee is required to conduct their personal securities trading in a manner that is consistent with their fiduciary duty to Trellus's clients and all applicable securities laws and regulations. In particular, Trellus has adopted a policy of placing client interests before those of Trellus or its personnel, has prohibited front-running and has implemented the Code of Ethics described above in this Item, as well as investment opportunity allocation procedures.

Employees of Trellus are subject to a pre-clearance policy before trades may be executed and regular reporting requirements. Trellus periodically reviews reports made under the Code of Ethics and other information, and will generally take measures in the event that an intentional or inadvertent advantage in favor of the Firm or its personnel is detected from time to time, or over time.

D. Personal Trading at the Same Time as Client Trading

Trellus employees may engage in the trading activities described above at about the same time as trading occurs in client accounts. The conflicts of interest presented by such activities, and Trellus's mitigation of such conflicts, are described in the preceding paragraph.

Item 12: Brokerage Practices

A. *Selecting Broker-Dealers*

Portfolio transactions are generally allocated by Trellus to brokers on the basis of best execution; taking into account such brokers' provision of investment research and brokerage services that provide assistance to Trellus in the performance of its investment decision-making responsibilities. Research and brokerage services provided by brokers include those that fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 (the "Safe Harbor"), which includes (i) advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities, (ii) analysis and reports concerning issuers, industries, securities, economic facts and trends, portfolio strategy, and the performance of accounts, (iii) effecting securities transactions and the performance of functions incidental thereto (such as clearance, settlement or custody) or required in connection therewith, and (iv) quotation, news and analytical services and tools. Other services provided by brokers, some of which do not fall within the Safe Harbor, take the form of special execution capabilities, clearance, settlement, block trading and block trading capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, consultations, portfolio strategy advice, supplies, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services. "Soft dollars" can also be used to pay expenses of Trellus clients or Trellus, including all or a portion of the Funds' costs and expenses of operation, such as, but not limited to, newswire and data processing charges, quotation services, periodical subscription fees, administration fees, accounting fees and legal fees, research travel expenses, fees of outside consultants, trading and research related fees, and fees payable to third-party marketing firms to solicit clients for Trellus or investors in Trellus hedge funds. Research received from brokers is used to service all of Trellus's advisory accounts. Trellus will also direct portfolio transactions, and thus commissions, to brokers who refer clients to Trellus or investors to any of the hedge funds managed by Trellus.

Accounts advised by Trellus should be deemed to be paying for these services with "soft" or commission dollars. Although Trellus believes that its clients benefit from many of the services obtained with "soft dollars" generated by client trades, the clients do not benefit from all of these "soft dollar" services. Trellus derives substantial direct benefit from these services, particularly to the extent "soft" or commission dollars are used to pay for expenses Trellus would otherwise be required to pay itself. Trellus shall be considered as receiving additional compensation to the extent that its expenses are defrayed through "soft" or commission dollars.

Brokers may, from time to time, provide Trellus and its clients with opportunities to participate in "new issues". New issues will only be invested in by those client accounts eligible to do so; while Trellus, its members, employees, and principals will not participate in such new issues.

Trellus has a strong incentive to allocate brokerage business to those brokerage firms with which Trellus maintains "soft" dollar accounts and, thus, these arrangements create a conflict of interest for Trellus in allocating trades to brokers. Brokerage commissions paid to firms with which Trellus maintains "soft" dollar arrangements are typically higher than commissions charged by other brokers. Trellus periodically evaluates the performance of its brokers executing its transactions to ensure best execution.

The factors that are considered when evaluating a broker's performance include, among other things, the price obtained, the value of research and other services provided by a broker, the commission rate charged and the ability to negotiate commissions, the ability to obtain volume discounts, the broker's execution capability, the broker's financial responsibility, the broker's responsiveness to the needs of Trellus and its clients and its prior relationship and historical service to Trellus's clients. The commission rate charged is only one of the factors as part of a review of best execution services of broker-dealers, and a broker-dealer who charges higher commissions may still be selected if the overall factors suggest that despite the higher rate the broker obtains best execution.

Research and brokerage services furnished by brokers through whom Trellus affects securities transactions may be used in servicing or supporting Trellus's accounts, yet not all such services may be used by Trellus in connection with all of the accounts that paid commissions to the broker providing such services.

B. Aggregation of Securities for Multiple Client Accounts

Trellus normally aggregates sale and purchase orders for its Clients and allocates the securities purchased or sold pro rata at the average price of the acquisition or sale. In many instances, the purchase or sale of securities for such clients may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined at Trellus's sole discretion and each such client charged the average transaction price.

Item 13: Review of Accounts

Trellus currently manages two accounts, which are subject to particular account restrictions, guidelines and cash flows. Consolidated reports are generally prepared on a daily basis with respect to all client accounts by Trellus's prime broker. Prime broker reports are reviewed by Trellus every day, both on a consolidated basis and on an unconsolidated basis for each client. Daily reviews are performed by one portfolio manager, the trader and the Chief Financial Officer. If material performance and/or position differences appear among the accounts, additional analysis of the accounts is performed in order to maintain appropriate levels of risk and to maintain the investment objective of each account. The administrator of fund clients also performs a daily reconciliation of the accounts of Trellus's two domestic private investment fund clients.

Item 14: Client Referrals and Other Compensation

No person who is not a client of Trellus provides an economic benefit to Trellus for providing investment advice or other advisory services to Trellus's clients. Trellus generally does not compensate any person who is not a supervised person for client referrals.

Trellus may utilize the services of independent, third-party marketing firms to solicit investors in funds advised by Trellus. Trellus may compensate such marketing firms through "soft dollar". See Item 12 for a general discussion of Trellus's "soft dollar" arrangements.

Item 15: Custody

Because affiliates of Trellus serve as general partner of the fund clients advised, Trellus is deemed to have custody over such clients' cash and securities for purposes of the Advisers Act.

To comply with the custody rule under the Advisers Act, financial statements for each of the fund clients are audited at the fiscal year end of December 31 by EisnerAmpner LLP, and provided to domestic investors by March 31 and offshore investors by April 30.

Investors in clients that are funds receive also quarterly reports that describe the fund's performance and Trellus's current outlook. Such investors also receive monthly individual statements on their investment prepared by the fund's administrator, SEI Global Services, Inc., which are faxed or emailed directly to the investors by SEI.

Certain investors in fund clients also receive monthly updates of overall fund performance from Trellus directly via email, and Trellus prepares a monthly analytic letter describing the fund's performance, exposures and attribution, etc. that is emailed by SEI to investors in certain of the Trellus funds.

Item 16: Investment Discretion

Trellus provides discretionary investment advice to its clients. The discretionary authority applicable to a particular client is granted in the applicable limited partnership agreement, investment management agreement or managed account agreement.

Item 17: Voting Client Securities

Trellus has authority to exercise the voting rights of its investment fund clients. Trellus utilizes the services of Glass-Lewis to vote proxies on behalf of its clients. A copy of Trellus's policies and procedures related to proxy voting is available to clients upon request.

Item 18: Financial Information

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

Item 19: Requirements for State-Registered Advisers

Not applicable.