

**Item 1 – Cover Page**

**Part 2A of Form ADV  
Brochure for:**

**POSEIDON INVESTMENT MANAGEMENT, LLC**

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**This Brochure provides information about the qualifications and business practices of Poseidon Investment Management, LLC (“Poseidon” or the “Firm”). If you have any questions about the contents of this Brochure, please contact the Firm at the address listed above. 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.**

**Poseidon Investment Management, LLC is an SEC registered investment adviser. Registration of an investment adviser does not imply any certain level of skill or training.**

**Additional information about Poseidon is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Poseidon’s CRD number is: 169449.**

## **Item 2 – Material Changes**

This Brochure was prepared for Poseidon Investment Management, LLC as part of its initial registration with the Securities and Exchange Commission as an SEC registered investment adviser. As this is Poseidon's first disclosure brochure as an SEC registered adviser, investors and prospective investors are encouraged to review this initial disclosure brochure in its entirety.

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## Item 4 – Advisory Business

### A. Description of the Advisory Firm

Poseidon Investment Management, LLC (“Poseidon”), a California limited liability company, was formed on October 3, 2017. The adviser was an exempt reporting adviser prior to becoming SEC registered in September 2021. Emily Paxhia and Morgan Paxhia are the founding partners and Managing Directors of Poseidon.

### B. Types of Advisory Services

Poseidon serves as investment adviser to private investment funds (hereafter the “Private Fund(s)”) and to an actively managed exchange traded fund (“ETF”) (and together the “Funds”) registered under the Investment Company Act of 1940, as amended. Poseidon may decide in the future to sponsor or manage additional private investment funds or provide services to additional types of clients (collectively with the Funds, the “Clients”).

Poseidon’s objective is to generate maximum capital growth through the use of a long-term, analytically driven investment approach focused on uncovering opportunities in niche markets. This objective is further described with respect to the Funds, pursuant to each respective Private Fund’s offering memorandum, limited partnership agreement, and subscription documents (the “Fund Offering Documents”), and with respect to the ETF, pursuant to the ETF’s Prospectus and Statement of Additional Information

The Private Funds offer limited partnership interests (“Interests”) to certain qualified investors as described in response to Item 7, below (such limited partners are referred to herein as “Investors”).

### C. Client Tailored Services and Client Imposed Restrictions

Advisory services are tailored to achieve a Funds’ respective investment objective. Generally, Poseidon has the discretionary authority to select which, and how many, securities and other instruments to buy or sell without consultation with the Funds or its Investors. Non-discretionary accounts in which Poseidon has ongoing responsibility to select or make recommendations, based upon the needs of the Client, as to specific securities or other investments the account may purchase or sell, and, if such recommendations are accepted by the Client, Poseidon is responsible for arranging or effecting the purchase or sale.

### D. Wrap Fee Programs

Poseidon does not participate in wrap fee programs.

### E. Amounts Under Management

The Private Funds generally require a minimum initial investment within a range of \$50,000 to \$500,000, which may be waived by a Private Fund’s General Partner in its sole discretion.

As of 06/30/2021 Poseidon had the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-Discretionary Amounts:</b>	<b>Total:</b>
\$ 186,273,067	\$10,219,072	\$196,492,139

## **Item 5 – Fees and Compensation**

### **A. Fee Schedule**

The fees and compensation payable to Poseidon are outlined in each Private Fund’s offering documents or Client Agreement and are negotiable and vary by Fund/Client. Please refer to the ETF’s prospectus for information pertaining to the fees shareholders pay to the ETF, which are not negotiable. The range of compensation for the Private Funds is generally as follows:

#### **1. Management Fee**

With respect to the Private Funds, Poseidon generally receives a quarterly asset-based management fee calculated as a percentage of each Investor’s capital account, payable quarterly in arrears or quarterly in advance in accordance with a Private Fund’s Offering Documents. The management fee is generally equal to 0.5% (a 2% annual rate). Investors who are not “qualified clients” as defined in Rule 205-3 of the Investment Advisers Act of 1940 (“the Advisers Act”) may be charged a higher management fee in lieu of the incentive allocation (described below) pursuant to a side letter agreement between Poseidon and such non-qualified clients. The management fee payable by such non-qualified clients is generally up to 3%. Lower fees for comparable services may be available from other investment advisers.

Pursuant to an investment sub-advisory agreement between the AdvisorsShares Investments, LLC and Poseidon, Poseidon is entitled to receive an annual advisory fee based on the average daily net assets of the Fund and paid monthly.

Poseidon, or a General Partner in the case of a Private Fund, may, in its sole discretion, reduce, waive or calculate differently the management fee with respect to any Client or Investor.

#### **2. Incentive Allocation**

With respect to the Private Funds, the General Partner is entitled to receive a quarterly incentive allocation equal to up to 20% of the net income allocated to each Investor for the year, but only to the extent net income allocated to that Investor exceeds any cumulative

losses that were allocated to that Investor for earlier periods and that have not been recovered (a “high water mark”).

The General Partner of the Private Fund may, at its sole discretion, waive or reduce a portion of any incentive allocation due to the General Partner.

### 3. Fee Comparison

Investors are encouraged to review each Private Fund’s offering documents carefully for information pertaining to the expenses of a Private Fund. The expenses of a Private Fund, including the management fee and incentive allocation may constitute a higher percentage of average net assets than would be found in other comparable investment vehicles.

#### B. Payment of Fees

Management fees, incentive allocations, and third-party fees (discussed below) of the Private Funds are deducted from each Investor’s account(s) directly. Management fees, which are paid in arrears, are based on each Investor’s respective capital account balance and withdrawn at the end of each calendar quarter. Management fees, which are paid in advance, are based on the aggregate capital commitments of the Investors, and are withdrawn at the beginning of each calendar quarter. Incentive allocations are calculated as of the last business day of each calendar quarter, as of any date on which an Investor makes a withdrawal and/or as of any date on which an Investor receives a distribution from such Investor’s capital account(s). Fees for any partial periods are prorated accordingly.

Management fees from the ETF are paid monthly in arrears based on the average daily net assets.

#### C. Third-Party Fees

The Private Fund shall pay such costs and expenses as outlined in each Private Fund’s offering documents, including, but not limited to: (i) management fees; (ii) all general investment expenses (i.e., expenses which Poseidon reasonably determines to be directly related to the investment of the Private Fund’s assets); (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation, Private Fund related compliance and consulting costs and expenses; (iv) fees, costs and expenses of third-party service providers that provide such services to the Private Fund(s); and, (v) any extraordinary or other expenses attributable to a particular Private Fund(s).

Each Private Fund will incur brokerage commissions, transaction fees, and other related costs and expenses. Such charges, fees and commissions are exclusive of and in addition to Poseidon’s management fee, and Poseidon does not receive any portion of these brokerage commissions, fees, and/or costs.

Please see Item 12 of this Brochure for more information regarding brokerage.

The Poseidon Mastermind is a collaborative program for cannabis founders. It is designed to spark collaboration and boost growth, the program offers access to networks, key trends and peer-to-peer support for founders of portfolio companies or other companies in the cannabis

or hemp industries. Portfolio companies may pay Poseidon or its affiliates fees for membership in the Poseidon Mastermind program.

The General Partner of a Private Fund, Poseidon and/or its affiliates may engage with, and provide certain ancillary services to, one or more of the portfolio companies, including, but not limited to, engagements and services related to “bootcamp,” “accelerator,” and other such similar programs in exchange for a fee.

The General Partner of a Private Fund or Poseidon may receive fees including director fees (including the value of any options, warrants and other non-cash compensation), break-up fees and fees for advisory, consulting, monitoring or other similar services arising from a Private Fund’s portfolio investments or potential portfolio investments. The General Partner of a Private Fund and Poseidon will apply such Private Fund’s pro rata share of any such fees paid to the General Partner or Poseidon arising from the Private Fund’s portfolio investments or potential portfolio investments to offset, pay, or reserve for the payment of such Private Fund’s investment expenses or to offset the next installment of Poseidon’s investment management fee. If any such fees exceed the next installment of Poseidon’s investment management fee, then the excess is carried forward for offset against future installments of such investment management fee. To the extent any such fees are not offset against future installments of Poseidon’s investment management fee prior to the liquidation of the Private Fund, then the excess fees are remitted to the Private Fund by the General Partner immediately prior to liquidation.

D. Prepayment of Fees

Poseidon, for certain Private Funds and in accordance with the Private Fund’s Offering Documents, expects Investors to prepay investment advisory fees.

E. Outside Compensation for the Sale of Securities

Neither Poseidon nor its Supervised Persons accept compensation for the sale of securities or other investment products outside of their association with Poseidon.

**Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Client or Investor may vary. Although Poseidon believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.**

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

As discussed in Item 5.A., the General Partner of a Private Fund is entitled to receive an incentive allocation of up to 20% of the net income allocated to each Investor for the calendar year. Due to the Private Funds’ incentive allocation, and the General Partners of the Private Funds being affiliated with Poseidon, Poseidon may be incentivized to favor such Private Funds over the ETF or other Clients that do not pay an incentive allocation.

The incentive allocation may provide a possible incentive for Poseidon, as an affiliate of the General Partners of the Private Funds, to make riskier or more speculative investments on

behalf of a Private Fund than it might make otherwise. Poseidon has policies and procedures in place to ensure that it evaluates and allocates investments in the best interest of its Clients, taking into consideration each Fund's investment objectives, investment strategies, suitability, and risk profile.

### **Item 7 – Types of Clients**

Poseidon currently provides investment advice and management services to its Private Funds and an actively managed Exchange Traded Fund, a registered investment company. Poseidon may in the future provide the same or similar services to other investment funds and/or separately managed accounts.

Poseidon intends to restrict the number of Investors in its Private Funds and offers its services only through non-public transactions in order to maintain a Private Fund's exclusion from "investment company" status under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Prospective Investors must meet each Private Fund's eligibility criteria, and are subject to certain withdrawal requirements and limitations, as provided in the Private Fund Offering Documents, where all terms are set forth in detail. Generally, similar terms will apply to similar Investors within the Private Fund, though certain Investors may have terms that differ. Investors will be required to make representations concerning their investment experience and ability to bear risk of potential loss of their entire investment.

The minimum initial investment generally required to be an Investor in a Private Fund varies from \$50,000 to \$500,000. Poseidon may, in its sole discretion, waive the minimum investment requirement for any Investor. Investors are generally admitted on the first business day of each calendar month and at the discretion of the General Partner of a Private Fund, on any other date.

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

#### **A. Methods of Analysis**

Poseidon's primary methods of analysis are fundamental, cyclical and technical analysis using and relying on Poseidon's evaluation of resources including, but not limited to: financial newspapers and magazines; inspection of corporate activities; research materials prepared by others; corporate rating services; timing services; annual reports, prospectuses, filings with the SEC; and company press releases.

#### **B. Investment Strategies**

With respect to the Funds, Poseidon seeks to generate significant growth through the use of a long-term, analytically driven investment approach focused on uncovering opportunities in niche markets. Based on its investment technology and research, Poseidon is able evaluate the numerous factors that affect emerging opportunities, such as changes in levels of



profitability and relative valuations. The Fund's dedication to its niche market(s) is essential to understanding its targeted investments where information is often sparse and not always accurate. Poseidon focuses on companies and industries that are too small for larger funds, leaving the Private Funds the opportunity to invest and grow with its underlying portfolio companies. Poseidon currently intends to focus its investments primarily in the cannabis and hemp industries, which Poseidon believes are among the fastest growing markets in the U.S. and the largest burgeoning industries in the world.

Poseidon invests each Fund's assets in securities traded on the Over-The-Counter Bulletin Board, Pink Sheets, U.S. and non-U.S. national securities exchanges, and in private companies that are not traded on a national securities exchange. In addition, Poseidon may invest the Fund's assets in all types of equity and debt securities, including common and preferred stock, debt securities convertible into common or preferred stock or other types of securities, bonds, notes, zero coupon bonds, fixed income securities, options and other investment company securities.

C. Risks of Investments and Strategies Utilized

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

**General Investment and Trading Risks:**

**Investment and Trading Risks.** All investments involve the risk of a loss of capital. Poseidon believes that the Funds' investment programs and research and risk-management techniques moderate this risk through the careful selection of securities and other financial instruments and/or portfolio construction. Poseidon may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment programs utilize such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a client may be subject.

The Funds' success depends on Poseidon's ability to implement the Funds' respective investment strategies. No assurance can be given that the investment strategies to be used by the Funds will be successful under all or any market conditions. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace.

**Effects of Coronavirus.** The coronavirus (COVID-19) pandemic has had, and will likely continue to have a material adverse effect on the global economy and on many businesses, including businesses in the cannabis industry. Accordingly, Poseidon anticipates that its investments will be confronted with challenges caused by disruptions in the consumer marketplace, government regulations and restrictions in response to the COVID-19 pandemic, and other unknown changes in federal and state law. If any of these factors

become too severe, it may have a significant negative impact on the economic performance of the Private Funds and ETF.

**Risks Associated with Investments in Private Companies:**

**Early-Stage Entities.** The Funds may invest in early-stage entities and may provide all or a portion of such entities' initial capital. Early-stage entities inherently have limited or no operating histories, and as such it may be difficult for Poseidon to evaluate the viability and/or potential prospects of any start-up entity in which a Fund invests. Investments in start-up entities involve a high degree of business and financial risk and can result in substantial losses.

**The Funds May Not Have Control Over an Investment.** The Funds may acquire minority interests in private companies or other assets in which they invest, or rely on independent third-party management or strategic partners with respect to the management of private companies. Therefore, the Funds may not be able to exercise control over such investments.

**Competition for Investments.** The Funds expect to encounter competition from other entities having similar investment objectives. Historically, the primary competition for such investments has been from venture capital partnerships and companies, venture capital affiliates of large industrial companies, wealthy individuals and non-U.S. investors. Additional competition is anticipated from industrial and financial companies investing directly, rather than through venture capital entities, as well as other larger institutional asset management firms.

**Control Securities.** The Funds hold positions in companies where one or more representatives of Poseidon or its affiliates sits on the board of directors. As a result, public resale of these securities may be limited under the Securities Act, as the Funds' investments in these companies may be deemed "control securities" under U.S. securities laws. Furthermore, the Funds may be subject to the trading windows and insider trading policies of such companies as well as obligations under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which, among other things, subjects trading in certain of these companies' securities to the "short swing profit rule." Investing in securities with limited or no liquidity or where one or more representatives of Poseidon or its affiliates sits on the board of directors may impair the Funds' ability to dispose of such securities on a timely basis. As a result, the ability of the Funds to timely execute transactions in order to realize gains and avoid losses may be hindered. The Funds' positions in such securities could be substantial.

**Risks Associated With Instruments Traded by Poseidon:**

**Common Stocks and Equity-Related Securities.** Prices of common stock react to the economic condition of the company that issued the security, industry and market conditions, and other factors and may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly, the value of other equity-related securities, including preferred stock, warrants and options may also vary widely.

**Small- and Mid-Cap Risks.** The Funds may invest their assets in stocks of companies with smaller market capitalizations. Securities of small- and mid-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses, and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

**Investing in High Yield Securities.** High-yield securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments.

**Convertible Securities.** The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the investment value of convertible securities. The conversion value of a convertible security is determined by the market price of the underlying common stock. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security is called for redemption, a client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the client's ability to achieve its investment objective.

**Exchange Traded Funds.** Exchange-traded funds ("ETFs") are a type of index fund bought and sold on a securities exchange. As a relatively new type of security, the trading characteristics of ETFs may not yet be fully developed or understood by potential investors. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

**PIPES and Other Restricted Securities.** In Private Investments In Public Equity ("PIPE") transaction, the Client 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. The securities are not publicly tradable when the

client purchases them, however, and they may never become publicly tradable. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

**Derivative Investments.** Derivative investments are financial contracts whose value depends on, or is derived from, an underlying product, such as the value of a securities index. The risks generally associated with derivative investments generally 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 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) adverse changes in the value of the asset underlying the derivative could result in a loss substantially greater than the amount invested in the derivative itself or in heightened.

**Option Transactions.** Price movements of options contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options also depends upon the price of the commodities underlying them. In addition, client assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Use of Leverage and Financing.** A Client may pledge its securities in order to borrow additional funds for investment purposes. Any event which adversely affects the value of an investment by the client would be magnified to the extent the client is leveraged. The cumulative effect of the use of leverage by a client in a market that moves adversely to the client's investments could result in a substantial loss that would be greater than if the client were not leveraged.

**Hedging Transactions.** While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. For a variety of reasons, Poseidon may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss.

**Derivatives and Hedging.** Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets, reference rates or

indices. A Client's ability to profit or avoid risk through investment or trading in derivatives will depend on Poseidon's ability to anticipate changes in the underlying assets, reference rates or indices.

**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.

**Currency Risk.** The value of the Funds' assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when the Funds transfer investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

**Investment Strategy Risks:**

**Short Selling.** Short selling involves selling securities which are not owned 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 declines in market prices 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 client of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Limited Diversification.** Investments may be primarily focused geographically in certain countries. Furthermore, broad diversification of investments in number or by industry or geography is not a primary investment of Poseidon. This limited diversity could expose Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments. The Funds may incur losses or increased volatility of results due to a concentration of investments in a particular company or in the cannabis or hemp industries.

**Non-U.S. Markets.** The ETF will engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks including exchange-rate exposure, excessive taxation, possible governmental regulation or lack thereof not applicable to trading on U.S. exchanges and markets and such exchanges and markets are frequently less

regulated than those in the U.S. For example, certain non-U.S. exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants, as do U.S. exchanges. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges.

**Lack of Liquidity and Transferability.** Certain Funds may invest in private securities for which no (or only a limited) market exists or that are subject to legal or other restrictions on transfer. It may take the Funds longer to liquidate such positions (if they can be liquidated) than would be the case for more liquid investments. The prices realized on the resale of private securities could be less than those originally paid by the Funds. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financial condition of obligors on the Funds' assets. The sale of illiquid assets and restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

The Funds may also place certain restrictions on the right of Investors to redeem all or part of its interests, transfer its interests and pledge or otherwise encumber its interests. Interests may not be transferred or pledged except in compliance with significant restrictions on transfer as required by federal and state securities and commodities laws and as provided in the applicable Fund's offering documents. The Fund's offering documents do not permit an Investor to transfer or pledge all or any part of its interest to any person without the prior written consent of the General Partner, the granting of which is in the General Partner's sole and absolute discretion.

The Funds may not be able to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. These limitations, taken together, will significantly limit an Investor's ability to liquidate an investment in the Funds quickly. Thus, it is unlikely that an Investor will be able to liquidate its interests in the event of an unanticipated need for cash. As a result, an investment in the Funds would not be suitable for an Investor who needs liquidity. There is no guarantee that fair value will represent the value that will be realized by the Funds on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment.

**Counterparty Risk.** Transactions may be affected in "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss.

**Dependence on Key Personnel.** Poseidon is dependent on the services of its principals and key personnel. The success of the Funds will depend to a great extent on the investment skills of Poseidon's principals and key personnel. The Funds could be adversely affected if, because of illness, resignation or other factors, the services of the relevant people are not available for any significant period of time.

**Poseidon's Methodology.** Trading decisions of Poseidon are on a discretionary basis using fundamental and/or technical analysis and no assurance can be given that such trading strategies used by Poseidon will be successful, or that losses could not occur. In entering orders into the Funds' accounts, Poseidon will use market, limit, stop, and other qualified orders, if in its judgment, that appears appropriate under given market conditions. In addition, when liquidating a position, Poseidon may place a reversal order, i.e., the current position is liquidated and an opposite one is established.

**More information about the Funds' investments and the associated risk factors is available in the respective Offering Documents.**

**Cannabis and Hemp Industry Specific Risks:**

**Regulatory Uncertainty.** Poseidon's investment decisions and the business activities and operations of the Private Fund's and ETF's portfolio companies, as well as the companies that such portfolio companies do business with, rely on newly established regulations in multiple jurisdictions. These regulations are rapidly evolving and subject to change with minimal notice. Regulatory uncertainty surrounding the cannabis industry may impair the ability of some of the portfolio companies to operate, go public or to find a suitable acquirer, which could adversely affect returns.

**Regulation of Cannabis in the United States.** Many of the portfolio companies in which Poseidon invests operate, or do business with companies operating, in the newly emerging cannabis industry. Although cannabis production and distribution by licensed or registered entities is authorized under certain states' statutes, the federal government classifies cannabis as a Schedule 1 controlled substance under the federal Controlled Substances Act (the "CSA") and the sale, possession or cultivation of cannabis, and the promotion of the distribution of cannabis, remain criminal acts under federal law. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely cause significant financial harm to the businesses in which the Private Funds invest and the ability of the Private Funds to pursue their investment strategy.

As of the date hereof, thirty-six (36) states, the District of Columbia, and the U.S. territories of Guam, Puerto Rico, the Northern Mariana Islands, and the Virgin Islands have legalized cannabis for medical purposes. Twelve (12) other states have laws that limit the THC content, for the purpose of allowing access to products that are rich in cannabidiol ("CBD"), a non-psychoactive component of cannabis. As of the date of this Memorandum, adult recreational or personal use of cannabis is legalized in eighteen (18) states (Alaska, Arizona, California, Colorado, Connecticut, Illinois, Maine, Massachusetts, Michigan, Montana, New Jersey, New York, Nevada, Oregon, South Dakota, Virginia, Vermont, and Washington), plus the District of

Columbia, the Northern Mariana Islands, and Guam. Legalization in the cannabis context means the abolishment of laws that ban the possession and personal use of cannabis. Legalization enables governments to regulate and tax cannabis use and sales. As of the date hereof, thirty-two (32) states (Alaska, Arizona, California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Dakota, Vermont, Virginia and Washington), the District of Columbia, the U.S. territories of Guam, the Northern Mariana Islands and the U.S. Virgin Islands have decriminalized cannabis. Decriminalization means a loosening of criminal penalties and in the cannabis context generally means that possession of certain small amounts of cannabis for personal consumption may be a civil or local infraction but will no longer rise to the level of being a state crime or may constitute the lowest misdemeanor with no possibility of jail time. These state laws are in conflict with the CSA, which makes cannabis sale and possession illegal on a national level.

Inconsistencies between federal law and the laws of states that have legalized or decriminalized the production, processing, distribution, sale and use of cannabis for adult-use or medical purposes represent a substantial risk over which Poseidon and the companies it invests in have no control. Because the federal government views cannabis as an illegal drug, it is illegal to produce, process, distribute, sell and consume cannabis. For this reason, the federal government could shut down the businesses of the portfolio companies in which Poseidon invests in or the businesses that such portfolio companies do business with, at any time. There is a potential risk that Poseidon, its Clients and investors in its Clients may be subject to a criminal investigation or prosecution for aiding and abetting in a violation of the CSA or for conspiring to violate the CSA.

Under the Obama Administration, the Department of Justice released a memo on August 29, 2013 (the “Cole Memorandum”), which provided non-binding guidance to federal prosecutors concerning cannabis enforcement under the CSA in light of the recent state legislation to legalize the production, processing, and sale of cannabis. The Cole Memorandum highlighted specific areas in which the Department of Justice under the Obama Administration had focused its efforts on certain enforcement priorities that are particularly important to the federal government, such as: (i) preventing the distribution of cannabis to minors; (ii) preventing revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels; (iii) preventing the diversion of cannabis from states where it is legal under state law in some form to other states; (iv) preventing state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; (v) preventing violence and the use of firearms in the cultivation and distribution of cannabis; (vi) preventing drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use; (vii) preventing the growing of cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and (viii) preventing cannabis possession or use on federal property. For states that had enacted laws to authorize the production, processing, sale and use of cannabis, the Cole Memorandum stated that the



Department of Justice expected these states to establish strict regulatory schemes that would protect the federal interests identified in the Cole Memorandum guidance.

On January 4, 2018, the Department of Justice under the Trump Administration issued a memorandum to federal prosecutors (the “Sessions Memorandum”) rescinding previous nationwide guidance specific to cannabis enforcement, including the Cole Memorandum. The Sessions Memorandum instructs federal prosecutors to follow the well-established principles that govern all federal prosecutions in deciding which cannabis-related activities to prosecute. Such principles require federal prosecutors to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. It is not yet clear how the Department of Justice’s position on cannabis enforcement may evolve under the Biden Administration.

Currently, the Department of Justice must comply with the Rohrabacher-Blumenauer Amendment (the “Amendment”), an amendment to the federal appropriations bill, from spending federal funds to bring certain types of cannabis-related prosecutions and enforcement actions. The Amendment states that no funds available to the U.S. Department of Justice may be used to prevent certain enumerated states from implementing their own state laws that authorize the use, distribution, possession, or cultivation of medical cannabis. However, cannabis-related activity that is not strictly in compliance with a state’s medical marijuana laws, including all marijuana-related conduct that relates to adult use markets, is not protected by the Amendment and may be prosecuted by the Department of Justice. Furthermore, reliance on the Amendment is tenuous because it requires strict compliance with complicated state regulatory schemes that are constantly evolving, and is based upon an amendment to the federal appropriations bill that must continue to be renewed by the federal Congress. For example, when the federal government failed to pass a new federal appropriations bill and entered a shut-down in January 2018, the Amendment expired and provided no protection for any cannabis-related activities until it was renewed in the same month as part of the federal appropriations bill that reopened the federal government. This underscores that state laws and local ordinances are not a defense to civil or criminal enforcement of federal law, and by investing in companies that violate federal law, Poseidon, its Clients and affiliations, and the investors in its Clients remain at risk for federal prosecution and enforcement actions.

Through due diligence and appropriate warranties and covenants in their respective investment documentation, as well as their rights as investors in portfolio companies, the Private Funds will seek to avoid investing in companies whose businesses may run afoul of guidance provided in the Cole Memorandum. However, it remains the case that the business of the Private Funds’ portfolio companies will be illegal under federal law and that by investing in the Private Funds, investors may be deemed to be violating federal law. There are no assurances that investments in the Private Funds will not subject Poseidon, its affiliates and Clients, and the investors in its Clients to arrest, criminal prosecution, civil penalties, criminal or civil forfeiture of personal assets, loss of federal benefits, or other

criminal, civil, or administrative consequences. Investors should be aware that cannabis may never be legalized federally in the United States.

Although the cultivation of industrial hemp (defined as cannabis and cannabis derivatives with no more than 0.3% of THC on a dry weight basis) was made legal in the United States in late 2018 with the enactment of the Agriculture Improvement Act of 2018 (the “Farm Act”). Furthermore, the U.S. Food and Drug Administration (the “FDA”) has since issued a statement declaring that despite the new status of hemp, CBD remains illegal to add to food or health products without the agency’s approval. As a result, the FDA may regard the promotion of the Fund’s cannabis-based investments as the promotion of an unapproved drug in violation of the U.S. Federal Food, Drug and Cosmetic Act of 1938, as amended (the “FDCA”). The FDCA is a set of laws giving authority to the FDA to oversee the safety of food, drugs, medical devices, and cosmetics. While the FDA has stated that it recognizes the significant public interest in cannabis and cannabis- derived compounds, particularly CBD, it also maintains that there are many unanswered questions about the science, safety, and quality of products containing CBD. The FDA continues to view CBD as not Generally Recognized as Safe (GRAS). The FDA cautions that CBD products continue to be subject to the same laws and requirements as FDA-regulated products that contain any other substance. Except for one prescription drug to treat rare, severe forms of epilepsy, to date the FDA has not approved any CBD products. FDA enforcement action against the Private Funds’ portfolio companies could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the products or distribution of such portfolio companies. Such events, if they occurred, could have a material adverse effect on the Private Funds’ business, prospects, financial condition and operating results. In 2019, the FDA issued a subsequent statement announcing new steps and actions for a framework for the lawful marketing of appropriate cannabis and cannabis-derived products. Any such rulemaking by the FDA may increase compliance costs of the Private Funds’ respective portfolio companies or further restrict the marketing and sale of affected products. The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and is expected to continue to be, a controlled substance for the foreseeable future.

Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or public information could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Funds’ investments and in turn, of the Funds. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect.

**Changes of Federal Law.** Changes to the federal government's administration and the manner in which the federal government regulates cannabis, including how it intends to enforce laws prohibiting medical cannabis and adult-use cannabis could materially and negatively affect the Private Funds' investments. Cannabis is currently classified as a Schedule I substance under the CSA and is subject to the strictest possible controls. If the federal government reclassifies cannabis as a Schedule II controlled substance, the Private Funds and their portfolio companies may face greatly increased competition from new entrants into the cannabis industry, many of which may be larger and better capitalized, including pharmaceutical companies, consumer packaged goods companies, and tobacco companies, and there may be a resulting negative impact on the Private Funds' profitability and financial results. Alternatively, if the federal government elects to take a more aggressive approach towards the enforcement of federal laws against businesses in the adult-use cannabis market, by some estimates, the overall potential of the cannabis market may be reduced by as much as 75%. Eliminating the adult-use cannabis market would be an existential threat to many cannabis businesses and those doing business with such cannabis businesses, including many of the Private Funds' investments. Future legalization and/or regulation at the federal, state and local level could stunt the growth of the cannabis industry and thereby negatively affect the Private Funds by shrinking the market for the services of some of the Private Funds' investments.

**Risks related to violations of State Law.** Although portfolio companies may conduct business in compliance with state rules and regulations in those states that have passed legislation and adopted regulations, Poseidon and/or its Clients, affiliates, shareholders, principals, members, partners, managers, directors, officers and employees (collectively the "*Poseidon Affiliates*") and the investors in its Clients are at risk of prosecution in those states that have not passed legislation. Poseidon Affiliates and investors located in states where cannabis remains illegal may be at risk of prosecution under state conspiracy, aiding and abetting, and money laundering statutes, and be at further risk of losing their investments or proceeds under forfeiture statutes. States may take action to prevent the proceeds of cannabis businesses from entering their state. Because legalization in these states is so new, it remains to be seen whether these states would take such action and whether a court would approve any such action. Investors should be aware of these potentially relevant state laws in considering whether to invest in the Funds.

An individual who invests in or otherwise assists a cannabis-related business could potentially face criminal liability under state conspiracy and/or aiding and abetting laws on the theory that the individual has conspired with or assisted another to sell cannabis, conduct that remains a crime in many states. The laws of several states provide, for example, that a person can be convicted of a crime under state law if, among other things, any element of the crime occurred within the state, or if a conspiracy or criminal solicitation occurred in the state. Thus, if any communications between an investment fund (such as the Funds) and a cannabis-related business occurred in a state where cannabis is illegal, or if such investment fund is based in a state where cannabis is illegal and wired its investment from that state, such investment fund's conduct may render it vulnerable to prosecution under state law for conspiring or aiding another to sell cannabis.

Poseidon Affiliates and investors should also be aware of the potential impact of state money laundering statutes. Many state anti-money laundering statutes, for example, criminalize any financial transaction by any person that involves the proceeds of various types of “criminal conduct,” including selling controlled substances. “Criminal conduct” for purposes of the statutes include “conduct committed in any other jurisdiction which is or would be a crime under the laws” of the home state.

New York, for example, provides an exception for crimes consummated in another state where the relevant conduct is legal. However, the application of such exception in this context is untested and remains uncertain. The crime of receiving in New York the proceeds of Colorado cannabis sales (unlike the crime of conspiring in New York to sell cannabis in Colorado) could involve a crime that is consummated in New York, where the financial transaction takes place. Regardless, the underlying crime of selling cannabis remains illegal under federal law.

As entities that invest in or services a cannabis-related business, the Funds are potentially subject to state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for a state (or local police force) that wants to discourage residents from conducting transactions with cannabis-related businesses but considers criminal prosecution excessive or disproportionate under certain circumstances. Also, an individual can be required to forfeit property that is the proceeds of a crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the standard in a criminal matter. Depending on the state’s laws, rather than having to establish liability beyond a reasonable doubt, the state may be required to prove that the money at issue is proceeds of a crime only by either clear or convincing evidence or a mere preponderance of the evidence.

**Risks Associated with Investments in Foreign Cannabis Companies.** Poseidon may invest in portfolio companies in non-U.S. These investments are subject to all of the risks of investing in the cannabis industry generally as well as the risks associated with emerging markets and non-U.S. investments, and have additional heightened risks due to the different legal, political, commercial and social treatment of cannabis-related businesses in those non-U.S. jurisdictions. These risks include, among other things, political and economic considerations, such as greater risks of expropriation, nationalization and general social, political, and economic instability; the smaller size of the securities markets in such countries and the lower volume of trading may result in potential lack of liquidity and in price volatility; fluctuations in the rates of exchange between currencies and costs associated with currency conversion; differences in withholding and other taxation and certain government policies that may restrict or impede the Funds’ investment opportunities. In addition, accounting and financial reporting standards that prevail in non-U.S. countries generally are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in, and governments of, non-U.S. countries than is available to investors in companies located in the United States. As a general rule, there is less regulation of the securities markets in non-U.S. countries than there is in the United States.

Non-U.S. portfolio companies in which the Funds invest will be subject to the laws and regulations governing the sale and use of cannabis and cannabis-related products and services in the jurisdictions in which they operate or have their principal place of business, which may be less developed than the laws and regulations in the United States, or which may impose more burdensome restrictions that prevent the portfolio companies from fully implementing their business strategies.

The operation of cannabis-related businesses in non-U.S. jurisdictions may also be subject to greater governmental involvement and control as well as an increased possibility of interference by organized crime and/or public corruption. Portfolio companies may be required to acquire and maintain various licenses and registrations from local governmental agencies to operate cannabis-related businesses within the non-U.S. jurisdiction. The requirements for such licenses and registrations may be subject to change without notice by the local governmental agencies so there can be no guarantee that the portfolio companies will be able to maintain all necessary licenses and registrations to continue operating their businesses.

Because the use and sale of cannabis is illegal under U.S. federal law and may be illegal in certain non-U.S. jurisdictions, portfolio companies which transport cannabis or cannabis-related products across international borders, including the United States, may be subject to criminal penalties, including fines, forfeiture and incarceration of management personnel, for violating federal or foreign drug trafficking laws. In addition, (i) the use of the U.S. banking system or certain non-U.S. banking systems to transfer proceeds derived from cannabis-related businesses could be a violation of federal or foreign anti-money laundering laws and (ii) a finding by a U.S. or foreign court that a portfolio company employee has engaged in the bribery of a foreign official could be a violation under the U.S. Foreign Corrupt Practices Act or related foreign laws. Any prosecutorial action against any portfolio companies in which the Funds invest could adversely affect the investment returns of the Funds.

Before investing in any cannabis-related company organized or operating in any non-U.S. jurisdiction, Poseidon will consult with local counsel, as needed, and other experts in order to minimize the possibility that such investment will expose Poseidon, its affiliates or its Clients to the risk of prosecution for violating any foreign or international laws. However, there can be no assurance that any such risk can be completely mitigated despite such efforts in the event of a sudden change in local or international law, political regime, or regulatory interpretation. If a foreign or international authority brings an action or suit against Poseidon, its affiliates and/or its Clients for violating any laws or regulations, the costs of defending any such action or suit may be substantial, even if Poseidon its affiliates and its Clients ultimately prevail.

**Tax Risks Related to Controlled Substances.** Section 280E of the U.S. Internal Revenue Code of 1986, as amended (“Section 280E”) prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). The U.S. Internal Revenue Service (the “IRS”) has invoked Section 280E in tax audits against various cannabis businesses in the U.S. operating in compliance with applicable state laws. Although the IRS issued a clarification allowing the deduction of certain

expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted thus lowering the after-tax income of operations. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. Legislatures of U.S. states where medical and/or adult-use cannabis is legal have or are considering special taxes, excises, or fees related to the cannabis industry. It is uncertain at this time whether other state legislatures are in the process of reviewing such additional taxes, excises, and fees. The implementation of special taxes, excises, or fees could have a material adverse effect upon the businesses, results of operations and financial condition of the portfolio investments of the Private Funds.

**Enhanced Scrutiny By Securities Regulators.** The Funds may seek to facilitate the acquisition of a portfolio company by a cannabis company that has publicly traded equity and/or debt securities, in which case the Funds may receive publicly traded securities of the acquiring company as part of any such transaction. In addition, one or more portfolio companies may conduct an initial public offering of its equity securities. As a stockholder of a publicly traded cannabis company, the Funds may be subject to special risks currently associated with such companies, including those arising out of the enhanced scrutiny by securities regulators. Publicly traded cannabis companies have been subject to increasing scrutiny by various federal and state securities regulators due to the expanding legalization of cannabis under state laws and recent negative publicity regarding alleged stock scams and market manipulation involving certain cannabis companies. Because publicly traded cannabis companies can often be small, and experience significant price volatility, the SEC has been particularly vigilant in initiating enforcement actions against a cannabis company at the first sign of concern over the company's public reporting or securities trading. The SEC and FINRA have both issued alerts concerning the risks of investing in publicly traded cannabis-related companies. The SEC's scrutiny also extends to the directors and executives of cannabis companies. Since Poseidon has and intends to seek board representation and management roles in the portfolio companies in which the Funds invest and may seek similar positions in an acquiring cannabis company, there is a risk that one of the Principals or other key management personnel may become involved in regulatory or civil actions. If the SEC or a state securities agency decided to focus its attention on cannabis companies, any regulatory action against a portfolio company in which the Funds invest would take the time and attention of the company's management personnel away from the business of the portfolio company and potentially result in significant legal fees and financial penalties which could adversely affect the returns of the Funds.

**Multi-Sector Investment Strategy.** Poseidon's investment strategies are to invest in portfolio companies operating in various markets in the cannabis industry in a variety of geographic locations. Accordingly, Poseidon will be required to maintain expertise, relationships and market knowledge across a broad range of businesses and geographic regions, and will be subject to the market conditions affecting each portfolio company in various markets, including local regulations, economic climate, business layoffs, industry slowdowns, changing demographics and local supply and demand issues affecting each such

market. This multi-sector approach could require more management time, staff support and expense than an investment fund whose focus is dedicated to a greater extent on a single product type in fewer jurisdictions than is contemplated by Poseidon.

**Lack of Necessary Permits or Authorizations.** The regulations in the cannabis industry are still evolving, and some states, counties and/or other local jurisdictions may develop regulations that require companies involved in the cannabis industry to obtain licenses, permits, authorizations or accreditations even if such companies do not produce, process, distribute or sell cannabis directly. Accordingly, some of the Funds' portfolio companies may not be able to obtain or maintain the necessary licenses, permits, authorizations, or accreditations for certain operations related to the cannabis industry, or they may only be able to do so at great cost. In addition, some of the Funds' portfolio companies may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with such laws and regulations or to obtain the necessary licenses, permits, authorizations, or accreditations could result in restrictions on a company's ability to operate in the cannabis industry, which could have a material adverse effect on the Funds or any of its portfolio Investments.

**Inability to Protect Intellectual Property.** Due to the uncertain nature of the political and legal prospects of the cannabis industry, the Funds' portfolio companies may have difficulty in obtaining state and/or federal registration or other protection of their trademarks and copyrights. Particularly in light of the illegality of cannabis under federal law, there is no assurance that any applications for trademarks and copyrights relating to the business conducted by the Funds' portfolio companies may ever be granted, especially in connection with any intellectual property relating to cannabis. Further, if such applications are granted, the level of protection afforded, and the duration of such protection is not guaranteed due to the illegal nature of cannabis on a federal level. If such applications are granted, they may be challenged or invalidated, and the affected company may not be able to succeed in protecting its rights in such intellectual property.

**Difficulty of Obtaining Banking Services.** Since the use of cannabis is illegal under federal law, many banks are concerned that they cannot accept for deposit funds from, or otherwise provide services to, businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. The inability or limitation in the ability of the Funds and any of the Funds' portfolio companies to open or maintain bank accounts or obtain other banking services may make it difficult for the Funds and such portfolio companies to operate and conduct business as planned.

**Rapid Changes.** Laws and regulations affecting the cannabis industry are constantly changing, which could detrimentally impact the businesses in which the Funds invest. The companies in which the Funds invest are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as being subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Litigation, complaints and enforcement actions could consume considerable amounts of financial and other corporate resources of

the Funds' portfolio companies, which could have a negative impact on their sales, revenues, profitability, and growth prospects.

Local, state and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require the Funds to incur substantial costs associated with compliance or alter its business plan. Violations of these laws and regulations, or allegations of such violations, could disrupt the Funds' business and result in a material adverse effect on its operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to portfolio companies and the Funds. Poseidon cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on portfolio companies and the Funds.

Individual state cannabis laws rarely conform to other individual state cannabis laws. Many variations exist among states and countries that have legalized, decriminalized, and/or created medical cannabis exemptions. These conflicts and variations make it difficult for the Funds' portfolio investments to gain scale and efficiency.

Given the rapid changes affecting the global, national, and regional economies generally and the medical and adult-use cannabis markets in particular, the portfolio companies may not be able to create and maintain a competitive advantage in the marketplace. Each portfolio company's success will depend on its ability to respond to any changes in its markets, especially with legal and regulatory changes, as well as changes in the economy, market conditions, and competitive pressures. Any failure by a portfolio company to adequately anticipate or keep pace with such changes could have a material adverse effect on the portfolio company's financial condition, operating results, liquidity and cash flow and, consequently, the investment returns of the Funds.

**Intensifying Competition.** The cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. The Funds expect this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could harm the Funds in a number of ways, including:

- some, or all, of the Funds' portfolio companies could lose strategic relationships if their strategic partners are acquired by or enter into relationships with competitors (which could cause the Funds' portfolio companies to lose access to products, supplies, technology and other resources); and
- the current competitors of the Funds' portfolio companies could become stronger, or new competitors could form, from consolidations.

Any of these events could put some of the Funds' portfolio companies at a competitive disadvantage, which could cause such investments to lose customers, revenue or market share. Consolidation could also force the Funds' portfolio companies to expend greater resources to meet new or additional competitive threats, which could also harm their



operating results. The occurrence of any such events could materially and adversely affect the Funds.

**Inexperience of Participants within the Cannabis Industry; Potential Unenforceability of Contracts.** Many of the people and entities with whom the Funds and the Funds' portfolio companies engage with may not have significant experience with engaging in business transactions in the ordinary course. Entities and persons in the cannabis industry may be unaccustomed to following standard business practices, such as keeping financial records according to generally accepted accounting principles, entering into written contracts or paying particular attention to the obligations to which they have agreed to in written contracts. Moreover, many contracts involving cannabis companies may not be enforceable in federal or state courts, which could negatively impact the ability of some of the Funds' portfolio companies to have certainty regarding key contracts and business relationships. It may become challenging for the Funds and the Funds' portfolio companies to enter into more complex commercial transactions, which could limit the growth of the Funds' investments or otherwise create a material adverse effect on the Funds and its investments.

**Limited Access to Insurance.** Poseidon and the Funds' portfolio companies may face increased costs for insurance, such as workers compensation, general liability, and directors and officer's insurance, that is otherwise readily available to traditional businesses. There are no guarantees that Poseidon or the portfolio companies will be able to find such insurance in the future, or that the cost will be affordable. Standard commercial general liability (CGL) insurance policies contain common exclusions for Schedule I controlled substances, banned substances or other substances that constitute a "health hazard". As a result, these policies are often not adequate to protect a policyholder in the cannabis industry. While a small number of insurance carriers are writing CGL policies that will provide adequate coverage to participants in the cannabis industry, cannabis businesses may struggle to secure adequate insurance either because insurers will simply not write the policies or, if a policy is obtained, the aforementioned standard policy exclusions will render coverage illusory. If a portfolio company is forced to operate without insurance or without adequate insurance, it may, as a result, be prevented from entering certain profitable business sectors and be exposed to additional risks and financial liabilities. Furthermore, even if an insurance policy provides suitable coverage for cannabis-related risks, the coverage may not be enforced by the courts if deemed to be in violation of public policy.

**Product Liability and Other Claims and Actions.** Because the products of certain of the Funds' portfolio companies will be consumed or otherwise used by humans or animals, injury could result therefrom, thus exposing those portfolio companies to the risk of product liability claims. Cannabis or hemp products manufactured, distributed and/or sold by portfolio companies may become contaminated (during storage or transportation, for example) or may be tampered with by third parties, creating a risk of injury to consumers.

In addition, as treatment and dosing protocols for medical cannabis are still evolving, patient under-dosing or overdosing may occur, resulting in adverse patient reactions. Federal illegality precludes the availability of long-term studies on the safety and efficacy of cannabis use. Portfolio companies may face product liability claims as a consequence of, among other

things, any of the aforementioned. Any such claims, regardless of whether they are successful, may result in significant costs or damage to a portfolio company's reputation with patients and consumers, with a consequent material adverse effect on the portfolio company's contributions to the Funds' financial condition. There can be no assurance that they will be able to maintain this insurance on acceptable terms or that this insurance will be available to them or will provide adequate protection against liabilities resulting from potential product liability claims.

**Consumer Class Actions.** As the cannabis industry grows, and companies in the industry become larger with significant assets and as insurance for such companies becomes more available, there comes a much greater risk of consumer class action lawsuits against such companies. The Funds' portfolio companies are vulnerable to class actions because state regulations are generally very onerous making it easy for plaintiff lawyers to identify a product that is technically adulterated, contaminated or mislabeled and then file a consumer class action under state consumer protection laws. A consumer class action brought against a portfolio company could have a materially adverse effect on the financial condition of such portfolio company and that of the Funds.

**The Success of the Funds' Portfolio Companies Depends on their Ability to Attract and Retain Technical Personnel, Sales and Marketing Personnel and Other Skilled Management.** The success of the Funds' portfolio companies, and thus the success of the Funds, depends to a significant degree upon the portfolio companies' ability to attract, retain and motivate highly skilled and qualified personnel. Failure to attract and retain necessary technical personnel, sales and marketing personnel and skilled management could adversely affect the business of the portfolio companies, and thus of the Funds. If the portfolio companies fail to attract, train and retain sufficient numbers of these highly qualified people, then their prospects, business, financial condition and results of operations will be materially and adversely affected, with consequent adverse results for the Funds.

**These are substantial risks and there is no guarantee that the Private Funds and/or its portfolio companies will be successful in operating without interference or prohibition by the federal government.**

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of all the risks involved in an investment managed by Poseidon. Prospective Investors and Clients should read the entire Brochure as well as the Fund Offering Documents, other materials that may be provided by Poseidon and consult with their own advisers prior to engaging Poseidon's services.**

### **Item 9 – Disciplinary Information**

Poseidon and its management persons have not been a party to any legal or disciplinary events that would be material to a client's or prospective client's evaluation of its investment advisory business or the integrity of its management.

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

**A. Registration as a Broker-Dealer or Broker-Dealer Representative**

Neither Poseidon nor its management persons are registered as a broker-dealer or broker-dealer representative.

**B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Poseidon nor its management persons are registered as futures commission merchant, commodity pool operator, or a commodity trading advisor.

**C. Relationships Material to this Advisory Business and Possible Conflicts of Interest**

The General Partner of each Private Fund is considered a related person of Poseidon. Poseidon manages Funds and will continue to devote time to the management of each of the Funds. This may create conflicts in the allocation of management resources. Poseidon maintains a sufficient staff to ensure that its Clients are not disadvantaged.

Poseidon and its principals, members, employees, and related parties are not prohibited from participating in other business ventures which may compete with Poseidon's Clients, including serving in similar capacities for other investment accounts or other investment management companies or investment funds. Although Poseidon intends to devote substantial time and attention to the business activities of its Clients, it reserves the right and is free to devote significant time and attention to other business activities, including those related to securities and investments. In providing investment advice to any such other pooled investment vehicles and managed accounts, Poseidon will act in good faith in the best interest of its Clients and in a manner which it considers fair and equitable to Clients.

The Investors in Private Funds may have conflicting tax and other interests with respect to their investment in a Private Fund. In selecting and structuring investments appropriate for a Private Fund, Poseidon will consider the investment and tax objectives of the Private Fund and the Investors as a whole, and not the investment, tax or other objectives of any Investor individually.

**D. Selection of Other Advisors or Managers**

Poseidon does not utilize nor select other advisers or third-party managers, and all assets are managed by Poseidon.

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

**A. Code of Ethics**

Poseidon has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act. The Code governs the activities of each member, officer, director and employee

of Poseidon (collectively, "Employees"). Poseidon holds its Employees to a high standard of integrity and business practices that reflects its fiduciary duty to the Client. In serving its Clients Poseidon strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the personal trading activities of its Employees and Client securities transactions. When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles as well as to the Code's specific provisions: (a) at all times the interests of the Client must be placed ahead of personal interests; (b) personal transactions must be conducted consistent with the Code in manner that avoids any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain trading restrictions and reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must annually certify that they have received it and have complied with its provisions. In addition, any Employee who becomes aware of any potential violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

Poseidon will provide a copy of its Code of Ethics to Clients and prospective Client or prospective Clients upon request. Such a request may be made by submitting a written request to Poseidon at the address on the cover page to this Brochure.

**B. Recommendations Involving Material Financial Interests**

Neither Poseidon nor its related persons recommend to Clients, or buys or sells for Clients, securities in which Poseidon or a related person has a material financial interest other than its interest as the advisor and general partner to the Poseidon Fund(s).

**C. Investing Personal Money in the Same Securities as Clients**

Although Poseidon's policies and procedures generally prohibit its Employees and related persons from trading in the same instruments that Poseidon buys or sells for Clients, there may be limited circumstances in which Poseidon, its Employees and/or the related persons may also personally buy or sell the same instruments that Poseidon buys or sells for Client accounts, and it or they may own securities, or options on securities, of issuers whose securities are subsequently bought for Clients because of Poseidon's recommendations regarding a particular security. Poseidon's policy as to such transactions is that neither Poseidon nor any of its Employees or related persons are to benefit from price movements that may be caused by transactions for Clients or otherwise. Poseidon addresses this conflict by requiring Employees to sign and adhere to Poseidon's Code of Ethics and to report personal securities holdings and transactions.

**D. Trading Securities At/Around the Same Time as Clients' Securities**

As discussed above, from time to time, Poseidon, its Employees, or related persons of Poseidon may buy or sell securities for themselves that Poseidon also recommends to Clients. Poseidon will always document any transactions that could be construed as conflicts of interest and will always transact Client business before the business of its Employees and/or related persons when similar securities are being bought or sold.

## **Item 12 – Brokerage Practices**

### **A. Factors Used to Select or Recommending Broker-Dealers**

Poseidon will always have discretion as to the placement of brokerage (and accordingly, the commission rates paid). In selecting brokers to effect portfolio transactions, Poseidon considers such factors as price, quality of execution, expertise in particular markets, the ability of the brokers to effect the transactions, the brokers' facilities, reliability, reputation, experience, financial responsibility in particular markets, familiarity both with investment practices generally and techniques employed by clients and certain brokerage or research services ("soft dollar items") provided by such brokers and clearing and settlement capabilities, subject at all times to principles of best execution, in accordance with the Poseidon's policies and procedures. In selecting broker/dealers to execute transactions, Poseidon need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Poseidon believes that the broker-dealers that it recommends provide competitive transaction and custody costs, helping clients to eliminate or control costs and optimize the custodial structure to their benefit. When possible, Poseidon seeks to pre-negotiate preferred terms for its Clients providing Clients with the benefits associated with the economy of scale and custodial knowledge of the Firm.

Certain brokers utilized by Poseidon may provide general assistance to Poseidon, including, but not limited to technical support, consulting services, and consulting services related to staffing needs. In selecting a broker, Poseidon may consider the broker's general assistance and consulting services. To the extent Poseidon would otherwise be obligated to pay for such assistance, it has a conflict of interest in considering those services when selecting a broker.

#### **1. Research and Other Soft Dollar Benefits**

Poseidon may effect transactions with broker-dealers who provide research services (collectively, "soft-dollar items") to Poseidon that assist Poseidon in making investment and trading decisions on behalf of its Clients. The negotiated commissions paid to broker-dealers supplying soft-dollar items may not represent the lowest obtainable commission rates. In any such arrangement, the amount of the commission paid must be reasonable in relation to the value of the brokerage and soft-dollar items provided by the broker-dealer, viewed in terms of either the particular transaction or Poseidon's overall responsibilities with respect to its Clients. To the extent that commission dollars are used to obtain investment research and brokerage services that provide lawful and appropriate assistance to Poseidon in performing investment decision-making responsibilities, Poseidon intends to comply with the soft-dollar "safe harbor" afforded by Section 28(e) under the 34 Act.

When Poseidon uses Client brokerage commissions to obtain soft-dollar items, it receives a benefit because it does not have to produce or pay for such soft-dollar items. Poseidon may have an incentive to select or recommend a broker-dealer based on its interest in receiving the soft-dollar items, rather than on the Client's interest in receiving most favorable execution. Further, the research and other benefits resulting from a brokerage relationship benefit all Client accounts or Poseidon's operations as a whole, including any Client accounts

that direct Poseidon to use a broker that does not provide soft dollar benefits. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits. Poseidon periodically reviews the execution performance of its brokers to ensure that any potential conflicts of interests are resolved.

To the extent that Poseidon does engage in such “soft dollar” arrangements, the Client may be charged a brokerage commission in excess of that which another broker might charge for effecting the same transaction. Generally, a broker from which Poseidon obtains soft dollar services generally establishes “credits” based on past transactional business (including markups and markdowns on principal transactions), which may be used to pay for specified expenses. Poseidon may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms. Poseidon monitors the soft dollar services provided to ensure that appropriate transactions are executed with a soft dollar provider.

## 2. Brokerage for Client Referrals

Certain brokers utilized by Poseidon may refer advisory clients to Poseidon or investors to investment vehicles managed by Poseidon. In selecting a broker, Poseidon may consider the broker’s referrals of clients or investors to investment funds Poseidon manages, referrals of advisory clients to Poseidon, the potential for future referrals, and/or the broker’s willingness to pay third-party finders’ fees for such referrals. To the extent Poseidon would otherwise be obligated to pay for “finding” services, it has a conflict of interest in considering those services when selecting a broker. It also faces a conflict because it benefits from increases in the size of the investment funds it manages.

## 3. Directed Brokerage

Poseidon does not allow directed brokerage. Securities transactions are executed by brokers selected by Poseidon in its discretion and without the consent of a Fund or a Private Fund’s Investors. Poseidon may enter into directed brokerage arrangements in its discretion.

### B. Aggregating Trading for Multiple Client Accounts

Poseidon currently provides investment advisory services to the Funds. Poseidon may (but is not required to) combine orders on behalf of one Client account with orders for other Client accounts for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, Poseidon will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Poseidon believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a Client than if that Client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of Poseidon’s relationship to the Clients it manages by virtue of its position as an investment manager, there may be circumstances in which transactions for those entities may not, under certain laws, regulations and internal policies, be combined with those of some of Poseidon’s and its affiliates’ other Clients, which may result in less advantageous execution for those Clients.

Poseidon may place orders for the same security for different Clients at different times and in different relative amounts due to 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.

In addition, Poseidon and/or its related persons or Clients may buy or sell specific securities for its or their own account that are not deemed appropriate for Client accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments in client accounts are made. Where execution opportunities for a particular security are limited, Poseidon attempts in good faith to allocate such opportunities among Clients in a manner that, over time, is equitable to all clients.

### **Item 13 – Review of Accounts**

**A. Frequency and Nature of Periodic Review and Who Makes Those Reviews**

Poseidon reviews Client accounts on a monthly basis to ensure consistency with a Fund’s strategy and performance objectives. Asset allocation, cash management, market prospects and individual issue prospects are considered. The reviews are overseen by Emily Paxhia and Morgan Paxhia.

**B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may take place more frequently if triggered by economic, market, or political conditions.

**C. Content and Frequency of Regular Reports**

Investors in a Private Fund will generally receive unaudited reports of performance quarterly and will receive audited year-end financial statements annually.

The Firm and/or each Client’s custodian provide quarterly reports to Clients showing the assets in each Private Fund Investor’s account, the market value, and each account’s performance for the quarter.

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

**A. Economic Benefits Provided by Third Parties**

Poseidon does not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Funds.

**B. Compensation to Non-Advisory Personnel for Client Referrals**

Selling commissions and/or referral fees may be paid in connection with the offering of the interests in a Private Fund but will not reduce an Investor’s contribution amount unless otherwise noted. Poseidon may reallocate a portion of its Management Fee and/or

Performance Allocation to third parties introducing Limited Partners to a Private Fund, or Poseidon may use its own resources to compensate third parties for such introductions. Poseidon may also direct brokerage from a Private Fund's trades to broker-dealers which introduce Limited Partners to the Private Fund, subject to applicable laws.

Currently, neither Poseidon nor its related persons directly or indirectly compensate any person who is not advisory personnel for Client referrals. If in the future Poseidon enters into such arrangements, this Brochure will be appropriately amended.

### **Item 15 – Custody**

Poseidon and the General Partners of the Private Funds are deemed to have custody of the Private Funds. The assets of each Private Fund are held at a qualified custodian independent of Poseidon and [GP name]. Poseidon avails itself from meeting certain requirements with rule 206(4)-2, the Custody Rule under the Advisers Act by ensuring that an independent public accountant registered with the Public Company Accounting Oversight Board audits annually each Private Fund, the audited financial statements are distributed to the investors in the pool within 120 days of the Private Fund's fiscal year-end; hires an independent party to review and approve all fees, expenses and capital withdrawals from the Private Fund; and sends written invoices to the independent party which describes the amount of the fees, expenses, or capital withdrawal for the independent party to verify that such payments are in accordance with the documents governing the operations of the Private Funds.

### **Item 16 – Investment Discretion**

The ETF authorizes Poseidon to invest and trade a Fund's assets in a broad range of investments, to be selected at Poseidon's sole discretion, with no specific limitations as to type, amount, concentration, or leverage. Further, Poseidon may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate.

In general, the investment management agreements between Poseidon and the Private Funds grant Poseidon full discretionary authority to investigate, structure, negotiate, make and dispose of investments for a Private Fund, make temporary investments, manage a Private Fund's investments and provide such other management services to a Private Fund related thereto as the Private Fund may reasonably request. For certain Private Funds and in certain circumstances, however, Poseidon may need to consult and obtain approval of the General Partner of a Private Fund before buying or selling the Private Fund's investments.

Pursuant to the Funds' Offering Documents, each Investor designates the Private Fund's General Partners as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Fund's business and affairs, including execution of the Fund's governing documents. An



Investor's execution of the Fund's subscription agreement constitutes its execution of the Fund's governing documents.

### **Item 17 – Voting Client Securities**

Poseidon exercises voting authority over Client proxies and has adopted proxy voting policies and procedures. The policies require Poseidon to vote proxies received in a manner consistent with the best interests of the Client.

The policies also require Poseidon to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the Clients. However, the policies permit Poseidon to abstain from voting proxies in the event that the Fund's economic interest in the matter being voted upon is limited relative to the Fund's overall portfolio or the impact of the Fund's vote will not have an effect on its outcome or on the Fund's economic interests.

Certain of Poseidon proxy voting guidelines are summarized below:

- Poseidon votes for: uncontested director nominees recommended by management; the election of auditors recommended by management, unless a dispute exists over policies; limiting directors' liability; and eliminating preemptive rights.
- Poseidon votes against proposals to: entrench the board or adopt anti-takeover measures; proposals to provide cumulative voting rights; and social issues.

Although many proxy proposals can be voted in accordance with Poseidon's proxy voting guidelines, some proposals will require special consideration, and Poseidon will make a decision on a case-by-case basis in these situations, including proposals to: eliminate director mandatory retirement policies; rotate annual meeting locations and dates; grant options and stock to management and directors; and indemnify directors and/or officers.

Where a proxy proposal raises a material conflict between Poseidon's interests and the interests of the Clients, Poseidon will seek to resolve the conflict in the best interest of the Clients.

Clients may obtain a copy of Poseidon's complete proxy voting policies and procedures upon request. Clients may also obtain information from Poseidon about how Poseidon voted any proxies on behalf of their account(s).

### **Item 18 – Financial Information**

Poseidon is not required to disclose any financial information pursuant to this item as Poseidon does not require or solicit the prepayment of fees six months or more in advance. Furthermore, Poseidon has never been the subject of a bankruptcy petition and does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.