



*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Tannin Capital, LLC (hereinafter “Tannin Capital” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number 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. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

**Item 2. Material Changes**

Tannin Capital is required to discuss any material changes that have been made to the brochure since its last annual updating amendment filed March 22, 2021. The Firm has updated Item 10 to reflect that certain Supervised Persons who are also licensed insurance representatives in their individual capacities. The Firm has no other changes to disclose in relation to this Item.

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## Item 4. Advisory Business

Tannin Capital offers a variety of services, which include financial planning, consulting, and investment management services. Prior to Tannin Capital rendering any of the foregoing services, clients are required to enter into one or more written agreements with Tannin Capital setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Tannin Capital is wholly owned by Clay Young. The Firm has conducted business as an investment adviser since April 2017. The Firm filed for registration with the SEC as a mid-sized investment adviser in May 2019. Although the Firm registered with the SEC for the purpose of complying with applicable law, the Firm does not hold itself out as an investment adviser to the general public, either through this Brochure or otherwise. As such, this Brochure and the information it contains should not be interpreted as an offer by the Firm to provide investment advisory services.

Tannin Capital had \$76,075,702 in regulatory assets under management as of December 31, 2020, all of which was managed on a discretionary basis.

While this brochure generally describes the business of Tannin Capital, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Tannin Capital’s behalf and is subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

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Tannin Capital offers clients a broad range of financial planning and consulting services, which includes any or all of the following functions:

- Business Planning
- Cash Flow Planning
- Trust and Estate Planning
- Insurance Planning
- Retirement Planning
- Education Planning
- Tax Planning

These services are rendered in conjunction with investment management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, Tannin Capital is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Tannin Capital recommends certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a

conflict of interest exists for the Firm to recommend that clients engage Tannin Capital or its affiliates to provide (or continue to provide) additional services for compensation, including, without limitation, investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Tannin Capital under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Tannin Capital's recommendations and/or services.

### **Investment and Wealth Management Services**

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Tannin Capital manages client investment portfolios on a discretionary or non-discretionary basis. In addition, Tannin Capital provides certain clients with wealth management services which includes a broad range of comprehensive financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

Tannin Capital primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, options and loans (pooled and individual through government programs) in accordance with their stated investment objectives and dependent upon the representative working with the client. Portfolios will be balanced utilizing many of the instruments mentioned or using fixed-income instruments only.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios, however, clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. Clients can engage Tannin Capital to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Tannin Capital directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

Tannin Capital tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Tannin Capital consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Tannin Capital if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if Tannin Capital determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## Item 5. Fees and Compensation

Tannin Capital offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management will depend upon the services being provided including the type of securities that the Firm is recommending.

For its Wealth Management Services, this management fee varies between 75 and 125 basis points (0.75 % – 1.25 %), depending upon the size and composition of a client's portfolio, the type and amount of services rendered and the individual(s) providing the services.

For clients who only use the Firm's investment management services, the management fee varies in accordance with the following blended fee schedule:

### *Investment Management Only – Equity and Balanced*

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$50,000,000	0.50%
\$50,000,000 - \$100,000,000	0.45%
\$100,000,000 - \$200,000,000	0.40%
\$200,000,000 - \$500,000,000	0.35%
\$500,000,000 - \$1,000,000,000	0.30%
Above \$1,000,000,000	Negotiable

### *Investment Management Only – High Grade Fixed Income*

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$50,000,000	0.375%
\$50,000,000 - \$100,000,000	0.35%
\$100,000,000 - \$200,000,000	0.30%
\$200,000,000 - \$500,000,000	0.25%
\$500,000,000 - \$1,000,000,000	0.20%
Above \$1,000,000,000	Negotiable

The Firm can be engaged to provide advice on high-yield credit and structured product portfolios for 0.75% of assets under management.

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Tannin Capital on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement,

the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), Tannin Capital may negotiate a fee rate that differs from the range set forth above. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Tannin Capital for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

#### *Performance-Based Fees for Certain Alternative Strategies*

Tannin Capital also offers certain alternative investment strategies to certain qualified clients for a fee that include a performance-based fee. Under this arrangement, the Firm charges a fee based upon the performance of a client account, as well as an annual asset-based fee. The performance fee is equal to 15% of the annual net gains achieved in a client's account. The performance fee is charged annually in arrears, based upon the net portfolio gains achieved on a calendar year basis. The annual asset-based fee of 1.00% is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Tannin Capital on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

#### **Fee Discretion**

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Tannin Capital may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

#### **Additional Fees and Expenses**

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In addition to the advisory fees paid to Tannin Capital, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees and fees attributable to trading away from custodian, fees attributable to

alternative assets, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients provide Tannin Capital with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Tannin Capital.

### **Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to Tannin Capital's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to Tannin Capital, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Tannin Capital may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (*e.g.*, contingent deferred sales charges) and/or tax ramifications.

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

As stated in Item 5, Tannin Capital provides advisory services to certain qualified clients for a performance-based fee (*i.e.*, a fee based on a share of capital gains or capital appreciation of a client's assets). Although Tannin Capital believes that this fee arrangement best aligns the interests of the Firm and its clients, it raises conflicts of interest. The performance fee is an incentive for the Firm to make or recommend investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Tannin Capital charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee, including, without limitation, in the allocation of resources, services, functions or



investment opportunities. Tannin Capital has procedures in place to ensure that any decisions are made in the best interest of clients regardless of the applicable fee structure.

## **Item 7. Types of Clients**

Tannin Capital offers services to individuals, trusts, estates, banking and thrift institutions, corporations and business entities including other investment advisers using the Firm as a sub-advisor. In those situations, the investment adviser, and not that adviser's clients, is the client of the Firm.

### **Minimum Account Value**

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As a condition for starting and maintaining an investment management relationship, Tannin Capital imposes a minimum portfolio value of \$500,000. Tannin Capital may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. Tannin Capital only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Tannin Capital may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### **Methods of Analysis**

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Tannin Capital utilizes a combination of fundamental, technical and cyclical analysis including top down and bottom up considerations as part of overall risk assessment.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For Tannin Capital, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical

based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Tannin Capital will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that Tannin Capital is recommending. The risks with cyclical analysis are similar to those of technical analysis. Our process in the formulation of Investment Policy Statements is (at its core for both Institutional clients and Private Wealth clients) based on the client's portfolio objectives, constraints and policies.

### Investment Strategies

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The Firm utilizes the following framework when determining appropriate investment strategies across asset classes while managing client portfolios. Investment strategies are formulated based on the Firm's philosophy of risk management in conjunction with client portfolio objectives, constraints and policies.

#### *Portfolio Objectives:*

- Return requirements
- Risk tolerance

The Firm will attempt to balance the expected return that clients desire with the level of risk that they are willing to assume and tolerate in volatile market environments.

#### *Constraints:*

- Liquidity
- Horizon
- Regulations
- Taxes
- Unique needs

#### *Policies:*

- Asset allocation
- Diversification
- Risk positioning
- Tax positioning

## Risk of Loss

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### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Tannin Capital's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that Tannin Capital will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (*i.e.*, limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total

loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

#### *Fixed Income*

There are many risks associated with investing in bonds. The following is just a summary of those risks.

- Credit Risk: Independent rating agencies assign a specific rating indicating the degree of risk an investor acquires by owning debt in a particular obligor's name. Generally, the lower the credit ranking, the higher potential risk of default and therefore the higher yield. Some bonds do not have ratings. Adverse changes in the creditworthiness of the issuer (whether or not reflected in changes to the issuer's rating) can decrease the current market value and may result in a partial or total loss of an investment.
- Default Risk: The issuer of the bond may default on its outstanding debt obligations. This would result in lost principal and interest to the investor. In addition, this would likely impact the credit risk of the obligor which would result in decrease in market value. High-yield bonds have a higher credit risk as well as a higher default risk.
- Interest Rate Risk: As interest rates fluctuate, the yield on most bonds will be adjusted accordingly. Generally, as interest rates rise, the price of a bond will fall and conversely, as interest rates fall, the price of a bond will rise.

## **Item 9. Disciplinary Information**

Tannin Capital has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm has no such affiliations to disclose in relation to this Item.

### Licensed Insurance Agents

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Certain of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that Tannin Capital recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

## Item 11. Code of Ethics

Tannin Capital has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Tannin Capital's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Tannin Capital's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase

agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Tannin Capital to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

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Tannin Capital recommends that clients utilize the custody, brokerage and clearing services of Raymond James & Associates, Inc., ("Raymond James"), member New York Stock Exchange/SIPC for investment management accounts. The final decision to custody assets with Raymond James is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Tannin Capital is independently owned and operated and not affiliated with Raymond James. Raymond James provides Tannin Capital with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which Tannin Capital considers in recommending Raymond James or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Raymond James enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Raymond James may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Tannin Capital's clients to Raymond James comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Tannin Capital determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Tannin Capital seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

The Firm will often clear certain transactions, especially fixed income securities, through other broker-dealers with whom the Firm and its custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the Client may be required to sign an additional agreement, and additional fees are likely to be charged.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist Tannin Capital in its investment decision-making process. Such research will be used to service all of the Firm's clients, but brokerage

commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Tannin Capital does not have to produce or pay for the products or services.

Tannin Capital periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Software and Support Provided by Financial Institutions**

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Tannin Capital receives without cost from Raymond James administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow Tannin Capital to better monitor client accounts maintained at Raymond James and otherwise conduct its business. Tannin Capital receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Raymond James. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits Tannin Capital, but not its clients directly. Clients should be aware that Tannin Capital's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, Tannin Capital endeavors at all times to put the interests of its clients first and has determined that the recommendation of Raymond James is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, Tannin Capital receives the following benefits from Raymond James: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iii) access to an electronic communication network for client order entry and account information.

### **Cross Transactions**

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From time to time, Tannin Capital may determine that it is in the best interests of two or more of its clients to arrange for the transfer of a security from one client to another in a transaction that is not exposed to the open market for liquidity, tax or other reasons. The Firm will arrange for cross transactions to be effected through a third-party broker-dealer. Cross transactions are booked at a price obtained from a reliable independent pricing service, plus or minus any applicable mark-up or mark-down charged by the executing broker-dealer to the affected clients. Tannin Capital will arrange for cross transactions to be effected only when they are in the best interest of all affected clients, when such transactions satisfy the Firm's duty of best execution, and when Tannin Capital has a reasonable basis for believing that the price at which the transaction is booked is fair to all affected clients.

**Brokerage for Client Referrals**

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Tannin Capital does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

**Directed Brokerage**

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The client may direct Tannin Capital in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by Tannin Capital (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Tannin Capital may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

**Trade Aggregation**

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Transactions for each client will be effected independently, unless Tannin Capital decides to purchase or sell the same securities for several clients at approximately the same time. Tannin Capital may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Tannin Capital’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Tannin Capital’s Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Tannin Capital does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an



account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Item 13. Review of Accounts**

### **Account Reviews**

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Tannin Capital monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of the Firm's principals. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Tannin Capital and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Tannin Capital and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Tannin Capital or an outside service provider.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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In the event a client is introduced to Tannin by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from Tannin's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the client will receive a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of Tannin is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

### Other Compensation

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The Firm receives economic benefits from Raymond James. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

## Item 15. Custody

The Advisory Agreement and/or the separate agreement with any Financial Institution authorize Tannin Capital to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Tannin Capital. In addition, as discussed in Item 13, Tannin Capital will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Tannin Capital.

## Item 16. Investment Discretion

Tannin Capital is given the authority to exercise discretion on behalf of clients. Tannin Capital is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Tannin Capital is given this authority through a power-of-attorney included in the agreement between Tannin Capital and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Tannin Capital takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The broker-dealer that executes trades (in the case of a prime brokerage relationship).

### **Item 17. Voting Client Securities**

Tannin Capital does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

### **Item 18. Financial Information**

Tannin Capital is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.