

# SKYTOP CAPITAL MANAGEMENT LLC

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**This brochure provides information about the qualifications and business practices of SkyTop Capital Management LLC (“SkyTop”). If you have any questions about the contents of this brochure, please contact us at (212) 554-2383 or [jwallentin@skytopcapital.com](mailto:jwallentin@skytopcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT SKYTOP OR ANY PRINCIPALS OR EMPLOYEES OF SKYTOP POSSESS ANY PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY BUSINESS OR ANY OTHER BUSINESS.**

## **Material Changes**

None

## Table of Contents

Material Changes .....	i
Advisory Business .....	1
Fees and Compensation .....	1
Performance-Based Fees and Side-By-Side Management .....	2
Types of Clients .....	3
Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Disciplinary Information.....	9
Other Financial Industry Activities and Affiliations .....	9
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
Brokerage Practices .....	11
Review of Accounts.....	13
Client Referrals and Other Compensation .....	13
Custody .....	13
Investment Discretion .....	14
Voting Client Securities.....	14
Financial Information.....	14
Requirements for State-Registered Advisers .....	14

## **Advisory Business**

SkyTop is a limited liability company organized under the laws of Delaware in March 2010. SkyTop was founded by Dan Sobol and Lisa Hess. SkyTop is owned by SkyTop Group LLC, Wolfson Investment Partners, LP and Millbrook Group LLC, which are owned by Lisa Hess and Dan Sobol and trusts for members of their families. SkyTop commenced operations in October 2010.

SkyTop provides discretionary investment advisory services focusing on distressed and special situation investments with an emphasis on the supply chain.

SkyTop is generally granted broad investment authority with respect to the management of the accounts of its clients. All client accounts are managed in an effort to maximize total return through investment in public and private debt securities, equity securities, loans, convertible debt, credit default swaps, options and other financial instruments. SkyTop seeks value-oriented investment opportunities, primarily in debt and equity securities within North American and European markets. SkyTop uses a variety of analytical methods in providing advisory services to its clients.

SkyTop ordinarily provides investment advisory services based on the investment objectives, risk profile, financial situation and cash flow needs of each client, as reflected in the investment management agreement that SkyTop enters into with each client, or in any other governing documents that may apply to each account. Skytop may agree in the investment management agreement with each client to investment restrictions or guidelines with respect to the types or amounts of securities or other financial instruments that may be purchased or sold for the client's account. SkyTop may pursue different investment strategies for different clients.

Investors and prospective investors in each private fund managed by SkyTop (the "SkyTop Funds") should refer to the confidential private placement memorandum, limited liability company agreement and other governing documents for the relevant SkyTop Fund for more complete information about the investment objectives and investment restrictions with respect to a particular SkyTop Fund.

SkyTop may enter into "side letters" or similar agreements with certain investors granting the investor certain specific rights, benefits, or privileges that are not made available to investors generally.

SkyTop does not participate in any wrap fee programs.

As of December 31, 2012, SkyTop managed approximately \$213,000,000 in client assets on a discretionary basis.

## **Fees and Compensation**

### *Compensation and Fee Schedules*

Clients of SkyTop are typically charged an annual management fee equal to 1.5% of net assets, payable quarterly in advance, and an annual performance fee or allocation equal to 20% of the

amount by which the net market value of each account as of the end of each calendar year exceeds the net market value of the account as of the beginning of the year.

The management fee is usually deducted directly from the assets of each account as such fee becomes payable, which is generally quarterly in advance. The performance allocation is payable annually in arrears, or upon the termination of a client account. Upon termination of any client account, SkyTop will refund any unearned portion of the management fee, based on the number of days remaining in the quarter after the effective date of termination.

Prospective investors in any SkyTop Fund should review the governing documents for the relevant SkyTop Fund for more complete information about the fees and compensation payable with respect to a particular SkyTop Fund.

#### *Other Fees and Expenses*

The clients of SkyTop are responsible for all costs and expenses incurred in connection with the investments in their accounts, including brokerage commissions; clearing fees; fees, interest and other costs in connection with margin accounts or other borrowings; borrowing charges on securities sold short; custodial fees; bank service fees; costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by SkyTop in connection with specific investments (including transactions that fail to close); costs of research and data services; and any legal fees and costs arising in connection with any litigation or regulatory investigation instituted against SkyTop or any client.

The SkyTop Funds also pay all of their operating costs, including administrative, legal, accounting, auditing and insurance costs and expenses, as described in greater detail in the governing documents of each SkyTop Fund.

For additional information about brokerage expenses, see “Brokerage Practices” below.

#### *Transaction-Based Compensation*

Neither SkyTop nor its supervised persons will receive any compensation with respect to the purchase or sale of securities or other investment products by any client.

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

SkyTop, or an affiliate of SkyTop, ordinarily receives a performance-based fee or special allocation of profits from each of its clients as described above under “Fees and Compensation.” Different client accounts may be subject to different performance-based compensation arrangements. Please refer to the governing documents of the relevant SkyTop Fund for more complete information about the performance-based compensation arrangements of a particular SkyTop Fund.

The performance-based compensation arrangements discussed above comply with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”).

Performance-based compensation arrangements may create an incentive for SkyTop to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

If SkyTop is entitled to receive a higher percentage of the net profits of the account of one client than the percentage that SkyTop receives from another client, then SkyTop may have an incentive to favor, or to allocate certain riskier or more speculative investments to, the client that is subject to the higher percentage. However, all accounts are generally invested on a parallel basis, except as otherwise discussed with or agreed to by a particular client. SkyTop will as a policy allocate all investment opportunities among its clients in a manner that it considers fair and equitable to all clients, considering all factors potentially applicable to each client. Among the factors that may be considered by SkyTop in allocating trades among client accounts are: investment policies, guidelines or restrictions; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; account size; benchmark sector weightings; industry and security weightings; and hedging objectives and activity.

## **Types of Clients**

The SkyTop Funds are offered exclusively to accredited investors as defined under Regulation D under the Securities Act of 1933, as amended, and to qualified purchasers as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), and are therefore not required to register as investment companies under the Investment Company Act in reliance upon the exemption under Section 3(c)(7) for funds whose securities are not publicly offered.

SkyTop will not ordinarily accept separate managed accounts with a value of less than \$30,000,000. The SkyTop Funds require minimum investment amounts, as described in the offering materials for each SkyTop Fund, subject to waiver or modification at the discretion of SkyTop or the board of directors of the relevant SkyTop Fund.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### *Methods of Analysis*

SkyTop invests in special situation and distressed debt and equity investments using a fundamental investment strategy that combines bottoms-up analysis with thematic, top-down views. SkyTop seeks to identify investment opportunities that arise when companies and industries undergo transformational changes including bankruptcies, restructurings, consolidations, regulatory changes and cyclical or secular shifts.

SkyTop tends to hold a limited number of concentrated positions in each client’s account, and will typically focus on orphaned debt and equity securities that are significantly under-followed, undervalued, and misunderstood by the market, and that are believed by SkyTop to have significant franchise values or to represent favorable cyclical or secular opportunities. SkyTop does not expect to use material leverage.

SkyTop may also invest in privately held obligations of public companies, such as loans, credit paper, loan participations and accounts and notes receivable and payable held by trade or other creditors.

Although special situation and distressed investments may result in significant returns, they also involve a substantial degree of risk. SkyTop generally accepts only clients that are able to bear the financial risk of the investment strategy for an indefinite period of time and are able to sustain the loss of all or a significant part of their investment.

SkyTop's principal sources of information include quarterly and annual reports, personal interviews with directors and officers of portfolio companies, visits to portfolio companies, SEC and other public filings, general industry knowledge, and contacts with other participants in the relevant industry and financial markets.

### *Material Risks*

The investment strategy employed by SkyTop on behalf of its clients involves significant risks. Prospective clients and investors in the SkyTop Funds should carefully review the risks described in the governing documents for the relevant SkyTop Fund, and should evaluate the merits and risks of an investment in the context of their overall financial circumstances. The risk factors below are not intended to be exhaustive and should be considered carefully by prospective investors together with the full text of the applicable governing document or client agreement.

SkyTop's investment strategy involves the following potential risks:

- Investment and Trading Risks. SkyTop makes no guarantee or representation that its investment program will be successful. Investment results may vary substantially over time.
- Equity Securities. SkyTop acquires long and short positions in common stocks, preferred stocks and convertible securities of U.S. and foreign issuers. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting specific issuers, such as changes in earnings forecasts.
- Debt Investments. SkyTop invests in bonds, loans and other fixed-income securities and instruments. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk), and also subject to the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer, and general market liquidity (*i.e.*, market risk). The securities and instruments to be acquired by SkyTop will be primarily below "investment grade" or non-rated and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the obligor's inability to meet timely interest and principal payments. The market prices, if any, of such investments may be subject to abrupt and erratic market movements and changes in

liquidity and above-average price volatility, and the spread between the bid and asked prices of such investments may be greater than in other more liquid markets.

- Limited Diversification. Subject to complying with any applicable investment objectives and guidelines, SkyTop may concentrate its investments in particular industries and companies. The investment performance of a concentrated portfolio may be more volatile than the performance of a more broadly diversified portfolio.
- Credit Risk. Risks applicable to investments by SkyTop include the possibility that cash flows of an obligor of an underlying asset may be unable to meet its debt service obligations and the declining creditworthiness and potential for insolvency of an obligor of such asset during periods of rising interest rates and economic downturn. Further economic downturn could disrupt the market for leveraged loans and adversely affect the value thereof and the ability of the obligor to repay principal and interest.
- Prepayment Risks. The frequency at which prepayments (including voluntary prepayments and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors, including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. The upside potential of an investment prepayable at par may be limited, and unexpected prepayments may disrupt related hedges, resulting in substantial losses.
- Hedging Transactions. SkyTop is not required to hedge its investment positions, but may determine to do so. Hedging may limit gains, while not hedging and imperfect hedging may result in losses, or may fail to mitigate losses. Hedging strategies may not achieve the desired results due to implementation lag, other timing factors, economic or market conditions or other unanticipated factors.
- Synthetic and Other Derivative Assets. SkyTop may invest in synthetic assets such as credit linked notes, credit default swaps (“CDS”), CDS indices, tranches options, and total return swaps (“TRS”), in lieu of investing in bonds or loans in “cash” form. Such transactions may not perfectly replicate direct ownership of the referenced or underlying assets, and may present additional risks, such as exposure to the creditworthiness of the counterparty, leverage, and relatively lower liquidity. The performance of a reference obligation may be affected by a variety of factors, including the amount and timing of payments and recoveries on the underlying assets.
- Distressed Securities. SkyTop may invest in investments that are rated below investment grade, including debt of companies in bankruptcy or receivership proceedings. Such investments typically involve greater credit and liquidity risk than debt with an investment grade rating. The risks of debt instruments include (among others): limited liquidity and secondary market support; the possibility that earnings of the relevant obligor may be insufficient to meet its debt service; the declining creditworthiness and potential for (or actual) insolvency of the relevant obligor of such debt during periods of economic downturn; the relevant obligor is often a small or mid-size company serving only local or regional interests; spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received; and if



subordinated, subordination to the prior claims of other debt or senior lenders. Debt instruments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. Client portfolios may also include unsecured debt instruments. Unsecured debt instruments are subject to the same investment risks generally applicable to debt instruments described above but are subject to additional risk that the assets and cash flow of the relevant obligor may be insufficient to repay the scheduled payments to the lender after giving effect to any secured obligations of the relevant obligor. Unsecured debt instruments will be subject to certain additional risks to the extent that such debt may not be protected and such debt is not secured by collateral, financial covenants or limitations upon additional indebtedness.

- Investment in Reorganizations. SkyTop may invest in companies that are experiencing or are expected to experience severe financial difficulties, including companies undergoing reorganization. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, investments may be subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a company and that high administrative costs may impair the value of the company.
- Illiquidity of Debt Instruments. Debt instruments and interests in debt instruments have significant liquidity risks and market value risks since they are not generally traded in organized exchange markets but are traded by certain banks and other institutional investors. In such cases, the primary resale opportunities for such debt instruments are privately negotiated transactions with a limited number of purchasers. This may restrict the ability of SkyTop to dispose of investments in a timely fashion and/or at a favorable price.
- Highly-Leveraged Borrowers. SkyTop may invest in companies that are highly leveraged. A borrower's leverage may adversely impact such clients in a number of ways, such as creating a greater possibility of default or bankruptcy of the borrower. It is also possible that the pledging of collateral (if any) to secure the debt could be found to constitute a fraudulent conveyance or preferential transfer which could be nullified or subordinated to the rights of other creditors of the borrower.
- Convertible Instruments. SkyTop may invest in convertible instruments, which may have varying conversion values. If a convertible instrument is called for redemption, the owner may be required to redeem the instrument, or convert it into the underlying stock.
- Futures. Futures prices are highly volatile. Such volatility may lead to substantial risks and returns, generally much larger than in the case of equity or fixed-income investments. SkyTop may trade futures on a leveraged basis due to the low margin deposits normally required for trading. As a result, a relatively small price movement in a futures contract may result in immediate and substantial gains or losses for such clients. Certain exchanges do not permit trading particular futures at prices that represent a fluctuation in price during a single day's trading beyond certain set limits, which could prevent such clients from promptly liquidating unfavorable positions, subjecting them to substantial losses.

- Short Sales. SkyTop will engage in “short sale” transactions. Short selling can result in profits when the prices of the securities sold short decline. In a generally rising market, short positions may be more likely to result in losses because the environment would be more conducive for the securities sold short to increase in value. A short sale involves the theoretically unlimited risk of an increase in the market price of the securities sold short.
- Leverage. SkyTop may use “leverage”, or borrowing, in order to enhance its investment performance, although it does not expect to use significant leverage.
- Loans. SkyTop may invest in loans. Loans include fixed and floating rate loans arranged through private negotiations between one or more financial institutions and an obligor. Although loans are traded among certain financial institutions, some of the loans will be illiquid.
- Loan Participations. SkyTop may invest in loan participations. A loan participant has no contractual relationship with the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default, and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have voting rights, which are retained by the lender.
- Foreign Investments. SkyTop may invest in foreign or domestic securities denominated in foreign currencies and/or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these foreign markets are less liquid and their prices more volatile than securities of comparable U.S. companies. Settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in particular countries than in the United States. Additional costs could be incurred in connection with international investment activities. Foreign brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges when SkyTop changes investments from one country to another.
- Sovereign Debt. SkyTop may invest in debt securities issued by governments and their agencies, including governments of emerging market countries. Holders of certain emerging markets instruments may be requested to participate in the restructuring and rescheduling of these obligations and to extend further loans to their issuers. The interests of holders of emerging markets instruments could be adversely affected in the course of restructuring arrangements. Some issuers of sovereign debt securities have in the past experienced serious difficulties in servicing their external debt obligations.

These difficulties have, among other effects, forced such countries to reschedule interest and principal payments on obligations, and to restructure certain indebtedness. Rescheduling and restructuring arrangements have included reducing and rescheduling interest and principal payments by negotiating new or amended credit agreements, or converting outstanding principal and unpaid interest to “Brady Bonds” or similar instruments, and obtaining new credit to finance interest payments. Sovereign debt rated below investment grade by Moody’s and S&P is regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations.

- Currencies. SkyTop may invest in debt and equity securities denominated in currencies other than the U.S. dollar and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. dollar. To the extent unhedged, the value of such assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the underlying investments in the various local markets and currencies.
- Forward Currency Contracts. SkyTop may invest in forward currency contracts with banks, financial institutions or dealers acting as principal. Forward currency contracts may not be liquid in all circumstances, so that in volatile markets, to the extent such client wishes to do so, it may not be able to close out a position by taking another position equal and opposite to such position on a timely basis or without incurring a sizeable loss. There can be no assurance that SkyTop will be able to close out obligations. There are no limitations on daily price moves in forward contracts. Banks and other financial institutions may require clients to deposit margin with respect to such trading. Banks are not required to continue to make markets in forward contracts. There have been periods during which certain banks have refused to quote prices for such forward contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Trading of forward contracts through banks is not regulated by any U.S. governmental agency. SkyTop’s clients will be subject to the risk of bank failure and the inability of, or refusal by, a bank to perform with respect to such contracts.
- Options. SkyTop may invest in, or write, options. The purchaser of a put or call option runs the risk of losing his, her or its entire investment in a relatively short period of time if an option expires unexercised. The uncovered writer of a call option is subject to a risk of loss should the price of the underlying security increase, and the uncovered writer of a put option is subject to a risk of loss should the price of the underlying security decrease.
- Swaps and Derivatives. SkyTop may invest and trade in swaps, including credit default swaps, “synthetic” or derivative instruments, over-the-counter options and other customized financial instruments issued by banks, brokerage firms or other financial institutions. Swaps and other derivatives are subject to the risk of non-performance by the swap counterparty, including risks relating to the financial soundness and credit worthiness of the swap counterparty. Swaps and other forms of derivative instruments are not guaranteed by an exchange or clearing house or regulated by any U.S. or foreign governmental authority. It may not be possible to dispose of or close out a swap or other

derivative position without the consent of the counterparty, and such clients may not be able to enter into an offsetting contract in order to be able to cover its risk.

- Counterparty and Custody Risks. SkyTop is generally not limited in the amount of its assets that may from time to time be subject to the risk of non-performance by a counterparty. Many of the markets in which Skytop may trade are “over-the-counter” or “interdealer” markets. A client could suffer losses if there were a default or bankruptcy by a bank or brokerage firm that holds securities or other assets. A substantial portion of the securities and other assets in each client’s account may be deposited with banks or brokers as collateral to secure borrowings and other obligations of such clients, and accordingly will not be entitled to the same protection in the event of the insolvency of the bank or brokerage firm as assets held in the name of such clients by a bank or brokerage firm. While care is taken in selecting reputable financial institutions to trade with and hold custody of assets, any such financial institutions could become insolvent. In the event of the failure of a brokerage firm holding assets, a client might not have the right to recover all securities held by the broker, and might under certain circumstances instead have only a claim (which may be unsecured) against the broker for the net value of the assets of such clients held by the broker. Non-U.S. brokers or custodians may not be subject to the same regulations regarding the segregation of the customer assets from the assets of the broker or custodian, or from assets held on behalf of other customers of the broker or custodian, and accordingly such clients’ assets held by a non-U.S. broker or custodian may not be protected from the claims of creditors of the broker or custodian to the same extent as assets held by a U.S. broker or custodian.
- Illiquid Assets. SkyTop may invest in “restricted” or non-publicly traded securities and securities traded on foreign exchanges. SkyTop may not be readily able to dispose of such non-publicly traded securities, and in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. An exchange or regulatory authority may suspend trading in a particular security or contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.
- Valuation Risks. The ultimate realizable values of securities and other investments may differ significantly from the valuations of such investments previously provided by SkyTop or the SkyTop Funds.

### **Disciplinary Information**

SkyTop and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

### **Other Financial Industry Activities and Affiliations**

#### *Registered Broker-Dealers*

SkyTop and its principals and employees are not affiliated with any broker-dealer, bank or other financial services firm.

### *Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors*

SkyTop and its principals and employees are not registered as or affiliated with a registered futures commission merchant, commodity pool operator or commodity trading advisor.

### *Relationships with Related Persons*

SkyTop acts as managing member or investment advisor for the SkyTop Funds.

Employees of SkyTop and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which clients of SkyTop may invest. Employees of SkyTop may also from time to time serve on the board of directors or a creditors committee of a portfolio company, or be given access for other reasons to confidential information relating to companies in which clients of SkyTop may invest. As a result, SkyTop and the clients of SkyTop may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on clients of SkyTop.

### *Selection or Recommendation of Other Advisers*

SkyTop does not recommend or select other investment advisers for its clients or receive compensation from such advisers in a manner that would create a material conflict of interest. SkyTop does not have other business relationships with other advisers that create a material conflict of interest.

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

### *Code of Ethics*

SkyTop has adopted a Code of Ethics under Rule 204A-1 under the Advisers Act that requires all employees to conduct business consistent with the level of ethical standards and fiduciary duties owed by SkyTop to its clients. SkyTop has appointed a Chief Compliance Officer (“CCO”) who is responsible for maintaining and enforcing the Code.

The Code of Ethics contains policies and procedures with respect to personal securities transactions by employees and related accounts that are designed to prevent front-running, scalping, the misuse of inside information and other improper activities. Employees must obtain the prior approval of the CCO for certain personal securities transactions, and must report all personal securities transactions to the CCO on at least a quarterly basis. The CCO monitors all transactions by employees in order to identify any possible violations or any pattern of conduct that may evidence a conflict or potential conflict with the principles and objectives of the Code of Ethics, or other inappropriate behavior.

SkyTop requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. SkyTop’s Code of Ethics also includes the firm’s policy prohibiting the use of material non-public information. Any individual not in compliance with the above may be subject to discipline or termination.

SkyTop will provide to any client or prospective client at no cost a copy of the Code of Ethics. Clients wishing to receive this information should contact SkyTop.

#### *Participation or Interest in Client Transactions; Personal Trading*

SkyTop and its principals and employees are also investors in the SkyTop Funds.

SkyTop may, on occasion, cause one or more of its clients to buy securities from, or sell securities to, other clients of SkyTop at current market prices, including accounts in which SkyTop, its principals or employees are investors or in which such persons may have a financial interest, either directly or indirectly due to SkyTop's right to receive a performance fee or allocation. SkyTop will only engage in "cross trades" if the sale or purchase is consistent with SkyTop's fiduciary obligations to each client. Cross transactions may include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. SkyTop has a potentially conflicting division of loyalties and responsibilities regarding both parties to any cross transactions. Where required by applicable law, any such transaction will be approved in advance by the client in accordance with Section 206(3) of the Advisers Act.

On occasion, SkyTop and its principals and employees may buy and sell securities for themselves that they also recommend to clients. The Code of Ethics contains policies and procedures designed to prevent improper practices with respect to such transactions. Subject to limited exceptions, the employees of SkyTop are not permitted to execute a personal securities transaction without the prior approval of the CCO. The CCO monitors all trading by SkyTop principals and employees in order to ensure compliance with these and other provisions of the Code of Ethics.

#### **Brokerage Practices**

Subject to any investment objectives, policies and restrictions agreed with each client, SkyTop has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each client, including the selection of, and commissions paid to, brokers.

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

SkyTop selects brokers and dealers to execute transactions for the accounts of its clients based on the expected benefits and costs of their services as compared to others in the marketplace. SkyTop attempts at all times to achieve best execution of all transactions for its clients. In selecting brokers or dealers to effect portfolio transactions on behalf of its clients, SkyTop considers such factors as price, the ability to effect a transaction, the broker's or dealer's facilities, reliability and financial responsibility, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services, and any research or investment management-related services provided by such brokers or dealers.

Clients may pay higher commissions than are obtainable from other brokers as a result of the consideration of research services as a factor in selecting brokers in addition to commission cost and best execution, provided that SkyTop determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research services provided by such broker. Research services provided to SkyTop by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; discussions with research personnel; data bases; legal and accounting fees related to portfolio investments; and other news, technical and telecommunications services utilized by SkyTop in the investment management and execution process.

Research services obtained with the use of commissions arising from portfolio transactions may be used by SkyTop in its investment activities for all of its clients, and, therefore, any particular client may or may not, in any particular instance, be the direct or indirect beneficiary of the research or services provided. SkyTop may have an incentive to select a broker-dealer based, in part, on the interest of SkyTop in receiving such research services, rather than exclusively on the interest of SkyTop's clients in receiving most favorable execution. However, SkyTop does not expect to receive any benefits outside the safe harbor under Section 28(e) of the Securities Exchange Act of 1934, as amended, for the use of commissions or "soft dollars" to obtain "research and execution" services.

SkyTop's use of client brokerage commissions to obtain research services is a benefit to SkyTop because SkyTop does not have to produce or pay for such research services. This may result in an incentive for SkyTop to select or recommend a broker-dealer based, in part, on the interest of SkyTop in receiving such research services.

SkyTop and its affiliates may have other business arrangements with brokers and dealers used to execute transactions for clients. Brokerage firms and their affiliates and representatives may invest in the SkyTop Funds, and may provide financing or other services to SkyTop or accounts managed by SkyTop. Brokerage firms and their employees may offer gifts to employees of SkyTop, and may invite employees of SkyTop to entertainment and social events. It is SkyTop's policy that factors such as gifts and entertainment that do not benefit client accounts should not be considered when selecting brokers and counterparties to execute transactions for clients.

#### *Brokerage for Client Referrals*

Subject to its obligation always to seek best execution for all transactions on behalf of clients, SkyTop may consider referrals of clients and potential investors in the SkyTop Funds as a factor in the selection of brokers. SkyTop may have an incentive to select or recommend a broker based on its interest in receiving such referrals, rather than on the interest of its clients in receiving most favorable execution. However, SkyTop will not select a broker to execute a transaction based on a client referral unless SkyTop believes that the broker will provide best execution.

#### *Directed Brokerage*

SkyTop does not have any directed brokerage arrangements with clients.

### *Aggregation of Orders*

SkyTop may place orders for more than one client account simultaneously. The proposed allocation of any order placed on behalf of more than one client account is generally determined prior to placing the order. If all orders are not filled at the same price, then SkyTop may cause each account to pay or receive the average of the prices at which the orders were filled for all accounts. If all orders placed for client accounts cannot be fully executed under prevailing market conditions, then the securities traded may be allocated among client accounts on a pro rata basis or in some other equitable manner, taking into account the size of the order placed for each account and any other relevant factors. Such aggregation of orders may not always be to the benefit of a client with regard to the price or quantity executed.

### **Review of Accounts**

All client accounts are reviewed on a daily basis by either Dan Sobol or Lisa Hess.

Investors in SkyTop Funds receive a written monthly statement of valuation and annual audited financial statements. Investors in any SkyTop fund that is treated as a partnership for U.S. federal income tax purposes will receive a Schedule K-1 after the end of each calendar year. Investors in SkyTop Funds also receive written quarterly newsletters from SkyTop.

Investors should refer to the governing documents of each SkyTop Fund for further information on the reports provided by a particular SkyTop Fund to its investors.

### **Client Referrals and Other Compensation**

SkyTop or its affiliates may enter into other arrangements with third parties whereby SkyTop or its affiliates will pay to third parties who introduce clients to SkyTop a portion of the advisory fee received by SkyTop from such clients. Such arrangements will be disclosed to SkyTop's clients in accordance with, and otherwise comply with, Rule 206(4)-3 under the Advisers Act, to the extent applicable.

### **Custody**

SkyTop will not have physical custody of any client assets. SkyTop may be deemed to have custody of the assets of some of the SkyTop Funds as a result of its authority over some of the SkyTop Funds.

All assets in the accounts of SkyTop clients will be held by a qualified custodian to the extent required by applicable rules. Managed accounts clients should receive at least quarterly statements from the custodian. SkyTop urges clients to carefully review such statements and compare them to any account statements provided by SkyTop.

It is SkyTop's policy to cause each SkyTop Fund with assets over which SkyTop is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles, to investors no later than 120 days after the end of each fiscal year.



## **Investment Discretion**

SkyTop is ordinarily granted complete discretion over the investment accounts of its clients, including complete discretion to determine the investment securities purchased or sold for each account. SkyTop generally enters into a written investment management agreement with each client granting such discretionary authority.

Unless otherwise agreed to between SkyTop and each client, SkyTop will not ordinarily be responsible for losses in client accounts, whether caused by the actions of SkyTop or unrelated third parties, unless caused by the gross negligence, fraud or willful misconduct of SkyTop. Accordingly, SkyTop will not ordinarily be responsible for the consequences of ordinary trade errors, unless caused by the gross negligence, fraud or willful misconduct of SkyTop.

## **Voting Client Securities**

SkyTop has adopted written policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Advisers Act. These policies and procedures are designed to ensure that proxies received with respect to securities in client accounts for which SkyTop exercises voting discretion are voted in the best interests of such clients and that SkyTop maintains records of its proxy voting in compliance with the Advisers Act.

Unless otherwise instructed by a client, SkyTop will vote all client proxies consistent with the general guidelines that SkyTop has adopted and that SkyTop believes reflect the best interests of its clients, after taking into consideration all relevant facts and circumstances at the time of the vote.

Prior to exercising its voting authority, SkyTop reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of SkyTop, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. Determination of voting in cases where a material conflict of interest exists will be in the discretion of the CCO. The CCO may seek guidance from SkyTop's clients, including the Board of Directors of a SkyTop Fund, on matters involving a material conflict of interest.

SkyTop will provide to any client at no cost a copy of its voting policies and procedures and information regarding how such client's proxies have been voted in the past. Clients wishing to receive this information should contact SkyTop.

## **Financial Information**

SkyTop is not required to make any disclosure in response to this item.

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

SkyTop is not required to make any disclosure in response to this item.