

# Disclosure Brochure

February 17, 2015

## **Tipp Hill Capital Management LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Tipp Hill Capital Management LLC (hereinafter "Tipp Hill" 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 or by any state securities authority. Additional information about Tipp Hill Capital Management LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Tipp Hill Capital Management LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since Tipp Hill's last annual update dated March 31, 2014. While not considered a material change, on May 1, 2014, the Firm changed its name from Y/CAP Management, LLC to Tipp Hill Capital Management LLC.

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## Item 4. Advisory Business

Tipp Hill provides investment management services to individuals, investment limited partnerships, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and business entities. Prior to engaging Tipp Hill to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Tipp Hill setting forth the terms and conditions under which Tipp Hill renders its services (collectively the “*Agreement*”).

Tipp Hill, founded by principal, Richard Haydon, has been registered as an investment adviser since June 2010. As of January 1, 2015, Tipp Hill has \$120,477,706 of assets under management, all of which are managed on a discretionary basis.

This Disclosure Brochure describes the business of Tipp Hill. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Tipp Hill’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Tipp Hill’s behalf and is subject to Tipp Hill’s supervision or control.

### Investment Management Services

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Clients can engage Tipp Hill to manage all or a portion of their assets on a discretionary basis. Tipp Hill does not offer financial planning services to clients.

Tipp Hill primarily allocates clients’ investment management assets among individual debt and equity securities, and to lesser extent among exchange-traded funds (ETFs) in accordance with the investment objectives of the client.

Tipp Hill tailors its advisory services to the individual needs of clients. Tipp Hill consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients’ investment needs. Tipp Hill ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Tipp Hill if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Tipp Hill’s management services. Clients may impose reasonable restrictions or mandates on the management of their account if, in Tipp Hill’s sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### Management of Collective Investment Vehicle

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Tipp Hill’s affiliate, Tipp Hill Capital Partners LLC, is the general partner of Tipp Hill Capital LP (the “*Private Fund*”), a Delaware limited partnership formed in July 2009 to engage primarily in the business of investing and trading in securities. Interests in the *Private Fund* are privately offered pursuant to

Regulation D under the Securities Act of 1933, as amended. The *Private Fund* currently relies on an exemption from registration under the Investment Company Act of 1940, as amended. Tipp Hill's affiliate has discretionary authority to determine the broker or dealer to be used by the *Private Fund*. The *Private Fund*'s investment objective focuses on current yield and capital appreciation and it seeks to achieve these objectives through a combination of investment grade debt and investments in the more junior levels of a company's debt capital structure and investment in equities.

Participation as an investor in the *Private Fund* is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Investment Advisers Act of 1940, as well as are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended.

To the extent certain of Tipp Hill's individual advisory clients qualify, they will be eligible to participate as limited partners of the *Private Fund*. Investment in the *Private Fund* involves a significant degree of risk. All relevant information, terms and conditions relative to the *Private Fund*, including the compensation received by Tipp Hill or any affiliate as the general partner and/or investment manager, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum (the "*Memorandum*"), Limited Partnership Agreement (the "*Agreement*"), and Subscription Agreement (together, the "*Offering Documents*"), which each investor is required to receive and/or execute prior to being accepted as an investor in the *Private Fund*.

While the *Private Fund* is generally Tipp Hill's client, the term "client(s)" sometimes refers to the investors in the *Private Fund*.

Tipp Hill will devote its best efforts with respect to its management of both the *Private Fund* and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the *Private Fund*, Tipp Hill may give advice or take action with respect to the *Private Fund* that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the *Private Fund* and certain individual client accounts, such investments will be allocated between the *Private Fund* and the individual client accounts pro rata based on the assets under management or in some other manner which Tipp Hill determines is fair and equitable under the circumstances to all of its clients.

## Item 5. Fees and Compensation

Tipp Hill offers its services on a fee basis, which based upon assets under management or the performance of the client's portfolio.

### Investment Management and Performance Fee

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Tipp Hill generally renders investment management services to *qualified clients* for a performance-based fee in accordance with the requirements set forth in applicable laws, rules, and regulations. For those clients, Tipp Hill charges a fee based upon a percentage of the market value of the assets being

## Tipp Hill Capital Management LLC Disclosure Brochure

managed by Tipp Hill ("*base fee*") in addition to a fee based on the performance of the account ("*performance fee*").

Tipp Hill charges a *performance fee* of fifteen percent (15%) of the net performance by which the account exceeds a hurdle rate subject to a loss carry-forward provision. The hurdle rate is a non-cumulative rate equal to the 30-day LIBOR rate as of January 1 of the relevant fiscal year plus three percent (3.0%), but is capped at four percent (4.0%) per annum. Tipp Hill also charges a *base fee* of one and one-half percent (1.50%) of the market value of the assets under management.

Tipp Hill's annual *base fee* is prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. Tipp Hill's *performance fee* is charged annually, in arrears, based on the net gains of the client's portfolio at the end of the calendar period subject to the provisions above.

Tipp Hill, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), Tipp Hill generally recommends that clients utilize the brokerage and clearing services of Morgan Stanley & Co., LLC ("*Morgan Stanley*").

Tipp Hill may only implement its investment management recommendations after the client has arranged for and furnished Tipp Hill with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Morgan Stanley*, any other broker-dealer recommended by Tipp Hill, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are 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. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Tipp Hill's fee.

Tipp Hill's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Tipp Hill to debit the client's account for the amount of Tipp Hill's fee and to directly remit that management fee to Tipp Hill. Any *Financial Institutions* recommended by Tipp Hill have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of

management fees paid directly to Tipp Hill. Alternatively, clients may elect to have Tipp Hill send an invoice for payment.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Tipp Hill and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Tipp Hill's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

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

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

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

As discussed in response to Item 5, above, generally renders investment management services to *qualified clients* for a performance-based fee. This fee arrangement raises conflicts of interest. The performance fee may be an incentive for Tipp Hill to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Tipp Hill 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.

Tipp Hill has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

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

As discussed in Item 4, Tipp Hill provides its services to individuals, investment limited partnerships, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## Minimum Account Size

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While Tipp Hill does not impose a minimum for starting and maintaining a relationship, the *Private Fund* imposes a minimum initial investment of \$1,000,000 as further disclosed in the *Offering Documents*.

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

### Investment Strategies and Methods of Analysis

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Tipp Hill focuses on opportunities, both long and short, in all areas of the capital structure from debt to equity. Tipp Hill implements proprietary models that assist the firm in its investment decisions along with its investment judgment and experience. While Tipp Hill's primarily invests in individual debt and equity securities, in limited circumstances it may also invest in ETFs.

When selecting investments, Tipp Hill looks for a certain palate of characteristics. First, Tipp Hill draws from world events across the economic, financial, geopolitical, and social backdrops to determine major themes or trends that it feels present the opportunity for exploitation. Tipp Hill then takes these themes and analyzes not only how it believes these events will unfold, but also which specific industries will be affected. As soon as the firm is able to whittle its target companies down, it then does a holistic analysis of the company and then from there determines the security within the capital structure that offers, in the firm's opinion, the best risk-adjusted rate of return. This may include aspects of fundamental, technical, and cyclical analysis.

Tipp Hill generally maintains a concentrated portfolio of securities from across the various GICS industries and does not invest in any one security with more than 5% of assets at cost. Tipp Hill reviews any position where there is a movement in the stock price of minus 7% from the price at cost. Tipp Hill maintains no financial leverage on the portfolio but gross exposure may be above 100% when including short positions.

### Risks of Loss

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#### *Market Risks*

The profitability of a significant portion of Tipp Hill's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Tipp Hill will be able to predict those price movements accurately.

#### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market 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 (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.

### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in an ETF involves risk, including the loss of principal. ETF shareholders are 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 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 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 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 50,000 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.

### *Short Sales*

Tipp Hill may utilize short sales in an effort to effect the firm's investment strategy. A short sale is generally described as a form of reverse trading, whereby a seller contracts to sell a security that it does not own or possess, or a security that is borrowed from another party. Sellers speculate that the market price of a security will fall below the contracted sale price and therefore they will be able to purchase the security in the open market and sell it to the contracted buyer for a net profit. Buyers engage in shorts sales when they believe the price of the security will rise and they will be able to purchase the security at a discount. Sellers engage in short sales when they believe the price of the underlying security will fall or when they are seeking to hedge against potential price volatility in a security in which they own.

Short sales involve a number of risks. In the event the underlying security does not fall below the contracted sale price, a seller may be obligated to purchase the security at market price and sell it at a discount, resulting in a loss. In addition, short sellers are charged interest on the securities in which they borrow, meaning that sellers may be adversely impacted by rising interest rates. Sellers are also subject to numerous counterparty risks in that the lending party may be unable or unwilling to deliver the borrowed securities, thus impairing the seller's ability to satisfy its contractual obligations.

## *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by Tipp Hill in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Tipp Hill will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

## *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

Tipp Hill is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Tipp Hill does not have any required disclosures to this Item.

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

Tipp Hill is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Tipp Hill does not have any required disclosures to this Item.

## **Item 11. Code of Ethics**

Tipp Hill and persons associated with Tipp Hill ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Tipp Hill's policies and procedures.

Tipp Hill has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Tipp Hill or any of its associated persons. The *Code of Ethics* also requires that certain of Tipp Hill's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Tipp Hill's *Code of Ethics*, none of Tipp Hill's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Tipp Hill's clients.

When Tipp Hill is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Tipp Hill is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. 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.

As discussed above in response to Item 4, an affiliate of Tipp Hill is the general partner to the *Private Fund*. Tipp Hill may recommend, on a fully disclosed basis, that certain clients invest in the *Private Fund*. As such, a conflict of interest exists to the extent that Tipp Hill recommends that clients invest in *Private Fund*. Tipp Hill does not receive any additional compensation if a client invests in the *Private Fund*. As such, Tipp Hill does not believe this arrangement poses any additional conflict of interest.

Clients and prospective clients may contact Tipp Hill to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

As discussed above, in Item 5, Tipp Hill generally recommends that clients utilize the brokerage and clearing services of *Morgan Stanley*.

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

The commissions paid by Tipp Hill's clients comply with Tipp Hill'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 Tipp Hill 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. Tipp

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Hill seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom Tipp Hill and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. Tipp Hill periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Tipp Hill 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 Tipp Hill 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 Tipp Hill (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Tipp Hill may decline a client’s request to direct brokerage if, in Tipp Hill’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Tipp Hill decides to purchase or sell the same securities for several clients at approximately the same time. Tipp Hill 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 Tipp Hill’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Tipp Hill’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Tipp Hill determines to aggregate client orders for the purchase or sale of securities, including securities in which Tipp Hill’s *Supervised Persons* may invest, Tipp Hill generally 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. Tipp Hill does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Tipp Hill determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may 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, Tipp Hill 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.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Tipp Hill in its investment decision-making process. Such research generally will be used to service all of Tipp Hill'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 Tipp Hill does not have to produce or pay for the products or services.

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

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Tipp Hill may receive from *Morgan Stanley*, without cost to Tipp Hill, computer software and related systems support, which allow Tipp Hill to better monitor client accounts maintained at *Morgan Stanley*. Tipp Hill may receive the software and related support without cost because Tipp Hill renders investment management services to clients that maintain assets at *Morgan Stanley*. The software and support is not provided in connection with securities transactions of clients (i.e. not "soft dollars"). The software and related systems support may benefit Tipp Hill, but not its clients directly. In fulfilling its duties to its clients, Tipp Hill endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Tipp Hill's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Tipp Hill's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Tipp Hill may receive the following benefits from *Morgan Stanley*: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its registered investment adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Receipt of Soft Dollars**

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In addition to the research services described above, Tipp Hill may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of clients (commonly referred to as "soft dollars"). Specifically, Tipp Hill receives research services from *Morgan Stanley*. The availability of these benefits may influence Tipp Hill to select *Morgan Stanley* rather than another broker dealer based on the receipt of these services. Nevertheless, Tipp Hill will assure that the fees and costs for services provided to clients by *Morgan Stanley* are not materially greater than they would be if the services were performed by other brokers not offering these services.

The use of brokerage commissions to obtain research products and/or other services and to pay for other non-research services creates a conflict of interest because clients pay for such products and services that are not exclusively for the benefit of clients and may be primarily or exclusively for the benefit of Tipp Hill.

### Item 13. Review of Accounts

For those clients to whom Tipp Hill provides investment management services, Tipp Hill monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one or more members of Tipp Hill's advisory committee. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Tipp Hill and to keep Tipp Hill informed of any changes thereto. Tipp Hill contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Tipp Hill provides investment advisory services outside the *Private Fund* will also receive a report from Tipp Hill that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as the client may reasonably request. Investors in the *Private Fund* will receive monthly reports as well as a quarterly update via letter and conference call. Clients should compare the account statements they receive from their custodian with those they receive from Tipp Hill.

### Item 14. Client Referrals and Other Compensation

Tipp Hill is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services.

Tipp Hill may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

In addition, Tipp Hill is required to disclose any direct or indirect compensation that it provides for client referrals. Tipp Hill does not provide any direct or indirect compensation for client referrals.

### Item 15. Custody

Tipp Hill's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Tipp Hill through such *Financial Institution* to debit the client's account for the amount of Tipp Hill's fee and to directly remit that management fee to Tipp Hill in accordance with applicable custody rules.

The *Financial Institutions* recommended by Tipp Hill have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Tipp Hill. In addition, as discussed in Item 13, Tipp Hill also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Tipp Hill.

### Item 16. Investment Discretion

Tipp Hill is given the authority to exercise discretion on behalf of clients. Tipp Hill is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Tipp Hill is given this authority through a power-of-attorney included in the agreement between Tipp Hill and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Tipp Hill 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 *Financial Institutions* to be utilized.

### Item 17. Voting Client Securities

Tipp Hill may vote client securities (proxies) on behalf of its clients. When Tipp Hill accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in Tipp Hill's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Tipp Hill's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Tipp Hill to request information about how Tipp Hill voted proxies for that client's securities or to get a copy of Tipp Hill's Proxy Voting Policies and Procedures. A brief summary of Tipp Hill's Proxy Voting Policies and Procedures is as follows:

- Tipp Hill has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to Tipp Hill's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.

- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Tipp Hill devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Tipp Hill's vote on a particular solicitation but can revoke Tipp Hill's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Tipp Hill maintains with persons having an interest in the outcome of certain votes, Tipp Hill takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

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

Tipp Hill does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Tipp Hill is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Tipp Hill has no disclosures pursuant to this Item.



## **Tipp Hill Capital Management LLC**

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