

# Disclosure Brochure

March 27, 2020

## **Topturn Capital, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Topturn Capital, LLC (hereinafter "Topturn" or the "Firm"). If you have any questions about the contents of this brochure, please contact Dan Darchuck at (831) 324-0481. 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 Topturn Capital, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Topturn Capital, 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 Topturn's last annual update filed March 25, 2019. The Firm has updated our assets under management under Item 4. We have updated our fee schedule on page 5 and we no longer charge performance fees on page 6. We have changed our minimum account size to \$1 million. Topturn Capital no longer has any advisory affiliates.

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## Item 4. Advisory Business

Topturn provides investment management, wealth management, financial planning and consulting services. Prior to engaging Topturn to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Topturn setting forth the terms and conditions under which Topturn renders its services (collectively the “Agreement”).

Topturn has been in business as an SEC registered investment adviser since September 15, 2009. Dan Darchuck and Greg Stewart are the principal owners of Topturn.

Topturn has \$139 million of assets under management as of December 31, 2019. \$98 million of these assets are managed on a discretionary basis and \$41 million are managed on a non-discretionary basis.

This Disclosure Brochure describes the business of Topturn. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of Topturn’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 Topturn’s behalf and is subject to Topturn’s supervision or control.

### **Wealth Management Services**

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Clients can engage Topturn to manage all or a portion of their assets on a discretionary or non-discretionary basis. In addition, Topturn may provide clients with wealth management services which include a broad range of comprehensive financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios. As needed, Topturn will develop a comprehensive financial plan and/or provide ongoing financial planning services which take into consideration business planning, investments, insurance, retirement, education, estate planning, and tax and cash flow needs of the client.

Topturn primarily allocates clients’ investment management assets among independent investment managers (“Independent Managers”), exchange-traded funds (“ETFs”), and individual debt and equity securities. In addition, where appropriate, Topturn recommends that clients who are “accredited investors” as defined in Rule 501 under the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients’ investment objectives. Topturn also provides advice about any type of investment held in clients’ portfolios.

Topturn also renders non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client’s primary custodian. In so doing, Topturn either directs or recommends the allocation of client assets among the various investment options that are

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available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Topturn tailors its advisory services to the individual needs of clients. Topturn 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. Topturn ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Topturn if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Topturn's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Topturn's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## **Financial Planning and Pension Consulting Services**

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Topturn provides its clients with a broad range of comprehensive financial planning and pension consulting services. These services include non-investment related advice as well as pension design and charitable or other planning strategies.

In performing its services, Topturn is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Topturn recommends the services of itself, its supervised persons, in their individual capacities, as licensed insurance agents /or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Topturn recommends its own services or those of its affiliates. The client is under no obligation to act upon any of the recommendations made by Topturn under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Topturn itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Topturn's recommendations. Clients are advised that it remains their responsibility to promptly notify Topturn if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Topturn's previous recommendations and/or services.

## **Use of Independent Managers**

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As mentioned above, Topturn recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Managers, based upon the stated investment objectives of the client. The terms and conditions under which the client engages the Independent Managers are set forth in a separate written agreement between Topturn or the client and the designated Independent Managers. Topturn renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of Independent Managers. Topturn also monitors and reviews the account performance and the client's investment objectives. Topturn receives an annual

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advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an Independent Manager for a client, Topturn reviews information about the Independent Manager such as its disclosure brochure and/or material supplied by the Independent Manager or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available. Factors that Topturn considers in recommending an Independent Manager include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Topturn's investment advisory fee set forth above. In addition to Topturn's written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Managers. Certain Independent Managers may impose more restrictive account requirements and varying billing practices than Topturn. In such instances, Topturn may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

### **Management of Collective Investment Vehicle**

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Topturn is the general partner of Omnistrat Fund, LP (the "Private Fund"), which was formed 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. Topturn has discretionary authority to determine the broker or dealer to be used by the Private Fund. The Private Fund's investment objective is to achieve superior, risk-adjusted, long-term investment returns through employment of a multi-strategy quantitative directional strategy utilizing investments in individual equities, major debt and equity index funds, index futures and ETFs.

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

To the extent certain of Topturn's individual advisory clients qualify, they will be eligible to invest in the Private Fund. A conflict of interest exists when Topturn recommends that its advisory clients invest in the Private Fund because of Topturn's desire to promote the success of the Private Fund and because of the potential for Topturn to earn more compensation from managing the client's assets through 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 Topturn, withdrawal rights, minimum investments, qualification requirements, suitability, risk factors, potential conflicts of interest, are set forth in the relevant confidential private offering memorandum, operating agreement and/or

subscription agreement (collectively the “Offering Documents”), which each investor is required to receive and/or execute prior to being accepted as an investor in the Private Fund.

Topturn 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, Topturn 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 Topturn determines is fair and equitable under the circumstances to all of its clients.

### **Item 5. Fees and Compensation**

Topturn offers its services on a fee basis, which include fixed fees, as well as fees based upon assets under management or the performance of the client’s portfolio.

#### **Financial Planning and Pension Consulting Fees**

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Topturn charges a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$10,000 to \$20,000 on a fixed fee basis. These fees will depend upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services.

Prior to engaging Topturn to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Topturn setting forth the terms and conditions of the engagement. Generally, Topturn requires one-half of any fixed financial planning or consulting fees payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

#### **Investment Management and Wealth Management Fee**

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Topturn provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Topturn. Topturn’s annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Topturn does not, however, receive any portion of these commissions, fees, and costs. Topturn’s annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Topturn on the last day of the previous quarter. The annual fee varies depending upon the market value of the assets under management as follows:

PORTFOLIO VALUE	BASE FEE
First \$1,000,000	1.25%
Next \$1,500,000	1.00%
Next \$7,000,000	0.75%
Above \$10,000,000	0.50%

### **Performance Fees and Side-by-Side Management**

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Topturn does not charge any performance-based fees on any accounts, nor do we engage in side-by-side management on any accounts.

### **Fee Discretion**

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Topturn, in its sole discretion, may negotiate to charge a lesser investment management and/or performance 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), Topturn generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*").

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

Clients incur certain charges imposed by the *Financial Institutions* and other third parties such as brokerage commissions and other transaction costs, fees charged by *Independent Managers* (as defined below), custodial fees, margin costs, reporting charges, 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. Such charges, fees and commissions are exclusive of and in addition to Topturn's fee.

Clients generally provide Topturn and/or certain Independent Managers 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,



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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 Topturn.

### **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 Topturn and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Topturn'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 Topturn's right to terminate an account. Additions may be in cash or securities provided that Topturn 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 Topturn, subject to the usual and customary securities settlement procedures. However, Topturn designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Topturn consult with its clients about the options and ramifications of transferring securities as necessary. 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 that exceed 3% of the portfolio value prior to the withdrawal, the fee payable with respect to such assets will be 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, Topturn may render investment management services to *qualified clients* for a performance-based fee. This fee arrangement raises conflicts of interest. The performance fee provides an incentive for Topturn to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Topturn 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. Topturn 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

Topturn provides its services to individuals, high net worth individuals, investment limited partnerships, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size**

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As a condition for starting and maintaining a relationship, Topturn generally imposes a minimum portfolio size of \$1,000,000. Topturn, in its sole discretion, may 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. Topturn only accepts clients with less than the minimum portfolio size if, in the sole opinion of Topturn, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Topturn may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than Topturn. In such instances, Topturn may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### **Methods of Analysis**

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Topturn's primary methods of analysis are fundamental, technical and cyclical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. Topturn will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using 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 Topturn will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental

analysis of the health of the particular company that Topturn is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### **Investment Strategies**

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Topturn's investment objective is to achieve superior risk adjusted, long term investment returns through the implementation of a client appropriate allocation model consisting of equity, fixed income and cash asset classes. Topturn may alter the portion of the portfolio allocated to any given asset class based on its proprietary model indicators and/or a change in client risk tolerance.

The model's recommended portfolio weightings for stocks, bonds, and cash are updated periodically. Benchmark weightings for each asset class determine whether the model is recommending an overweight or underweight or market weight position. The core balanced model is designed around an intermediate-term time horizon, so while the model's readings can change frequently, shifts between overweight and underweight readings have occurred every eight to twelve months on average. The model is dynamic and is designed to serve as an anchor for Topturn's stock/bond/cash allocation recommendations and incorporates several variables Topturn monitors for making allocation decisions.

Individual security selection for equity allocations will include the purchase of individual U.S. stocks, foreign and domestic broad market index positions and sectors as well as industry index positions. Bond allocations include U.S. Treasuries and government obligations. Cash allocations include but are not limited to Treasury Bills, commercial paper, certificates of deposit and other money market instruments.

### **Risks of Loss**

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#### *Mutual Funds and Exchange Traded Funds (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 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 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.

### *Market Risks*

The profitability of a significant portion of Topturn'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 Topturn will be able to predict those price movements accurately.

### *Use of Independent Managers*

Topturn may recommend the use of *Independent Managers* for certain clients. Topturn will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, Topturn does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Use of Private Collective Investment Vehicles*

Topturn may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *Management Through Similarly Managed Accounts*

Topturn manages portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*models*"). In so doing, Topturn buys, sells, exchanges and/or transfers shares of securities based upon the *models*.

Topturn's management using the models complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *models*, with a safe harbor from the definition of an investment company. Securities in the *models* are usually exchanged and/or transferred without regard to a client's individual tax ramifications.

### *General Risk of Loss*

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

## Item 9. Disciplinary Information

Topturn 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. Topturn does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

Topturn is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Topturn has described such relationships and arrangements below.

### **Receipt of Insurance Commission**

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Certain of Topturn's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While Topturn does not sell such insurance products to its investment advisory clients, Topturn does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that Topturn or its supervised persons recommends the purchase of insurance products where Topturn's *Supervised Persons* receive 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

Topturn has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of certain persons associated with Topturn ("associated persons"). It's the Firm'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 associated

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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 that certain of Topturn'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.

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

Unless specifically permitted in Topturn's *Code of Ethics*, none of Topturn'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 Topturn's clients.

When Topturn 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 Topturn 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 open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds.

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

As discussed above in response to Item 4, Topturn is the general partner to the Private Fund. Topturn 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 Topturn recommends that clients invest in Private Fund. Topturn does not receive any additional compensation if a client invests in the Private Fund. Nonetheless, a conflict of interest exists when Topturn recommends that its advisory clients invest in the Private Fund because of Topturn's desire to promote the success of the Private Fund and because of the potential for Topturn to earn more compensation from managing the client's assets through the Private Fund. Nonetheless, the Firm ensures that any recommendations made to clients to invest in the Private Fund are in the best interest of its clients.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Topturn generally recommends that clients utilize the brokerage and clearing services of *Schwab*.

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

The commissions paid by Topturn's clients comply with Topturn'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 Topturn 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. Topturn 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 Topturn and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. Topturn 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 Topturn 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 Topturn 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 Topturn (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, Topturn may decline a client's request to direct brokerage if, in Topturn's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Topturn decides to purchase or sell the same securities for several clients at approximately the same time. Topturn 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 Topturn'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 Topturn's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Topturn determines to aggregate client orders for the purchase or sale of securities, including securities in which Topturn's Supervised *Persons* may invest, Topturn 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. Topturn does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Topturn 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 will 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 such 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 will be reallocated to other accounts (this will be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations will 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, Topturn may exclude the account(s) from the allocation; the transactions will 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 will 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 Topturn in its investment decision-making process. Such research generally will be used to service all of Topturn'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 Topturn does not have to produce or pay for the products or services.

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

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Topturn receives from *Schwab*, without cost to Topturn, computer software and related systems support, which allow Topturn to better monitor client accounts maintained at *Schwab*. Topturn receives the software and related support without cost because Topturn renders investment management services to clients that maintain assets at *Schwab*. 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 Topturn, but not its clients directly. In fulfilling its duties to its clients, Topturn endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Topturn's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits provide an incentive for Topturn to choose one broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Topturn may receive the following benefits from *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional 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**

In addition to the research services described above, Topturn is offered other non-monetary benefits by broker-dealers that it engages to execute securities transactions on behalf of clients. These benefits take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding client's accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, availability of stocks to borrow for short trades, custody, travel, recordkeeping and similar services. A conflict of interest exists because the availability of these benefits provides an incentive for Topturn to choose one broker rather than another based on Topturn's interest rather than on clients' interests in receiving most favorable execution. Nevertheless, Topturn will assure that the fees and costs for services provided to clients by brokers offering these benefits are not materially greater than they would be if the services were performed by brokers not offering these services.

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

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

For those clients to whom Topturn provides investment management services, Topturn monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Topturn provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of Topturn's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Topturn and to keep Topturn informed of any changes thereto. Topturn 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 Topturn provides investment advisory services will also receive a report from Topturn that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Topturn.

In addition, investors in the *Private Fund* will receive audited financials of the fund.

Those clients to whom Topturn provides financial planning and/or consulting services will receive otherwise agreed to in writing by Topturn.

### Item 14. Client Referrals and Other Compensation

The Firm currently does not compensate third parties for client referrals but may do so in the future. If a client is introduced to Topturn by either an unaffiliated or an affiliated solicitor, Topturn may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from Topturn's investment management fee and does not result in any additional charge to the client. If the client is introduced to Topturn by an unaffiliated solicitor, the solicitor provides the client with a copy of Topturn's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Topturn discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Topturn's written disclosure brochure at the time of the solicitation.

### Item 15. Custody

#### Fee Debit

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Topturn's *Agreement* and/or the separate agreement with any *Financial Institution* generally authorizes Topturn through such *Financial Institution* to debit the client's account for the amount of Topturn's fee and to directly remit that management fee to Topturn 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 a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Topturn. In addition, as discussed in Item 13, Topturn 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 Topturn.

#### Private Fund

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Topturn serves as the investment adviser to *Private Fund* and due to Topturn's role as the general partner and managing member of the *Private Fund*, Topturn is deemed to have custody of client assets. As such, Topturn requires an annual audit of the *Fund* by an independent public accountant registered with, and subject to regulatory inspection by, the Public Accounting Oversight Board (PCAOB). Topturn distributes

the audited financials to each investor within 120 days of the *Private Fund's* fiscal year-end. Topturn does not have direct access to client funds. The *Private Fund* is administered by a third-party administrator and maintained with an independent qualified custodian.

### Item 16. Investment Discretion

In most circumstances, Topturn is given the authority to exercise discretion on behalf of clients. Topturn 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. Topturn is given this authority through a power-of- attorney included in the agreement between Topturn and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Topturn 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;
- The *Financial Institutions* to be utilized; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

Where agreed upon with its clients, Topturn votes client securities (proxies) on behalf of its clients. When Topturn 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 Topturn's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Topturn's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Topturn to request information about how Topturn voted proxies for that client's securities or to get a copy of Topturn's Proxy Voting Policies and Procedures. A brief summary of Topturn's Proxy Voting Policies and Procedures is as follows:

- Topturn 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 Topturn'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, Topturn devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Topturn's vote on a particular solicitation but can revoke Topturn'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 Topturn maintains with persons having an interest in the outcome of certain votes, Topturn 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**

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