

**Rail-Splitter Capital Management, LLC**

**August 1, 2012**

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**This brochure provides information about the qualifications and business practices of Rail-Splitter Capital Management, LLC (the “Adviser”) an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 312-629-4950. This information has not been approved or verified by the SEC, or by any state securities authority.**

**Additional information about Rail-Splitter Capital Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in Chicago, Illinois. The Adviser commenced operations as an investment adviser on September 1, 2002. The principal owners of the Adviser are John Croghan, Richard Fradin and John Souter.

The Adviser provides investment advisory services on a discretionary basis to its clients, which include pooled investment vehicles (each, a "Fund") intended for sophisticated investors and institutional investors, and separately managed accounts (collectively with the Funds, "Clients"). The Funds to which the Adviser currently provides investment advisory services include Rail-Splitter Fund, L.P. and Rail-Splitter Fund II, L.P., each a Delaware limited partnership, and Rail-Splitter Fund, Ltd., a Cayman Islands exempted company. The Adviser's main focus is equities and equity-related securities and derivatives of U.S. companies.

The Adviser provides advice to Client accounts based on specific investment objectives and strategies. The investment objective of each Fund is described in full detail in its respective private placement memorandum. The Adviser does not tailor advisory services to the individual needs of investors in the Funds, and investors in the Funds may not impose restrictions on investing in certain securities or certain types of securities.

As of August 1, 2012, the Adviser had approximately \$274,000,000.00 of Client assets under management, all on a discretionary basis.

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

### Asset-Based Compensation

The Adviser receives a monthly management fee in advance at a rate ranging from 1.0% to 1.5% of the net asset value of each Client account. The management fee is paid within ten days after the first day of each month based on the net asset value of each Client account as of the first day of such month. If a Client makes an addition to its account during a particular month, the management fee will be prorated and charged at the time such addition is made.

Management fees may be negotiable with certain investors in a Fund and are negotiated individually with any managed account.

### Performance-Based Compensation

As of the end of each year, the Adviser receives performance-based compensation (either as a fee or a profit-allocation) at a rate equal to 20% of the net profits (including net unrealized gains), if any, attributable to each Client account. Receipt of performance-based compensation in one or more of the Funds may be subject to a hurdle rate based upon that particular Fund's performance relative to the S&P 500 Total Return Index or another similar index, as determined by the Adviser.

Performance-based fees may be negotiable with certain investors in a Fund and are negotiated individually with any managed account.

The Adviser deducts the management fee and any performance fees from Client accounts by instructing the Client's custodian.

In addition to paying management fees and performance-based fees, Client accounts will also be subject to other expenses, including: brokerage fees and commissions; administration expenses; legal expenses; external accounting, audit and tax preparation expenses; organizational expenses; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees associated with products or services that may be necessary or incidental to such investments or accounts.

Rail-Splitter Fund, Ltd. is invested in Rail-Splitter Fund, L.P. As a result, Rail-Splitter Fund, Ltd. bears its pro rata share of the expenses of Rail-Splitter Fund, L.P., although the management fee and performance fee are each charged only once with respect to Rail-Splitter Fund, Ltd.'s investment in Rail-Splitter Fund, L.P., so that investors in Rail-Splitter Fund, Ltd. do not pay an additional layer of management and performance fees.

Although the investors in a Fund are required to pay the management fee in advance each month, they are only permitted to make withdrawals on the first day of a month. The withdrawal rights of managed accounts are negotiated individually.

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

The Adviser and its investment personnel provide investment management services to multiple Clients. The Adviser is entitled to be paid performance-based compensation by the Funds and its managed accounts. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. In addition, certain Client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When the Adviser and its investment personnel manage more than one Client account a potential exists for one Client account to be favored over another Client account.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts generally participate in investment opportunities pro rata based on asset size and require that, to the extent orders are aggregated, the Client orders are price-averaged. Finally, procedures also require the objective allocation for limited opportunities such as initial public offerings to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Investment Officer.

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

The Adviser's Clients consist of the Funds and a managed account. The initial and additional subscription minimums are disclosed in each Fund's offering memorandum.

For separately managed accounts, generally a minimum initial account size of \$50,000,000.00 is required.

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

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The primary method of analysis is fundamental research.

The Adviser employs the following investment strategies:

*Equity.* The Adviser's equity strategy focuses on a range of equity investment styles, but concentrates in growth stocks. The Client accounts invest in all ranges on the capitalization scale, from micro-cap, through small-cap, mid-cap and large-cap, to mega-cap.

*Fundamental Value.* The Adviser engages in a fundamental value investment strategy wherein the Adviser attempts to invest in securities the Adviser believes are undervalued by the market.

*Leverage.* The Adviser's investment program may utilize a significant amount of leverage that involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

*Options Trading.* The Adviser may engage in various option trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. The Adviser engages in the following types of option trading strategies: puts and calls.

*Relative Value.* The Adviser pursues relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued.

*Short Selling.* The Adviser engages in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities and (ii) for profit.

These methods, strategies and investments involve risk of loss to Clients and Clients must be prepared to bear the loss of their entire investment.

The following risks are related to the Adviser's investment strategies:

*Short Sales.* The Adviser's investment program includes short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Leverage.* Performance may be more volatile if a Client's account employs leverage.

*Lack of Diversification.* Client accounts may not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, Client accounts may be subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

The following risks are related to the types of securities generally recommended by the Advisor:

*Small Cap Stocks.* The Clients may invest in smaller-to-medium sized companies of a less seasoned nature whose securities are traded in the over-the-counter market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies.

*Hedging Risk.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

*Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the Client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

*Emerging Markets.* The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

*REITs.* REITs in which the Adviser invests Client accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Adviser invests concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited



diversification. REITS depend generally on their ability to generate cash flow to make distributions to investors.

*Options.* In connection with the use of options, there may be an imperfect correlation between the change in market value of a security and the prices of the options in the Client's account. In addition, the Adviser's investments in options may encounter a lack of a liquid secondary market for a futures contract.

**Item 9. Disciplinary Information**

This Item is inapplicable as there are no disciplinary events to report.

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

Each of the Funds has the right to enter into agreements with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are either more or less advantageous than those set forth in the Fund's offering memorandum. For example, such terms and conditions may provide for special rights to make future investments in the Fund, other investment vehicles or managed accounts; special withdrawal rights relating to frequency, notice, a reduction or rebate in fees or withdrawal penalties to be paid by the limited partner and/or other terms; rights to receive reports from the Fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Fund and such investors. The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the investor's investment in the Fund or affiliated investment entity, an agreement by an investor to maintain such investment in the Fund for a significant period of time, or other similar commitment by an investor to the Fund.

Two Principals of the Advisor also serve as Directors of the offshore fund, Rail-Splitter Fund, Ltd.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its personnel to put the interests of the Adviser's Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients or prospective Clients may obtain a copy of the Code by contacting Kurt Koeplin, Chief Compliance Officer, by email at [kkoeplin@rsplitter.com](mailto:kkoeplin@rsplitter.com), or by telephone at 312-629-4952. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities (e.g., board or other committee service), may come into possession of confidential or material, nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Client or using such information for the Client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

On occasion, the Adviser or a related person may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to Clients. It is the Adviser's practice, where possible, to aggregate Client orders for the purchase or sale of the same security using the same executing broker. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related person are in a position to trade in a manner that could adversely affect Clients (e.g., place their own trades before or after Client trades are executed in order to benefit from any price movements due to the Clients' trades). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm Clients by adversely affecting the price at which the Clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: the Adviser requires its related persons to pre-clear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its Clients or is not in compliance with the requirements stipulated in the Adviser's Code of Ethics. In addition, the Adviser's Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's related persons are required to disclose their securities transactions on a monthly and quarterly basis and holdings on an annual basis. Trading in employee accounts will be reviewed by the Chief Compliance Officer, or his designate, and compared with transactions for the Client accounts and reviewed against the restricted securities list.

To the extent that the Adviser or a related person or any of their employees own securities that the Adviser or its related person also recommends to Clients, such Clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

## **Item 12. Brokerage Practices**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, but the Adviser does have relationships with brokers that do provide execution only. Therefore, a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and analysts meet periodically to evaluate the broker-dealers used by the Adviser to execute trades, using the foregoing factors.

The Adviser may receive research or other products or services other than execution from a broker-dealer in connection with Client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses Client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer and analysts meet periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

The use of Client commissions to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select a broker-dealer based on its interest in receiving those products and services.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other Client accounts. The Adviser does not seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate.

During the Adviser's last fiscal year, as a result of Client brokerage commissions, the Adviser acquired research reports (including market research); software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio

strategy; data services (including services providing market data, company financial data and economic data); and advice from broker-dealers on order execution.

In determining whether to direct Client brokerage transactions to particular broker-dealers, the Adviser's Chief Compliance Officer and analysts meet periodically to review and evaluate the soft dollar practices of the Adviser and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

The Adviser has entered into "client commission arrangements" pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend these private funds as an investment to Clients. The Adviser may place Client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser or affording the Adviser with the opportunity to participate in capital introduction programs.

The Adviser often purchases or sells the same security for many Clients contemporaneously using the same executing broker. It is the Adviser's practice, where possible, to aggregate Client orders for the purchase or sale of the same security submitted contemporaneously for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for Clients a more favorable price based upon the volume of a particular transaction. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to Clients. Depending on the investment strategy pursued and the type of security, this likely will result in a pro rata allocation to all participating Clients.

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

Each Client account is reviewed by the analysts and Chief Investment Officer of the Adviser on an ongoing basis, to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each Client account.

Each Client that is a separate account will receive monthly reports regarding the return of the account and a quarterly letter.

Each investor in a Fund receives reports pursuant to the terms of each Fund's offering memorandum.

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

The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its Clients. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

The Adviser may make cash payments to third-party solicitors for Client referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective Client with a copy of the Adviser’s Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for Client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.



**Item 15. Custody**

Clients who are separate accounts will receive account statements from a broker-dealer, bank or other qualified custodian and Clients should carefully review those statements.

## **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to the Funds. The Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

The Adviser has the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement), and (ii) the amount of securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held. The Adviser's analysts submit an allocation statement to the Adviser's trading desk describing the allocation of securities to (or from) Client accounts for each trade/order submitted. Or alternatively, the total shares to execute are provided to the trader/operations manager who allocates the shares using the Adviser's internally developed allocation program. The Adviser's analysts may consider the following factors, among others, in allocating securities among Clients: (i) Client investment objectives and strategies; (ii) Client risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible Client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to Client accounts in varying amounts. Client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on the Clients' respective investment objectives and investment restrictions and the Adviser's intended weighting of the particular security within each Client's portfolio.

Allocations will be made among Client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a Client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings. In general, the Adviser views IPO's as short-term trading opportunities. In limited circumstances, the Adviser will treat an IPO as a longer-term investment when the company's core fundamentals and valuation are attractive and is capable of sustained value creation.

The Adviser may effect cross transactions between the Funds, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two Clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potential conflict of interest regarding both parties to cross transactions. Cross transactions between Client accounts are not permitted if they would constitute principal trades.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that Clients are treated fairly. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a Client account incurs a trade error as a result of the Adviser's gross negligence or willful misconduct, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the Client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the Client account.

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

The Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients. If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

*Clients* (including investors in the Funds) may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a Client's proxies by contacting Kurt Koeplin (Chief Compliance Officer) by email at [kkoeplin@rsplitter.com](mailto:kkoeplin@rsplitter.com) or by telephone at 312-629-4952.

**Item 18. Financial Information**

This Item is not applicable.