



**12<sup>TH</sup> STREET ASSET MANAGEMENT COMPANY, LLC**

**(12<sup>th</sup> Street)**

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**Form ADV Part 2A – Firm Brochure**

**March 7, 2015**

This Brochure provides information about the qualifications and business practices of 12<sup>TH</sup> Street. If you have any questions about the contents of this Brochure, please contact us at (312) 600-9236. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. 12<sup>TH</sup> Street is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training.

Additional information about 12<sup>TH</sup> Street is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

The purpose of this section is to inform you of any material changes since the last annual update of this brochure. This Brochure, dated March 7, 2015, is a document prepared according to the SEC's requirements and rules requiring advisors to provide a firm brochure in narrative "plain English" format.

Since the last ADV Part II dated March 7, 2014, :

In March 2015, the Opportunity LP was renamed 12<sup>th</sup> Street Asset Management, LP and the strategy formally known as Opportunity LP is now known as the LP strategy.

Our Brochure may be requested, at no charge, by contacting Michael O'Keefe, Chief Compliance Officer at (312)600.9236 or [mike@12thstreetasset.com](mailto:mike@12thstreetasset.com).

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#### **Item 4: Advisory Business**

12<sup>th</sup> Street Asset Management is a Delaware limited liability company and an independently owned SEC registered advisor. The firm was established in 2007 and is headquartered in Chicago, Illinois with a secondary office in Memphis, TN (70 Cherry Rd, Memphis, TN 38117). It was founded by Michael G. O’Keefe and is focused on managing primarily domestic equities. Mr. O’Keefe is the managing principal and majority owner of the firm. D. Andrew Shipman is a partner and minority owner of the firm.

12<sup>th</sup> Street provides discretionary portfolio management services to individual and institutional investors through separately managed accounts (SMA’s), sub-advisory accounts, model portfolios, as well as a pooled investment vehicle known as 12th Street Asset Management, LP. We offer three equity investment strategies (discussed in Item 8 of this brochure), including LP, Opportunity and Small Cap Value. Upon request, we will work with clients to accommodate client-specific restrictions on any of our investment strategies.

##### **Limited Partnership**

12<sup>th</sup> Street is the advisor and general partner to 12th Street Asset Management, LP.

##### **Separately Managed Accounts**

We offer separate accounts that are individually managed and maintained on a fully discretionary basis. The account portfolios are comprised primarily of domestic equities. We also manage separately managed accounts through “wrap fee” programs offered through third parties.

##### **Sub-Advisory Accounts**

12<sup>th</sup> Street may have sub-advisory relationships with other investment firms. In these cases, we provide discretionary investment advice on a separate account or unified managed account basis to clients of these outside intermediaries. These accounts may be managed differently than the partnership or other direct accounts according to investment objectives, strategies, restrictions, etc. The terms and conditions of these arrangements may vary, and contact between 12<sup>th</sup> Street and such clients will typically take place through the relevant intermediary. Clients who obtain our services on a sub-advisory basis may be able to impose restrictions on the management of their accounts. We currently do not act as a sub-advisor to any registered mutual funds.

##### **Model Portfolios**

12<sup>th</sup> Street may also engage with advisors or platforms to provide model portfolios for separately managed (SMA’s) or unified management accounts (UMA’s). In these cases, the program can receive 12<sup>th</sup> Street’s model portfolio for either strategy. 12<sup>th</sup> Street will not necessarily have contact with the underlying client of these programs. When changes are made to a model by 12<sup>th</sup> Street, the platform is responsible for implementing changes to their client accounts that are investing in the strategy. 12<sup>th</sup> Street may have discretion over these accounts and enter trade instructions, but does not receive trade reports, or have any access to any client reporting related to these accounts. It is the responsibility of the platform or sponsor to determine whether our model is suitable for their clients. Model-based

programs may sometimes be with overlay managers who exercise discretion and execute each investor's portfolio transactions based on their own investment judgment.

***Assets Under Management***

As of February 28, 2015, 12<sup>th</sup> Street had a total of \$338 million in assets under management, all of which were discretionary assets. In addition, the firm had \$272 million in assets under advisement where the firm serves as a sub-advisor or model provider.

## **Item 5: Fees and Compensation**

### ***Limited Partnership***

12<sup>th</sup> Street Asset Management, as general partner to the limited partnership, is compensated by the partnership for its investment supervisory services based on a percentage of the market value of the assets in the fund, the “management fee,” and upon a share of profits, the “performance fee.” The management and performance fees for 12th Street Asset Management, LP are calculated by the fund’s outside administrator. The limited partners pay a management fee to the general partner on the first day of each calendar quarter, in advance, to be debited from the capital account of the limited partner in an amount equal to 1/4<sup>th</sup> of 1% of the capital account of each limited partner, adjusted for contributions or withdrawals. A performance share is allocated from those limited partners that are “qualified clients,” as defined by the SEC, to the general partner’s capital account. The performance share is 10% of the increase in the limited partner’s maximum capital account. The limited partner can exit the partnership in accordance with the limited partnership agreement.

Minimum account size of \$1,000,000 (12<sup>th</sup> Street may agree to manage client accounts below our stated minimum size). Performance and/or management fees may be waived at the discretion of the general partner.

Proration of fees for new accounts, additions, withdrawals and closed accounts will be handled according to the partnership agreement.

### ***Separate Accounts***

Advisory fees for separate accounts are generally as follows: Management fees of up to 2.0% (calculated as a percentage of the market value of the assets in the portfolio) and performance share of 10% (accrued and applied monthly based on positive year to date performance subject to a high watermark). The investment management agreement will detail how the fee is billed/collected. The client may terminate the agreement in accordance with the investment management agreement.

12<sup>th</sup> Street reserves the right to negotiate fees. Some clients pay more or less than others depending on certain factors such as the type and size of the account, and existence of related accounts. The negotiated fee is specified in the agreement between 12<sup>th</sup> Street and the client. We may deduct fees directly from client assets, but could offer the option to bill clients for fees incurred. In situations where 12<sup>th</sup> Street managed separate accounts as part of a “wrap” program operated by a third party, 12<sup>th</sup> Street may be compensated directly by the third party and not be responsible for billing clients.

Minimum account size of \$10,000,000 (12<sup>th</sup> Street may agree to manage client accounts below our stated minimum size).

Fees will be prorated for new accounts, additions, withdrawals and closed accounts.

### ***Sub-Advisory***

Minimums and fees for separate accounts, where 12<sup>th</sup> Street serves as sub-advisor, are separately negotiated and vary by relationship. Sub-advisory fees are charged in a manner similar to separate accounts and are paid directly by the financial intermediaries. Minimum account size is negotiable.

Fees will be prorated for new accounts, additions, withdrawals and closed accounts.

***Model Accounts***

For model accounts, 12<sup>th</sup> Street is compensated directly by the outside firms to which it provides model accounts, at a negotiated rate. Minimum account size is negotiable.

Fees will be prorated for new accounts, additions, withdrawals and closed accounts.

***Other Fees and Expenses***

Clients may incur brokerage and other transaction costs, in addition to the management and/or performance fees paid to 12<sup>th</sup> Street (refer to Item 12: Brokerage Practices). These fees may be assessed by custodians, brokers, and other third parties, and may include non-affiliated manager fees, custodial fees, prime brokerage fees, 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. 12<sup>th</sup> Street may also assess fees for accounting, legal, administrative, research, etc. within the limited partnership.

**Item 6: Performance-Based Fees and Side-By-Side Management**

12<sup>th</sup> Street Asset Management may assess a management fee and a performance fee for the partnership, separately managed accounts and sub-advised accounts. The performance-based fee is an advisory fee generated in accordance with the Limited Partnership Agreement or stated in the Investment Management Agreement for separate accounts. The performance based fee calculation is described in Item 5.

The receipt of performance-based fees for 12th Street Asset Management, LP or separate accounts creates potential conflicts of interest. Performance-based fees paid to investment advisors may be significantly higher than the asset based fees paid on traditional accounts, thus creating an incentive to favor these accounts. In order to reduce potential conflicts of interest, 12<sup>th</sup> Street does not show preferential treatment to accounts under a performance-based fee arrangement. All accounts are managed within their respective strategies, given account restrictions and/or constraints.



**Item 7: Types of Clients**

12th Street will offer investment advice to the limited partnership, separately managed accounts, sub-advised accounts and through model portfolios. More specifically, 12<sup>th</sup> Street provides portfolio management services to individuals, high net worth individuals, foundations and endowments, trusts, estates and other institutional clients. The majority of these arrangements are discretionary, and 12<sup>th</sup> Street selects the investments and initiates trades on the client's behalf without prior consultation with the client. 12<sup>th</sup> Street participates in arrangements where it provides a model portfolio to clients. In some cases, the firm maintains discretion over the investments in those accounts. When the firm acts as a sub-advisor to an overlay manager, it does not have discretion. See Item 4 for further discussion on Model Portfolios.

There is a minimum account size of \$1,000,000 for the limited partnership and \$10,000,000 for separate accounts. However, 12<sup>th</sup> Street may agree to manage accounts below our stated minimum sizes. Minimum account sizes for sub-advised, model portfolio accounts and "wrap" fee programs are negotiated separately.

When 12<sup>th</sup> Street participates as a sub-advisor in a Wrap Fee Program or provides a model, the program sponsor or advisor may determine the minimum account size. Wrap Fee Programs and Model Portfolios typically have lower minimums than those 12<sup>th</sup> Street requires of investors in the LP or separate accounts.

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

### ***Equity Strategies***

12<sup>th</sup> Street offers three investment strategies: LP, Opportunity and Small Cap Value. Management reserves the right to make investment decisions separately for each strategy. Investment activities of the strategies may differ considerably.

#### **LP**

The principal objective of the strategy is to provide investors with long-term growth of capital above that of broad market indices through a non-diversified value strategy. The strategy tends to be concentrated and is market capitalization agnostic. It is a best idea approach in which we identify a select number of companies that meet our investment criteria of good businesses trading at discounts to our intrinsic value estimates. The strategy is suitable for investors who have a longer-term investment horizon. Concentration can lead to increased short-term volatility; therefore, this product may not be appropriate for investors who prefer to mirror an index or who seek consistent income. The 12th Street Asset Management, LP within the LP strategy may include the use of leverage and derivatives, per the partnership agreement.

#### **Opportunity**

Opportunity is a long-only equity strategy. The principal objective of the strategy is to provide investors with long-term growth of capital above that of broad market indices through a non-diversified value strategy. The strategy tends to be concentrated and is market capitalization agnostic. It is a best idea approach in which we identify a select number of companies that meet our investment criteria of good businesses trading at discounts to our intrinsic value estimates. The strategy is suitable for investors who have a longer-term investment horizon. Concentration can lead to increased short-term volatility; therefore, this product may not be appropriate for investors who prefer to mirror an index or who seek consistent income.

#### **Small Cap Value**

The principal objective of the strategy is to provide investors with long-term growth of capital above that of broad market indices through a non-diversified long-only equity, value strategy focused on securities with a market cap of less than \$5 billion at time of purchase. The strategy tends to be concentrated and invests in good businesses trading at discounts to our intrinsic value estimates. The strategy is suitable for investors who have a longer-term investment horizon. Smaller capitalization stocks can be volatile; therefore, this product may not be appropriate for investors who prefer to mirror an index or who seek consistent income. This strategy is available through separately managed accounts, sub-advised accounts, and model portfolios.

### ***Equity Investing***

The following are the guiding principles for our investment philosophy:

- 12<sup>th</sup> Street is dedicated to a concentrated portfolio philosophy
  - o We manage a “Best Idea” approach
  - o We allocate capital based on highest conviction ideas rather than managing to a benchmark
  - o We manage risk by investing with a margin of safety
  - o We are willing to hold cash when bargains are not available
- 12<sup>th</sup> Street offers a consistent, disciplined investment process
  - o We do not make investments via committee
  - o We build portfolios that historically exhibit low correlation to overall markets and a high active share
  - o We have successfully and consistently managed portfolios with our philosophy for over 15 years

12<sup>th</sup> Street makes use of fundamental research of companies and industries in the evaluation of all potential investments. Investments are typically focused on domestic equity securities, principally common stocks, but may also include convertible preferred securities, exchange traded funds, mutual funds and other investment vehicles with equity like characteristics. For the Opportunity strategy, the limited partnership has the ability to utilize leverage and derivatives.

12<sup>th</sup> Street’s fundamental analysis focuses on valuation of securities to analyze the margin of safety and expected value of a particular security. Price to intrinsic value is calculated and monitored for each security in the portfolio as well as for the portfolio as a whole. Typical valuation metrics are utilized to determine the relative attractiveness of an investment. This analysis may include, but is not limited to, price to earnings, enterprise value to EBITDA, free cash flow yield, price to book and the potential value a knowledgeable buyer might pay for an overall business. In addition to this valuation analysis, 12<sup>th</sup> Street also analyzes the company and its background, any catalysts that may exist, reasons to buy or sell, key business fundamentals and risks associated with the investment.

Though each potential investment is carefully analyzed, some additional factors, known or unknown, may cause the investment to lose money.

### ***Equity Risks***

#### **General**

There are risks inherent in investing in public securities markets. Equity securities have distinct risks, which must be considered when investing. Stocks can be volatile. Prices can fluctuate and may fall rapidly in response to developments that affect a company or industry. It is also important to keep in mind that past performance of a security or of the strategies are not indicative of future results.

The transactions in which 12<sup>th</sup> Street will generally invest involve significant trading risks. No assurance can be given that investors will realize a profit on their investment. Moreover, each investor may lose some or all of its investment. Because of the nature of 12<sup>th</sup> Street’s investment activities, the results of the investments and/or portfolio value may fluctuate from month to month and from period to period.

Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods.

#### *Specific Company Risk*

Prices fluctuate over time. A company's stock price may decline in response to its financial prospects or changing expectations for its performance or because an expectation of its prospects was wrong. Stockholders face a number of risks inherent in owning a business, such as operational, financial and regulatory risks.

#### *Risk of Loss*

An investment in 12<sup>th</sup> Street creates a risk of the loss of capital and is designed for persons who are able to bear such risk.

#### *Concentration of Investments*

A significant portion of the portfolio assets may be concentrated in a particular security, industry, or market. Should such security, industry or market become subject to adverse financial conditions, the assets shall not be afforded the protection otherwise available through greater diversification of its investments. Change in the value of a single security will have a greater impact on the portfolio's total value.

#### *Investments in "New Issues"*

12<sup>th</sup> Street may invest in new issues, as defined in the Conduct Rules of the Financial Industry Regulatory Authority ("FINRA"). Subject to certain ten percent (10%) de minimis restrictions, those investors that are not "restricted," as defined by FINRA, may participate in the receipt of new issues. To the extent that a potential investor is restricted, the investment with 12<sup>th</sup> Street may not yield the same performance results as may be achieved by investors who are entitled to receive new issues.

#### *Performance Share and Management Fee*

The Performance Share related to the limited partnership, separate accounts and sub-advised accounts may create an incentive for 12<sup>th</sup> Street to make investments that are riskier or more speculative than would be the case if this Performance Share were not so allocable. In addition, since the Performance Share is calculated on a basis that includes unrealized appreciation of the assets, it may be greater than if such allocation were based solely on realized gains.

#### *Reliance on the 12<sup>th</sup> Street*

The success of the 12<sup>th</sup> Street strategies is heavily dependent on the activities, judgment and availability of the members of 12<sup>th</sup> Street, including the Managing Member, Michael O'Keefe. An investor in the Partnership must rely upon the ability of 12<sup>th</sup> Street to make investment decisions consistent with the investment objectives and policies of the particular strategy or Investment Management Agreement.

Investors may not have the opportunity to personally evaluate the relevant economic, financial and other information that 12<sup>th</sup> Street will use when selecting and monitoring investments.

#### Other Activities

12<sup>th</sup> Street members will devote such time to manage client assets, as they, in their discretion, deem necessary. Any members of 12<sup>th</sup> Street, may invest in, have investment responsibilities for, render investment advice to or perform other services, including investment advisory services, for personal and family accounts, house accounts, managed accounts for individuals or entities, including, without limitation, other investment partnerships. The activities of such other accounts may be similar to or may differ from the activities of the client assets, and neither clients nor partners in the LP shall have any rights in respect of investments for, and profits or other income earned from, such accounts.

As a result of the foregoing, 12<sup>th</sup> Street, and/or its affiliate(s) may have potential conflicts of interest in: (i) allocating their time and activity among the strategies and other entities; (ii) allocating investments among the strategies and other entities; and (iii) effecting transactions among the strategies and other entities, including ones in which 12<sup>th</sup> Street, and/or its Affiliate(s) may have a greater financial interest.

12<sup>th</sup> Street evaluates, for each strategy and for each account within each strategy, a variety of factors that may be relevant in determining whether a particular situation or security is appropriate or feasible for that strategy or account at a particular time. These factors include, but are not limited to, the nature of the investment opportunity taken in the context of other available investment opportunities, the investment or regulatory limitations on the strategy or account, trading limitations on the strategy or account and the transaction costs involved. Because these considerations may differ among strategies in the context of any particular investment opportunity, investment activities of the strategies may differ considerably.

#### Value Investment Risk

With value oriented investing, there is a risk that the market will not recognize the company's intrinsic value for a very long time or that the advisor's estimate of intrinsic value was incorrect.

#### Equity Market Risk

Overall stock market risks may affect the value of the investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.

#### Management Risk

Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole or our intrinsic value approach may fail to produce the intended results. Our estimate of intrinsic value may be

wrong or even if our estimate of intrinsic value is correct, it may take a long period of time before the price and intrinsic value converge.

#### *Preferred Equity Market Risk*

These securities generally increase or decrease in value based on changes in interest rates. If rates increase, the value of preferred securities generally declines. On the other hand, if rates fall, the value of preferred securities generally increases.

#### *Small and Mid Cap Company Risk*

Investments in small and mid cap companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small and mid cap companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.

#### *Credit Risk*

In preferred equities or bonds, there is a risk that issuers and counterparties will not make payments on the securities they issue. A credit rating downgrade may decrease the value of a security. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security which may affect liquidity and our ability to sell the security.

#### ***Equity Risks: Limited Partnership***

##### *Investment Restrictions on Certain Limited Partners*

There are certain additional risks associated with investing in privately held investment funds. These risks are disclosed in the Private Placement Memorandum. Such investors should consult with their professional advisors prior to making an investment in the Partnership. Certain prospective Limited Partners (such as tax-exempt foundations and employee benefit plans) may be subject to federal and state laws, rules and regulations which may regulate their participation in the Partnership, or their engaging directly, or indirectly through an investment in the Partnership, in investment strategies of the types which the Partnership may utilize from time to time (e.g., short sales of securities, the use of leverage, the purchase and sale of options and limiting the diversification of assets).

##### *Limited Liquidity; No Current Income*

Transfers of Partnership interests are restricted and require the General Partner's consent. In addition, there is no active market for the Partnership interests. Further, Limited Partners may only withdraw their Capital Accounts quarterly on the last day of each Calendar Quarter with 30 day advance notice.

Accordingly, the Partnership interests may generally only be disposed of through the withdrawal procedures set forth in the Amended Limited Partnership Agreement.

The Partnership may also suspend redemptions in the following circumstances: (i) during any period when the New York Stock Exchange, or any other securities exchange or board of trade or other contract market on which a significant portion of the Fund's assets are ordinarily traded, is closed (otherwise than for holidays) or trading thereon has been restricted or suspended; (ii) when, for any reason, the value of the Partnership's assets cannot be accurately ascertained (iii) during any state of affairs which, in the reasonable judgment of the General Partner, constitutes an emergency which would render disposition of the Partnership's assets impracticable or be seriously prejudicial to the Partnership's Limited Partners; (iv) when, in the opinion of counsel to the Partnership, a redemption could result in adverse tax consequences to the Partnership of its Limited Partners; or (v) in the reasonable discretion of the General Partner to preserve liquidity, allow for a more strategic management of the fund's assets and/or to insure that all Limited Partners are treated equally.

The Partnership's investment policies should be considered speculative, as there can be no assurance that the General Partner's assessments of the short-term or long-term prospects of investments will generate a profit. In view of the fact that the Partnership will likely not pay dividends, an investment in the Partnership is not suitable for investors seeking current income for financial or tax planning purposes.

#### Short Selling

The General Partner is authorized to enter into the short sale of securities on behalf of the Partnership. The Partnership may sell short securities of an issuer in the expectation of covering the short sale with securities purchased in the open market at a price lower than that received from the short sale. If the price of the issuer's securities declines, the Partnership will then cover its short position with securities purchased in the market, with the profit realized on the short sale being the difference between the price received from the sale and the cost of the securities purchased to cover the sale.

The possible losses to the Partnership from selling securities short differ from losses that could be incurred from a cash investment in the securities; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities are also subject to restrictions imposed by United States Securities Laws and the various United States securities exchanges, which restrictions may adversely affect the investment activities of the Partnership.

#### Put and Call Options

Options trading is a highly specialized activity which entails greater than ordinary investment risk. Options may be more volatile than the underlying instruments, and therefore, on a percentage basis, an investment in options may be subject to greater fluctuation than an investment in the underlying instruments themselves. There are several additional risks associated with transactions in options. For example, there are significant differences between the securities, and options market that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its

investment objectives. In addition, a liquid secondary market for particular options, whether traded over-the-counter or on an exchange may be absent for reasons which include the following: there may be insufficient trading interest in certain options; restrictions may be imposed by an exchange on opening transactions or closing transactions or both; trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities or currencies; unusual or unforeseen circumstances may interrupt normal operations on an exchange; the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading value; or one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options) causing such market to cease to exist, although outstanding options that had been issued by the Options Clearing Corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

#### Leverage

The Partnership is authorized to use leverage. The Partnership may borrow from banks, brokerage firms and other institutions, commonly known as margin, at prevailing interest rates and invest such funds in additional securities. Gains made with additional funds borrowed will generally cause the Net Asset Value of the Partnership's portfolio to rise faster than would be the case without borrowing. Conversely, if investment results fail to cover the cost of borrowing, the Net Asset Value of the Partnership's portfolio could decrease faster than if there had been no borrowing. In connection with borrowing limited by applicable margin limitations imposed by the Federal Reserve Board, the Partnership may be required to reduce such borrowing on a timely basis in the event the value of the Partnership's assets falls below the coverage requirement of the margin limitations. In the event of such a required reduction of borrowing, the Partnership could be required to liquidate securities positions at times when it might not be desirable or advantageous from the Partnership's standpoint to do so.

#### Changes in Investment Strategies

The Amended Limited Partnership Agreement gives the General Partner broad discretion to expand, revise or contract the Partnership's business without the consent of the Limited Partners. Thus, the investment strategies of the General Partner may be altered without the prior approval of, or notice to, the Limited Partners if the General Partner determines that such change is in the best interests of the Partnership. Any such decision to engage in a new activity could result in the exposure of the Partnership's capital to additional risks that may be substantial.

#### Counterparty and Broker Credit Risk

Certain assets of the Partnership will be exposed to the credit risk of the counterparties with whom, or the dealers, brokers and exchanges through which, the General Partner deals, or of parties which have general custody of the assets of the Partnership, whether the General Partner engages in exchange-traded or off-exchange transactions. The Partnership may be subject to the risk of loss of its assets on deposit with or in the custody of a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on behalf of the Partnership,



or the bankruptcy of an exchange clearing house. In the case of any such bankruptcy, the Partnership might recover, even in respect of property specifically traceable to the Partnership, only a pro rata share of all property available for distribution to all of the broker's customers. Such an amount may be less than the amounts owed to the Partnership. Such events would have an adverse effect on the Partnership's Net Asset Value.

With respect to the General Partner's trading of securities, option contracts or other principal transactions, the General Partner will be subject to the risk of the inability or refusal to perform with respect to such transactions on the part of the principals with which the General Partner trades. Any such failure or refusal, whether due to insolvency, bankruptcy or other causes, could subject the Partnership to substantial losses.

#### *Tax Risks and Payment of Taxes*

There is a number of tax risks associated with an investment in the Partnership. In particular, Limited Partners should be aware that they will be taxed annually on the Partnership's income and realized gains, if any, whether or not they receive any distributions from the Partnership and whether or not their investment has increased in value. The General Partner does not intend to make regular annual cash distributions to the Limited Partners. In addition, the Partnership's tax treatment could be challenged and if any such challenge were successful, it may result in adverse tax consequences to the Limited Partners.

#### *Audit Risks*

An audit of a tax return of the Partnership for any given year might result in an adjustment to a Limited Partner's tax liability for the year in question. Furthermore, such an audit might result in the audit of the tax return of each Limited Partner and could result in the adjustment of items not related to the Partnership as well as items related to the Partnership. The cost of an audit, if any, at the Partnership level may be borne by the Partnership. However, the cost of any resulting audits of a Limited Partner will be borne solely by the affected Limited Partner.

#### *No Authority by Limited Partners*

Decisions with respect to the management of the Partnership's assets and the overall management of the Partnership will be made by the General Partner. Limited Partners will have no right or power to take part in the management of the Partnership. As a result, the success of the Partnership for the foreseeable future depends largely upon the abilities of the General Partner.

**Item 9: Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events (i.e., criminal and/or civil action, administrative proceeding, self-regulatory proceeding) that would be material to your evaluation of them or the integrity of their management.

There has been no legal or disciplinary action taken against 12<sup>th</sup> Street or any member of the organization.

**Item 10: Other Financial Industry Activities and Affiliations**

12<sup>th</sup> Street's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer, representative of a broker-dealer, futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. 12<sup>th</sup> Street does not recommend or select other investment advisors for clients. Neither 12<sup>th</sup> Street nor its members are currently a sub-advisor, officers, or trustees to any mutual fund.

12<sup>th</sup> Street is affiliated with a private investment fund which it established and manages. As General Partner, 12<sup>th</sup> Street receives a pro-rata share of the partnership profits and, as investment manager, it receives investment advisory fees from the Partnership. (See Item 5)

### **Item 11: Code of Ethics**

12<sup>th</sup> Street has adopted a Code of Ethics policy that fosters a high standard of business conduct for the firm and its employees. Specifically, employees are required to comply with all applicable securities laws and maintain privacy and confidentiality with respect to (1) client transactions, holdings, and personal information as set forth in the Privacy Notice, (2) firm securities recommendations and other non-public material information, and (3) guidelines related to gifts and contributions. All employees must accept, in writing, the terms of the Code of Ethics upon employment, annually or as amended.

The Code of Ethics document is available upon request and is offered to clients annually. Requests may be sent to, 12<sup>th</sup> Street Asset Management, 980 N. Michigan Avenue, Suite 1377, Chicago, Illinois, 60611.

### ***Personal Trading***

Members of 12<sup>th</sup> Street may purchase or sell the same securities that it recommends to its clients either through investments in 12<sup>th</sup> Street strategies or in personal accounts.

Members of 12<sup>th</sup> Street may invest in strategies alongside partners/clients.. Therefore, they may buy and sell securities along with other limited partners/clients. Trades among products or strategies and various clients may be grouped together or aggregated and include member accounts. The members of 12<sup>th</sup> Street invest alongside their clients, which may create a potential conflict of interest as the price paid or received by a client account or other limited partners for any security could be affected by employee participation in a particular trade.

In order to mitigate any potential conflict of interest in personal accounts separate from the 12<sup>th</sup> Street strategies, members must receive prior verbal approval from the Chief Compliance Officer (CCO) prior to executing any transaction, whether or not the security is included in any current client securities holdings. The CCO, in making pre-approval determinations, generally shall apply a two-day blackout period for securities held by or recommended for any 12<sup>th</sup> Street portfolio, fund or client. The two days will begin on the date a trade is executed for the security for any portfolio, fund or client and end two calendar days after such a trade is made. The CCO may, in his discretion, shorten or extend this blackout period. Member trades are monitored so that employee participation in trades will not result in an inappropriate advantage to the members of 12<sup>th</sup> Street.

All members are required to submit quarterly personal securities transactions and annual holdings reports for review by the CCO, who will review these reports for trading conflicts with client accounts. Members are also required to have copies of all brokerage statements sent to the CCO, directly from the custodian(s), on at least a quarterly basis. The CCO will maintain documentation of personal securities transactions, including any violations that occur and their resulting actions.

### ***Trade Errors***

In the event of a trade error, the executing broker is contacted so that the error can be corrected as soon as possible. The trader will document the error and take whatever steps are necessary to make the correction. Trade errors will be considered on a case-by-case basis and adjustments will be made

accordingly. The CCO will work with the trader to determine what steps will be taken to prevent the error from recurring. This documentation will be maintained by the CCO and kept in the file entitled Trade Errors.

## **Item 12: Brokerage Practices**

### ***Broker Selection and Best Execution***

Where 12<sup>th</sup> Street has responsibility for initiating and executing trades for clients, 12<sup>th</sup> Street seeks to obtain the best trade execution. 12<sup>th</sup> Street reviews its best execution policy as part of its annual compliance review. 12<sup>th</sup> Street selects, approves and compensates brokers based on the range and quality of their brokerage services, including, among other factors: execution capability, quality of research, coverage overlap, trading expertise, commission rates, execution accuracy, reputation and financial strength.

12<sup>th</sup> Street uses Raymond James Financial as prime broker for 12th Street Asset Management, LP and may in the future use other prime brokers as well.

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

12<sup>th</sup> Street may consider the value of various services or products that a broker provides to the firm, including the value of research services and products. Selecting a broker in recognition of such other services or products is known as paying for those services or products with "soft dollars". Soft dollar practices come into play when an investment advisor executes transactions with a broker with which it has an arrangement to receive research products and services.

Receipt of research from brokers who execute client trades involves conflicts of interest. An advisor that uses client brokerage commissions to obtain research receives a benefit because it does not have to produce or pay out-of-pocket for the research. Therefore, the advisor may have an incentive to select or recommend a broker based on its desire to receive the soft-dollar research in lieu of best execution of client transactions. While it is possible that a commission incurred by the client may be higher on any given transaction, the selection of the executing broker/dealer is made with all factors in mind, including execution efficiency, settlement capabilities, research and overall financial health of the broker.

Currently, 12<sup>th</sup> Street is only able to direct trading and commissions in this manner for accounts where 12<sup>th</sup> Street maintains full trading authority, which includes the LP and separate accounts without directed brokerage.

12<sup>th</sup> Street does not currently engage in any soft dollar arrangements, but we reserve the right to do so in the future.

### ***Aggregate Trades, Trade Rotation, Directed Trading and Model Portfolios***

12<sup>th</sup> Street clients may include separately managed accounts, sub-advised accounts, model portfolios and individual funds, such as the 12th Street Asset Management, LP. 12<sup>th</sup> Street's trading policies are designed to provide a fair and equitable method of trade aggregation and allocation or trade rotation in placing trades for client's accounts. To meet this objective, we have established the following written procedures. 12<sup>th</sup> Street reserves the right to deviate from these procedures at the sole discretion of the manager in an effort to be more fair to the

client should the situation present itself. 12<sup>th</sup> Street documents the trade rotation policy electronically in a trade history log.

12<sup>th</sup> Street's policy is to allocate, within its reasonable discretion, investment opportunities to the client accounts over a period of time on a fair and equitable basis, taking into account the cash position and the investment objectives and policies of each client account and any specific investment restrictions applicable thereto. One or more client accounts may at any time hold, acquire, increase, decrease, dispose of or otherwise deal with positions in investments in which other client accounts have an interest from time to time. 12<sup>th</sup> Street has no obligation to acquire for the client accounts a position in any investment which any other client account may acquire, and no particular client account shall have first refusal, co-investment or other rights in any such investment.

#### Trade Aggregation

12<sup>th</sup> Street may aggregate trades for the partnership and some separately managed accounts where 12<sup>th</sup> Street has full trading authority. Aggregated trades would be allocated on a pro rata basis at the average price. For separately managed accounts with directed brokerage and accounts through platform/model arrangements, 12<sup>th</sup> Street does not have full trading authority and is unable to aggregate trades. No account will be favored over any other account.

#### Trade Rotation

##### *Within strategy rotation:*

12<sup>th</sup> Street utilizes a trade rotation log that alternates which accounts have trades executed first, second, third etc. The log is designed as an internal control to remove discretion from the decision of which account trades when, to help us ensure that we do not treat client accounts unfairly to the extent reasonably practicable and to ensure that no client account (or group of accounts) receives placement priority over any other participating account. In situations where multiple securities may be traded at the same time for a strategy, trades in those securities may be considered one trade for trade rotation purposes.

##### *Multiple strategy rotation:*

There may be situations where the same security is present in multiple strategies. While 12<sup>th</sup> Street often makes individual strategy investment decisions, occasionally portfolio managers will make an investment decision that impacts the same security in multiple strategies at the same time. When multiple strategies are trading the same security, 1) we utilize a trade rotation policy for multiple strategies and then implement a trade rotation policy within the strategy for different accounts that are unable to aggregate trades. We will maintain a record of the strategy rotations as well as account rotations within strategies. 2) In situations where trades may be aggregated among different accounts in different strategies, but not all accounts within strategies, those trades will occur at the first opportunity based on the trade rotation.

### Directed Trading

In circumstances where 12<sup>th</sup> Street is directed by a client to execute all or a portion of the client's transactions through a specific broker (aka "Directed Trading"), the client should understand that: (1) we do not negotiate specific brokerage commission rates with the broker on client's behalf, or seek better execution services or prices from other broker/dealers and, as a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case, (2) transactions for that account may be effected independently of our trade aggregation or trade rotation policies.

### Model Portfolios

In situations where 12<sup>th</sup> Street does not have full trading authority, such as model accounts, 12<sup>th</sup> Street may submit or recommend trades for the model account independently from other clients. 12<sup>th</sup> Street does not control the execution, choice of broker and/or the timing of trades for the model portfolios. Therefore, trades placed for the model portfolios for the same security that are similar in timing to trades placed for other accounts may occur after our trade aggregation or trade rotation policies mentioned above.

### ***Step-Out Block Trade Orders***

In cases in which it is deemed operationally efficient, 12<sup>th</sup> Street may execute a block trade through one broker/dealer while directing that a different broker/dealer act as the executing broker and clear and settle all or portions of the trade(s). This is referred to as a "step-out" trade and assures the same execution price is received for all accounts involved in the block trade.



**Item 13: Review of Accounts**

As part of our risk management program, 12<sup>th</sup> Street reviews the LP and separate accounts at least annually. These accounts are reviewed for asset mix, position sizes, specific holdings, etc. The frequency of the reviews depends on market conditions and other factors that a prudent, professional investor would deem necessary. Any information that is likely to change our outlook on the economic factors that constituted the basis of our position in the investment is discussed by the investment team. Many factors may trigger account review including the decision to add or eliminate a particular investment, to raise or lower cash reserves based on market considerations, to raise cash for distribution to clients at their request, to invest new cash contributions to a portfolio, and to alter asset mix as market conditions dictate.

Periodic written reports may be issued to clients on a quarterly basis for the limited partnership and separate accounts. These reports may disclose performance returns and market values. If a client desires, other relevant factors may be disclosed. For sub-advised and model portfolio accounts, statements should be received from their independent brokerage or qualified custodians. For the LP, an independent administrator generates and sends limited partners a quarterly report for their interest in the partnership. The independent administrator also generates a monthly NAV for all partnership interests in the LP.

**Item 14: Client Referrals and Other Compensation**

12<sup>th</sup> Street may receive client referrals from brokers. If so, the client accounts could be considered directed, relative to commissions, and trades could be placed with the respective broker.

12<sup>th</sup> Street may enter into solicitation agreements. If the solicitor is a broker dealer, it would not be affiliated with 12<sup>th</sup> Street, other than a separate written agreement covering the solicitation of business on the behalf of 12<sup>th</sup> Street. All fees to be paid to these solicitors would be in hard dollars. A differential would not be added to the fee schedule to compensate the solicitors.

12<sup>th</sup> Street currently does not compensate any third parties for client referrals or solicitations.

**Item 15: Custody**

Under the securities laws, 12<sup>th</sup> Street is deemed to have custody of client assets in the 12th Street Asset Management, LP because we act as an investment advisor and manager to 12th Street Asset Management, LP. 12<sup>th</sup> Street debits limited partners' accounts directly for its advisory fee. As such, we seek to have the partnership audited on an annual basis by an independent public accountant. We seek to send the audited financials to each investor in the partnership within 120 days of the fund's fiscal year end.

For separately managed accounts, 12<sup>th</sup> Street does not act as custodian for client account assets. Clients make their own arrangements for custodial services with brokers, banks, or other qualified custodians. Separately managed accounts sub-advised by 12<sup>th</sup> Street may receive periodic portfolio reports or statements from their independent brokerage or bank qualified custodians. Clients are urged to carefully review each statement in order to assure that all account transactions, holdings, and values are correct and current. Our statements may vary from those furnished by the custodian based on accounting procedures, reporting dates, or valuation methodologies.

**Item 16: Investment Discretion**

12<sup>th</sup> Street accepts discretionary authority to manage the assets in the client's account. 12<sup>th</sup> Street has investment discretion to buy and sell securities on behalf of the limited partners. The limited partners of 12th Street Asset Management, LP sign a subscription agreement that provides 12<sup>th</sup> Street Asset Management LLC limited power of attorney.

Clients that have separately managed accounts execute an investment management agreement that provides 12<sup>th</sup> Street discretion to manage the portfolios.

### **Item 17: Voting Client Securities**

In accordance with Rules 30b1-4 (new) & 206(4)-6 (new) & 204-2 (amended) of the Investment Advisor Act of 1940, 12<sup>th</sup> Street Asset Management Company, LLC (“12<sup>th</sup> Street”) has adopted the “Investment Manager Guideline” promulgated by Glass Lewis & Co. The five page guideline discusses positions the proxy voter generally takes with regard to such topics as the election of directors, the choice of an auditor, limits on compensation, authorized shares, shareholder rights, and so forth.

- 12th Street will only exercise proxy-voting discretion over client shares in the instances where clients give 12th Street discretionary authority to vote on their behalf.
- 12th Street votes client shares automatically based on Glass Lewis & Co recommendations via ProxyEdge, an electronic voting platform provided by Broadridge Financial Solutions Inc. Additionally, ProxyEdge retains a record of proxy votes for each client.
- It is 12th Street’s policy to vote client shares primarily in conformity with Glass Lewis & Co. recommendations, in order to limit conflict of interest issues between 12th Street and its clients Broadridge Financial Solutions.
- Glass Lewis & Co. is a neutral third party that issues recommendations based on its own internal guidelines.
- 12th Street may vote client shares inconsistent with Glass Lewis & Co. recommendations if 12th Street believes it is in the best interest of its clients and such a vote does not create a conflict of interest between 12th Street and its clients. In such a case, 12th Street will have on file a written disclosure detailing why they believe Glass Lewis & Co.’s recommendation was not in the client’s best interest.
- Upon request, clients can receive a copy of 12th Street’s proxy voting procedures and Glass Lewis & Co.’s proxy voting guidelines. If you have any questions, please contact 12<sup>th</sup> Street at 312-600-9236 or email [info@12thstreetasset.com](mailto:info@12thstreetasset.com).
- 12<sup>th</sup> Street encourages its clients to consider voting their own proxies; if clients wish 12<sup>th</sup> Street to perform that function, it will be done under the Glass Lewis “Proxy Paper Policy Guidelines.”

We will provide a copy of the guidelines to each client for consideration. If a client objects to any provision in the guidelines, we ask that the client make known to us what her or his objection is. Clients may always discuss their proxy questions with the firm’s management.

**Item 18: Financial Information**

12<sup>th</sup> Street does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance for services. Registered investment advisors are required to provide you with certain financial information or disclosures about their financial condition. 12<sup>th</sup> Street is not aware of any financial commitments that impair its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.

12th Street Asset Management, LP will, per its partnership agreement, provide an annual audit to its investment partners.

## 12<sup>TH</sup> STREET ASSET MANAGEMENT COMPANY, LLC (12<sup>th</sup> Street)

One Magnificent Mile  
980 N. Michigan Avenue, Suite 1377  
Chicago, IL 60611  
Telephone: 312.600.9236  
[www.12thstreetasset.com](http://www.12thstreetasset.com)

### **Form ADV Part 2B: March 7, 2015**

#### **Brochure Supplements**

##### ***Item 1:***

Michael G. O'Keefe (Born 1959)  
Partner  
CRD# 1465818

##### ***Item 2: Educational Background and Business Experience***

Mr. O'Keefe has served as the managing member of 12<sup>th</sup> Street since its inception. Mr. O'Keefe has more than 25 years of experience in the financial services industry. Prior to founding 12<sup>th</sup> Street, Mr. O'Keefe was a founding partner of Two Rivers Capital Management and served on its Board of Directors. Mr. O'Keefe was also a founding partner of Value Architects Asset Management, LLC. Mr. O'Keefe is a former Managing Director of Morgan Keegan & Company where he worked for over 15 years. Before Morgan Keegan, Mr. O'Keefe was a CPA at Ernst & Young. Mr. O'Keefe earned a Bachelor of Arts from Rhodes College and a Masters of Business Administration from the University of Memphis. Mr. O'Keefe has served as a member of the Executive Committee of the Board of Trustees at Rhodes College and has also chaired its Investment Committee.

##### ***Item 3: Disciplinary Information***

There are no disciplinary items to report for Mr. O'Keefe.

##### ***Item 4: Other Business Activities***

Mr. O'Keefe's only business activity is as the manager member and advisory representative of 12<sup>th</sup> Street Asset Management LLC. He is also a member of a fund, the 12th Street Asset Management, LP.

##### ***Item 5: Additional Compensation***

Mr. O'Keefe receives no compensation other than from his position as an investment advisory representative and member of this advisory firm.

**Item 6: Supervision**

Mr. O'Keefe is his own supervisor. He maintains on file in the firm's offices reports of his proprietary trading activities and the formulation of his recommendations. Mr. Shipman reviews his trading activities and holdings.

**Item 7: State Registration Requirements**

Mr. O'Keefe maintains his registration as an advisory representative of 12<sup>th</sup> Street Asset Management LLC with the state of Illinois.

Mr. O'Keefe has not been involved in the following:

- An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500 regarding the following:
  - An investment of an investment-related business activity;
  - Fraud, false statement(s), or omissions;
  - Theft, embezzlement, or other wrongful taking of property;
  - Bribery, forgery, counterfeiting, or extortion; or
  - Dishonest, unfair, or unethical practices.
- An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding regarding the following:
  - An investment of an investment-related business activity;
  - Fraud, false statement(s), or omissions;
  - Theft, embezzlement, or other wrongful taking of property;
  - Bribery, forgery, counterfeiting, or extortion; or
  - Dishonest, unfair, or unethical practices.
- The subject of a bankruptcy petition.



## 12<sup>TH</sup> STREET ASSET MANAGEMENT COMPANY, LLC (12<sup>th</sup> Street)

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980 N. Michigan Avenue, Suite 1377  
Chicago, IL 60611  
Telephone: 312.600.9236  
[www.12thstreetasset.com](http://www.12thstreetasset.com)

### **Form ADV Part 2B: March 7, 2015**

#### **Brochure Supplements**

##### ***Item 1:***

D. Andrew Shipman, CFA (Born 1971)  
Partner  
CRD# 2430346

##### ***Item 2: Educational Background and Business Experience***

Mr. Shipman joined 12th Street Asset Management in 2010. Mr. Shipman has been in the investment business for more than 20 years. Previously, he served as director and portfolio manager for PNC Capital Advisors (PCA) large cap value team and a co-portfolio manager at Invesco. Mr. Shipman has also served in various equity research positions for Credit Suisse and Morgan Keegan. Mr. Shipman earned a Bachelor of Arts from Rhodes College and a Masters of Business Administration from the University of Memphis. Mr. Shipman is also a CFA charterholder.

##### ***Item 3: Disciplinary Information***

There are no disciplinary items to report for Mr. Shipman.

##### ***Item 4: Other Business Activities***

Mr. Shipman's only business activity is as a member and advisory representative of 12<sup>th</sup> Street Asset Management LLC. He is also a member of a fund, the 12th Street Asset Management, LP.

##### ***Item 5: Additional Compensation***

Mr. Shipman receives no compensation other than from his position as an investment advisory representative and member of this advisory firm.

**Item 6: Supervision**

Mr. O’Keefe is Mr. Shipman’s supervisor. He maintains on file in the firm’s offices reports of his proprietary trading activities and the formulation of his recommendations.

**Item 7: State Registration Requirements**

Mr. Shipman maintains his registration as an advisory representative of 12<sup>th</sup> Street Asset Management LLC with the states of Illinois and Tennessee.

Mr. Shipman has not been involved in the following:

- An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500 regarding the following:
  - An investment of an investment-related business activity;
  - Fraud, false statement(s), or omissions;
  - Theft, embezzlement, or other wrongful taking of property;
  - Bribery, forgery, counterfeiting, or extortion; or
  - Dishonest, unfair, or unethical practices.
- An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding regarding the following:
  - An investment of an investment-related business activity;
  - Fraud, false statement(s), or omissions;
  - Theft, embezzlement, or other wrongful taking of property;
  - Bribery, forgery, counterfeiting, or extortion; or
  - Dishonest, unfair, or unethical practices.
- The subject of a bankruptcy petition.