Rapidan Capital, LLC

WRAP FEE PROGRAM BROCHURE

March 31, 2015

Sponsored by: Rapidn Capital, LLC
125 Half Mile Road
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Red Bank, NJ Phone:
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This brochure provides clients with information about Rapidan Capital LLC ("Rapidan") and Rapidan's Wrap Fee Program (the "Program"). You should consider the information in this brochure carefully before becoming a Program client. Please note that this information has not been approved or verified by any governmental authority.

Item 2 – Material Changes

None.

We will deliver an updated Wrap Fee Program Brochure annually to wrap fee program clients, together with a summary of material changes, within 120 days of the close of our fiscal year. You may request a copy of our Wrap Fee Program Brochure by contacting Rapidan at (732) 800-2375 or by e-mailing David@Rapidancapital.com.

Item 3 - Table of Contents

Item 4 - Services, Fees and Compensation

Rapidan is a value-oriented investment management firm established to invest and trade principally in publicly-traded corporate equity securities ("Stocks"). David L. Berkowitz is our founder & Managing Member. Mr. Berkowitz, and his family partnership named Berk Capital, L.P., for which he serves as General Partner, are principal owners. RapCap Holdings, LC, a Virginia Limited Company, is also a major owner and Managing Member, whose designated representative, Gregory Suskind, serves on the Management Committee.

Rapidan provides discretionary portfolio management services to: **Value-Aligned Fund, L.P.**, a Delaware limited partnership, **Rapidan Capital Partners, L.P.**, a Delaware limited partnership (collectively, the "***Hedge Funds***"), and individual investors, IRAs, trusts in separately managed accounts in a wrap fee program at **Folio Institutional** a division of online brokerage **FOLIOfn Investments, Inc** *(the "**ValueAligned® Folio Accounts**")*.

We offer one main investment strategy across all products. Our **ValueAligned®** investing strategy invests in stocks of companies that are creating shareholder value and that are under-valued based on our proprietary Economic Value Added ("EVA®") valuation model. [1] The EVA® valuation model strips out material distortions in accounting data and provides a robust link between corporate performance and shareholder value. We seek to invest in the stocks of companies whose leaders understand and use EVA® principles to align their interests with shareholders.

The EVA® framework involves economic performance measurement, performance-based capital allocation policies and owner-like compensation. EVA® often catalyzes value-creating actions like spin-offs, acquisitions, share buybacks, asset sales, restructuring recapitalization, and outsourcing non-core activities that often increase intrinsic value and ultimately enhance stock price performance.

The **ValueAligned®** investing strategy is more fully discussed in Item 8 of our ADV part 2 brochure. Our clients choose one of our products that use the **ValueAligned®** investing strategy to meet their needs. Upon request, we will often work with clients to accommodate client-specific restrictions on any of our investment products.

ValueAligned® Folio Account Wrap Fee Program

The minimum account size for the ValueAligned® Folio Account Wrap Fee Program ("Program") is $25,000. The Program fee is 1% per year of assets paid out of the client's account.

Our Program fees are computed and payable monthly in advance. The fee will be calculated based on the market value of the client account assets held on the last day of the prior month. The fee for the calendar month in which assets were first deposited into the account will be based on the market value of the account assets on the day the assets were deposited in the

[1] ValueAligned® is a registered trademark of Rapidan Capital, LLC. EVA® is a registered trademark of Stern Stewart & Co. Rapidan Capital, LLC is not affiliated in any way with Stern Stewart & Co., and nothing herein should be construed as an endorsement by Stern Stewart & Co., any of its employees or affiliates.

account and prorated for the number of days the account was open during the month. If the account is terminated prior to the end of a month, the fee for that quarter will be prorated for the number of days the account was open during that month and any overpayment, net of Folio's charges to Rapidan for the month, will be returned to client following the closing of the account. Fees are negotiable.

Our Program fees are designed to cover all client costs except costs incurred because of special requests for services not provided by the program. For example, the program provides for electronic delivery of documents. If a client requests paper copies of documents, a separate charge will be imposed for that service. Similarly, separate charges may be imposed if clients request money or other asset transfers to accounts outside the program. In addition, ETFs and other registered investment companies that may be included among a client's holdings, charge separate fees and expenses as described in their prospectuses.

Clients may be able to purchase services similar to those offered under the Program from other service providers either separately or as part of a similar wrap fee program. These services or programs may cost more or less than the Program, depending on the fees charged by such other service providers.

Item 5 - Account Requirements and Types of Clients

The ValueAligned Folio Account provides access to a separately managed account. With a separately managed account, the client owns the securities in a portfolio and the accounts are managed on a discretionary basis by a manager – Rapidan acts the investment manager. This allows for flexibility and more control as well as tax advantages over other investment vehicles. For example, existing securities can be considered to avoid overlap. Direct ownership of the securities in the portfolio, allows clients to actively manage for taxes (i.e. since each security transaction has a separate cost basis, capital gains and losses can be recognized as necessary to mitigate the impact of taxes).

Rapidan is a sponsor of a wrap fee program, which is a type of program that provides clients with portfolio management services for a **single fee** that includes administrative fees, custody fees, investment management fees and commissions. Clients pay our firm a single fee, which includes our money management fees, certain transaction costs, and custodial and administrative costs. The overall costs in the wrap program may be higher or lower than clients might incur by separately purchasing the types of securities available in the program.

Fees for ValueAligned® Folio Accounts are based on the client's assets under management. Rapidan's management fees are deducted from client accounts by Folio Institutional, the custodian, on a monthly basis in arrears. ValueAligned® Folio Account Clients do not pay fees in advance. One-twelfth of the annual fee is deducted each month. Rapidan's annual fee is 1.0% of assets under management at Folio Institutional.

Included in that "fee" is Folio Institutional's custody and trading fee (assessed monthly) at the rate of 0.25% of account assets per year (or a minimum of $25 per month). This fee includes unlimited trading during two "window" trading sessions each day at 11:00 AM and 2:00 PM. If Rapidan deems it necessary or advantageous to trade at other times outside of one of these two "window" trading sessions, Folio Institutional charges an additional $3.95 per trade. There is a list of other fees not included in the fee (for wire transfers, paper statements, etc.) at Folio's web site: www.folioinstitutional.com.

A minimum of $25,000 initial investment is required to open an account. The Program fee is 1.0% per year of assets paid out of the client's account.

Item 6 - Portfolio Manager Selection and Evaluation

Rapidan is the only portfolio manager in the Program.

What is a ValueAligned® Folio:

A Folio is a special basket of securities with specific features offered by Folio Institutional that is managed by Rapidan and are not registered investment companies.

ValueAligned® Folio is simply a Folio that is created using Rapidan's ValueAligned® Investing methodology and processes (see below). With one click, we can allocate your dollars equally across all of the holdings in your investment portfolio, use market cap weightings, or customize each security weighting. We'll make sure it all adds up.

What Else?

- A Folio can contain up to 100 securities
- A Folio can contain stocks, ETFs and mutual funds
- Folios can be bought or sold in simple dollar amounts
- We can buy or sell fr will actions of shares in Folios at no extra cost
- Automatic on-going investment contributions are easily setup
- No commissions for buying, selling or modifying a Folio

Method of Analysis, Investment Strategies and Risk of Loss

We believe that a security's trading value is influenced by each of the following:

Fundamentals: This refers to a security's "intrinsic" value. We define intrinsic value as the present value of the cash flows that will be distributed to the owners of a security discounted at a rate that properly reflects the time value of money, the risk that expected cash flows will not be obtained, the volatility of the cash flows, and the security's liquidity. In the case of corporate securities, the cash flows derive either from the company's operations or from the sale of the company's operations and/or its assets.

Technicals: This refers to a security's historical trading pattern and prices. An example of a strategy that relies largely upon technical analysis is "momentum" investing wherein investors purchase securities that have recently appreciated in price in the expectation of further price increases.

Psychology: This refers to the propensity of investors to make investment decisions based upon greed and fear. Investors who have made money in an investment are often inclined to hope for additional profits and increase their exposure, while investors who have lost money in an investment are often inclined to worry about further losses and reduce their exposure. In today's markets, in large part because a relatively few number of managers control enormous capital pools, group psychological swings foster excessive movements in security prices.

Liquidity: This refers to the amount of capital committed to investing in an asset class vis-à-vis the size of the asset class. Assuming that intrinsic value remains unchanged, supply and demand dictate that security prices will rise when additional investment capital enters an asset class and fall when investment capital leaves an asset class. For example, when individuals add liquidity by purchasing mutual funds, the managers of those funds face pressure to buy stocks regardless of the cheapness or dearness of equity prices.

We believe that trading values in the long term are determined strictly by fundamental analysis. Notwithstanding this belief, technical, psychological and liquidity factors clearly influence trading values in the short term. These temporary value dislocations create attractive opportunities for the alert, diligent and patient investor focused on intrinsic value.

Dislocations between intrinsic and trading values exist in two forms. In the first form, the influences of technicals, psychology and liquidity cause trading value to diverge from intrinsic value. The market temporarily focuses on something other than intrinsic value, and we invest on the premise that the market will refocus on fundamentals so that trading value will converge with intrinsic value. In the second form, the market miscalculates intrinsic value due to a lack of either effort or ability. Here, we invest on the premise that the market will correct its assessment of intrinsic value and that the trading value will adjust accordingly.

Investment Methodology

Search for ValueAligned® Companies

ValueAligned® Investing starts with a search for companies that have publicly committed to the use of capital efficiency measures like economic value-added (EVA) or another economic profit (EP) measure that deducts a full capital charge from profits, and/or a "return measure" like Return on Invested Capital (ROIC) or Return on Equity (ROE). Despite the wide acceptance of the value of EVA and Value-Based Management - where decision makers at all levels are focused on increasing intrinsic value - less than 10% of the companies in the S&P 1500 use it. We continually search and then add and subtract companies to our ValueAligned® watch list.

Transform Accounting into Economics

Conventional accounting often severely distorts the economic drivers of a business. It turns out that accounting earnings are a poor proxy for economic profitability because they do not accurately reflect the true cash flow of the firm. According to AFGview.com on average, corporate earnings represent only 45 to 50 percent of a company’s cash flow. And earnings do not reflect risk because earnings favor debt financing with its tax advantage and lower hurdle rate.

Accounting rules distort many aspects of economic reality. Research & Development costs, which are long term investments, are immediately expensed under GAAP accounting. Operating leases, obligations which must be paid similar to debt never appear on company balance sheets.

MeasureEconomic Performance

Once we convert the accounting numbers to economics, we evaluate how well the business has performed. The best companies and management produce positive economic profits (EVA) and grow those profits over time. Companies earn positive and growing EVA by earning returns on invested capital that are above the cost of that capital. Companies that have earned positive and growing EVA have proved to be good long-term investments, and that performance is a characteristic of a ValueAligned® company.

We avoid those firms that spend shareholders money but do not earn adequate returns to cover its cost of capital. Many companies grow at the expense of creating shareholder value. These mis-aligned companies can't generate an adequate rate of return on their assets, but none-the-less they keep trying to grow their way out of their problems.

We go out of our way to avoid these wealth destroyers like Enron, Worldcom and the old Tyco, whose business models were fundamentally flawed which we learned *before* they went bust because their EVA went down even as accounting earnings were going up.

Compare Stock Price to Our Estimate of Fair Value

In the next step we figure out what the market is paying for at the current market price. We use our EVA valuation model, the Applied Finance Group's (AFG) Economic Margin Model and analyst research to understand the expectations embedded in stock prices. We apply this framework to estimate what are the sales growth, margin and capital efficiency expectations embedded in today's stock price. We then compare those expectations against the company's likely ability to deliver those expectations.

Manage Using Margin of Safety, Position Sizing and Correlation

During this process we also estimate an expected Fair Value for the company's stock price. Then, after measuring our confidence in our estimate we set a "Buy Below" stock price at which we would buy the stock. Those required discounts, also called "Margin of Safety", can be as much as 50% from fair value.

Once we decide to buy a particular stock we also must figure out how big the weighting should be in each of our clients' portfolio. We typically will have 50 - 60 stocks with position sizes ranging from 1% - 6% of the value of the portfolio. Size depends on each stock's risk and correlation to the other members of the portfolio. Typically, smaller companies will be smaller positions; larger companies will be bigger.

Correlation measures the degree to which different stocks move in the same direction at the same time. The portfolio will be optimally diversified if we have stocks that don't move together - we want low correlated investments to mitigate risk.

Risks Associated with Stock Investing

Past performance of a stock is not indicative of future results.

Stock 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 stock markets.

Management Risk–Our judgments about the attractiveness, value and potential appreciation of an individual stock may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual stock 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.

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.

To the extent that any client account is invested in marketable securities, such investments are not deposits or obligations of and are not guaranteed by Rapidan or its affiliates. Such investments involve investment risks, including possible loss of principal amount invested which clients should be prepared to bear

Voting Client Securities

FOLIO*Vote*: Online Proxy Voting Made Easy
FOLIO*Vote* is a unique online service that offers our clients the information needed to make informed decisions about how best to vote proxies and to handle certain other corporate actions, as well as an integrated method to cast votes.

The FOLIO*Vote* feature provides automatic email notifications regarding upcoming corporate actions and votes relating to securities held in the clients' accounts. The client determines who votes for corporate actions, Rapidan or its clients. *ValueAligned® Folio* clients can even set custom permissions so that we both share voting capabilities.

Some financial advisors vote proxies on behalf of their clients. Other clients and their advisors believe it better to have the client make these decisions directly. With FOLIOVote, clients, or any designee they choose will receive email notifications whenever corporate actions affecting securities in their accounts are announced. Notifications will instruct the recipient on how to learn more about the issue presented and how to cast votes online when called for. It's simple, quick, and allows direct participation in corporate governance matters. With FOLIOVote, Rapidan and clients can work together to determine how to best exercise corporate governance rights.

Unless a client specifically requests that Rapidan votes their own proxies or to take a shareholder action with respect to other corporate actions requiring shareholder actions, the *ValueAligned® Folio* account client will vote all proxies and act on all other actions in a timely manner, as part of its full discretionary authority over client assets. Corporate actions may include tender offers or exchanges, bankruptcy proceedings, and class actions. If a client wishes to direct Rapidan to vote in a certain manner for a particular proxy, they should provide such direction in writing to Rapidan at least two weeks prior to the shareholder meeting date.

Item 9 - Additional Information

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading Rapidan and its employees may not buy or sell securities recommended to clients except in accordance with procedures intended to avoid conflicts of interest with clients. Securities transactions by Rapidan and its employees may not be effected on the same day as transactions it makes for its clients except at prices equal to or inferior the prices at which it buys or sells the securities for its clients.

Rapidan maintains records of all securities securities transactions made for its own account and requires its employees to report their securities transactions to Rapidan within thirty days of the end of each calendar quarter.

Rapidan and/or its representatives may buy or sell for their personal account(s) investment products identical to those recommended to clients. Rapidan also reserves the right for it and its employees to buy or sell securities of issuers of which it or its affiliates are officers or directors or otherwise have a financial interest. It is the general policy of Rapidan that neither it nor its representatives may purchase or sell any individual security prior to a transaction(s) being implemented for an advisory account. This policy is meant to prevent Rapidan and/or its representatives from benefiting as a result of transactions placed on behalf of advisory accounts. In no case, shall Rapidan's representatives prefer their own interest to that of their advisory clients.

In accordance with Section 204A of the Investment Advisers Act of 1940, Advisor also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Advisor. A copy of the Code of Ethics will be provided to any client or prospective client upon request.

Review of Accounts

David Berkowitz serves as Rapidan's chief executive officer and is the key member of the firm. He manages the Program, the investment process and client relations. He is responsible for compliance. He is conducts at least annual reviews of all client accounts.

Education, Business Background and Standards

DAVID L. BERKOWITZ

Founder, Chief Investment Officer (CIO) & Managing Member

Year of Birth: 1964

Columbia University School of Business, MBA 1997

Columbia College, Columbia University, BA 1986

FAMILY OFFICE FINANCIAL ADVISOR, CHIEF INVESTMENT OFFICER,
EQUITY PORTFOLIO MANAGER & CORPORATE FINANCE CONSULTANT

Registered Investment Advisor Representative, Wealth Management & Hedge Fund Experience

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Broadly qualified Senior Investment Professional offering more than 20 years of investment management, stock analysis, corporate finance, corporate strategy and financial advisory experience. Entrepreneurial & innovative leader focused on growing & preserving wealth by managing portfolios of the stocks of great companies. Leader of an independent investment firm that manages assets for a broad spectrum of individuals and their families. Provided comprehensive, fee-only, institutional level investment and family office services that may have been previously unavailable to most individual investors. Manage separately managed accounts (SMA) and investment partnerships (Hedge Funds for qualified individuals) by investing in the shares of great companies where management is most aligned with shareowners.

Strengths in:

- Value Investing
- Investment Strategy & Research Process
- Tactical Asset Allocation
- Macro-economics
- Equity Portfolio Management
- Value-based Management & EVA®
- Hedge Funds, Short-selling & Options
- Corporate Finance (Consulting)
- Executive Compensation
- Investment Policy & Compliance

PROFESSIONAL EXPERIENCE

Rapidan Capital, LLC – **2002 - Present**
Red Bank, NJ
www.ValueAligned.com

FOUNDER/CIO/ MANAGING MEMBER (2002 – Present)

Founded a private investment management firm with $3 million under management in 2002. Grew assets under management (AUM) by partnering with an established family office in Richmond, Virginia.

Developed and implemented an active value investing system called ValueAligned® Investing that marries value investing with value-based management (VBM) & EVA® to identify the companies with the managements most aligned with creating shareholder value.

FOUNDER/CIO/ MANAGING MEMBER (2002 – Present)

Founded a private investment management firm with $3.0 million under management in 2002. Grew assets under management (AUM) by partnering with an established family office in Richmond, Virginia.

Developed and implemented an active value investing system called ValueAligned® Investing that marries value investing with value-based management (VBM) & EVA® to identify the companies with the managements most aligned with creating shareholder value.

Stern Stewart & Co. – **1997 -2000**
New York, NY
www.sternstewart.com

PRINCIPAL/SENIOR VICE PRESIDENT (2001 – 2002)
VICE-PRESIDENT/PROJECT MANAGER (1999 – 2001)
ASSOCIATE (1997 – 1999)

David led Stern Stewart's consulting operations in North America, and managed the firm's head office in New York. He concentrated on Stern Stewart's manufacturing clients and managed over 50 large and small EVA® engagements for manufacturers, retailers, and financial services firms. Also, David often co-operated with Stern Stewart's Corporate Finance Advisory practice, by applying value based management principles to assist C- level executives and Boards with financial strategy decisions, valuations, and mergers and acquisition analysis. He helped design a survey of best practices

As the pioneers of value-based management (VBM) with their EVA® framework for corporate governance, Stern Stewart helped many public and private companies improve shareholder value by aligning measurement, strategic planning, compensation and finance education.

David also designed and conducted corporate finance education and EVA training for over 6,500 financial and line managers, and corporate boards.

Prior to Stern Stewart, David was Chief Operating Officer and Head Trader for Woodward & Associates, a New York based hedge fund.

David has spoken at local National Investor Relations Institute (NIRI) chapters and Analyst Societies in New York, Philadelphia, Chicago, Dallas and Washington. Additionally, he has spoken at Columbia University's School of Business, Fabozzi's Value Metric Conference, the American Management Association (AMA), and IBM’s Advanced Business Institute, among others. David is a member the New York Society of Security Analysts (NYSSA).

He holds an MBA from the Columbia University Graduate School of Business (MBA 1997), and a BA from Columbia University's Columbia College (BA 1986), where he studied economics.

David and his wife Patti have been married for 27 years and have lived in their current home for the last 22 years in their hometown of Middletown, New Jersey. They have three children.