



FORM ADV PART 2A

MARCH 26, 2012

Chatham Capital Group, Inc.
6602 Abercorn Street, Suite 100
Savannah, GA 31405
912-691-2320
info@chathamcapitalgroup.com
www.chathamcapitalgroup.com

This brochure provides information about the qualifications and business practices of Chatham Capital Group, Inc. If you have any questions about the contents of this brochure, please contact us at 912-691-2320 or info@chathamcapitalgroup.com. 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.

Additional information about Chatham Capital Group is also available on the SEC's website at www.adviserinfo.sec.gov.

Although Chatham is a registered investment adviser, registration does not imply a certain level of skill or training.

ITEM 2: MATERIAL CHANGES

Pursuant to SEC rules, this Item discusses specific material changes that were made to this Brochure since it was last updated on March 31, 2011 to provide clients with a summary of such changes. When required or appropriate, we will also provide clients interim summary updates of material changes to our Brochure.

The following are the material changes since March 31, 2011:

- 1) Chatham's assets under management increased from \$217.1 million to \$237.6 million.
- 2) Chatham revised and updated its Policies and Procedures Manual including its Code of Ethics to include additional policies and procedures covering areas such as gifts and entertainment, political and charitable contributions, and outside business activities. Many of these revisions are reflected in various items in this Brochure.

At any time, without charge, clients may ask for a copy of our current Brochure, which includes all material changes since the previous Brochure, or a summary of material changes to the previous Brochure by contacting Chatham Capital Group, Inc. at 912-691-2320 or info@chathamcapitalgroup.com.

ITEM 3: TABLE OF CONTENTS

ITEM 4: ADVISORY BUSINESS.....	4
ITEM 5: FEES AND COMPENSATION.....	5
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	6
ITEM 7: TYPES OF CLIENTS	6
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	6
ITEM 9: DISCIPLINARY INFORMATION	8
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	8
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	8
CODE OF ETHICS.....	8
PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS	9
PERSONAL TRADING	9
ITEM 12: BROKERAGE PRACTICES	10
SOFT DOLLAR PRACTICES	10
DIRECTED BROKERAGE	11
TRADE AGGREGATION	12
ITEM 13: REVIEW OF ACCOUNTS.....	12
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION	13
ITEM 15: CUSTODY.....	14
ITEM 16: INVESTMENT DISCRETION	14
ITEM 17: VOTING CLIENT SECURITIES.....	15
ITEM 18: FINANCIAL INFORMATION.....	16
ITEM 19: REQUIREMENTS FOR STATE REGISTERED ADVISERS.....	16

ITEM 4: ADVISORY BUSINESS

Chatham Capital Group is based in Savannah, GA. The firm was founded in 1996 by Frederick L. Muller, L. Guy Palmer, II, and Bruce D. Fielitz. Chatham became a registered investment adviser in 1996 and has maintained continuous registration with the Securities and Exchange Commission ever since.

Chatham has always been 100% owned by its operating principals. The present owners are Frederick R. Muller, Philip B. Palmer, and William J. Fielitz. Frederick L. Muller and Bruce D. Fielitz remain involved in the business as non-owner principals. All five principals act as portfolio managers and participate in the research process. Chatham also has three administrative employees.

Chatham manages investment portfolios for clients. Most clients are high net worth individuals for whom Chatham manages one or more personal portfolios including trusts and retirement accounts. Chatham also manages some endowment/foundation portfolios and corporate portfolios. The standard minimum account size for separately-managed portfolios is \$1 million.

Most client accounts are separately-managed, but Chatham also manages a number of private funds. Investors can invest in the private funds with amounts less than \$1 million. Each private fund imposes a standard minimum investment amount as specified in the respective offering document.

Separately-managed portfolios are tailored to the individual needs of each client. Based on risk tolerance, income needs, and other factors, Chatham establishes an asset allocation policy spelled out in the client's Financial Policy Statement for each client and manages his or her portfolio in line with that policy. Individual securities are selected on the basis of the purpose they serve in meeting a client's needs and objectives.

If a client wishes to impose any restrictions on Chatham's management of his portfolio (e.g., no tobacco stocks), he must inform Chatham of this restriction in advance and a notation to that effect will be made in the client's Financial Policy Statement.

As of December 31, 2011, Chatham managed \$237,553,316 of client assets on a discretionary basis. It does not manage client assets on a non-discretionary basis.

Chatham tracks (but does not manage or otherwise provide advice on or charge a fee for) other assets of certain clients in order to be aware of such clients' overall asset allocation and risk profile. If Chatham tracks a client's other assets it is able to depict that client's complete holdings on consolidated reports.

Asset allocation, anticipated withdrawals, and other client-specific factors are addressed in each client's written Financial Policy Statement. Chatham has periodic meetings with clients during the year to stay abreast of any changes that might be relevant to long-term planning, risk tolerance, portfolio diversification, and asset allocation decisions.

Either Chatham or a client may terminate an advisory agreement upon written notice at any time. If Chatham's registration as an investment advisor under the Advisers Act is suspended or revoked, the agreement will be terminated automatically.

Chatham makes use of a sub-advisor for two of its private funds. This sub-advisor is Rolfe E. Glover, IV.

ITEM 5: FEES AND COMPENSATION

For each client, Chatham calculates its fee based upon a percentage of the market value of that client's assets under management. Management fees are calculated quarterly, in arrears based on the value of the client's assets on the last business day of the calendar quarter.

For separately-managed portfolios, Chatham's standard fee schedule is:

- 1.00% on the first \$2.5 million in assets
- 0.90% on the next \$2.5 million in assets
- 0.65% on the next \$5.0 million in assets
- 0.50% on the next \$10.0 million in assets

Fees are negotiable. Family related portfolios may have their assets combined and prorated for billing purposes. The fee schedule is discounted by 10% for eleemosynary (charitable) accounts.

Chatham deducts its investment advisory fees directly from client portfolios where clients provide prior written authorization for Chatham to deduct its advisory fees in this way. Clients are also offered the option of being billed by Chatham and paying their fees directly (instead of having them deducted from their portfolio) if they would prefer.

In the event of termination of an advisory relationship, Chatham prorates the advisory fee for the period in which the services were rendered. Chatham also prorates the advisory fee at the outset of an advisory relationship that does not begin on the first business day of a calendar quarter.

For each private fund, the investment management fee is 1.0% of the market value of the fund's assets. The fee is payable quarterly in an amount equal to 0.25% of the market value of the private fund's assets as of the last day of each calendar quarter. Fees are deducted directly from the relevant fund's assets. The offering documents of each private fund should be consulted for a complete description of the fees charged to the private fund.

Exchange-traded funds contain imbedded operational and management fees. Clients bear the cost of these fees if their accounts hold these securities.

Brokerage and other transaction costs are in addition to Chatham's advisory fee and are borne by clients directly. For more information on brokerage, see ITEM 12:

BROKERAGE PRACTICES. Clients may also be required to pay other fees, such as custodial fees, annual account maintenance fees, and miscellaneous fees (e.g. wiring fees) as charged by their specific custodian.

For occasional special projects, Chatham may charge fees at an hourly billing rate depending on the scope of the assignment. Any such fees would be laid out in advance and agreed upon in writing with the client.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Not applicable. Chatham does not manage any portfolios with performance-based fees.

ITEM 7: TYPES OF CLIENTS

As stated in ITEM 4: ADVISORY BUSINESS, Chatham has a variety of different kinds of clients. Most are high net worth individuals for whom Chatham manages personal assets including their related trust and retirement portfolios. Chatham also manages other kinds of accounts such as pension and profit sharing accounts, charitable (endowment/foundation) accounts, and corporate accounts. Chatham also provides investment advice to its private funds and serves as general partner for each of its three partnerships.

The standard minimum account size for separately-managed portfolios is \$1 million. Investors can invest in one or more of Chatham's private funds with amounts less than \$1 million. Minimum investment amounts may be waived in the sole discretion of Chatham.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Chatham brings a significant amount of investment experience and wealth management expertise to each client relationship. Chatham's rigorous investment advisory process is the result of this experience, as well as the formal training of the principals.

Through its ongoing research process, including weekly research meetings, Chatham identifies securities that meet its selection criteria for inclusion in client accounts. Consistent with each client's investment objectives, Chatham's portfolio managers consider both return and risk in the formulation of a suitable portfolio of high quality securities.

In addition to its weekly research meetings, Chatham conducts quarterly asset allocation meetings. In these meetings, Chatham revises asset allocation policy based on a rigorous assessment and evaluation of relevant capital markets data. Chatham focuses on asset

allocation as one of the primary determinants of portfolio return. Every portfolio manager participates in both the weekly research meetings and quarterly asset allocation meetings.

Chatham maintains a master list of equities that are approved for purchase. Each portfolio manager may purchase approved securities in the accounts he manages based upon each client's individual needs, risk tolerance, income requirements, etc.

An investment in securities involves risk of loss of principal that all clients should be prepared to bear. Chatham offers no guarantee to clients that their portfolios will grow in value or that their results will meet or exceed certain market benchmarks. Investment results will vary from year to year, and are likely to be negative in some years—especially in years when the market indices are down.

Investing in equities involves not only price volatility but the risk that a specific equity may lose 100% of its value. Bonds usually have less risk, but still have risk nonetheless. Bond risk includes credit risk and duration/interest rate risk in rising rate environments. Chatham attempts to minimize the risk inherent in equity investing through adequate diversification and the risk inherent in fixed income investing by focusing on higher quality bonds.

As mentioned in ITEM 4: ADVISORY BUSINESS, Chatham tries to be cognizant of a client's overall assets when structuring that client's investment portfolio. The nature of outside holdings, and their size, will often impact what sort of portfolio Chatham will create for a client. For example, Chatham might recommend an all-equity portfolio for a client who holds a large portfolio of fixed income securities elsewhere. Or Chatham might recommend a reduced weighting in equities for a client who has a significant ownership interest in a private business or investment real estate.

Chatham considers and integrates relevant tax, estate, business, and family matters that have a bearing on portfolio construction.

Chatham strives to keep portfolio turnover relatively low as frequent trading can adversely affect performance through increased brokerage and other transaction costs.

Chatham generally does not make use of leveraged strategies such as purchasing securities on margin.

Chatham will often purchase exchange-traded funds ("ETFs") in client portfolios instead of individual stocks or bonds. ETFs may be used for bond exposure as well as for stock exposure. The popularity of these vehicles has grown in recent years and Chatham has found it beneficial and cost-effective to use them for clients. ETFs enable Chatham to quickly and efficiently invest in a given market sector or geographic region. For many clients, ETFs may be an integral part of their overall investment strategy. They provide an instant diversification benefit and can allow Chatham to make one transaction (instead of many) to implement a desired strategy, thus reducing costs. The imbedded management fees within the ETFs may partially offset this advantage.

For each separately-managed portfolio, Chatham works with the client to determine how much of a portfolio should be placed in cash and other short-term instruments in order to

meet anticipated withdrawal requirements. Chatham will generally keep at least that amount—more if market conditions warrant—in such instruments. In periods when no withdrawals are anticipated, that allocation will be based on risk considerations alone. This approach provides liquidity and staying power, helping client portfolios to make it through a market cycle without forced liquidations in down periods.

ITEM 9: DISCIPLINARY INFORMATION

Not applicable. Neither Chatham nor its management persons have been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of Chatham's advisory business or the integrity of its management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Not applicable.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

CODE OF ETHICS

Chatham has adopted a Code of Ethics that all employees are required to read, maintain familiarity with, and annually sign a statement to this effect. The Code addresses various issues including employee trading, compliance with applicable federal securities laws, confidentiality, conflicts of interest, insider trading, gifts and entertainment, political and charitable contributions, and outside activities.

Chatham's Code of Ethics requires employees to be guided in their actions by the highest ethical and professional standards. Some of the general principles governing Chatham's Code are as follows:

1. The general conduct of employees must at all times reflect the professional nature of the business;
2. All employees must act within the spirit and the letter of all federal, state, and local laws and regulations pertaining to investment advisers and to the general conduct of business;
3. At all times, the interests of Chatham's clients should take priority over an employee's personal interests;
4. All employees shall strictly follow the personal trading procedures outlined in the Code of Ethics prior to placing any securities transactions for his or her direct or indirect personal gain;

5. When an employee of Chatham finds that his personal interests may conflict with the interests of Chatham or its clients, he or she will report the conflict to the Chief Compliance Officer for instruction on how to proceed;
6. The recommendations and actions of Chatham on behalf of its clients are confidential and private matters between Chatham and its clients;
7. All employees must strictly adhere to the policies and guidelines set forth in the Code of Ethics. Severe disciplinary actions, including dismissal, may be imposed for violations of the Code of Ethics.

A full copy of Chatham's Code of Ethics will be provided to any current or prospective client upon request.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

As previously mentioned, Chatham serves as the general partner for its three partnerships. As such, Chatham has a vested interest in those partnerships. Chatham will from time to time recommend, when suitable, that clients invest money in one or more of these partnerships.

This creates a potential conflict of interest in that Chatham would naturally like to see its partnerships (for which it acts as general partner) be as large and successful as possible. Chatham addresses this conflict by making sure that client investments in the partnerships are made only when appropriate based on client-specific considerations such as asset allocation, risk tolerance, etc.

PERSONAL TRADING

Chatham is keenly aware of potential conflicts of interest on the part of its officers and employees regarding the purchase and sale of securities in their personal portfolios. Chatham employees have a fiduciary duty to serve the best interests of the clients and not to engage in conduct that is in conflict with those interests. Rules governing personal investing by Chatham officers and employees and their immediate families exist to place the interests of the Chatham client first.

Chatham employees can invest in the same (or related) securities that Chatham recommends to clients. Chatham seeks to minimize the potential conflicts of interest this may create by putting various rules into place which govern the personal investing of Chatham employees.

For example, no employee may execute a transaction in an individual security which is currently being purchased or sold or which is under consideration for purchase or sale by Chatham until after the client transactions are complete (next business day). This includes, but is not limited to, purchases, sales, call options, and put options. Employees must complete and have approved an employee trade pre-clearance form for all covered securities before initiating a personal trade. The trade must be executed before the close of trading on the approval date.

Additional restricted activities include pre-clearance of private placements, and the prohibition against purchasing IPOs, engaging in short sales, and purchasing from or selling securities to clients.

Each employee has his broker submit monthly (or quarterly when not available monthly) transaction statements directly to the firm's Compliance Department for review as part of the monitoring process. Applicable records are maintained by Chatham.

Occasionally Chatham's investment team may identify and consider for purchase a security that is already owned in the personal portfolio(s) of one or more of its portfolio managers. In such cases, Chatham considers only the investment merits of the security in its decision to purchase the security for client accounts.

ITEM 12: BROKERAGE PRACTICES

In recommending or approving brokers to effect securities transactions, Chatham seeks to obtain favorable execution and price. In reviewing broker-dealers and deciding upon the reasonableness of their compensation, Chatham considers a wide range of criteria including, for example, execution capability, the broker-dealer's commission rates, services to clients, financial stability and prior performance in serving Chatham and its clients. Chatham also considers the size of the transaction, the difficulty of execution, the operational facilities of the broker-dealers, the risk to such a broker-dealer of positioning a block of securities, and the overall quality of brokerage services provided by brokerage firms.

SOFT DOLLAR PRACTICES

From some brokers-dealers, Chatham receives research products and services that are not tied to the amount of trading or commissions. Chatham has no formal soft dollar arrangement with any of these brokers-dealers, but does make use of their research and other offered products such as web seminars.

When Chatham uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Chatham receives a benefit because it does not have to produce or pay for the research, products or services. As a result, Chatham has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution.

In some cases, the commission rates charged by broker-dealers who provide research and brokerage services may be higher than the rates charged if such services were not provided. The research and brokerage services furnished by broker-dealers may be used in servicing multiple client accounts, and not all such research and brokerage services will be used in connection with the account(s) that paid commissions to the broker-dealers providing such research and brokerage services. As such, Chatham does not seek

to allocate soft dollar benefits to client accounts proportionately to the commissions the accounts generate.

The research and brokerage services Chatham received in the past year from broker-dealers that execute client trades, include items such as research reports on industries, companies, specific securities, the stock market, the bond market, the US economy and global economies and the like.

Referrals may be a consideration in the selection of brokerage arrangements. For example, in the unusual case where a broker recommends that one of his clients hire Chatham for investment advisory services, it is likely (though not required) that this broker will be retained as the broker who holds custody of the assets and receives the trading commissions. As per usual practice, Chatham and the client would name this broker in the advisory agreement signed by both parties. The commission paid under such an arrangement may be higher than if a different broker had been selected and the client is made aware of this. Referrals of this nature naturally create a measure of good will between Chatham and the referring broker.

DIRECTED BROKERAGE

Chatham clients make use of a variety of different brokerage firms and custodians. At the beginning of their advisory relationship, and after discussion with their portfolio manager, the client decides which firm they will use for custody and brokerage. A large majority of Chatham's clients decide that their brokerage and custody be placed with a particular firm based on discussions with Chatham which address, among other things, services to be provided and the costs thereof, and the various brokerage options available. Most client accounts at Chatham are non-institutional and relatively small, so it is more economical for these accounts to receive custody services through a brokerage firm than to pay separately for custodial and brokerage services with two different entities.

Clients agree to direct their trades to the custodian named in the advisory agreement. They are therefore subject to the fees charged by that custodian, even though lower fees and better execution may be available from other custodians.

Clients should be aware that directing Chatham to use a particular broker-dealer to execute transactions for their accounts may result in: (1) higher transaction costs for the client; (2) the client foregoing benefits from savings on execution costs that Chatham might be able to obtain for other clients; (3) the client not being able to participate in a new issue of securities; (4) the client not being able to participate in block trades placed with other broker-dealers; and (5) the client's trades being placed after similar trades are placed with other broker-dealers. As a result of the foregoing, Chatham's ability to secure the most favorable execution for the client may be partially or wholly limited by the nature of the directed brokerage arrangement and Chatham may not achieve executions of the nature, quality, speed or price that it might otherwise achieve. In other words, by clients directing brokerage, Chatham may be unable to achieve most favorable execution of client transactions and this practice may cost clients more money.

Chatham also has a Trading Review Committee that periodically evaluates items related to Best Execution (commissions charged, services provided, etc.) and communicates its findings to clients on an annual basis. Client feedback is encouraged.

TRADE AGGREGATION

As a general policy, Chatham attempts to aggregate trades when it is advantageous for the clients to do so. When aggregating client trades, Chatham does so at the individual broker level. That is, the trades to be executed through a certain brokerage firm will be submitted for execution as a single block. Chatham does not generally aggregate orders from two or more separate brokerage firms. Execution of a block order provides the advantage of one average price across all the individual portfolios. After execution, block orders are then allocated to the individual portfolios at their respective commission rate. Since each portfolio is subject to its own commission schedule (with, for example, minimum dollar commission amounts and cents per share rates that decline for larger numbers of shares), clients owning a smaller number of shares may pay a higher cents per share commission rate than clients owning a larger number of shares, even when their stock is traded in the same block.

ITEM 13: REVIEW OF ACCOUNTS

For clients with separately-managed portfolios, Chatham produces detailed quarterly reports with information regarding holdings, asset allocation, performance, gains/losses, benchmark returns, Chatham's current investment outlook, etc. These reports replicate some of the information that is shown on the monthly statements that clients receive directly from their custodian.

Clients invested in Chatham's private funds also receive quarterly reports from Chatham. These show the holdings of the private fund, its quarterly investment performance, Chatham's investment outlook for the asset class in question, and the client's current market value relative to cost. Clients invested in Chatham's private funds do not receive monthly custodial statements for the fund. (See ITEM 15: CUSTODY.)

Chatham's portfolio managers speak with and/or meet with clients on a regular basis to review their portfolio and discuss any changes in personal circumstances.

At least once a year, Chatham provides each separately-managed client with a copy of the Financial Policy Statement that governs the management of his portfolio. Chatham revises this document based on discussions with the client and feedback received from the client regarding his changing individual circumstances. Chatham may make more frequent changes to this document based on information received in the interim. The portfolio manager seeks to ensure that the information remains both timely and accurate.

Portfolios are reviewed on a regular basis by each respective portfolio manager and may also be reviewed periodically by the managers as a group. Circumstances giving rise to individual or group reviews include, by way of example, things such as a shift in market

conditions, a change in Chatham's asset allocation policy, a pending buy or sell transaction, a change in client circumstances or risk tolerance parameters, or a significant deposit/withdrawal of cash.

Chatham reports performance information to clients on a quarterly basis. Chatham uses time-weighted returns, a common industry standard, when reporting performance to clients. Chatham's data for all performance calculations comes directly from the custodians, to whom Chatham reconciles. Performance is calculated using Axys (Advent Software Inc.), one of the most widely-used portfolio accounting software systems in the industry. As supplemental information, Chatham also reports to clients what their investment gain or loss has been in dollars since they began their relationship with Chatham.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Chatham has entered into solicitation arrangements, which entail a sharing of fees, with the following entities and individual:

Southeastern Investment Management, LLC
Karp, Ronning & Tindol, PC
Steven M. Arkin (discontinued)
Eric W. Zimmerman

Chatham shares fees in the following manner:

Southeastern Investment Management, LLC	30% of fee collected
Karp, Ronning & Tindol, PC	30% of fee collected
Steven M. Arkin, CPA (discontinued)	30% of fee collected
Eric W. Zimmerman	50% of fee collected

These relationships are governed by Rule 206(4)-3 under the Investment Advisers Act of 1940. In accordance with that rule, Chatham has created a separate disclosure document spelling out the fact that investment management fees will be shared between Chatham and the relevant entity on an ongoing basis. Clients must sign and date this document prior to, or at the time of, entering into a contract with Chatham for investment management services.

Chatham is the investment manager for these clients and is fully responsible for investment research and management of the accounts. The entities listed above will identify certain individuals who have need of professional investment advisory services and refer these individuals to Chatham. As compensation for the referrals these entities and individual provide, Chatham shares fees collected from these separately-managed accounts with the respective entities and individual.

Eric W. Zimmerman is the managing director of McKinley & Company, LLC and is a registered representative of MidAtlantic Securities.

Chatham has one remaining client from its discontinued relationship with Steven M. Arkin, CPA. Although no new clients are being solicited under this arrangement, Chatham continues to share fees for that one mutual client.

Clients should be aware of the potential conflicts of interest that these solicitation arrangements may present. For example, the sharing of investment management fees gives these entities an incentive to recommend that Chatham be hired, and an incentive to recommend that Chatham, once hired, continue to be retained. Another example of a potential conflict of interest is the fact that Chatham uses Karp, Ronning & Tindol, a Savannah-based accounting firm, for its own corporate accounting work, and for some accounting work (but not the audits) on three of its private funds.

ITEM 15: CUSTODY

Chatham is deemed to have custody of its clients' assets because it directly debits its advisory fees from client portfolios when clients provide written authorization to do so.

Chatham does not maintain custody of client funds or securities, but employs a third-party bank or brokerage firm to maintain client funds and securities. This provides clients with an important protection and safeguard. Clients receive monthly (or quarterly in some instances) statements from the bank or broker who holds custody of their assets. Clients are reminded to check and be sure that they are receiving these statements and to carefully review them; if they are not receiving these statements, then clients should immediately contact their custodian.

In the case of Chatham's three Partnerships, Chatham has custody of the Partnership assets because of its status as general partner. As a result of this status, Chatham has the ability to direct payment of various expenses of the Partnerships. Clients do not receive copies of the brokerage statements for these Partnerships, but only the quarterly reports produced by Chatham. Chatham believes it has minimized any risks inherent in this structure by engaging the services of a third-party accounting firm to audit the books and records of the Partnerships on an annual basis and to provide a copy of the annual audit report to all investors in the Partnerships.

In the case of the three Group Trusts, there is a third-party corporate Trustee who is responsible for maintaining all books and records of each group trust and for establishing the market value of the units in each. The corporate trustees have custody of the group trust assets.

ITEM 16: INVESTMENT DISCRETION

Except as specifically instructed in writing by individual clients, Chatham has discretionary authority over client accounts and, in its discretion, determines which securities are bought or sold for an account and the amount of securities bought and sold. In the advisory agreement, clients assign to Chatham a limited power of attorney for this.

Clients also sign brokerage paperwork to this effect. Each client portfolio is invested in accordance with that client's Financial Policy Statement.

If a client wishes to impose any restrictions on Chatham's management of his portfolio (e.g., no tobacco stocks), he must inform Chatham of this restriction in advance and a notation to that effect will be made in the client's Financial Policy Statement.

Occasionally a client will specifically direct a portfolio manager to purchase a security or type of security for his account. In this case, the manager will enter the trade as "client directed" in Moxy (Chatham's trading system).

With respect to sales of securities, our portfolio managers generally take into account gains and losses, tax considerations, etc. in each individual portfolio. For example, a portfolio manager may elect to hold positions in stocks that have been removed from the buy list; sell stocks that are still on the buy list; and/or retain stocks that were inherited with a new portfolio but are not on the buy list.

ITEM 17: VOTING CLIENT SECURITIES

Below is a summary of Chatham's Proxy Voting Policies and Procedures. Clients are sent a letter each year which outlines these policies and procedures and tells them they may obtain a full copy of it upon request.

Some clients wish to vote proxies themselves and have directed their account custodians to send annual reports, proxies, and other corporate reorganization materials directly to them so they can do so. Chatham does not receive proxies for these clients. Clients wishing Chatham to vote their proxies must authorize their account custodians to have the proxy sent to Chatham and then (but only then do) we assume the responsibility of voting proxies. Once Chatham assumes this responsibility, clients may not direct their votes in a particular solicitation without providing express written instructions.

Chatham attempts to vote all proxies prudently and solely in the best long-term economic interests of our clients.

Chatham has designated a Proxy Administrator to evaluate and cast proxy votes in accordance with the guidelines and principles set forth in the Proxy Voting Policies and Procedures.

There may be occasions where the voting of proxies may present an actual or perceived conflict of interest between Chatham and its clients. In such cases, Chatham will not take into consideration any relationship that gives rise to such a conflict and will vote solely in the best interests of our clients. The Proxy Administrator will notify Chatham's Chief Compliance Officer of any direct, indirect or perceived conflict of interest and the Chief Compliance Officer will direct the Proxy Administrator on how to resolve the conflict in the best interests of the client.

Proxies are voted via internet whenever possible. Records are kept of how each proxy is voted. At any time, clients may request to see how their proxies were voted and the reasoning for a particular vote by contacting Chatham. Clients are free to contact Chatham, via phone, e-mail or in person, with any questions they may have about a particular solicitation.

ITEM 18: FINANCIAL INFORMATION

Not applicable.

ITEM 19: REQUIREMENTS FOR STATE REGISTERED ADVISERS

Not applicable.