

**PART 2A OF FORM ADV**  
**FIRM BROCHURE**



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**This brochure provides information about the qualifications and business practices of Chalkstream Capital Group, L.P. (“Chalkstream”). If you have any questions about the contents of this brochure, please contact Ron Rosenstrauss at (212) 707-6100 or by email at [rr@chalkstreamcapital.com](mailto:rr@chalkstreamcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Chalkstream is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Chalkstream is registered as an investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

This is the first version of our firm brochure (the “Brochure”). As such, there is no prior version of the Brochure and no material changes to be noted.

In the future, when we amend the Brochure for our annual update, and the amended version contains material changes from the last annual update, we will identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, we will always provide the date of the last annual update of the Brochure.

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## ITEM 4 – ADVISORY BUSINESS

Chalkstream, a Delaware limited partnership, was founded in January 2004 by Andrew K. Tsai and Peter Muller. Chalkstream currently provides discretionary investment advisory services, including, but not limited to, managing and directing the investment and reinvestment of assets for the following U.S. and non-U.S. private investment funds:

- Chalkstream Investment Fund, L.P., a Delaware limited partnership (the “Domestic Investment Fund”)
- Chalkstream Investment Fund (International), Ltd., a Cayman Islands exempted company (the “Offshore Investment Fund”, and together with the Domestic Investment Fund, the “Investment Funds”)

Chalkstream also provides non-discretionary investment advisory services to the Chalkstream Insurance Fund Series of the SALI Multi-Series Fund, L.P. (the “Insurance Fund”).

An affiliate of Chalkstream, Chalkstream GP, L.L.C. (“Chalkstream GP”), a Delaware limited liability company, acts as the general partner of the Domestic Investment Fund.

The general partner of Chalkstream is Chalkstream Capital Management, L.L.C. (“Chalkstream Capital Management”), a Delaware limited liability company of which Andrew K. Tsai is the managing member and Peter Muller is a special non-managing member. Mr. Tsai and Mr. Muller are also the sole limited partners of Chalkstream. Mr. Tsai and Mr. Muller, both directly and through their interests in Chalkstream Capital Management, are the owners of Chalkstream.

Each of the Domestic Investment Fund, the Offshore Investment Fund and the Insurance Fund may be referred to individually in this Brochure as a “Fund” and together as the “Funds.” The terms for each Fund are disclosed in detail in the relevant Fund’s offering documents that are provided to prospective investors prior to investment.

Chalkstream acts as the investment manager of the Offshore Investment Fund, the management company of the Domestic Investment Fund and as an investment sub-advisor to the Insurance Fund. Chalkstream may also provide discretionary investment advisory services to separately managed accounts (the “Managed Accounts”, and together with the Funds, the “Advisory Clients”).

Chalkstream or its affiliates may also act in an investment advisory capacity to certain wholly-owned subsidiaries and trading vehicles of the Funds used to carry out certain investment objectives of the Funds.

As further described in Item 8 below, the primary source of return generation of the Funds comes from the selection of a limited number of portfolio managers (the “Portfolio Managers”) and the investment funds they operate (each a “Hedge Fund”), and in the Investment Funds only, certain illiquid investments (each a “Special Investment”) targeted by the Investment Funds. Additionally, Chalkstream may also allocate certain Funds’ capital to a hedging program designed to offset the portfolios from potential market shocks. The hedging program may involve the Funds owning financial instruments or entering into hedging agreements which may include a wide range of securities, options, futures, swaps and other assets Chalkstream deems appropriate.

Generally investors in any of the Funds do not have the ability to individually tailor their investments or impose specific investment restrictions. However, when deemed appropriate, a Fund may create a special class of interests or shares to accommodate a particular investor’s or a group of investors’ unique

investment restrictions. Chalkstream may also establish Managed Accounts. The investment objectives, fee arrangements and terms of Managed Accounts are individually negotiated, and it should be noted that any such Managed Account relationships may be subject to significant account minimums.

Chalkstream does not participate in wrap fee programs.

As of January 1, 2012, Chalkstream and its affiliates manage approximately \$555,444,000 of Advisory Client assets on a discretionary basis and approximately \$45,185,000 of Advisory Client assets on a non-discretionary basis. It should be noted that the assets under management disclosed here has been calculated differently than that of “regulatory assets under management” as disclosed in Chalkstream’s Form ADV Part 1, Item 5.F.

## ITEM 5 – FEES AND COMPENSATION

Chalkstream is compensated for its advisory services with respect to each Fund as follows:

- **The Investment Fund:** Chalkstream receives a management fee, payable quarterly in advance, equal to 0.25% (1.00% per annum) of the value of each investor's capital account or shares. Chalkstream also receives an annual incentive allocation or fee equal to (i) 10% of net appreciation in the Hedge Fund portfolio subject to a hurdle and the return of any amount in the loss recovery account, and (ii) 15% of net realized profits in a specific Special Investment, subject to a cumulative hurdle and any amount in the loss recovery account.
- **The Insurance Fund - Class A:** Chalkstream receives a management fee, payable monthly in advance, equal to 1.75% per annum of the value of each investor's capital account or shares.
- **The Insurance Fund - Class B:** Chalkstream receives a management fee, payable monthly in advance, equal to 1.00% per annum of the value of each investor's capital account or shares. Chalkstream also receives an annual incentive fee equal to 10% of net appreciation subject to the return of any amount in the loss recovery account.

Chalkstream or its affiliates deduct fees from the Funds' assets. The management fee is generally paid to Chalkstream from the Funds either monthly or quarterly in advance (adjusted for subscriptions during the calendar quarter). In the event of a mid-month or mid-quarter withdrawal/redemption, Chalkstream or its affiliates will refund Management Fees for that month/quarter pro rata. The incentive allocation or fee, as applicable, is generally allocated or paid to Chalkstream or its affiliates at the end of each fiscal year (adjusted for any withdrawals or redemptions during the year), except with respect to Special Investments in the Investment Funds, in which case the incentive allocation or fee, as applicable, is allocated to Chalkstream GP upon the realization or deemed realization of each Special Investment.

Chalkstream's fees with respect to the Funds are generally not negotiable.

In addition to management fee and incentive allocation or fee described above, each Fund shall bear its own expenses. Such expenses vary by Fund, but generally include the following (note, however, that this is not a complete list of expenses): investment expenses; professional fees relating to investments; fees and expenses relating to software tools, programs or other technology utilized in managing the Funds; research and market data; administrative expenses; legal expenses; external accounting and valuation expenses; audit and tax preparation expenses; investor-related correspondence; entity-level taxes; corporate licensing; regulatory expenses; organizational expenses; fees to the administrator; indemnification expenses; and extraordinary expenses. To the extent that expenses to be borne by a Fund are paid by Chalkstream or Chalkstream GP, the relevant Fund will reimburse that party for such expenses.

As mentioned in Item 4 above, Chalkstream primarily utilizes an investment strategy that is focused on investing Advisory Client assets in other Hedge Funds managed by the Portfolio Managers. The Funds will bear fees, expenses and performance-based allocations in connection with its investments, which generally include performance fees or incentive allocations. The Funds may also invest in Hedge Funds that invest in other investment vehicles (including funds managed by Chalkstream and its affiliates) thereby subjecting the Funds to an additional level of compensation. In the aggregate, these expenses and compensation can be substantial, could exceed the compensation typically incurred from a direct investment and could have a material adverse effect on the value of any investment in the Funds.

Moreover, these Hedge Fund expenses and compensation may be higher than the expenses and compensation of comparable investment vehicles. Investors will also incur brokerage and other transaction costs directly related to each Fund's hedging program. Refer to Item 12 – Brokerage Practices for further information.

**It is critical that investors refer to the relevant Fund's offering documents for a complete understanding of how Chalkstream is compensated for its advisory services. The information contained in this Item 5 is a summary only and is qualified in its entirety by the relevant Fund's offering documents.**

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, Chalkstream or Chalkstream's affiliates receive performance-based compensation in the form of an incentive allocation or fee. It should be noted that the possibility that Chalkstream or its affiliates could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Chalkstream to effectuate larger and more risky transactions than would be the case in the absence of such form of compensation.

Chalkstream presently provides investment advisory services to the Funds, which provide Chalkstream with varying levels of compensation. As such, there is a potential conflict of interest related to managing accounts that provide Chalkstream with performance-based fees alongside accounts that charge no performance-based fees. In order to address this potential conflict, Chalkstream has adopted a policy that it will generally make allocation decisions based upon the best interests of all Funds on a fair and equitable basis consistent with Chalkstream's fiduciary obligations.



## ITEM 7 – TYPES OF CLIENTS

Chalkstream provides investment advisory services to the Advisory Clients. The minimum capital contributions in the Advisory Clients are as follows:

- **Domestic Investment Fund:** \$5 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of the Chalkstream GP to accept lower amounts. Additionally, Chalkstream GP may disallow the partial withdrawal of capital by any investor, if as a result of, or prior to, such withdrawal, the aggregate balance of such investor's capital account(s) would be less than \$1 million.
- **Offshore Investment Fund:** \$5 million initial subscription for shares and \$1 million additional subscription for shares, each subject to the discretion of the board of directors of each Fund to accept lower amounts (but in no event less than such minimum amounts as may be set out under Cayman Islands law from time to time). Additionally, the board of directors, in its sole discretion, may disallow the partial redemption of shares by any investor, if as a result of, or prior to, such redemption the investor's shares would be less than \$1 million.
- **Insurance Fund:** \$1 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of to accept lower amounts.
- **Managed Accounts** (if any): Individually negotiated.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis and Investment Strategies**

The primary source of return generation for each Fund derives from that Fund's selection of a limited number of Portfolio Managers and investment in the Hedge Funds they operate. Chalkstream believes that over-diversification can significantly reduce returns without a comparable reduction in the volatility of the portfolio. The goal of keeping the portfolio in a relatively concentrated number of investments works as a default mechanism to ensure that only Chalkstream's best investment opportunities are added to and remain in the portfolio.

### **Hedge Fund Portfolio**

Each Fund intends to allocate capital to Hedge Funds with the majority of the risk often concentrated in 10-15 Hedge Funds. Hedge Funds are selected to provide that Fund with diversification across different strategies, investment horizons, regions and asset classes. Although some Hedge Funds may have net long or short exposure to equity or fixed income markets, Chalkstream seeks to assemble a portfolio for each Fund that exhibits little to no long-term correlation with the broader equity or fixed income markets. In addition, the Funds may invest assets with certain Portfolio Managers by opening discretionary managed accounts, rather than by investing in Hedge Funds.

Portfolio Managers are selected after a lengthy due diligence process based on an evaluation of, among other factors, a Portfolio Manager's character, judgment, investment strategy, proven skills in portfolio management, trading and risk management. When seeking new investment opportunities, Chalkstream has a preference for Portfolio Managers that are focused on investing as opposed to asset gathering, tend to have limited capacity, and in which the principals maintain a significant investment. Additionally, there is a preference for niche strategies where limited competition and/or assets dedicated to the strategy exist. Finally, Chalkstream looks for a solid and cohesive organization.

Chalkstream has a preference for start-up and emerging Portfolio Managers and more established Portfolio Managers that are well known to Chalkstream. It has been the experience of Chalkstream that the early years of a Hedge Fund's existence tend to produce the highest out-performance. Possible reasons for this out-performance include fewer distractions from the investment process such as management issues which arise in running a larger organization, greater motivation to create personal wealth, more opportunities in exceptional trade ideas and lower market impact and transaction costs with smaller assets. Chalkstream focuses on "preferred" relationships with these new and emerging Portfolio Managers with the intention of fostering long-term relationships by acting as formal or informal advisors to the Portfolio Managers. Chalkstream believes that deep relationships can provide better knowledge of a Portfolio Manager's strategy and portfolio, and in some cases may result in preferred terms.

Chalkstream often pursues newer, niche strategies that may or may not be widely followed or understood. Chalkstream's network of relationships and experience with numerous proprietary trading strategies and private investment funds provides the Funds with opportunities to invest in new or "opportunistic" strategies. Although these strategies can have a limited window of opportunity, they often produce strong risk-adjusted returns and offer exposure to talented investment managers for future investments.

Chalkstream believes that an additional source of potential out-performance is strategic asset allocation. This could include the under or overweighting of exposure to a particular strategy based on future return expectations, structural changes or flows of capital. In addition to focusing on a bottoms-up research process, Chalkstream also expends significant effort to develop a top-down/macroeconomic view and ensures that each Fund's portfolio is constructed to express this view. Through a vigorous risk

management process made viable as a result of increased transparency from underlying funds, Chalkstream is able to approximate each Fund portfolio's correlation to various market outcomes and develop hedges to protect against "tail" risk. Chalkstream believes that an understanding of the effects of macroeconomic factors on each Fund's portfolio in combination with an active hedging program is essential to generating strong risk-adjusted returns and protecting capital in difficult market environments.

### Hedging

As mentioned in Item 4 above, Chalkstream will typically allocate capital to a hedging program designed to offset the Funds' portfolios from potential market shocks. The hedging program may involve the Funds owning financial instruments or entering into hedging agreements, which may include a wide range of securities, options, futures, swaps and other instruments Chalkstream deems appropriate.

### Special Investment Portfolio (Investment Funds Only)

The Investment Funds also allocates capital to illiquid investments, which may include, without limitation, direct and indirect investments in private equity, real estate, venture capital, special purpose vehicles, investment management companies (e.g., seed deals), public securities and derivatives and any investment Chalkstream deems to be illiquid. The aggregate amount of Special Investments (excluding any related hedges) allocated to any Investment Fund investor is not limited but generally will be approximately 40% of an investor's interest in the Investment Fund at the time a Special Investment is made, if the investor is fully invested with respect to Special Investments. Similar to the Hedge Fund investments, Special Investments are often allocated to areas of limited competing capital where Chalkstream can form deep relationships and/or exert control over the sponsor or local partner.

Special Investments are intended to complement the core Hedge Fund investment program of the Investment Fund through opportunistic allocation of capital to illiquid investments. Chalkstream believes that certain investments with longer investment horizons can offer higher return expectations than Hedge Fund investments while also providing diversification to the overall portfolio. Chalkstream believes that a combination of core Hedge Fund investments and Special Investments should create a favorable long-term risk/reward profile for the Investment Fund. Chalkstream's investment philosophy with respect to Special Investments is similar to the Investment Funds' core Hedge Fund investments: to make concentrated allocations to investments that are managed by people Chalkstream believes have a sustainable edge over competitors.

The sourcing of Special Investments comes from Chalkstream's network of managers, investors and industry contacts around the world. In the course of Chalkstream's research of Hedge Funds, Chalkstream is often exposed to Special Investment opportunities. Some of these are special purpose vehicles created by hedge fund groups and the others are investments in a variety of direct and indirect private equity situations. In addition, Chalkstream's close ties to many sophisticated investment groups offers a reliable stream of new contacts and opportunities in niche sectors around the world.

**The Funds have broad and flexible investment authority. The Funds may have other strategies or engage in other activities than those described herein. It is critical that investors refer to the relevant Fund's offering documents for a complete understanding of that Funds' investment objective and strategies. The information contained in this Item 8 is a summary only and is qualified in its entirety by the relevant Fund's offering documents.**

**An investment in the Funds may be deemed speculative and is not intended as a complete investment program. The Funds are designed only for experienced and sophisticated persons who are able to bear the risk of substantial impairment or total loss of their investment in the Funds.**

## **Risk of Loss**

***Operating History.*** The Funds and Chalkstream each have a limited operating history upon which to evaluate their future performance. The past investment performance of any of the Portfolio Managers with which the Funds invest should not be construed as an indication of the future results of the Portfolio Managers or of the Funds.

***Dependence on Chalkstream and the Portfolio Managers.*** Chalkstream invests assets of each Fund through Portfolio Managers. The success of the Funds is dependent not only on the investment performance of individual Portfolio Managers and the ongoing ability of Chalkstream to select and allocate effectively the Funds' assets among Portfolio Managers, but also on the ability of Chalkstream to successfully implement investment strategies that achieve the Funds' investment objective. For example, a Portfolio Manager's inability to effectively hedge an investment strategy may cause the assets of the Funds invested with such Portfolio Manager to significantly decline in value and could result in substantial losses to the Funds. In addition, subjective decisions made by Chalkstream or the Portfolio Managers may cause the Funds to incur losses or to miss profit opportunities on which it may otherwise have capitalized. Moreover, although Chalkstream may allocate assets of the Funds to Portfolio Managers who use different investment strategies, there can be no assurance that market or other events will not have an adverse impact on the strategies employed by multiple Portfolio Managers.

***Absence of Regulatory Oversight.*** The Funds are not required to register as investment companies and have not registered as such under the U.S. Investment Company Act of 1940, as amended (the "Company Act"). Thus, the provisions of the Company Act intended to provide various protections to investors are not applicable. Moreover, Hedge Funds are generally not registered as investment companies, and the Funds, in turn, are not provided the protections of the Company Act. The investment activities of the Funds and the Hedge Funds are not subject to Company Act provisions that limit the use of leverage and regulate other investment practices. Hedge Funds generally do not maintain their securities and other assets in the custody of a bank or a member of a securities exchange, as generally required of registered investment companies, in accordance with certain rules of the SEC. A registered investment company that places its securities in the custody of a member of a national securities exchange is required to have a written custodian agreement, which provides that securities held in custody will be at all times individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and which contains other provisions designed to protect the assets of the investment company. It is anticipated that the Hedge Funds generally will maintain custody of their assets with brokerage firms that do not separately segregate such assets as would be required in the case of registered investment companies. Under the provisions of the U.S. Securities Investor Protection Act, as amended, the bankruptcy of any such brokerage firm could have a greater adverse effect on the Fund than would be the case if the custody of assets were maintained in accordance with the requirements applicable to registered investment companies. There is also a risk that a Portfolio Manager could convert to its own use assets committed to it by the Fund or that a custodian could convert to its own use assets committed to it by a Portfolio Manager. There can be no assurance that the Portfolio Managers or the entities they manage will comply with all applicable laws and that assets entrusted to the Portfolio Managers will be protected.

***Business and Regulatory Risks of Hedge Funds.*** Legal, tax, and regulatory developments could occur that may adversely affect the Funds. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Funds or the ability of the Portfolio Managers to pursue their respective trading strategies.

***Limited Liquidity.*** An investment in the Funds provides limited liquidity since interests/shares are not freely tradable and generally an investor has limited rights to withdraw/redeem all or a portion of its interests/shares. Additionally, an investor has no right to withdraw/redeem any of its interest/shares related to Special Investments. Special Investments such as private equity funds should be expected to

take up to three to five years or longer to draw down capital from the Investment Funds and up to 10 years or longer to return capital and profits, if any, to the Investment Funds. Furthermore, distributions of proceeds upon an investor's redemption may be delayed or limited, in Chalkstream's discretion, because of restrictions imposed upon redemptions or payments of amounts redeemed by any Hedge Fund in which, or any investment advisory agreements under which, the Funds' assets have been invested, or where the disposal of part or all of the Funds' assets to meet redemption requests would be prejudicial to any investor. The Funds may also temporarily suspend the right of investors to make withdrawals/redemptions if Chalkstream or its affiliates, in their discretion, determine that the value of the assets of the Funds cannot fairly be computed due to market disruption, the suspension of trading in any market, or other unusual events.

***Possible Adverse Effects of Substantial Withdrawals or Redemptions of Capital.*** In the event that there are substantial withdrawals or redemptions from a Fund within a limited period of time, Chalkstream may find it difficult to adjust its asset allocations and trading strategies to the suddenly reduced amount of assets under management. Similarly, in the event that there are substantial withdrawals or redemptions from a Portfolio Manager's fund within a limited period of time, the Portfolio Manager may find it difficult to adjust its asset allocation and trading strategies. Under such circumstances, in order to provide funds to pay withdrawals or redemptions, Chalkstream or the Portfolio Managers may be required to liquidate positions at an inappropriate time or on unfavorable terms. On an ongoing basis, irrespective of the period over which substantial withdrawals or redemptions occur, it may be more difficult for a Fund or a Portfolio Manager to generate additional profits operating on a smaller asset base and, as a result of liquidating assets to fund withdrawals or redemptions, that Fund may be left with a much less liquid portfolio.

***Compensation Arrangements with Chalkstream and the Portfolio Managers.*** Chalkstream receives an incentive allocation or fee based on the net capital appreciation allocated to each investor's series of a class of interests or shares, and with respect to Special Investments in the Investment Fund only, based upon the gains realized or deemed realized or any current income from a Special Investment. The incentive allocation or fee and the incentive compensation of the Hedge Funds may create an incentive for Chalkstream and the Portfolio Managers, respectively, to make riskier investments than they might otherwise make in the absence of such compensation.

***Tiered Fee Structure.*** Similar to the strategy employed by a few sophisticated university endowments, the Investment Funds allocates capital to hedge funds, private equity, real estate and other illiquid investments in a single fund structure (the Insurance Fund only allocates capital to hedge funds). Investment management fees, incentive fees and incentive allocations are charged to or allocated from, as the case may be, the Funds by Chalkstream, the General Partner and the Portfolio Managers. As a result, the Funds, and indirectly an investor in the Funds, bear multiple fees and incentive allocations, that in the aggregate, exceed the fees and incentive allocations that would typically be incurred by a direct investment with a single Portfolio Manager or Hedge Fund. The Funds may also invest in Hedge Funds that invest in other investment vehicles (including funds managed by Chalkstream).

***Independent Portfolio Managers.*** The Portfolio Managers generally invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that the Portfolio Managers do, in fact, hold such positions, the Funds, considered as a whole, may not achieve any gain or loss despite incurring investment expenses, including, without limitation, performance-based compensation. In addition, there may often be times when a particular Portfolio Manager may receive an incentive fee in respect of the Funds' investments for a period even though the Fund's overall portfolio depreciated during such period.

***Proprietary Investment Strategies.*** A Portfolio Manager may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to Chalkstream or the Funds. These

strategies may involve risks under some market conditions that are not anticipated by the Portfolio Manager, Chalkstream or the Funds. The Portfolio Managers generally use investment strategies that differ from those typically employed by traditional managers of portfolios of stocks and bonds. The strategies employed by the Portfolio Managers may involve significantly more risk and higher transaction costs than more traditional investment methods. The Funds seek to reduce these risks by spreading the investments of the Funds among a variety of different Portfolio Managers using investment strategies with returns that are not expected to be highly correlated with one another. However, it is possible that the performance of the Portfolio Managers may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses to the Funds and their investors.

***Investment and Trading Risks in General.*** All investments made by the Funds risk the total loss of capital. The Portfolio Managers may use such investment techniques as margin transactions, short sales, option transactions, and forward and futures contracts. In certain circumstances, these practices can maximize the adverse impact to which the Funds may be subject. No guarantee or representation is made that the Funds' investment programs, including, without limitation, the Funds' investment objectives, diversification strategies or risk monitoring goals, will be successful, and investment results may vary substantially over time.

***Volatile Markets.*** The prices of commodities contracts and various types of derivative instruments are highly volatile. Price movements of forward contracts, futures contracts, and other derivative contracts are influenced by, among other things, interest rates; changing supply and demand relationships; and trade, fiscal, monetary and exchange control programs and policies of governments; and national and international political and economic events and policies. In addition, governments from time to time intervene in certain markets, particularly those in currencies and interest rate-related futures and options, which may cause all such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. When investing in foreign instruments, the Funds and the Hedge Funds are also subject to the risk of the failure of the exchanges on which their positions trade or of their clearinghouses resulting from less governmental regulation and intervention, and there may be a higher risk of financial irregularities or lack of appropriate risk monitoring and controls. Risks associated with investing in securities of foreign issuers are more pronounced with respect to investments in securities of issuers in emerging markets.

***Trading in Securities and Other Investments That Are Illiquid.*** Certain investment positions in which the Funds have an interest, including Special Investments, are illiquid. Interests in the Hedge Funds are not themselves marketable and therefore the Funds are not able to readily dispose of its interests in Hedge Funds. In addition, the Portfolio Managers may invest in restricted or non-publicly traded securities, securities of distressed issuers, securities traded on foreign exchanges, and futures contracts. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Such investment positions could prevent a Portfolio Manager from liquidating unfavorable positions promptly and subject the Funds to substantial losses. This could also impair the Funds' ability to make distributions to a withdrawing/redeeming investor in a timely manner. Similar limits may apply to securities traded on a foreign exchange.

***Investments are Leveraged; Borrowing by the Fund.*** The Funds borrow funds to increase their buying power and potential returns to investors, as well as to facilitate timely distributions in respect of withdrawals/redemptions. Although leverage increases the investment return of the Funds if an investment purchased with borrowed funds earns a greater return than the amount that the Funds are charged for the use of those funds, the use of leverage will decrease the investment return if the Funds fail to earn as much on investments purchased with borrowed funds as it is charged for the use of those funds.

The use of leverage will, therefore, magnify the volatility of changes in the value of the investments of the Funds. Investors still face the risk of losing their entire investment.

Borrowings by the Funds are secured by the Funds' investment portfolio. Pursuant to the conditions of the loan facility through which the Funds currently obtain leverage (the "Loan"), the Funds may be required to liquidate all or a portion of their investments, among other things, to pay off the Loan. Liquidation under those circumstances could have adverse consequences. Funds borrowed for leveraging are subject to interest costs that may or may not be recovered by the return on the Funds' investment portfolio.

The risk of the use of leverage is compounded to the extent that the Portfolio Managers with which the Funds invest employ leverage in their respective investment programs (i.e., trade securities on margin). Trading securities on margin, unlike trading in futures (which also involves margin), results in interest charges and, depending on the amount of trading activity, such charges could be substantial. The low margin deposits normally required in futures and forward trading permit a high degree of leverage; accordingly, relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. Such a high degree of leverage necessarily entails a high degree of risk.

**Counterparty Credit Risk.** Many of the markets in which Portfolio Managers effect their transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. To the extent a Portfolio Manager invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, on these markets, a Portfolio Manager may take credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections. This exposes a Portfolio Manager's fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Portfolio Manager's fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Portfolio Manager has concentrated its transactions with a single or small group of counterparties. In addition, in the case of a default, a Portfolio Manager's fund could become subject to adverse market movements while replacement transactions are executed. Portfolio Managers are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the Portfolio Managers generally have no internal credit function which evaluates the creditworthiness of their funds' counterparties. The ability of Portfolio Managers to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities, and the absence of a regulated market to facilitate settlement may increase the potential for losses by the funds in which the Funds invest.

**Risk Management Activities.** The Funds attempt to measure and monitor risks of the Funds' portfolio and Portfolio Managers. The amount and quality of risk due diligence, measurement and monitoring is dependent on access to the portfolios and risk management systems (if any) of the Portfolio Managers. There is no assurance that the Portfolio Managers will give access to this data. When this information is unavailable, estimates of risk will be made. Efforts to measure and reduce risk may not be successful. Any Fund hedging activities designed to reduce risk may also be unsuccessful.

**Deleveraging Risks.** If the Funds are forced to "deleverage" the Funds in accordance with the terms of the Loan by decreasing the amount of assets invested in the Hedge Funds, there will be a corresponding reduction in the profit potential of the Funds. In addition, if a significant percentage of the Funds' assets are liquidated from the Hedge Funds in order to pay interest on the Loan and fees and expenses of the

Funds, or are held in cash and cash equivalent assets in anticipation of paying interest on or repaying principal of the Loan, it is unlikely that the investment objective of the Funds will be achieved.

***Co-Investments with Third Parties.*** The Funds may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third party involvement resulting in a negative impact on such investment, including the possibility that a third party co-venturer may have financial difficulties, may have economic or business interests or goals that are inconsistent with those of the Funds or may be in a position to take (or block) action in a manner contrary to the Funds' investment objective. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

***Forward Trading.*** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors.

***Short Selling.*** The Portfolio Managers with which the Funds invest may engage in short selling. Short selling involves selling securities, which may or may not be owned, and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an investor to seek profits from declines in the prices of securities. A short sale creates the risk of a theoretically unlimited loss because the price of the underlying security could theoretically increase without limit and increase the cost of buying those securities to close the short position. There can be no assurance that the securities necessary to close a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

***Currency Trading.*** A portion of each Fund's assets may be invested by the Portfolio Managers in debt and equity securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Funds, however, value their securities in U.S. dollars. Currency exchange rates are subject to sudden fluctuations of varying magnitude, and they are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. The volatility of currency prices may render it difficult or impossible to predict or anticipate fluctuations in the value of currencies. A Hedge Fund may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when a Hedge Fund wishes to use them, or that hedging techniques employed by a Hedge Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

***Managed Account Allocations.*** The Funds may place assets with certain Portfolio Managers by opening discretionary managed accounts, rather than by investing in Hedge Funds. Managed accounts expose the Funds to theoretically unlimited liability, and it is possible, given the leverage at which certain of the Portfolio Managers trade, that the Funds could lose more in a managed account directed by a particular



Portfolio Manager than the Funds have allocated to such Portfolio Manager to invest. To avoid such risks, the Funds may, but are not obligated to, establish private investment vehicles that are managed by the Portfolio Managers.

***Estimates.*** In most cases Chalkstream has no ability to assess the accuracy of the valuations received from a Portfolio Manager. Furthermore, the net asset values of the Hedge Funds provided to Chalkstream from Portfolio Managers typically are estimates only, subject to revision upon conclusion of each underlying fund's annual audit. Revisions to the Funds' gain and loss calculations are an ongoing process, and actual net capital appreciation or net capital depreciation figures may not be final until the Funds' annual audits are completed.

***Dilution.*** To the extent that certain Portfolio Managers may limit the amount of additional capital that they will accept from the Funds, or that regulatory limitations restrict such additional investments, continued sales of interests or shares will dilute the participation of existing investors with such Portfolio Managers.

***Regulated Investors.*** Certain prospective investors may be subject to federal and state laws, rules and regulations that may regulate their participation in the Funds or their engaging directly or indirectly through an investment in the Funds in investment strategies of the type Portfolio Managers may use from time to time (e.g., short sales of securities and the use of futures, leverage and limited diversification).

## **ITEM 9 – DISCIPLINARY INFORMATION**

Not applicable.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Chalkstream is not registered, and does not have an application pending to register, as a broker-dealer.

Mr. Muller is currently a Senior Advisor of Morgan Stanley and has held numerous senior roles at Morgan Stanley since 1992. Mr. Muller is the founder and head of a proprietary trading group at Morgan Stanley. Morgan Stanley is not a sponsor, owner or manager of the Funds, Chalkstream or any of its affiliates. Morgan Stanley takes no responsibility for the activities of Mr. Muller outside of his responsibilities with Morgan Stanley and is not responsible for, and may not be held accountable or liable for, any of the activities of (i) Mr. Muller in relation to Chalkstream, (ii) Chalkstream or its affiliates or (iii) any investment vehicle sponsored by Chalkstream. Morgan Stanley may from time to time conduct customary brokerage, clearing, settlement, and lending activities for compensation with Chalkstream, its investment vehicles or managers that Chalkstream designates, or entities that compete with any of the foregoing. It is currently anticipated that Mr. Muller's proprietary trading group will no longer be controlled by, and Mr. Muller will no longer be affiliated with, Morgan Stanley as of January 1, 2013.

Andrew Tsai is a member of the advisory board and board of directors of certain investment vehicles managed by an unaffiliated investment adviser. The Funds may make investments in these investment vehicles or other investment vehicles advised by that investment adviser's affiliates. Andrew Tsai is also a member of the board of directors of Istra, LLC a company in which the Funds are invested.

An affiliate of Chalkstream, Chalkstream GP, a Delaware limited liability company, acts as the general partner of the Domestic Investment Fund. Chalkstream and its management persons have no other relationships or arrangements with any of the related persons listed in Item 10 that are material to Chalkstream's advisory business or its clients.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Chalkstream has adopted a Code of Ethics, which is a part of Chalkstream's compliance manual and has been designed to comply with the requirements of Advisers Act Rule 204A-1. Among other things, the Code of Ethics (i) requires that all employees comply with federal securities laws, (ii) requires that all employees submit to Chalkstream reports containing their personal securities holdings and transactions in reportable securities, and that Chalkstream review such reports, (iii) requires all employees to obtain pre-approval of all personal investments; and (iv) contains policies and procedures designed to prevent the misuse of material, non-public information. It should be noted, however, that due to Peter Muller's relationship with Morgan Stanley, Peter Muller is only required to pre-clear investments in securities in an initial public offering or in a limited offering. All personnel of Chalkstream are required to certify their compliance with the Code of Ethics.

Under the Code of Ethics, Chalkstream, its employees, affiliates or their related persons may buy, sell or otherwise invest in securities for their own accounts that they also recommend to Advisory Clients. Each such related person transaction is separately identified and made strictly in accordance with Chalkstream's Code of Ethics. In order to manage this conflict of interest, Chalkstream's Code of Ethics requires related persons of Chalkstream to obtain prior approval from the Chief Compliance Officer before engaging in all securities transactions in their personal accounts. Such employee transactions will be reviewed in the best interests of the Advisory Clients and will be denied by the Chief Compliance Officer if there is risk of potential adverse consequences to the Advisory Clients.

Clients or prospective clients may arrange a time to review Chalkstream's Code of Ethics by contacting the Chief Compliance Officer, Ron Rosenstrauss, at (212) 707-6100.

Chalkstream serves as the investment manager, the management company or the investment sub-advisor to each Fund. Chalkstream, its employees, affiliates or their related persons may also invest directly in any one, some or all of the Funds. The fact that Chalkstream, its employees, affiliates or their related persons have a financial ownership interest in the Funds creates a potential conflict in that it could cause Chalkstream to make different investment decisions than if they did not have such a financial ownership interest. Further, Chalkstream or its affiliates charge the Funds fees based on a percentage of assets under management via the management fee and based on performance via the incentive allocation or fee. The management fee is payable without regard to the overall success or income earned by the Funds and therefore may create an incentive on the part of Chalkstream to raise or otherwise increase assets under management to a higher level than would be the case if Chalkstream were receiving a lower or no management fee. The receipt of an incentive allocation or fee by Chalkstream or its affiliates may create an incentive for Chalkstream to make investments for the Funds that are riskier or more speculative than it otherwise would.

Furthermore, Chalkstream and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the existing Advisory Clients and/or may involve substantial time and resources of Chalkstream. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of Chalkstream and its affiliates are not devoted exclusively to the business of the existing Advisory Clients, but are allocated between the business of the existing Advisory Clients and the management of the monies of future Advisory Clients of Chalkstream. Chalkstream uses its best judgment to be fair and equitable to all Advisory Clients to minimize this conflict of interest.

## ITEM 12 – BROKERAGE PRACTICES

Portfolio transactions for the Hedge Funds are allocated to brokers by the relevant Portfolio Manager. In selecting brokers and dealers to execute portfolio transactions, Portfolio Managers have authority to and may consider several different factors, including, among others, a broker's or dealer's ability to provide best execution, its willingness to commit capital, its financial stability, its systems, facilities and recordkeeping and its experience in handling similar transactions (based on size, market conditions and type of security, among other factors). The Portfolio Managers may also take into account a broker's and dealer's relative performance on industry surveys and studies of execution quality, the broker's and dealer's rates of commission, mark-ups and mark-downs, its applicable margin levels and financing rates and other applicable fees and charges, its overall responsiveness and the broker's or dealer's provision of research, brokerage and other products and services pursuant to soft dollar arrangements. It is expected that the Portfolio Managers utilized by Chalkstream will allocate brokerage business generally on the basis of best available execution. Chalkstream has no direct control over the custodial or brokerage arrangements entered into by such Money Managers.

Products and services obtained through soft dollar arrangements generally may be of benefit to the Hedge Funds but may not directly relate to transactions on behalf of the Hedge Funds. Accordingly, if a Portfolio Manager determines in good faith that the amount of transaction costs (e.g., commissions, mark-ups and mark-downs) imposed by a broker or dealer is reasonable in relation to the value of the products or services provided by such broker or dealer, the Portfolio Manager may incur transaction costs to such broker or dealer in an amount greater than the amount that might be incurred if another firm were used. "Soft dollar" payments or rebates of amounts paid to brokers and dealers may arise from over-the-counter principal transactions, as well as exchange traded agency transactions. Portfolio Managers may utilize "soft dollar" payments for products and services that fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended. Portfolio Managers may also use soft dollars generated on Fund transactions outside of Section 28(e)'s safe harbor to obtain non-research products and services. While it does not do so as of the date of this Brochure, Chalkstream may receive brokerage, research or research-related services or products that are paid for through the use of commission or "soft dollars", provided that such arrangements are consistent with the "safe harbor" provisions of Section 28(e).

Chalkstream may directly manage Advisory Client assets primarily for hedging purposes and therefore may be in a position to select the broker or dealer to be used for such transactions. When Advisory Client assets are managed directly by Chalkstream, Chalkstream will (as applicable) seek to achieve best execution when determining the brokers through which trades are routed and the transaction costs at which securities transactions are executed. In these circumstances, Chalkstream will generally follow the best execution guidelines outlined above.

Chalkstream will not consider, in selecting or recommending broker-dealers, whether Chalkstream or a related person receives client referrals from a broker-dealer or third party. As described above, it is expected that the Portfolio Managers utilized by Chalkstream will allocate brokerage business generally on the basis of best available execution and in consideration of such brokers' provision of brokerage, research and related services. Certain Portfolio Managers, however, may receive referrals from a broker-dealer or third party. Chalkstream has no direct control over the custodial or brokerage arrangements entered into by such Portfolio Managers.

Chalkstream does not permit Fund investors to direct brokerage.

In order to ensure that it treats all Advisory Clients fairly and equitably, it is Chalkstream's policy that when it has been determined that it is appropriate, based upon each Advisory Client's liquidity/leverage or investment restrictions or the liquidity of a particular investment opportunity, tax, structural or other reasons, to purchase or sell the same security for more than one of the Advisory Clients that it may, but

shall be under no obligation to: (1) aggregate, to the extent permitted by applicable law and regulations, the securities to be purchased or sold (in the form of subscriptions or withdrawals/redemptions) in order to seek more favorable access to Hedge Funds or more favorable investment prices; and (2) to generally allocate the purchase or sale of such security among the Advisory Clients based upon the relative asset size of the Advisory Clients participating in the purchase or sale in question on that date. In the event that an investment opportunity is within the investment parameters for more than one Advisory Client but will not be allocated between such Advisory Clients on a pro rata basis, Chalkstream will document the reasons why such opportunity will not be allocated pro rata (i.e. why an account was included/excluded from the allocation) in a custom trade allocation report to Chalkstream's Chief Compliance Officer. Documenting and detailing such allocations helps to: (i) ensure that no one Advisory Client is benefiting at the expense of another; (ii) avoid the appearance of "cherry picking" favorable positions for Advisory clients which are held by principals/pay incentive fees; and (iii) document that allocation decisions are being made in the best interests of all affected Advisory Clients and made on a fair and equitable basis consistent with Chalkstream's fiduciary obligations.

## **ITEM 13 – REVIEW OF ACCOUNTS**

The Funds' accounts are reviewed by the following individuals: Andrew Tsai, managing principal and Chief Investment Officer; Rishi Shah, Investment Analyst; Balkir Zihnali, Chief Operating Officer; Matt Dilmaghani, Director of Risk and Analytics; and Ron Rosenstrauss, Chief Financial Officer and Chief Compliance Officer. Specifically, Mr. Tsai and Mr. Shah are both primarily responsible for managing the portfolios of the Funds. Both individuals review the portfolios and research pipeline on a recurring basis. In addition, Mr. Dilmaghani, has created a proprietary risk system in which Mr. Tsai, Mr. Shah, Mr. Zihnali and Mr. Rosenstrauss can view the portfolio and exposures on a real-time basis. Mr. Dilmaghani reviews the portfolios and also performs "stress tests" on a quarterly basis and the results are shared with Mr. Tsai, Mr. Shah, Mr. Zihnali and the Investor Committee.

Mr. Rosenstrauss, in his capacity as Chief Financial Officer, in coordination with the independent administrator, reconciles all trades. Mr. Rosenstrauss also reviews hedge fund and special investment custody reports issued by the custodian on a regular basis. Further, Mr. Rosenstrauss, in his capacity as Chief Compliance Officer, periodically reviews Chalkstream's investments to ensure consistency with applicable law and regulations.

Chalkstream provides monthly statements, periodic unaudited performance information, no less frequently than quarterly, and annual audited financial statements to investors in the Funds. All such reports are written. The Funds may agree to provide additional information to certain investors upon request.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Chalkstream may enter into written arrangements with third parties to solicit investors into Chalkstream's private investment funds. All such compensation will be fully disclosed to each investor consistent with applicable law. All such referral activities will be conducted in accordance with SEC Rule 206(4)-3 under the Advisers Act as well as relevant SEC guidance. In general, third party solicitors may receive a portion of the fees otherwise payable to Chalkstream.



## ITEM 15 – CUSTODY

Chalkstream or its affiliates are deemed to have custody by virtue of their status as the investment manager or general partner of the Funds. The qualified custodians presently utilized by Chalkstream for its Funds are as follows:

<b>Name</b>	<b>Function</b>	<b>Address</b>
Bank of New York Mellon	Custodian for Hedge Fund assets, Special Investment assets and certain cash assets	101 Barclay Street New York, NY 10286
Credit Suisse Securities (USA) LLC	Prime broker for Investment Funds and Insurance Fund	11 Madison Avenue New York, NY 10010
UBS AG	Custodian for certain commodity positions	750 Washington Blvd.6 Stamford, CT 06901
The Northern Trust Corporation	Custodian for certain cash assets	50 South La Salle Street Chicago, IL 60603
Barclays Capital	Margin counterparty & futures counterparty and custodian	745 Seventh Avenue New York, NY 10019
Morgan Stanley	Margin counterparty & futures counterparty and custodian	1585 Broadway New York, NY 10036
Interactive Brokers LLC	Custodian for certain equities and cash assets	One Pickwick Plaza Greenwich, CT 06830

To ensure compliance with Rule 206(4)-2 under the Advisers Act, all investors in the Investment Funds will be provided with audited financial statements, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 180 days, of the end of the Investment Funds' fiscal years. Additionally, the administrator for the Investment Funds sends monthly account statements to investors. Investors should carefully review the audited financial statements of the Investment Funds and monthly account statements upon receipt. Chalkstream may use additional qualified custodians in the future.

The Investment Funds have engaged a third-party administrator whose responsibilities include sending account statements to investors. Investment Fund investors do not receive custodial or prime brokerage statements from the administrator; however, the administrator reconciles the Investment Funds accounting records with the records of the prime brokers or custodians. As described under Item 13, investors receive monthly unaudited statements from the administrator.

## **ITEM 16 – INVESTMENT DISCRETION**

Chalkstream has discretionary authority to manage the investments of the Investment Funds. Chalkstream is authorized to make purchase and sale decisions for the Investment Funds. As explained in Item 4 above, individual investors in the Investment Funds do not have the ability to impose limitations on Chalkstream's discretionary authority. Chalkstream does not have discretionary authority over the portfolio of the Insurance Fund. Prospective investors are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum, along with all other relevant offering documents, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective investors must also execute a subscription agreement, which constitutes a legal, valid and binding obligation of the investor, enforceable in accordance with its terms, and a limited partnership agreement.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Chalkstream understands and appreciates the importance of proxy voting and ensuring that its proxy voting procedures are clearly described to investors. To the extent that Chalkstream has discretion to vote the proxies of the Funds it manages, Chalkstream will vote any such proxies in the best interests of the Funds and investors. Prior to voting any proxies, Chalkstream's Chief Compliance Officer will identify any potential conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Compliance Officer will then decide (which may be in consultation with outside legal counsel or third party compliance consultants) as to whether the conflict is material or not. If no material conflict is identified, Andrew Tsai or a designated person will make a decision on how to vote the proxy in question. Chalkstream has retained a custodian to assist it with the receipt, processing and record-keeping of any proxies received on behalf of the Funds. Additionally, Chalkstream may retain an independent third party to vote proxies in certain situations (including situations where a material conflict of interest is identified).

Please let us know if you have any questions about, or would like to be provided with a copy of, our proxy voting procedures. Also, please let us know if you would like detailed information about how any proxies were actually voted by calling the Chief Compliance Officer, Ron Rosenstrauss, at (212) 707-6100.

## **ITEM 18 – FINANCIAL INFORMATION**

Chalkstream does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Chalkstream has never been the subject of a bankruptcy petition and is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.