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This brochure provides information about the qualifications and business practices of Chesapeake Asset Management, LLC ("Chesapeake"), an investment adviser registered with the Securities and Exchange Commission (the "SEC"). If you have any questions about the contents of this brochure, please contact us at (212) 218 4040 or e-mail: mgibson@chesman.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Additional information about Chesapeake Asset Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

There are no material changes since the last annual update of Chesapeake's Form ADV 2A, dated March 2013, which was prepared at the end of Chesapeake's 2012 fiscal year.

If you would like to receive a copy of the Brochure, without charge, please contact Maureen McNellis Gibson, Deputy Chief Compliance Officer, 212 218 4040 or mgibson@chesman.com. Chesapeake's Brochure is also available on the SEC's website at www.adviserinfo.sec.gov.

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ITEM 4- ADVISORY BUSINESS

Chesapeake Asset Management, LLC ("Chesapeake") is an investment advisory firm based in New York City. The firm was co-founded on March 1, 1998 by Jonathan L. Smith and Sherrill L. Blalock, and has been registered as an investment adviser with the SEC since 1998. Mr. Smith and Ms. Blalock are the principal owners and Managing Members.

The firm is involved in two related investment supervisory services.

Discretionary Services

From inception, the firm offered an individualized discretionary investment advisory business that manages the assets of primarily high net worth individuals, related retirement accounts, families and family partnerships, corporations, and foundations. These investments are focused on traditional public markets. There are no model portfolios; all clients' accounts are separately managed in accordance with individual objectives; clients may impose restrictions on investing in certain securities or types of securities, if so desired.

Concinnity Partners

Chesapeake acts as the general partner of Concinnity Partners, L.P., ("Concinnity Partners") a private limited partnership investing in publicly owned securities.

Non-Discretionary Services

Chesapeake provides non-discretionary, monitoring or consulting advice with respect to assets of the client that are under Chesapeake's supervision but are not part of actively managed accounts.

Since 2003, Chesapeake has managed assets in a non-discretionary investment advisory business. This business service was initially offered to wealthy individual clients and, over time, has expanded to include non-profit organizations particularly endowments and foundations. Chesapeake offers advice and makes recommendations regarding pooled investment vehicles, including private equity limited partnerships, hedged investments and other investment vehicles investing in private placements, venture capital funds, emerging markets' equity and debt instruments, distressed securities and financial instruments, real estate, and minerals. Similar to our discretionary business, these portfolios are invested based on the specific needs, investment objectives and tolerance for risk of each client. As is the case with Chesapeake's discretionary accounts, there are no model portfolios for non-discretionary accounts; all clients' accounts are separately managed, and clients may impose restrictions on investing in certain securities or types of securities, if so desired.

ASSETS UNDER MANAGEMENT

As of December 31, 2013, Chesapeake's regulatory assets under management were:

	Value
Discretionary	\$237,018,548
Non-discretionary	\$652,970,799
TOTAL	\$889,989,347

ITEM 5 • FEES AND COMPENSATION***Discretionary Services***

Chesapeake provides individualized discretionary investment management on a fee basis that is based on a percentage of the market value of the assets under supervision. Generally, Chesapeake's compensation in discretionary accounts is based on an annual rate of one percent (1%) of the market value of the first five million dollars (\$5,000,000), or fraction thereof, of the assets under supervision, plus a declining percentage of the market value of the remaining assets. While Chesapeake generally declines to manage accounts under two million dollars (\$2,000,000), there are exceptions and Chesapeake's compensation on the exceptions is based on an annual rate of one percent (1.00%) of the assets under supervision. These fees may differ with respect to certain types of accounts. In addition, certain long term clients of Chesapeake may have different fee schedules than those described in this item. Chesapeake's contracts with its clients may establish a minimum fee based on the size of the account. Chesapeake will negotiate fees on larger accounts, generally accounts with assets in excess of fifteen million dollars (\$15,000,000). Chesapeake may elect to waive its fees for small accounts or under special circumstances; some family member accounts may have fees waived.

The fee is generally payable quarterly, in advance, based upon the asset value at the end of the most recent prior quarter for which a valuation has been provided. All clients receive an invoice; clients may choose to have fees deducted from their custodial account or may pay fees directly.

An investment management contract for discretionary services may be terminated by either party at any time without penalty upon written notice. Upon termination of a

discretionary account any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

The specific manner in which fees are charged by Chesapeake is established in a client's written agreement with Chesapeake.

Investments in Investment Companies and ETFs

From time to time, Chesapeake may recommend and/or invest discretionary client assets in registered open-end or closed-end investment companies, including exchange traded funds (ETFs), money market funds or private investment funds (collectively, "funds"). All fees paid to Chesapeake for investment advisory or consulting services are separate and distinct from any fund fees which may include performance fees for some private investment funds, and expenses charged by mutual funds to their shareholders or investors. These fund fees and expenses are described in each fund's prospectus or offering documents.

Concinnity Partners, L.P.

Chesapeake manages Concinnity Partners for a quarterly management fee of 0.25% of the total of all partners' capital accounts at the beginning of each quarter (1.00% annual rate). To the extent that a Chesapeake client is invested in Concinnity it will not be charged Chesapeake's quarterly management fee on the amount invested in Concinnity Partners as these amounts will be included in Concinnity's assets for the purpose of the quarterly management fee paid to Chesapeake.

Non-Discretionary Services

As in the case of fees for our discretionary accounts, non-discretionary account fees may differ with respect to certain types of accounts. Where Chesapeake provides non-discretionary, monitoring or consulting advice with respect to assets of the clients that are under Chesapeake's supervision but are not part of actively managed accounts, Chesapeake may receive additional or separate fees for providing such investment management, monitoring or consulting services, equal to a fixed amount per year. Annual fees based on the value of the client's assets subject to the non-discretionary arrangement are as follows: Non-discretionary assets which in aggregate are less than \$25.0 million, 0.50%; Non-discretionary assets greater than \$25.0 million but less than \$100.0 million, 0.40%; Non-discretionary assets greater than \$100.0 million, 0.30%. Assets may be subject to a minimum annual fee of \$4,000 that may be waived. In addition, certain long term clients of Chesapeake may have different fee schedules than those described in this item. The fee is generally payable quarterly in advance based, in the case of non-discretionary investment management services, on the value of the assets at the end of the prior quarter for which a valuation has been provided.

Non-discretionary agreements may be terminated by either party at any time without penalty upon written notice. Upon termination of a non-discretionary account, any prepaid unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Non-discretionary investment management agreements for supervised assets that are not part of actively managed accounts may be terminated by either party at the end of any month without penalty upon receipt of not less than thirty (30) days prior written notice, any prepaid unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Consulting and non-discretionary investment management services agreements may be terminated by either party at the end of any month without penalty upon receipt of not less than thirty (30) days prior written notice, any prepaid unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Additional Fees and Charges

In addition to paying investment management fees, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including investment advisory and other fees charged by investment advisers or funds in which the client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts.

Client assets may be invested in pooled investment vehicles that are not managed by Chesapeake. In these cases, clients will bear their pro rata share of the underlying fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses.

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

Not Applicable to Chesapeake Asset Management, LLC

ITEM 7 • TYPES OF CLIENTS

Chesapeake's clients consist of individuals, families and family partnerships, trusts, estates, pension and profit sharing plans, retirement accounts, charitable organizations, corporations and other business entities, and a pooled investment vehicle.

Chesapeake does not have any minimum dollar requirements for opening or maintaining an account. Although we generally decline to manage accounts under two million dollars (\$2,000,000.00), there are exceptions.

With respect to Concinnity Partners any initial and additional subscription minimums are disclosed in Concinnity's offering memorandum.

ITEM 8- METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Method of Analysis, Investment Strategies

Discretionary Services

Chesapeake's focus in our discretionary segment is exclusively publicly-traded securities; cash, bonds and common and preferred stocks. We use both fundamental and technical (charting) analysis. Our sources of information when performing fundamental analysis include research materials prepared by others with regard to company and sector research, investment strategy, economic analysis and relative and absolute valuation analysis. We also utilize as sources for our thinking financial newspapers and magazines, company press releases, annual reports, prospectuses, and company filings with the Securities and Exchange Commission, and corporate ratings services.

The investment objectives of our discretionary clients range from aggressive growth to capital preservation. The nature of investment management for individual clients entails recognition of the diversity of each client's needs, investment objectives and constraints, and tolerance for risk. Every client has a distinct series of desired outcomes from an investment relationship and we work with clients to achieve their objectives. Each client articulates a sense of risk/reward and near/long term requirements. That expression can be distilled into an asset allocation for a "normal market". It is that asset allocation from which we seek to measure success, with the understanding that it will vary as the market moves toward extreme valuations in one direction or the other. For taxable accounts we incorporate tax considerations into long-term objectives since they constitute an important part of ultimate returns. We tailor portfolios exclusively for each client. There are no model portfolios. Fixed income investments include municipal bonds, treasuries, or in some cases corporate debt, depending on income and tax requirements. In terms of equities, we generally use the S&P 500 as a benchmark, and our clients' portfolios generally have a minimum of 20 holdings.

The core of Chesapeake's investment philosophy is the identification of what we believe to be undervalued securities through fundamental analysis. The firm looks for companies whose businesses are understandable, with competent managements, who are focused, and are shareholder oriented. Strong balance sheets are preferred, as are

companies with high returns on capital. Investments are made in both large cap and small cap companies, both domestic and foreign. We pay considerable attention to cash flow, which we feel is one of the best measures of profitability. The result of the search for undervalued securities is that stocks are generally bought when they are neglected and out of favor. Meaningful positions are taken and held with patience. To avoid significant losses, mistakes are quickly admitted, and if the fundamental reasons for purchase are no longer present, holdings are sold.

We believe that because the markets are dynamic, they require the use of a combination of different investment strategies most of the time in pursuit of the client's objectives. Within the discretionary separate account business segment, our equity strategy focuses on a broad range of equity investment styles, including growth, core and value across the capitalization range from small cap through mid and large cap companies, both foreign and domestic, seeking securities that provide "growth at a reasonable price", (which means growth of earnings and/or cash flow purchased at a reasonable valuation). Most client portfolios hold a combination of long term and short term positions, as well as securities bought to take advantage of a short term opportunity (a trade), and not intended to be held longer than a few weeks.

Additionally, some clients permit us to buy securities on margin for them, as well as to execute short sales in their accounts. In a short sale, we sell a security the client does not own in anticipation that the market price of that security will decline. For those clients who permit it, we make short sales for profit; additionally, we may pursue a relative value strategy by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In addition, for those clients who permit it, we make short sales known as "shorts against the box" to offset potential declines in the account's long positions in similar securities, and to maintain flexibility in volatile markets. Chesapeake may utilize a variety of financial instruments such as futures on market indices for risk management purposes, when permitted by the client.

The methods of analysis and investment strategies are the same for Concinnity Partners as those described above for discretionary separately managed accounts.

Non-Discretionary Services

Chesapeake provides non-discretionary monitoring or consulting advice with respect to assets of the client that are under Chesapeake's supervision but are not part of actively managed accounts. For non-discretionary accounts, Chesapeake also offers advice and makes recommendations regarding pooled investment vehicles including investment limited partnerships and other investment vehicles investing in private placements, venture capital funds, emerging markets equity and debt instruments, distressed securities and financial instruments, commodities and minerals. As in the discretionary part of our business, our recommendations are tailored to the specific client's objectives, preferences and constraints. With respect to investments in these pooled vehicles, our primary focus is on the underlying investment manager in terms of

research rather than individual securities. Chesapeake's analytical process includes both quantitative and qualitative elements. Chesapeake endeavors to analyze the underlying investment manager's strategy, philosophy and decision-making process, proprietary models, research and portfolio management systems, the quality of its investment professionals, and its organizational structure.

All of the methods, strategies and investments used by Chesapeake involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

***Material Risks (Including Significant or Unusual Risks)
Relating to Investment Strategies***

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

Interest Rate Risks. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Issuer-Specific Changes. Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's values. The value of securities of smaller, less well known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

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

Relative Value Risk. In the event that the perceived mispricing underlying Chesapeake's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by Chesapeake, client accounts may incur a loss.

Short Selling Risk. From time to time, when markets are volatile, Chesapeake's investment strategy may include short selling for those clients who permit it. Short selling transactions expose our clients to risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by Chesapeake in connection with a short sale would need to be returned to the securities lender on short notice. If such request for

return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein Chesapeake might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Frequent Trading. From time to time, Chesapeake's strategy may involve frequent trading which will result in significantly higher commissions and charges to clients due to increased brokerage, which may offset client profits.

***Risks Associated With Types of Securities that are Primarily Recommended
(Including Significant or Unusual Risks)***

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

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

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates if income is reinvested, or when the securities mature and the money must be reinvested at lower interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the portfolio to the risk that the securities may fluctuate more in price, and are less liquid than higher-

rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Hard Assets. The production and marketing of hard assets may be affected by actions and changes in governments. In addition, hard assets and hard asset securities may be cyclical in nature. During periods of economic or financial instability, hard asset securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset companies may also be subject to the risks associated with extraction of natural resources as well as the risks of fire, drought, and increased regulatory and environmental costs. Further, hard asset companies may experience greater price fluctuations than those of the relevant hard asset.

Illiquid Instruments. Private Equity and Venture Capital. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and Chesapeake's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for Chesapeake to obtain market quotations based on actual trades for the purpose of valuing a client's portfolio. In addition, private equity and venture capital investments will be illiquid and clients will be required to maintain such investments for an indefinite amount of time.

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

RE/TS. REITs in which Chesapeake invests client accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in client portfolios concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates may decrease market prices for REIT equity securities. REITs are subject to the risks inherent in operating and financing a limited number of projects because they require specialized management skills, and generally have limited diversification. Further their ability to make distributions to investors generally depends on their ability to generate cash flow.

ITEM 9 - DISCIPLINARY INFORMATION

Not Applicable to Chesapeake Asset Management, LLC

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Regarding its non-discretionary asset management business, Chesapeake recommends other investment advisers for its clients' portfolios. Chesapeake does not receive compensation directly or indirectly from any of those advisers.

ITEM 11 - CODE OF CONDUCT, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Conduct

Chesapeake has adopted a Code of Conduct (the "Code") that obligates Chesapeake and its supervised persons (employees) to put the interests of Chesapeake's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of Chesapeake's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Maureen McNellis Gibson, (212) 218 4040 or e-mail: mgibson@chesman.com. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions.

Chesapeake's Code of Conduct describes its high standard of business conduct, and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees of Chesapeake must acknowledge the terms of the Code annually, or as amended.

Situations mentioned above may represent a conflict of interest. Chesapeake has established various policies and procedures to prevent individuals associated with the Firm from benefiting from inside information and/or transactions placed on behalf of advisory client accounts. It is also Chesapeake's policy that no person associated with Chesapeake shall prefer his or her own interest to that of any advisory client.

Employees of Chesapeake and members of their immediate families may purchase or sell securities for their own personal accounts which may be identical to or different than those recommended for clients' accounts provided such purchases or sales are in compliance with Chesapeake's Code of Conduct, Policy against Insider Trading, and Statement of Policy and Procedures to Detect and Prevent Insider Trading.

Chesapeake employees may also have an interest or position in securities which may be recommended to a client.

Because of the information Chesapeake receives, Chesapeake or its supervised persons are in a position to trade in a manner that could adversely affect clients; e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades. In addition to affecting Chesapeake's or its supervised persons' objectivity, these practices by Chesapeake or its employees may also harm clients by adversely affecting the price at which the clients' trades are executed. Chesapeake has adopted the following procedures in an effort to minimize such conflicts.

Chesapeake requires its supervised persons and immediate family members to preclear all transactions, other than U.S. Government Securities, currencies, money market fund investments, certificates of deposit, automatic investment plans, dividend reinvestment plans or open end mutual funds, in their personal accounts with Chesapeake's Chief Compliance Officer. The Chief Compliance Officer and Deputy Chief Compliance Officer or designated Compliance associate may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In order to minimize the conflicts stemming from situations where trading may result in an economic benefit for Chesapeake or an employee to the detriment of the client, Chesapeake has adopted the following requirements as part of its Code of Conduct:

A security may not be purchased or sold for an inside account on a day when the same security is purchased or sold for clients unless all client orders have been filled, there is no buying or selling program in progress, and the transaction for the inside account is on the same side as the client. A security held for an inside account which is still held for client accounts may not be sold from the inside account unless there are no existing unfilled client orders in the security and no buying or selling program is underway.

Additionally, all personnel are required to direct their custodians to send duplicate copies of personal brokerage and/or fund statements for themselves and family members to Chesapeake on a monthly basis, or quarterly if statements are not issued monthly. Employees must also submit a list of personal holdings on an annual basis. Trading in employee accounts is reviewed regularly by the Chief Compliance Officer and Deputy Chief Compliance Officer and compared with transactions for clients' accounts. Employee personal brokerage statements are reviewed at least quarterly by Chesapeake's Chief Compliance Officer and Deputy Chief Compliance Officer.

Client transactions in securities where adviser has a Material Financial Interest

Certain discretionary client accounts are invested in Concinnity Partners which as a general matter is invested in accordance with Chesapeake's core equity philosophy. The amount invested in Concinnity is assessed the management fee by Concinnity but

is not subject to the investment management fee at the client account level. In addition, clients invested in Concinnity are subject to their pro rata share of Concinnity's expenses, certain of which are not borne by Chesapeake's clients that access Chesapeake's core equity strategy directly.

Investing in Securities Recommended to Clients

SEE CODE OF CONDUCT ABOVE

Conflicts of Interest Created by Contemporaneous Trading

SEE PRECLEARANCE IN CODE OF CONDUCT ABOVE

ITEM 12 - BROKERAGE PRACTICES

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

Chesapeake considers a number of factors in selecting a broker-dealer to execute transactions and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer to execute transactions and determining the reasonableness of the broker-dealer's compensation:

- 1) Chesapeake need not solicit competitive bids; and
- 2) Does not have an obligation to seek the lowest available commission cost.

It is Chesapeake's policy to select brokers on the basis of the best combination of cost and execution capability. Under its "Best Execution Compliance Procedure" Chesapeake periodically, but at least annually, evaluates the execution performance of each broker-dealer executing client transactions. The monitoring of brokerage and execution services may be done on a trade-by-trade basis, as well as periodic reviews. Among other things, Chesapeake also monitors the quality of executions, level of commission rates, responsiveness, research provided and operational support.

Research and Other Soft Dollar Benefits

It is not Chesapeake's policy to negotiate execution only¹¹ commission rates; accordingly, clients may be deemed to be paying for other services provided by the broker that are included in the commission rate. Subject to Chesapeake's obligation to seek best execution, Chesapeake endeavors to select those broker-dealers which will provide the best services at the lowest commission costs available. Chesapeake may not solicit competitive bids and will utilize broker-dealers providing research and securities transaction services even though lower commissions may be charged by

broker-dealers not offering such services. Chesapeake may place brokerage with brokers who provide research services and brokerage services which may be beneficial to Chesapeake's clients.

Research Service Possibilities

Research services may include, but are not limited to, proprietary and third party research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); and advice from brokers on order execution. Brokerage services may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between Chesapeake and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. In recognition of the value of research services or other services provided by such broker, the commission paid may be higher than the commission that might have been paid to another broker for effecting the same transaction. Chesapeake periodically reviews commissions and brokerage services to ensure that they represent reasonable compensation for the brokerage services provided by such broker.

The use of client commissions to obtain research and brokerage products and services raises conflicts of interest. For example, Chesapeake will not have to pay for the products and services itself. This creates an incentive for Chesapeake to select or recommend a broker-dealer based on its interest in receiving those products and services. This may cause clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits resulting in higher transaction costs for clients.

Another conflict of interest exists in that Chesapeake may have an incentive to select or recommend a broker-dealer based on Chesapeake's interest in receiving the research or other products or services, rather than on our clients' interest in receiving the most favorable execution.

Mixed Use Services

In some instances, Chesapeake may receive research or other products or services that may be used for both research and non-research purposes. In such instances,

Chesapeake will make a good faith effort to determine the relative proportion of the research used to assist Chesapeake in carrying out its investment decision-making responsibilities and the relative proportion attributable to administrative or other non-research purposes. The proportion attributable to administrative or other non-research purposes will be paid for by Chesapeake from its own resources, and the other proportion will be paid through brokerage commissions generated by client transactions.

Potential Conflicts With Regard to Research Commissions

The benefits derived from a particular broker in return for commission business may be used in serving some or all of Chesapeake's clients. In addition, some research or other benefits may not necessarily be used by Chesapeake in servicing the clients whose commission dollars provided for the benefit or research. For example, clients receiving non-discretionary advice may benefit from research provided from commissions generated by Chesapeake's discretionary investment management clients. In addition, Pershing, LLC acts as Chesapeake's prime broker and provides recordkeeping, funds transfer, custodial and reporting services to Chesapeake's investment management clients. The commissions charged by Pershing may, accordingly, be higher than those charged by brokers that are not providing these additional services. Pershing imposes a \$5 charge for each transaction in an account custodied at Pershing that is effected with a broker other than Pershing. In addition, Pershing imposes a minimum "ticket charge" of \$12 for transactions. Accordingly, clients with small transactions which would not result in commissions equal to the minimum will be required to bear the minimum ticket charge, subject to considerations of overall client fairness.

Research Products and Services Acquired With Client Brokerage Commissions Within The Last Fiscal Year

Research products and services acquired with client brokerage commissions within the last fiscal year included proprietary and third-party research regarding investment strategy, economics, company, industry and sector analysis; discussions with fundamental and technical analysts, financial newsletters and publications; advice on portfolio strategy, software providing analysis of securities portfolios, data services including services providing market data, company financial data and economic data, and consultants' advice on portfolio strategy. Brokerage services acquired with client commissions during the last fiscal year included but were not limited to those related to the execution, clearing and settlement of securities transactions and functions incidental thereto; trading software to route orders; software that provides trade analytics and trading strategies and used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

The procedures during the last fiscal year used to direct client transactions to a particular broker-dealer in return for soft dollar benefits were consistent with the factors previously enumerated in this Item 12, that the commissions used to obtain research and broker products and services, were reasonable in relation to the value of the brokerage, research and products and services received, under our obligation to select brokers on the basis of the best combination of cost and execution capability. None of Chesapeake's relationships with broker-dealers involve contractual arrangements on the part of Chesapeake for a set amount of commissions.

Directed Brokerage

Chesapeake does not routinely recommend, request or require that a client direct Chesapeake to execute transactions through a specified broker-dealer. Certain client accounts managed by Chesapeake may instruct Chesapeake to direct brokerage commissions to particular brokers selected by the client. In such circumstances, the client is responsible for negotiating commission rates with its respective broker and therefore may pay a higher or lower commission than the lowest commission that is negotiable by Chesapeake. When placing trades, Chesapeake gives priority to aggregated orders for clients not requesting directed brokers over those who have requested directed brokerage. A client who directs Chesapeake to use a particular broker should understand that because Chesapeake will not be able to negotiate commissions, "best execution" may not be achieved on behalf of such client. Because client directed trades cannot be aggregated with non-directed trades, a client making such a designation may lose the possible advantage that non-designating clients derive from the aggregation of orders for several clients for the purchase or sale of a particular security. Chesapeake's clients who grant Chesapeake complete discretion with respect to the selection of a broker subsidize research and other services that are provided to clients who direct the use of a particular broker or whose accounts generate minimal commissions since the commission dollars generated by such clients are not available to pay for research that may be received from other brokers.

Order Aggregation

SEE ITEM NO. 16 FOR DETAILS ON ORDER AGGREGATION

ITEM 13 - REVIEW OF ACCOUNTS

Frequency and Nature of Review

The Managing Members of Chesapeake monitor and review each client's account on a ongoing basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include securities held, adherence to investment guidelines, and performance of each client account. One Managing

Member has primary responsibility for each account relationship and one Managing Member or Managing Director serves as the "back-up" manager.

Factors Prompting a Non-Periodic Review of Accounts

Additional reviews may be triggered by changes in market or economic conditions, a change in a client's financial circumstances or investment objectives, or upon a client's request.

Content and Frequency of Regular Account Reports

Chesapeake provides all discretionary clients with appraisals of their accounts on at least a quarterly basis. Account information includes portfolio holdings and values, among other information. Special reports may be sent by Chesapeake when considered timely or of special interest. Discretionary clients are also provided with monthly custodian statements with portfolio positions, values and activity.

Non-discretionary clients may receive either quarterly appraisals, as described above, or quarterly reports which include portfolio holdings and values, depending upon client preference.

Concinnity Partners' investors are provided with quarterly and semi-annual reports and audited financial statements annually pursuant to the terms described in the Concinnity offering document.

ITEM 14- CLIENT REFERRALS AND OTHER COMPENSATION

Chesapeake does not directly or indirectly compensate any third-party for client referrals or receive any compensation from any third party for making client referrals.

ITEM 15 - CUSTODY

In the case of its discretionary clients, Chesapeake sends quarterly statements directly to its clients in addition to those sent by the client's qualified custodian. Chesapeake urges clients to compare any statements they receive from the custodian with those received from Chesapeake.

ITEM 16 - INVESTMENT DISCRETION

Chesapeake provides investment advisory services on a discretionary basis to clients. See **ITEM 4. - ADVISORY BUSINESS** for a description of any limitations clients may place on Chesapeake's discretionary authority.

Prior to assuming discretion in managing a client's assets, Chesapeake enters into an investment management agreement that sets forth the scope of Chesapeake's discretion.

Unless otherwise instructed or directed by a discretionary client, Chesapeake has the authority to determine: 1) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the investment management agreement and any written investment guidelines); 2) the amount of securities to be purchased or sold for the client account; 3) broker or dealer to be used for a purchase or sale of securities for a client's account; and 4) commission rates to be paid to a broker or dealer for a client's securities transactions.

Chesapeake has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. Chesapeake reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies.

Allocation

In allocating securities among clients, it is Chesapeake's policy that all clients should be treated fairly. Because of the difference of client investment objectives and strategies, risk tolerances, tax status and other criteria, there may, however, be differences among clients in invested positions and securities held. The following factors, among others, may be taken into account by Chesapeake in allocating securities among investment advisory clients: client's investment objective and strategies; client's risk profile; client's tax status; any restrictions placed on a client's portfolio by the client or by virtue of federal or state law (such as the Employee Retirement Income Security Act of 1974, as amended); size of client account; total portfolio investment position; nature of the security to be allocated; size of available position; supply or demand for a security at a given price level; current market conditions; available cash and any other information determined to be relevant to the fair allocation of securities. In cases where only part of an order is filled, securities are allocated to accounts pro rata, subject to adjustments for rounding, odd lots and adjustments that may be made by Chesapeake for client accounts that may be considered to be underinvested or overinvested.

Aggregation

When orders to purchase or sell the same securities on identical terms are placed with the same broker by more than one account managed by Chesapeake, the client orders may be aggregated. Each client that participates in an aggregated order will participate at the average share price for all of Chesapeake's transactions effected through that broker or dealer in that security on a given business day and transaction costs will be

shared pro rata based on each client's participation in the transaction; provided, however, that minimum ticket or similar charges may be allocated to those clients participating in the aggregated transaction that have not met the transaction minimum required by the particular broker.

/IPO's and Limited Private Offerings

Chesapeake does not invest discretionary client accounts in initial public offerings or in private placements. For non-discretionary accounts, Chesapeake may recommend investments in private placements.

Trade Errors

Chesapeake has adopted trade error procedures that specify that Chesapeake will use its best efforts to avoid, detect and correct trading errors. In this regard, Chesapeake will use its best efforts to assure that (i) orders are entered correctly and (ii) trade tickets and trade allocations will be documented in writing and maintained in accordance with Chesapeake and the SEC's record retention policies. When an error is made on behalf of a client account, Chesapeake will use its best efforts to correct the error as soon as practicable. Chesapeake's trade error procedure covers all types of errors, including errors that occur when (i) an order is not allocated or executed to the correct account, (ii) a trade is allocated to the wrong account and (iii) an order is not appropriate for the client or account type. Upon discovery of an error, the Chief Compliance Officer of Chesapeake will conduct an investigation of the situation. After a complete investigation and evaluation of the circumstances surrounding an error, the Chief Compliance Officer and the portfolio manager involved will determine the appropriate resolution which may include (i) breaking the trade with the contra broker; (ii) entering into an offsetting trade in the marketplace; (iii) reallocating the trade to the originally intended account or to another client account at the price of the original trade or transferring the trade to Chesapeake's error account; or (iv) reimbursing the client for the economic loss as a result of Chesapeake's error. To the extent that a trade is allocated to Chesapeake's error account, Chesapeake will bear any loss and have the benefit of any gain relating to the trade.

Under Chesapeake's trade error procedure, as a general matter (i) "misallocation errors" (errors caused by trades allocated to the wrong account) and (ii) "execution errors" (errors occurring when an order is not executed or allocated according to portfolio manager instructions) that are discovered prior to the settlement date of the transaction will be reallocated to the originally intended account or to another client account at the price of the original trade. This will be the case even if the price on the date of reallocation is more or less favorable to the client than the original trade price.

In addition, "trade misallocations" and "execution errors" that are discovered after the settlement date may also be allocated to the originally intended account or to another client account at the price of the original trade. Any reallocation of an erroneous trade

to the originally intended account or to another client account must be in accordance with Chesapeake's trading policies and procedures and, in particular with the procedure relating to allocation of trades.

ITEM 17 -VOTING CLIENT SECURITIES

At the onset of a new client relationship, the client instructs Chesapeake as to whether or not the client desires to vote their own proxies. As a matter of policy, most of Chesapeake's clients vote their own proxies. To the extent Chesapeake has been delegated proxy voting authority on behalf of its clients, Chesapeake complies with its proxy voting policies and procedures that are designed to ensure that in cases where Chesapeake votes proxies with respect to client securities, such proxies are voted in the best interests of its clients.

In voting proxies, Chesapeake votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock. Chesapeake will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, Chesapeake will determine whether a proposal is in the best interests of its client. Chesapeake considers many things when voting proxies on behalf of its clients. Some things Chesapeake may take into account are whether the proposal was recommended by management and Chesapeake's opinion of management; whether the proposal acts to entrench existing management; and whether the proposal fairly compensates management for past and future performance.

If a material conflict of interest exists, Chesapeake will determine whether voting in accordance with the guidelines set forth in the Proxy Voting Policies and Procedures is in the best interests of the client or take some other appropriate action. Chesapeake does not make any qualitative judgment regarding the client's investments.

When Chesapeake does not have authority to vote client securities, clients will receive their proxies or other solicitations directly from their custodian. With respect to any questions about a particular solicitation, clients can contact Maureen McNellis Gibson, (212) 218 4040 or email: *mgibson @chesman.com*.

As a matter of policy, Chesapeake does not vote proxies on behalf of its non-discretionary clients. Non-discretionary clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Chesapeake may provide advice to non-discretionary clients regarding clients' voting of proxies, if so desired.

Clients may obtain a copy of Chesapeake's Proxy Voting Policies and Procedures and information about how Chesapeake voted a client's proxies by contacting Maureen McNellis Gibson, (212) 218-4040, or e-mail: *mgibson @chesman.com*.

ITEM 18- FINANCIAL INFORMATION

Not Applicable to Chesapeake Asset Management LLC