



Part 2A of Form ADV: Firm Brochure

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Charter Oak Advisors, LP (“Charter Oak”, the “Adviser”, or the “Firm”). If you have any questions about the contents of this brochure, please contact Nancy Jacobson Paley, the Firm’s Chief Compliance Officer, at (212) 404-2500 or info@charteroakadvisors.com. Additional information about Part 2A of Form ADV is available on the SEC’s website at <https://www.sec.gov/about/forms/formadv-part2.pdf>. 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.

Any reference to Charter Oak as a registered investment adviser does not imply a certain level of skill or training.

Additional information about Charter Oak is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

This Brochure is Charter Oak's initial Form ADV Part 2A, which has been submitted with our application for registration with the SEC. The Firm expects to become eligible for registration as an investment adviser with the SEC within 120 days of this initial registration filing and will submit an updated amendment pursuant to Rule 203A-2(c) prior to that 120-day period expiring. In the future, if this Brochure contains material changes from our last update, the Firm will identify and discuss those changes herein.

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ITEM 4: ADVISORY BUSINESS

Item 4.A. General Description of Advisory Firm

Charter Oak, a Delaware limited liability company, was founded in September 2022. The Firm's principal place of business is in New York, NY and the Firm is principally owned by Brad Walker and Heath Watkin.

Item 4.B. Description of Advisory Services

Charter Oaks is an investment management firm that provides advisory services on a discretionary basis to privately offered pooled investment vehicles (each, a "Fund" and collectively, the "**Funds**" or "**Clients**"). Each Fund is intended for investment by certain investors (collectively the "**Investors**", "**Limited Partners**" or "**Shareholders**" and each an "**Investor**," "**Limited Partner**" or "**Shareholder**") that meet the definition of a "qualified purchasers" under Section 2(a)(51) of the Investment Company Act of 1940 (the "**Company Act**") so as to comply with the exemptions under Section 3(c)(7) of the Company Act, as applicable to each Fund.

As of the date of this manual, Charter Oak advises one (1) master/feeder structure. The Funds include the Charter Oak Alta Master Fund LP (the "**Master Fund**"), Charter Oak Alta Fund LP (the "**Onshore Fund**"), and Charter Oak Alta Offshore Fund Ltd. (the "**Offshore Fund**" and together with the Onshore Fund, the "**Feeder Funds**"). Charter Oak Alta Fund GP LLC (the "**General Partner**") is the general partner to the Master and Onshore Funds.

Charter Oak's investment objective is to deliver superior risk-adjusted returns by investing across asset classes, primarily focusing on investments in public companies and traded financial instruments. To achieve its objective, Charter Oak will seek to identify what it believes to be superior asymmetric risk-reward opportunities. The Master Fund is an opportunistic, value-oriented, concentrated private investment fund that maintains a long-term and flexible investment mandate. Refer to *Item 8.A. Methods of Analysis and Investment Strategies* below for more details on the Firm's methods of analysis and investment strategies.

Charter Oak also serves as the Investment Manager to Charter Oak Carbon Fund I LP ("**Carbon Fund I**") and Charter Oak Carbon Fund II LP ("**Carbon Fund II**", and together with Carbon Fund I, the "**Carbon Funds**"). Additionally, Charter Oak also provides non-discretionary advisory services to one separate account (the "**Carbon Separate Account**"). For avoidance of doubt, Charter Oak's advisory services relating to the Carbon Funds and the Separate Account solely include Carbon Allowance and the derivatives of such. As these activities do not include advising on securities portfolios, the disclosure and information included herein do not relate to the Carbon Funds and Carbon Separate Account.

Item 4.C. Availability of Customized Services for Individual Clients

The Firm's investment management and advisory services to each Client are provided pursuant to the terms of their respective private placement memorandum and/or other offering documents, investment advisory agreement, limited partnership agreement, limited liability company agreement, or other governing documents (collectively, the "**Governing Documents**"). The Firm may enter into side letters with investors to the Funds to provide them with special terms related to their investment in a Fund, which are not offered to other investors in the Fund.

Item 4.D. Wrap Fee Programs

Charter Oak does not participate in a wrap fee program.

Item 4.E. *Regulatory Assets Under Management*

As this Brochure has been prepared and submitted in connection with the Firm's initial registration as a registered investment adviser with the SEC, Charter Oak does not currently advise any regulatory assets under management. The Firm expects to meet the regulatory asset of under management required threshold for a registered investment advisor with the SEC within 120 days of the date of this Brochure.

ITEM 5: FEES AND COMPENSATION

Item 5.A. *Description of Compensation Arrangements*

The Fund is currently offering, pursuant to this Memorandum, two classes of limited partnership interests to prospective investors: **"Founders Class A Interests"** and **"Class A Interests"** (collectively, the **"Interests"**).

Management Fees:

The Fund will pay to Charter Oak a fee for its services (the **"Management Fee"**) for each fiscal quarter equal to a quarter of the result of the applicable Management Fee Rate described in the chart "Key Terms and Features of Each Class of Interest", noted below, multiplied by the balance of each capital account of a Limited Partner as of the beginning of such fiscal quarter (before taking into account the estimated accrued Incentive Allocation, if any). The Fund will calculate and pay the Management Fee in advance but will amortize the Management Fee monthly over the fiscal quarter for which such Management Fee is paid.

Charter Oak may, without the consent of the Limited Partners, cause the Management Fee to be charged to and paid by the Master Fund instead of the Feeder Fund.

In the sole discretion of the Charter Oak, the Management Fee may be waived, reduced or calculated differently with respect to the capital account(s) of any Limited Partner, including any Charter Oak-Related Investor. The General Partner's Capital Account will not be debited with any Management Fee.

Incentive Fee Allocation:

The Master Fund has established a capital account for each of the Funds and the General Partner and, to track the investments, Management Fee, incentive fee allocation and expenses attributable to each Limited Partner and shareholder in the Offshore Fund, the Master Fund will establish series capital accounts (each, a **"Series Capital Account"**) within the capital accounts of the Master Fund that correspond to each Limited Partner's Capital Account and each series of shares held by Shareholders in the Offshore Fund.

Generally, at the end of each Fiscal Year, the Master Fund will reallocate from each Series Capital Account to the Master Fund capital account of the General Partner, in its capacity as general partner of the Master Fund, an amount equal to the result of the Full Incentive Allocation Rate defined below in the chart "Key Terms and Features of Each Class of Interest," multiplied by the amount of the net capital appreciation allocated to each Series Capital Account for such Fiscal Year after reduction of the Management Fee and any other applicable expenses of the Fund.

The Master Fund utilizes an incentive fee allocation calculation, commonly described as a modified high-water mark, under which, if the annual performance of a Series Capital Account falls below the Series Capital Account's high-water mark (i.e., there is a year-end balance in the Loss Recovery Account), subsequent net capital appreciation equal to two times (200%) such net capital depreciation will be subject

to an incentive allocation rate that is half of the standard incentive fee allocation rate applicable to the Series Capital Account, as further described below in the chart “Key Terms and Features of Each Class of Interest” and in the Governing Documents.

Key Terms and Features of Each Class of Interest

	Management Fee Rates *	Incentive Allocation Rates
Founders Class A Interests	(i) 1.25% when the net asset value of the Fund is less than \$1,000,000,000 (ii) 1.00% when the net asset value of the Fund equals or exceeds \$1,000,000,000 (iii) 0.75% when the net asset value of the Fund equals or exceeds \$2,000,000,000	<u>Full Incentive Allocation Rate</u> 15% when there is zero balance in the Loss Recovery Account <u>Reduced Incentive Allocation Rate</u> 7.5% when there is a balance in the Loss Recovery Account
Class A Interests	1.50%	<u>Full Incentive Allocation Rate</u> 17.5% when there is zero balance in the Loss Recovery Account <u>Reduced Incentive Allocation Rate</u> 8.75% when there is a balance in the Loss Recovery Account

The Fund may also decide to offer founders class B limited partnership interests (“**Founders Class B Interests**”) and class B limited partnership interests (“**Class B Interests**”) (collectively, the “**Benchmark Interests**”).

At which time the Benchmark Interests are offered, Class B Interests will be subject to the same Management Fee rates as Class A Interests, and Founders Class B Interests will be subject to the same Management Fee rates as Founders Class A Interests. Further, Class B Interests will be subject to an Incentive Allocation rate of 30% over a benchmark, and Founders Class B Interests will be subject to an Incentive Allocation rate of 25% over a benchmark. The other terms, rights and obligations of the Benchmark Interests will be set forth in a Supplement to the Governing Documents.

Founders Class A Interests and Founders Class B Interests are currently expected to be offered to the initial investors in the Fund until cumulative subscriptions for Interests in the Fund and for shares in the Offshore Fund reach \$250,000,000.

* The Management Fee rate for Founders Class A Interests will be based on the net asset of value of the Fund as of the first day of such fiscal quarter, inclusive of any withdrawals and pending subscriptions. For the avoidance of doubt, the Management Fee rate for Founders Class A Interests will decrease or increase based on the net asset value of the Fund.

The General Partner and Charter Oak may also offer one or more Limited Partners the opportunity to co-invest in one or more investment opportunities along with the Fund, each of which will be tracked in its own separate class of Interests (each, a “**Special Class Investment**”). The Funds will issue a series of Interests corresponding to each Special Class Investment (each such series, a “**Special Class Series**” and each Limited Partner holding such series, a “**Special Class Investor**”). The terms, rights and obligations with respect to a Special Class Series will be set forth in the partnership agreement or a supplemental partnership agreement. The terms, rights and obligations will differ from the Investor’s investment in the Funds as described above in the chart “Key Terms and Features of Each Class of Interest”. Special Class Investors should review the Governing Documents for further details regarding Special Class Investments.

Item 5.B. Manner of Fee Payment

Fees as described in Item 5.A. *Description of Compensation Arrangements* are allocated against the capital account of each Investor with all other Fund expenses.

Item 5.C. Other Fees Clients May be Charged

The Funds will each bear its own expenses and its *pro rata* share of the Master Fund’s expenses and any trading vehicle’s expenses, including the following: (i) the Management Fee; (ii) expenses related to the research, due diligence and monitoring of actual and prospective Master Fund investments and the consummation of Master Fund investments; due diligence expenses including consulting and appraisal fees; legal expenses; investment-related travel expenses; brokerage, prime brokerage and futures commission merchant fees, commissions and expenses (including fees, commissions and expenses paid or reimbursed to an External Trading Desk); clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments; expenses relating to short sales; custodial fees and expenses; bank service fees; interest expenses and fees related to financings or refinancings; fees and expenses of proxy research and voting services and expenses associated with shareholder activism; and fees and expenses of experts and investment bankers; (iii) organizational and reorganizational expenses; and (iv) operational expenses

It is recommended that all Fund Investors review the Funds’ Governing Documents for a complete list of expenses borne by the Funds. Additionally, please refer to *Item 12: Brokerage Practices* below which provides additional detail regarding brokerage and custodial relationships.

Item 5.D. Timing of Fee Payments

As described in Item 5.A. *Description of Compensation Arrangements* above, the Management Fee is charged to each Investor’s capital account, in advance, as of the first day of each calendar quarter. The Management Fee will be prorated and payable as of the subscription for any capital contribution by a Limited Partner that is effective other than as of the first day of a fiscal quarter. In the event of a withdrawal by a Limited Partner other than as of the last day of a fiscal quarter, the Investment Manager will return to the Fund (or the Master Fund) for payment to, or credit to the Capital Account of, the withdrawing Limited Partner, an amount equal to the pro rata portion of the Management Fee, based on the actual number of days remaining in such fiscal quarter. Please review the Funds’ Governing Documents for further details.

Item 5.E. Receipt of Compensation for Sales

Not applicable. Neither Charter Oak nor its supervised persons are compensated for the sale of securities or other investment products.

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

As stated in *Item 5: Fees and Compensation* above, the Funds' General Partners receive a performance allocation from the Funds. However, these fees are in Section 205(a)(1) of the U.S. Advisers Act and only a client that is a "qualified client" as defined under the Section 205-3 of the U.S. Advisers Act will be charged a performance-based fee.

Charter Oak understands that there exist certain potential conflicts of interest associated with the presence of a performance-based fee (including carried interest payments). Such a fee may create an incentive for the Firm to cause a Client to make investments that are riskier or more speculative than would be the case if there were no performance fee or where the performance fees of different Clients are set at different rates. However, Charter Oak advises each Client in accordance with its investment strategy and any allocation restrictions set forth in each Client's organizational documents or advisory agreement such that Clients or investors in the Funds are aware of the applicable investment strategy, restrictions, and risks.

ITEM 7: TYPES OF CLIENTS

Charter Oak provides discretionary investment management services to pooled investment vehicles in which interests may be offered to other private funds, high-net worth individuals, and institutions, as described in Item 4.B.

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

Item 8.A. *Methods of Analysis and Investment Strategies*

Charter Oak has a collaborative, team-oriented culture grounded in rigorous research and analysis to formulate investment ideas and develop robust investment theses. It evaluates, adjusts, and seeks to manage risk with an approach that is both qualitative and quantitative. Charter Oak follows a disciplined and repeatable investment process that aims to identify what Charter Oak believes are unique or uncommon opportunities.

Through its rigorous screening and analytical process, Charter Oak intends to invest in good companies and assets which benefit from industry tailwinds and present multiple potential catalysts to unlock value. Charter Oak seeks to identify pricing inefficiencies, which it believes can provide a margin of safety, create attractive entry points for investment and create the potential for outsized asymmetric return profiles.

While Charter Oak most frequently invests in equity, it will also invest in other parts of the capital structure and in commodities where it believes there is a more favorable risk reward profile. In credit investments, Charter Oak may find a greater margin of safety or find an attractive point of entry due to a dislocation. In commodity investments, Charter Oak seeks favorable market structures, due to regulation and other factors. Credit and commodity investments generally will be made with a view to equity-like returns at an attractive risk and reward profile.

In sourcing investments, Charter Oak delves deeply into themes, identifying companies and assets that stand to benefit from durable trends. However, investment selection is ultimately a bottom-up process, rather than a top-down goal of expressing certain themes. Charter Oak sources ideas through these themes and by screening for certain types of catalysts, in addition to other methods and sources.

Charter Oak generally seeks three types of catalysts. First, dislocations that could be company specific or market-driven. Charter Oak believes that market-driven dislocations or temporary financial missteps at good companies can provide attractive opportunities for an increase in future value. Second, special situations where a management change, corporate transaction, or legal, regulatory or other change provide a durable and meaningful opportunity for an increase in future value. Special situations can include post-bankruptcy reorganizations, mergers and acquisitions, and spin-offs, among other events. Third, transformations are instances where a company has a change occurring in one or more business units, for example, because of different growth rates, different margin profiles or industry changes, or a combination thereof.

Charter Oak may utilize several analytical techniques, including market research, fundamental analysis, deep-dive diligence on companies and their industry peers, scenario analysis, capital allocation analysis, business cycle analysis, and interest rate analysis to facilitate its investment decisions. Charter Oak believes that discussions with management teams, advisors and other knowledgeable experts are an invaluable part of the investment process. At times, when Charter Oak believes it will be value added and in the best interest of investors, the Master Fund may attempt to engage actively with the management, board of directors, advisors and/or other shareholders of the company.

Charter Oak selects investments according to many criteria, which may include estimated underlying economic value, current and projected future earnings, cash flows, quality of management, yield, future prospects of the business and industry, and the current market price of a particular opportunity. Charter Oak typically selects investments with an anticipated holding period of one to three years, although the holding period may vary based on the market environment and an ongoing assessment of the anticipated risk and reward of the investment, as well as other available investment opportunities.

In general, Charter Oak seeks opportunities for the Master Fund which it believes have a modest downside paired with a potentially very material upside. Charter Oak believes that the Master Fund's downside protection will come primarily from Charter Oak's underwriting and understanding of each investment. Charter Oak may at times decide to employ position-specific hedges in the Master Fund, which seek to minimize particular exposures or macro factors, for example, through custom baskets of securities or other financial instruments.

Item 8.B and Item 8.C. *Material Risks Involved for Charter Oak's Strategies*

An investment in the Funds is highly speculative and involves a high degree of risk, including the risk of loss of a Limited Partner's entire investment. An investment in the Funds is suitable only for sophisticated investors who fully understand and are capable of evaluating and bearing the risks of an investment in the Funds as a Limited Partner. No guarantee or representation is made that the Funds will achieve their investment objectives or that Limited Partners will receive a return of their capital. Investors in the Funds should read and review the Funds' Governing Documents before making an investment into the Funds.

Risks Relating to Private Investment Funds Generally

Legal and Regulatory Environment for Private Investment Funds and their Managers

The legal and regulatory environment worldwide for private investment funds (such as the Funds) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Master Fund to pursue its investment program and the value of investments held by the Master Fund. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Master Fund to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on the Funds and the Limited Partners' investments therein. In addition, Charter Oak may, in its sole discretion, cause the Funds to be subject to certain laws and regulations if it believes that an

investment or business activity is in the Master Fund's interest, even if such laws and regulations may have a detrimental effect on one or more Limited Partners.

Systemic Risk

Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Master Fund interacts, as well as the Master Fund, are all subject to systemic risk. A systemic failure could have material adverse consequences on the Master Fund and on the markets for the Securities in which the Master Fund seeks to invest.

Risks Relating to Management

No Operating History

Each of the Feeder Funds, the Master Fund, and the General Partner is a newly formed entity and does not have any operating history upon which prospective Limited Partners can evaluate their anticipated performance. The investment professionals of Charter Oak have been using investment strategies similar to some of the investment strategies described herein for several years. However, there can be no assurance that the Funds or Charter Oak will be successful.

Dependence on the Investment Manager

The success of the Feeder Funds is dependent upon the ability of Charter Oak to manage the Master Fund and effectively implement the Master Fund's investment program. The Funds' governing documents do not permit the Limited Partners to participate in the management and affairs of the Funds. If Charter Oak were to lose the services of either of the Principals or the Fund or any of the Other Accounts managed by Charter Oak were to incur substantial losses, Charter Oak might not be able to provide the same level of service to the Funds as it has in the past or continue operations. (See "Certain Risk Factors — Risks Relating to Management — Retention and Motivation of Employees" and "Certain Risk Factors — Risks Relating to Management — Effect of Substantial Losses or Withdrawals".) The loss of the services of Charter Oak could have a material adverse effect on the Fund and the Limited Partners' investments therein.

Dependence on Service Providers

The Fund is also dependent upon its counterparties and the businesses that are not controlled by Charter Oak that provide services to the Fund or the Master Fund (the "**Service Providers**"). Examples of Service Providers include the Administrator, a Prime Broker, Legal Counsel and the Auditors. Errors are inherent in the business and operations of any business, and although Charter Oak will adopt measures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact with counterparties and Service Providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on the Fund and the Limited Partners' investments therein.

As the Funds have no employees, the Funds are reliant on the performance of the Service Providers. Each Limited Partner's relationship in respect of its Interests is with the Fund only. Accordingly, absent a direct contractual relationship between the investor and the relevant Service Provider, no Limited Partner will have any contractual claim against any Service Provider for any reason related to its services to the Fund or the Master Fund. Instead, the proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against the Funds, as the case may be, by the relevant Service Provider is, prima facie, the Funds, as the case may be.

Banking Relationships

Charter Oak, the Funds will hold cash and, with respect to the Master Fund, other assets in accounts with one or more banks, custodians or depository or credit institutions (collectively, "**Banking Institutions**"), which may include both U.S. and non-U.S. Banking Institutions from time to time. The Master Fund may also enter into credit facilities and have other relationships with Banking Institutions as contemplated

elsewhere in this Memorandum. The distress, impairment, or failure of, or a lack of investor or customer confidence in, any of such Banking Institutions may limit the ability of each of Charter Oak, Funds to access, transfer or otherwise deal with its assets, draw upon a credit facility, or rely upon any of such other relationships, in a timely manner or at all, and may result in other market volatility and disruption, including by affecting other Banking Institutions. All of the foregoing could have a negative impact on Funds. For example, in such a scenario, Funds could be forced to delay or forgo an investment or a distribution, including in connection with a withdrawal, or generate cash to fund such investment or distribution from other sources (including by disposing of other investments or making other borrowings) in a manner that it would not have otherwise considered desirable. Furthermore, in the event of the failure of a Banking Institution, access to a depository account with that institution could be restricted and U.S. Federal Deposit Insurance Corporation (“**FDIC**”) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to Banking Institutions in other jurisdictions not subject to FDIC protection). In such a case, Charter Oak, the Fund or the Master Fund, as applicable, may not recover all or a portion of such excess uninsured amounts and could instead have an unsecured or other type of impaired claim against the Banking Institution (alongside other unsecured or impaired creditors). Charter Oak does not expect to be in a position to reliably identify in advance all potential solvency or stress concerns with respect to its, the Fund’s or the Master Fund’s banking relationships, and there can be no assurance that Charter Oak, the Fund or the Master Fund will be able to easily establish alternative relationships with and transfer assets to other Banking Institutions in the event a Banking Institution comes under stress or fails.

Retention and Motivation of Employees

The success of the Fund is dependent upon the talents and efforts of highly skilled individuals employed by Charter Oak and Charter Oak’s ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that Charter Oak’s investment professionals will continue to be associated with Charter Oak throughout the life of the Fund, and the failure to attract or retain such investment professionals could have a material adverse effect on the Fund and the Limited Partners’ investments therein. Competition in the financial services industry for qualified employees is intense and there is no guarantee that, if lost, the talents of Charter Oak’s investment professionals could be replaced.

Investment and Due Diligence Process

Before making investments, Charter Oak will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, Charter Oak may be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, Charter Oak will rely on the resources reasonably available to it, which in some circumstances, whether or not known to Charter Oak at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

Alternative Data

The Investment Manager may use alternative data in its investment process. Alternative data includes datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases. These data are sometimes referred to as “big data” or “alternative data.” The Investment Manager applies these alternative data to better anticipate micro- and macro-economic trends and otherwise to develop or improve trading or investment themes.

The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense, including technological efforts, that are expected to be borne—in whole or in part—

by the Fund. No assurance can be given that the Investment Manager will be successful in utilizing alternative data in its investment process.

Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data in this manner, and its use or misuse under current or future laws and regulations could create liability for the Investment Manager and the Master Fund in numerous jurisdictions. The Investment Manager cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any adverse inquiries or formal actions could cause reputational, financial, or other harm to the Investment Manager or to the Fund. Conversely, any future limitations on the use of alternative data could have a material adverse impact on the performance of the Fund.

Increased Regulatory Oversight

Increased regulation (whether promulgated under securities laws or any other applicable law) and regulatory oversight of and changes in law applicable to private investment funds and their managers may impose administrative burdens on Charter Oak, including responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert Charter Oak's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof). Regulatory inquiries often are confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

Effect of Substantial Losses or Withdrawals

If, due to extraordinary market conditions or other reasons, the Funds and other private investment funds managed by Charter Oak were to incur substantial losses or were subject to an unusually high level of withdrawals, the revenues of Charter Oak may decline substantially. Such losses and/or withdrawals may hamper Charter Oak's ability to (i) retain employees, (ii) provide the same level of service to the Funds as it has in the past, and (iii) continue operations.

Increasing Assets Under Management

The rates of return achieved by trading advisers or managers often diminish as the assets under their management increase. Charter Oak has not agreed to limit the amount of capital it will manage.

Risks Relating to the Structure of the Funds

Significant Fees and Expenses

The fees and expenses of the Funds may be significant. The Funds must generate sufficient income to offset such fees and expenses to avoid a decrease in the net asset value of the Funds.

Absence of Regulatory Oversight Over Funds

The Funds and the Interests are not expected to be registered under the securities laws of any country. In particular, the Funds will not be registered as an investment company under the Company Act, and, therefore, will not be required to adhere to the restrictions and requirements under the Company Act. Accordingly, the provisions of the Company Act (which, among other things, require investment companies to have a majority of disinterested directors, require securities to be held in custody by a bank or broker in accordance with rules requiring the segregation of securities, prohibit the investment companies from engaging in certain transactions with its affiliates and regulate the relationship between advisers and investment companies) are not applicable.

The Master Fund is regulated as a mutual fund under the Mutual Funds Act. However, registration under the Mutual Funds Act does not involve an examination of the merits of the Master Fund or supervision of the investment performance of the Master Fund by the Cayman Islands government or the Monetary Authority.

Liability of the Feeder Funds, the Master Fund, Separate Classes and Special Class Series

Each of Funds is a single legal entity and there is no limited recourse protection for any Class of Interests. Generally, creditors of the Feeder Funds may enforce claims against all assets of the Feeder Funds, but not against assets of the Master Fund, and creditors of the Master Fund may enforce claims against all assets of the Master Fund, but not against assets of the Feeder Funds. However, all assets of the Feeder Funds, including its interest in the Master Fund, may be available to meet all liabilities of the Feeder Funds, and all assets of the Master Fund may be available to meet all liabilities of the Master Fund, even if, in either case, the liability relates to a particular Capital Account, Series Capital Account, or Class of Interests or series of the Feeder Funds or the Master Fund, as the case may be (e.g., Special Class Investments). Thus, for example, in the event that the assets attributable to Capital Accounts participating in a Security were completely depleted by losses or liabilities, a creditor could enforce a claim against the assets of the Feeder Funds which would be borne by the other Capital Accounts and investors in Special Class Investments that did not participate in the investment or transaction. In addition, in order to facilitate investments or financing, the Feeder Funds may guarantee certain obligations of the Master Fund or one or more of its affiliates. In such circumstances all of the assets of the guarantor generally will be available to satisfy the guaranty obligation. Such arrangements may expose the Feeder Funds to an increased risk of loss.

Effect of Substantial Withdrawals

Substantial withdrawals could be triggered by a number of events, including unsatisfactory performance, events in the markets, a significant change in personnel or management of Charter Oak, removal or replacement of Charter Oak as investment manager of the Funds, legal or regulatory issues that investors perceive to have a bearing on the Funds or Charter Oak, or other events. Actions taken to meet substantial withdrawal requests from the Funds (as well as similar actions taken simultaneously by investors of the Offshore Fund and any Other Accounts) could result in prices of Securities held by the Funds decreasing and in Funds expenses increasing (e.g., transaction costs and the costs of terminating agreements). The overall value of the Funds also may decrease because the liquidation value of certain assets may be materially less than their cost or mark-to-market value. The Master Fund may be forced to sell its more liquid positions, which may cause an imbalance in the portfolio that could have a material adverse effect on the remaining Limited Partners. Substantial withdrawals could also significantly restrict the Master Fund's ability to obtain financing or transact with derivatives counterparties needed for its investment strategies, which would have a further material adverse effect on the Funds' performance. The Funds and Charter Oak generally will not disclose to Limited Partners the amount of pending withdrawals or withdrawal requests and are under no obligation to make any such disclosure.

Limited Liquidity

An investment in the Funds has limited liquidity because Limited Partners will generally have only limited rights to withdraw capital from the Funds or transfer their Interests, and the Funds has the right to suspend withdrawals, as described herein. Limited Partners must be prepared to bear the financial risks of an investment in the Funds for an indefinite period of time.

Access to Information and Effect on Withdrawals

Because of the wide range of potential investments, potentially rapid shifts in the concentration of investments among types of Securities or strategies, the inherent complexity of many of the Master Fund's investment strategies and other factors, prospective Limited Partners and Limited Partners will not have sufficient information to analyze or evaluate in detail the specific risks and potential returns of the Master Fund's investment program prospectively. Charter Oak generally will not provide detailed information about the Master Fund's portfolio or any advance notice of anticipated changes in the composition of the Master Fund's portfolio, nor will Charter Oak provide information to prospective Limited Partners as to how the Master Fund voted proxies. Furthermore, in response to questions and requests and in connection with due diligence meetings and other communications, the Funds and Charter Oak may provide additional information to certain Limited Partners and prospective Limited Partners that is not distributed to other Limited Partners and prospective Limited Partners. Such information may affect a prospective Limited Partner's decision to invest in the Funds, and Limited Partners (which may include personnel and affiliates

of Charter Oak) may be able to act on such additional information and withdraw their Interests potentially at higher values than other investors. Any such withdrawals may result in reduced liquidity for other investors and, in order to meet larger or more frequent withdrawals, the Funds may need to maintain a greater amount of cash and cash-equivalent investments than it would otherwise maintain, which may reduce the overall performance of the Funds. Each Limited Partner is responsible for asking such questions as it believes are necessary in order to make its own investment decisions, must decide for itself whether the limited information provided by Charter Oak and the Funds is sufficient for its needs and must accept the foregoing risks.

Governmental Entity Investors

Governmental entities, including pension plans maintained by governmental agencies and instrumentalities, may invest in the Funds. Such investors may be subject to laws that affect the applicability or enforcement of certain terms generally governing the Funds. For example, exculpation, indemnification, confidentiality, choice of law and choice of venue provisions may be applied differently with respect to such investors. In addition, investment in the Funds by certain governmental entities may subject the Funds and/or Charter Oak to increased regulatory burdens and public disclosures about the Funds, its investors and its activities.

In-Kind Distributions

Although the Funds does not intend to make distributions in kind, under certain circumstances a withdrawing Limited Partner may receive Securities (to the extent received by the Feeder Funds from the Master Fund) in lieu of, or in combination with, cash. Such distributions may include interests in one or more special purpose vehicles holding Securities owned by the Master Fund, or participations therein. To the extent a withdrawing Limited Partner is distributed interests in special purpose vehicles, such withdrawing Limited Partner will continue to be at risk with respect to the Funds' business. The value of the Securities distributed in kind may increase or decrease before they are sold either by the withdrawing Limited Partner, if received directly, or by Charter Oak or its affiliates, if held through a special purpose vehicle. In either case, the withdrawing Limited Partner will incur transaction costs in connection with the sale of any such Securities and, in the case of interests in a special purpose vehicle, will bear a proportionate share of the operating and other expenses borne by such vehicle. Securities distributed in kind may not be readily marketable. The risk of loss and delay in liquidating these Securities will be borne by the Limited Partner, with the result that such Limited Partner may ultimately receive less cash than it would have received on the date of withdrawal if it had been paid in cash. Furthermore, to the extent that a withdrawing Limited Partner receives interests in special purpose vehicles, such withdrawing Limited Partner will generally have no voting rights or any control over when and at what price the Securities in which such vehicles have an interest are sold.

Risks Relating to the Operations and Investment Activities of the Master Fund

Systems and Operational Risks Generally

The Master Fund depends on Charter Oak to develop and implement appropriate systems for the Master Fund's activities. The Master Fund relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain Securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Master Fund's activities. In addition, the Master Fund relies on information systems to store sensitive information about the Master Fund, Charter Oak, their affiliates and the Limited Partners. Certain of the Master Fund's and Charter Oak's activities will be dependent upon systems operated by third parties, including prime brokers, the Administrator, market counterparties and other service providers, and Charter Oak may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by Charter Oak, prime brokers, the Administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Master Fund's operations may cause the Master Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties,

regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Funds and the Limited Partners' investments therein.

Cybersecurity Risk

As part of its business, Charter Oak processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Master Fund and personally identifiable information of the Limited Partners. Similarly, service providers of Charter Oak, the Feeder Funds or the Master Fund, especially the Administrator, may process, store and transmit such information. Charter Oak has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Charter Oak may be susceptible to compromise, leading to a breach of Charter Oak's network. Charter Oak's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by Charter Oak to the Limited Partners may also be susceptible to compromise. Breach of Charter Oak's information systems may cause information relating to the transactions of the Master Fund and personally identifiable information of the Limited Partners to be lost or improperly accessed, used or disclosed.

The service providers of Charter Oak, Funds are subject to the same electronic information security threats as Charter Oak. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Master Fund and personally identifiable information of the Limited Partners may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Charter Oak's or the Funds' proprietary information may cause Charter Oak or the Master Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds and the Limited Partners' investments therein.

Valuation of Assets and Liabilities

The Master Fund's assets and liabilities are valued in accordance with the Valuation Policy. The valuation of any asset or liability involves inherent uncertainty. The value of a Security determined in accordance with the Valuation Policy may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of the Funds if the judgments of the General Partner, in its capacity as general partner of the Master Fund, regarding the appropriate valuation should prove to be incorrect.

GAAP Net Asset Value Divergence

Due to GAAP requirements, the net asset value of the Funds for purposes of GAAP-compliant financial reporting may diverge from the net asset value of the Funds for all other purposes, including for purposes of allocating gains and losses among the Limited Partners, which, as described in this Memorandum, is relevant to, among other things, determining the balance of each Capital Account, calculating the Management Fee and the Incentive Allocation, and calculating the amounts payable by the Funds in respect of a withdrawal by or distribution to a Limited Partner. Net asset value divergence may occur, for example, in connection with the amortization of the organizational and initial offering expenses of the Funds, the measuring of fair value (as a result of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820), or the recognition or unrecognition of uncertain tax positions (as a result of FASB ASC 740).

Counterparty Risk

The Master Fund expects to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Master Fund to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Master Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Master Fund's trading activities, create losses, preclude the Master Fund from engaging in certain transactions or prevent the Master Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Master Fund's business due to the Master Fund's reliance on such counterparties.

The Master Fund may effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, the Master Fund enters into a contract directly with dealer counterparties which may expose the Master Fund to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, the Master Fund may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Master Fund had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that the Master Fund post collateral.

If there is a default by a counterparty, the Master Fund under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Master Fund being less than if the Master Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Master Fund's Securities from such counterparty or the payment of claims therefor may be significantly delayed, and the Master Fund may recover substantially less than the full value of the Securities entrusted to such counterparty.

Collateral that the Master Fund posts to its counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Master Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Master Fund may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Master Fund's assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Master Fund and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Master Fund's Securities from or the payment of claims therefor by such counterparty and a loss to the Master Fund, which could be material.

Competition; Availability of Investments

Certain markets in which the Master Fund may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that Charter Oak will be able to identify or successfully pursue attractive investment opportunities in such environments.

Volatility Risk

The Master Fund's investment program may involve the purchase and sale of relatively volatile Securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such Securities and/or markets can adversely affect the value of investments held by the Master Fund.

Credit Ratings

In general, the credit rating assigned by a nationally recognized rating agency to a Security represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such Securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. The Master Fund may incur losses if it makes investments based on credit ratings that subsequently change in a way not favorable to the Master Fund's investment objective.

Co-Investments with Third Parties

The Master Fund may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Master Fund or is in a position to take (or block) action in a manner contrary to the Master Fund's 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.

Significant Positions in Securities; Regulatory Requirements

In the event the Master Fund acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Master Fund may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Master Fund and Charter Oak. Any such requirements may impose additional costs on the Master Fund and may delay the acquisition or disposition of the securities or the Master Fund's ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit the Master Fund's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a Security. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Master Fund's position limits were aggregated with an affiliate's position limits, the effect on the Master Fund and resulting restriction on its investment activities may be significant. If at any time positions managed by Charter Oak were to exceed applicable position limits, Charter Oak would be required to liquidate positions, which might include positions of the Master Fund, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Master Fund might have to forego or modify certain of its contemplated trades.

In addition, if the Master Fund, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), the Master Fund may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances the Master Fund will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

Commodity Interest Trading Limit

Charter Oak currently operates the Master Fund subject to the CFTC Rule 4.13(a)(3) de minimis exemption (the “**4.13(a)(3) Exemption**”). While the 4.13(a)(3) Exemption provides relief from certain CFTC reporting and recordkeeping requirements, it generally requires the Master Fund to, among other things, have de minimis levels of commodity interest trading. Accordingly, the Master Fund will operate with significant restrictions upon its trading of the instruments that are restricted under the 4.13(a)(3) Exemption, such as commodity futures, security futures options thereon and certain swaps. As a substitute for such instruments, the Master Fund may trade other instruments that are not restricted under the 4.13(a)(3) Exemption. As a result, the Master Fund may incur higher transaction costs or effect a less optimal hedge than it would otherwise be able to if it were not operated subject to the 4.13(a)(3) Exemption.

Litigation Risk

Some of the tactics that Charter Oak may use involve litigation. The Master Fund could be a party to lawsuits either initiated by it, or by a company in which the Master Fund invests, other shareholders of such company, or U.S. federal, state and non-U.S. governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the Master Fund.

Exposure to Material Non-Public Information

From time to time, Charter Oak may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Master Fund may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Currency Exchange Exposure

The Master Fund may invest in Securities denominated in currencies other than the U.S. dollar. The Master Fund, however, values its Securities in U.S. dollars. The Master Fund may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that Securities suitable for hedging currency or market shifts will be available at the time when the Master Fund wishes to use them, or that hedging techniques employed by the Master Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Master Fund’s positions denominated in currencies other than the U.S. dollar will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

Risks Relating to Investment Strategies

Risk of Loss

No guarantee or representation is made that the Master Fund’s investment program, including the Master Fund’s investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time.

No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred.

Capital Structure Arbitrage

The success of the Master Fund’s capital structure arbitrage strategy depends upon Charter Oak’s ability to identify and exploit the relationships between movements in different securities within an issuer’s capital structure (including, bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. There can be no assurance that Charter Oak will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which the Master Fund will seek to

invest will reduce the scope for the Master Fund's investment strategies. In the event that the perceived mispricing underlying the Master Fund's positions fail to materialize, these investment strategies could be unsuccessful or result in losses.

Convertible Arbitrage

The success of the Master Fund's convertible arbitrage strategy depends upon Charter Oak's ability to identify convertible securities that appear incorrectly valued relative to their theoretical value, purchase (or sell short) such a convertible security and sell short (or purchase) the underlying security for which the convertible security can be exchanged to exploit price differentials. There can be no assurance that Charter Oak will be able to identify convertible arbitrage opportunities or that changes in price differentials will not cause losses. Borrowing and lending against such investments involves substantial risks. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks.

Long/Short

The success of the Master Fund's long/short investment strategy depends upon Charter Oak's ability to identify and purchase Securities that are undervalued and identify and sell short Securities that are overvalued. The identification of investment opportunities in the implementation of the Master Fund's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Master Fund's positions were to fail to converge toward, or were to diverge further from values expected by Charter Oak, the Master Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Master Fund to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Charter Oak's long/short strategies may become outdated and inaccurate as market conditions change.

Short Selling

The success of the Master Fund's short selling investment strategy depends upon Charter Oak's ability to identify and sell short Securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying Security could theoretically increase without limit, thus increasing the cost to the Master Fund of buying those Securities to cover the short position. There can be no assurance that the Master Fund will be able to maintain the ability to borrow Securities sold short. In such cases, the Master Fund can be "bought in" (i.e., forced to repurchase Securities in the open market to return to the lender). There also can be no assurance that the Securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing Securities to close out a short position can itself cause the price of the Securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Master Fund may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Master Fund secures a "good borrow" of the Security sold short at the time of execution, the lending institution may recall the lent Security at any time, thereby forcing the Master Fund to purchase the Security at the then-prevailing market price, which may be higher than the price at which such Security was originally sold short by the Master Fund.

Long-Term

The success of the Master Fund's long-term investment strategy depends upon Charter Oak's ability to identify and purchase Securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, the Master Fund may forego value in the short-

term or temporary investments in order to be able to avail the Master Fund of additional and/or longer-term opportunities in the future. Consequently, the Master Fund may not capture maximum available value in the short-term, which may be disadvantageous, for example, for Limited Partners who withdraw all or a portion of their Capital Accounts before such long-term value may be realized by the Master Fund.

Merger Arbitrage

The success of the Master Fund's merger or "risk" arbitrage strategy depends upon Charter Oak's ability to identify and exploit merger activity to capture (or sell short) the spread between current market values of Securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Merger arbitrage investments often incur significant losses when anticipated merger or acquisition transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political factors; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Merger arbitrage positions also are subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. Merger arbitrage strategies also depend for success on the overall volume of merger activity, which historically has been cyclical in nature.

Proxy Contests and Unfriendly Transactions

The Master Fund may purchase securities of a company that is the subject of a proxy contest on the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the Master Fund to suffer a loss.

In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial cost and expense on the company participating in the transaction.

Relative Value and Market-Neutral

The success of the Master Fund's relative value investment strategy (including its market-neutral strategy) depends upon Charter Oak's ability to identify and exploit perceived inefficiencies in the pricing of Securities, financial products, or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that Charter Oak will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricing, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for Charter Oak to maintain a position. Even pure arbitrage positions can result in significant losses if Charter Oak is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which Charter Oak seeks to invest will reduce the scope for the Master Fund's investment strategies. In the event that the perceived mispricing underlying the Master Fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by Charter Oak, the Master Fund may incur losses. Even if the Master Fund's relative value investment strategy is successful, it may result in high portfolio turnover and, consequently, high transaction costs.

Short-Term Market Considerations

Charter Oak's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

Structured Product Arbitrage

The success of the Master Fund's structured product arbitrage strategy depends upon Charter Oak's ability to identify and exploit the inefficient pricing of portfolio risk and the implicit correlations of time to default

with respect to various categories of structured products and derivatives. In the event that the perceived mispricing underlying the Master Fund's positions were incorrect, the Master Fund could incur losses. In addition, the lack of an established, liquid secondary market for some structured products (including CDOs) may make it difficult to realize the perceived value of such Securities.

Leverage and Borrowing

Leverage for Investment Purposes

The use of leverage will allow the Master Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Master Fund's portfolio. The effect of the use of leverage by the Master Fund in a market that moves adversely to its investments could result in substantial losses to the Master Fund, which would be greater than if the Master Fund were not leveraged.

Borrowing for Cash Management Purposes

The Master Fund has the authority to borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which the Master Fund can borrow will affect the operating results of the Master Fund.

Collateral

The instruments and borrowings utilized by the Master Fund to leverage investments may be collateralized by all or a portion of the Master Fund's portfolio. Accordingly, the Master Fund may pledge its Securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the Securities pledged to brokers to secure the Master Fund's margin accounts decline in value, the Master Fund could be subject to a "margin call", pursuant to which the Master Fund must either deposit additional funds or Securities with the broker or suffer mandatory liquidation of the pledged Securities to compensate for the decline in value. The banks and dealers that provide financing to the Master Fund can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Master Fund may have similar rights. There can be no assurance that the Master Fund will be able to secure or maintain adequate financing.

Costs

Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Master Fund's portfolio.

Lending of Portfolio Securities

The Master Fund may lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Master Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Diversification and Concentration

Charter Oak may select investments that are concentrated in a limited number or types of Securities. In addition, the Master Fund's portfolio may become significantly concentrated in Securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Master Fund to

losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such Securities.

Lack of Control

The Master Fund may invest in debt instruments and equity securities of companies that it does not control, which the Master Fund may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such Securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Master Fund does not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Master Fund's interests. In addition, the Master Fund may share control over certain investments with co-investors, which may make it more difficult for the Master Fund to implement its investment approach or exit the investment when it otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the Fund and the Limited Partners' investments therein.

Hedging Transactions

The Master Fund may utilize Securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Master Fund's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Master Fund's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any Securities; (iv) enhance or preserve returns, spreads or gains on any Security in the Master Fund's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Master Fund's Securities; (vii) protect against any increase in the price of any Securities the Master Fund anticipates purchasing at a later date; or (viii) act for any other reason that Charter Oak deems appropriate. The Master Fund will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. Charter Oak may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Master Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Master Fund than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Discretion of the Investment Manager; New Strategies and Techniques

While Charter Oak will generally seek to employ the representative investment strategies and techniques discussed herein, Charter Oak (subject to the policies and control of the General Partner, in its capacity as general partner of the Master Fund) has considerable discretion in the types of Securities the Master Fund may trade and has the right to modify the investment strategies and techniques of the Master Fund without the consent of the Limited Partners. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Master Fund. In addition, any new investment strategy or technique developed by the Master Fund may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Master Fund.

Risks Relating to Methods of Analysis

Quantitative Model Risk and Risk Management Danger

There can be no assurance that the models used by Charter Oak will continue to be viable. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Master Fund. There can be no assurance that the Master Fund will achieve its investment objectives or that the models (even if completely or partially viable) will continue to further or ultimately be capable of furthering the Master Fund's investment objectives.

In addition, given that the systems can execute trades autonomously, undesired results may only be detected after the fact, perhaps after a significant number of transactions have occurred.

Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be subject to misinterpretation. In the complex environment in which Charter Oak operates, effective risk management depends upon many factors, not all of which may be properly identified, and effective assessment, analysis, process creation, control or treatment of risks could be difficult to implement. For the sake of clarity and without limitation, though losses arising from quantitative model risks could adversely affect the Master Fund's performance, such losses would likely not constitute reimbursable Trade Errors under Charter Oak's policies or the Investment Management Agreement.

At times Charter Oak may manually override or shut down the operations of a quantitative model. This would generally be done in an effort to mitigate the damage from a deteriorating or malfunctioning model or a model that is reacting negatively to unforeseen market conditions. Such an override or intervention could result in greater losses than would be the case if there had been no intervention and/or could result in the model being overridden or inactive at a time when the model would have achieved gains for the portfolio.

Obsolescence Risk

The Master Fund is unlikely to be successful unless the assumptions underlying the models are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and Charter Oak does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. Charter Oak will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. Any modification of the models or strategies will not be subject to any requirement that Limited Partners receive notice of the change or that they consent to it. There can be no assurance as to the effects (positive or negative) of any modification on the Master Fund's performance. For the sake of clarity and without limitation, though losses arising from obsolescence risks could adversely affect the Master Fund's performance, such losses would likely not constitute reimbursable Trade Errors under Charter Oak's policies or the Investment Management Agreement.

Crowding/Convergence

There is significant competition among quantitatively-focused managers and the ability of Charter Oak to deliver returns that have a low correlation with the broader global markets and other hedge funds is dependent on its ability to employ models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that Charter Oak is not able to develop sufficiently differentiated models, the Limited Partners' investment objectives may not be met, irrespective of whether the models are profitable in an absolute sense. In addition, to the extent that Charter Oak's models come to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect the Master Fund is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace. For the sake of clarity and without limitation, though losses arising from crowding/convergence risks could adversely affect the Master Fund's performance, such losses would likely not constitute reimbursable Trade Errors under Charter Oak's policies or the Investment Management Agreement.

Risk of Programming and Modeling Errors

The research and modeling process engaged in by Charter Oak is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although Charter Oak seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raise the chances that the finished model may contain an error. For the sake of clarity and without limitation, though losses arising from programming and modeling errors could adversely affect the Master Fund's performance, such losses

would likely not constitute reimbursable Trade Errors under Charter Oak's policies or the Investment Management Agreement.

Involuntary Disclosure Risk

The ability of Charter Oak to achieve its investment goals for the Master Fund is dependent in large part on its ability to develop and protect its models and proprietary research. The models and proprietary research and the Models and Data are largely protected by Charter Oak through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer Charter Oak's models, and thereby impair the relative or absolute performance of the Master Fund.

Proprietary Trading Methods

Because the trading methods employed by Charter Oak on behalf of the Master Fund are proprietary to Charter Oak, a Limited Partner will not be able to determine any details of such methods or whether they are being followed.

Technical Trading Strategies

The buy and sell signals generated by certain strategies of the Master Fund are not based on any analysis of fundamental supply and demand factors, general economic factors or anticipated world events but generally upon factors such as studies of actual daily, weekly and monthly price fluctuations, volume variations, changes in open interest and correlations and variance measures. The profitability of any technical trading strategy depends upon occurrence in the future of major price moves or trends in the instruments traded. In the past there have been periods without discernible trends and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no trends of the kind it seeks to follow. In addition, a technical trading strategy may be profitable for a period of time, after which the strategy fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their strategy on a periodic basis. Any factor that may lessen the prospect of major trends in the future (for example, as increased governmental control of, or participation in, the markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at the strategy's signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

Spread Trading

A part of Charter Oak's strategy may involve spread positions between two or more Securities positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably, thus causing a loss to the spread position. Charter Oak's strategy also may involve arbitrage among two or more Securities. This means, for example, that Charter Oak may cause the Master Fund to purchase (or sell) Securities (on a current basis) and take offsetting positions in the same or related Securities. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss to the position. Moreover, the arbitrage business is extremely competitive, and many of the major participants in the business are large investment banking firms with substantially greater financial resources, larger research staffs and more investment professionals than will be available to Charter Oak. Arbitrage activity by other larger firms may tend to narrow the spread between the price at which Charter Oak may cause the Master Fund to purchase a Security and the price Charter Oak expects that the Master Fund will receive upon consummation of a transaction.

Model and Data Risk

Charter Oak will rely heavily on quantitative and systematic models (both proprietary models developed by Charter Oak, and those supplied by third parties) and information and data supplied by third parties ("**Models**

and Data”). Models and Data can be used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of the Master Fund), to provide risk management insights, and to assist in hedging the Master Fund’s exposure.

When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Master Fund to potential risks. For example, by relying on Models and Data, Charter Oak may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful.

All models rely on correct market data inputs. Because Charter Oak’s models are usually constructed based on, or employ, historical or current market data supplied by third parties, the success of relying on Models and Data may depend heavily on the accuracy and reliability of the supplied data, which can contain errors.

For the sake of clarity and without limitation, though Model and Data risks could adversely affect the Master Fund’s performance, losses that arise as a result of the use of Models and Data likely would not constitute reimbursable Trade Errors under Charter Oak’s policies or the Investment Management Agreement.

Self-Trades

Charter Oak utilizes both traditional, fundamental analysis as well as model and program-driven algorithmic investment processes. These two investment processes are operated separately and independently; as a result, at times, trade orders that are offsetting positions may be placed for a single client at the same time, and it is possible that some of these may be filled against each other. While Charter Oak has policies and procedures intended to reduce the chances of “self-trades” occurring, it is likely that they will occur from time to time. Historically, regulators and self-regulatory organizations have typically held that self-trades are presumptively manipulative and, while Charter Oak would attempt to demonstrate that any self-trades involving the Master Fund are inadvertent and not manipulative, there is a risk that an exchange or another regulator would commence an action against Charter Oak.

Correlation Risk

The Master Fund may be exposed to correlated risks. These occur when funds and other investors hold similar positions and employ similar strategies, resulting in intensified risks leading to potential cascading loss in times of market stress.

Quantitative traders can be particularly susceptible to this type of correlation risk as a result of convergence in their automated trading algorithms and positions held. The high leverage and hedging techniques that many arbitrage-driven quantitative hedge fund managers use can further magnify the effects of correlation risk.

Fundamental Analysis

Certain trading decisions made by Charter Oak may be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to the Master Fund’s trading strategies, the Master Fund may not be able to realize its investment goals. In addition, fundamental market information is subject to interpretation. To the extent that Charter Oak misinterprets the meaning of certain data, the Master Fund may incur losses.

Trend Following

Certain trading decisions made by Charter Oak may be based on trend following. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or

strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many managers' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated.

Risks Relating to Market Conditions Generally

General Economic and Market Conditions

The success of the Master Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Master Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Master Fund's investments. Volatility or illiquidity could impair the Master Fund's profitability or result in losses. The Master Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Governmental Interventions

Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Master Fund's strategies.

Potential Interest Rate Increases

Uncertainty of the U.S. and global economy, and sensitivity of interest rates to changes in U.S. government and other nations' monetary and fiscal policies, including changes in the federal funds rate, create a risk that interest rates will be volatile in the future. Interest rate volatility is difficult to predict, and may cause the value of any assets sensitive to interest rates, including fixed income instruments, held by the Master Fund to decrease, which may result in substantial withdrawals from the Fund that, in turn, force the Master Fund to liquidate such instruments at disadvantageous prices negatively impacting the performance of the Master Fund.

Discontinuation of LIBOR

The London Interbank Offered Rate ("**LIBOR**") for U.S. Dollars, which is commonly used as a reference rate within various financial contracts (any such rate, a "**Reference Rate**"), ceased publication after June 30, 2023 (the one-week and two-month tenors of U.S. Dollar LIBOR ceased to be published after December 31, 2021). The Alternative Reference Rates Committee (the "**ARRC**") convened by the Board of Governors of the Federal Reserve System ("**FRB**") recommended certain SOFR term rates as the replacement (in commercial loan agreements) for U.S. Dollar LIBOR. The ARRC's recommendations are consistent with replacements proposed under the Adjustable Interest Rate (LIBOR) Act (the "**LIBOR Act**"), which became effective in March, 2022, and the final rule implementing the LIBOR Act adopted by the FRB, which became effective in February, 2023. The FRB also recommended certain SOFR-based replacements for derivative transactions. The Secured Overnight Financing Rate ("**SOFR**") is a secured, risk-free rate, where LIBOR was an unsecured rate reflecting counterparty risk, and certain of the recommended replacement rates proposed by the ARRC and under the LIBOR Act included a credit spread adjustment to address this difference. However, in new issue transactions (i.e., transactions not transitioning from London

interbank offered rates) a market practice developed to absorb the credit spread adjustment as part of the pricing spread over the applicable benchmark rate, as opposed to indicating a credit spread adjustment as a separate item (for example, as an adjustment to a SOFR-based benchmark rate) within the applicable benchmark rate. Investors should expect that the Master Fund will be a party to SOFR-based contracts, or contracts utilizing different Reference Rates. Considered in their entirety, the impacts of the discontinuation of U.S. Dollar LIBOR on financial markets generally and on the specific financial contracts to which the Master Fund is a party may adversely affect the performance of the Master Fund.

MiFID II

The package of European Union market infrastructure reforms known as “**MiFID II**” increased regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments over time, as some of the sources of liquidity exit European markets and may result in significant increases in transaction costs.

Other regulatory changes, such as an increase in the scope of commodities and commodity derivatives regulation, including position limits and regulatory position management powers could, over time, similarly lead to liquidity reduction and/or an increase in costs and spreads in the European commodities markets.

Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on the ability of Charter Oak to execute the investment program.

Sanctions

The Master Fund’s operations are or may become subject to economic sanctions laws and regulations of various jurisdictions. At any given time, whether under applicable law, by contractual commitment or as a voluntary risk management measure, the Master Fund may be required, or elect, to comply with various sanctions programs, including the Specially Designated Nationals and Blocked Persons List and Sectoral Sanctions programs administered by OFAC, the sanctions regimes administered by subsidiary organs of the United Nations Security Council, the Sanctions Orders of the Cayman Islands (including as extended to the Cayman Islands by Order of the government of the United Kingdom from time to time), and the Restrictive Measures adopted by the European Union. Some sanctions that may apply to the Master Fund prohibit or restrict dealings with particular identified persons. Other potentially applicable sanctions programs broadly prohibit or restrict dealings in certain countries or territories or with individuals and entities located in such countries or territories. In addition to such current sanctions, additional sanctions may be imposed in the future. Such sanctions may be imposed with little or no advance warning or “safe harbor” for compliance and may be ambiguous, including as to the scope of financial activities that regulators may ultimately deem to be covered by the sanctions.

Depending on the scope and duration of a particular sanctions program, compliance by the Master Fund may result in a material adverse effect on the Funds and the Limited Partners’ investments therein. Charter Oak and the Master Fund may be subject to heightened or targeted regulatory scrutiny and information requests as a result of such sanctions. In addition, if Charter Oak or the Master Fund were to violate or be deemed in violation of any such sanction, it could face significant legal and monetary penalties. Sanctions may negatively impact the Master Fund’s ability to effectively implement its investment strategy and have a material adverse impact on the Master Fund’s investments in various ways, including by preventing or inhibiting the Master Fund from making certain investments, forcing the Master Fund to divest from investments previously made, and leading to substantial reductions in the revenues, profits and value of the Master Fund’s investments. Finally, sanctions may have broader economic implications, such as

influencing the price of certain commodities, which may have adverse effects on inflation and the value of the U.S. dollar, which may adversely affect investment objectives and strategies of the Master Fund.

Assumption of Catastrophe Risks

The Master Fund may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters (which may be caused, or enhanced in frequency and severity, by climate change factors); war, terrorism and other armed conflicts; social or political unrest; cyberterrorism; major or prolonged power outages or network interruptions; and public health crises, including infectious disease outbreaks, epidemics and pandemics. To the extent that any such event occurs and has a material effect on global financial markets or specific markets or issuers in which the Master Fund invests (or has a material negative impact on the operations of Charter Oak or the Service Providers), the risks of loss can be substantial and could have a material adverse effect on the Funds and the Limited Partners' investments therein. Furthermore, any such event may also adversely impact one or more individual Limited Partners' financial condition, which could result in substantial withdrawal requests by such Limited Partners as a result of their individual liquidity situations and irrespective of Funds performance.

Risks Relating to Specific Sectors and Types of Companies

Micro-, Small- and Medium-Capitalization Companies

Investments in securities of micro- and small-capitalization companies involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be illiquid.

Risks Relating to Specific Investments

American Depositary Receipts and Global Depositary Receipts

American Depositary Receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by non-U.S. issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts ("GDRs") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on non-U.S. stock exchanges or non-U.S. over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale of disposition proceeds, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

Carbon Allowances

The Master Fund invests in both physical and derivative exposures to carbon allowances. Carbon allowances are generally issued by state actors under emissions cap-and-trade regulatory programs. Each

carbon “allowance”, or an emission permit, allows its holder to emit roughly one tonne (1,000 kg) of pollutant, such as carbon dioxide. In a cap-and-trade mechanism, the supply of greenhouse gas allowances is purposefully limited, and the allowances can be purchased, sold or traded.

The value of carbon allowances is derived from the restriction on the number of such allowances issued by a state, region or country. While issuers of carbon allowances seek to establish declining limits on sources of greenhouse gases by creating fewer allowances over time and increasing the annual auction reserve (or floor) price, cap-and-trade programs can, and often do, oversupply the market, frustrating the goals of such programs and reducing the value of their allowances.

Other risks to carbon allowances include the possibility of decreasing scientific or political support for emissions restriction programs. Advancements in alternative energy and green technologies can also decrease the need for cap-and-trade programs, resulting in loss of value for the investments held by the Master Fund.

Carbon Offsets

Carbon offsets are generally issued by non-profit registries that control the protocols that govern how parties receive credit for carbon dioxide or other greenhouse gas emissions reductions (marked against permissible emissions volume) in the form of a carbon offset. Each carbon offset is issued as a credit for a reduction of approximately one ton of carbon dioxide equivalent emissions. Four registries (American Carbon Registry, Climate Action Reserve, Gold Standard, and Verra) issued a substantial proportion of outstanding credits arising from approximately 150 protocols. These protocols incentivize the creation of carbon offset credits in numerous sectors including forestry, renewables, waste management, industrial manufacturing, chemical processes and carbon capture and storage.

The value of carbon offsets is derived from their ability to be purchased by, or transferred to, a party that emits carbon dioxide or another form of greenhouse gas (whether such emitter is a corporation, household or individual). For example, a corporation that wishes to compensate for one ton of its carbon dioxide emissions may choose to purchase, then retire, a carbon offset credit, thereby excluding its use by any other source. Such retirement allows such corporation’s emissions toll to be offset to zero (one ton of emissions minus one ton of carbon offset credit, which represents a reduction of one ton of emissions). The unprecedented rise in corporate climate targets is the primary driver for increased demand of carbon offsets observed in the late 2010’s and early 2020’s.

Risks to carbon offset demand relate to corporate climate targets if these targets were to lessen in their ambition, decrease in their number, or rely less on the current carbon offset system. Other risks to carbon offsets generally relate to the notion of quality, which assess the likelihood that a specific credit’s claim to reduce one ton of carbon dioxide emissions is true. Current carbon offsets have a range of perceived quality, with some being viewed as high quality (i.e., reducing more than one ton of emissions per credit issued) and others being viewed as low quality (e.g., reducing less than one ton of emissions per credit issued).

Bankruptcy Claims

The Master Fund’s investments include debt and equity of financially distressed companies. In the event that the issuer files for bankruptcy protection, the Master Fund will likely be unable to sell its claims without realizing a significant loss and may be unable to recover current interest on such claims during the course of the bankruptcy case. The markets in U.S. bankruptcy claims are generally not regulated by U.S. federal securities laws or the SEC. To the extent debt investment is unsecured (i.e., has no collateral securing repayment), such claims may have a lower priority than secured claims (which have first recourse to the collateral securing such claim). In addition, the debt of an issuer in bankruptcy may be adversely affected by an erosion of the issuer’s business and overall value. Accordingly, there can be no guarantee that a debtor will be able to satisfy all of its liabilities or that the Master Fund will be able to recover the entire amount of its bankruptcy claim.

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to appear and be heard, there can be no assurance that

a bankruptcy court would not approve actions that may be contrary to the interests of the Master Fund (in its role as a creditor). Furthermore, there are instances where creditors lose their priority under Title 11 of the United States Code (the “**Bankruptcy Code**”) (i.e., are equitably subordinated) if, for example, they have engaged in misconduct that harms other creditors. In those cases where the Master Fund is found to have engaged in such misconduct, the Master Fund may lose its priority.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, the approval of the plan by creditors and confirmation of the plan by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Master Fund; it is subject to unpredictable and lengthy delays; and during the process the company’s competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the issuer may not be able to reorganize and may be required to sell its assets either as a going concern or as part of a liquidation. As a result, even in those circumstances where the Master Fund may recover the entire amount of its bankruptcy claim, the Master Fund may be adversely impacted by any costs incurred by the Master Fund in representing its interests in a debtor’s bankruptcy case.

U.S. bankruptcy law permits the classification of “substantially similar” claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Master Fund’s influence with respect to a class of securities can be lost by virtue of the size of its claim relative to the claims of the entire class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for certain taxes) may impair the recovery of an investment in a bankruptcy claim.

The Master Fund intends to invest some of its assets in Securities of issuers domiciled, or assets located, globally. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

Charter Oak, on behalf of the Master Fund, may elect to serve on creditors’ committees, equityholders’ committees or other groups to ensure preservation or enhancement of the Master Fund’s positions as a creditor or equityholder. A member of any such committee or group may owe a fiduciary duty and be subject to certain obligations to all members the committee represents and/or to other similarly situated parties. Charter Oak may resign from that committee or group for any reason, including, for example, if Charter Oak concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Master Fund. In such case, the Master Fund may not realize the benefits, if any, of participation on the committee or group. In addition, if the Master Fund is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

The Master Fund may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. Additionally, the claim may be disallowed or subordinated if the bankruptcy court determines that the seller engaged in inequitable conduct that harmed other creditors.

Reorganizations can be contentious and adversarial, and it is by no means unusual for participants to use the threat of litigation and to engage in litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Master Fund.

Commodities

Factors affecting Commodities Prices

The values of commodities which underlie the commodity futures contracts and other types of financial instruments are generally affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. The Master Fund and Charter Oak have no control over the factors that affect the price of commodities. Accordingly, the value of the Master Fund's investments could change substantially and in a rapid and unpredictable manner.

Agricultural Commodities

Agricultural commodities are particularly sensitive to changes in, among other things, climate, crop and livestock health, world political events, government action (including export and import restrictions and embargoes), international and regional trade contracts, labor contracts, transportation systems and crop predictions. Significant production declines and volume decreases of agricultural commodities can occur as a result of, among other things, hurricanes, tornadoes, floods, fires and other natural disasters. In addition, agricultural commodities are subject to price volatility as a result of disruptions relating to the facilities necessary to produce, transport, store and deliver the agricultural commodity. As a result, the net assets of the Master Fund may be affected by such factors.

Precious Metals

Prices of precious metals (e.g., gold, silver, platinum and palladium) are affected by factors such as cyclical economic conditions, political events, and monetary policies of various governments and countries. In addition, certain precious metals are geographically concentrated, and events in those parts of the world in which such concentration exists may affect their values. Gold and other precious metals are also subject to governmental action for political reasons. The markets for precious metals are volatile and there may be sharp fluctuations in prices even during a period of rising prices.

Energy

Markets for energy-related commodities, including electricity, coal, natural gas, crude oil and other petroleum products, can be susceptible to substantial price fluctuations over short periods of time and are particularly affected by political events, natural disasters, exploration and development success or failure, and technological changes. In addition, significant short-term price volatility can be caused by the inability to store electricity, tariff regulation and consumer advocacy.

Storage of Physical Commodities

Commodities held in storage are subject to a risk of loss in the event of bankruptcy of the storage facility, or physical damage to the storage facility and its contents. Physical loss of stored commodities may be the result of insurable or uninsurable risks. Charter Oak may choose not to purchase insurance for insurable risks based on its assessment of the cost of the insurance compared to the risks insured. Even if the physical commodities owned by the Master Fund are insured, certain events such as terrorist attacks or extreme weather events may not be covered by such insurance.

Cash Commodities

Contracts governing the purchase and sale of specific physical commodities (known as “cash commodities”) for immediate or deferred delivery may differ from each other with respect to terms such as quantity, grade, mode of shipment, terms of payment, penalties and risk of loss. There is no limit on daily price movements of cash commodities and banks, brokerage firms, and dealers in cash commodities are not required to continue to make markets in any commodity. Lastly, the CFTC does not comprehensively regulate cash transactions, which are subject to the risk of the foregoing entities’ failure, inability or refusal to perform with respect to such contract.

Convertible Securities

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by the Master Fund is called for redemption, the Master Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Master Fund’s ability to achieve its investment objective.

Currencies

A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Master Fund are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Debt Securities

Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer’s ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Market Making by Dealers

The value of the Master Fund’s fixed-income investments will be affected by general fixed income market conditions, such as the volatility and liquidity of the fixed income market, which are affected by the ability of dealers to “make a market” in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes, such as capital requirements, and is expected to continue. As dealers’ inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed income market, which could impair the Master Fund’s profitability or result in losses.

Interest Rate Risk

Changes in interest rates can affect the value of the Master Fund’s investments in fixed-income instruments. Increases in interest rates may cause the value of the Master Fund’s debt investments to decline. The Master Fund may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Prepayment Risk

The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact the Master Fund’s portfolio in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that Charter Oak may have constructed for these investments, resulting in a loss to the Master Fund’s overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Zero-Coupon and Deferred Interest Bonds

Zero-coupon bonds and deferred interest bonds are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

High-Yield

Bonds or other fixed-income securities that are “higher yielding” (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer’s assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, the Master Fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

The Master Fund may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer’s obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject

to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically, such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt

Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, the Master Fund may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to the Master Fund in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Master Fund may experience substantial losses.

Mezzanine Debt

Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of the Master Fund to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for investment-grade instruments. In the event of the insolvency of a portfolio company of the Master Fund or similar event, the Master Fund's debt investment therein will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt

Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Non-Performing Nature of Debt

Certain debt instruments may be non-performing or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt instruments.

Troubled Origination

When financial institutions or other entities that are insolvent or in serious financial difficulty originate debt, the standards by which such instruments were originated, the recourse to the selling institution, or the standards by which such instruments are being serviced or operated may be adversely affected.

Sovereign Debt

Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued ("**Sovereign Debt**"), including securities that Charter Oak believes are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt and (iii) the inclusion of Sovereign Debt in future restructurings, including such issuer's (x) balance of trade and access to international financing, (y) cost of servicing such obligations, which may be

affected by changes in international interest rates, and (z) level of international currency reserves, which may affect the amount of non-U.S. exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Equitable Subordination

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). If the Master Fund engages in such conduct, the Master Fund may be subject to claims from creditors of an obligor that debt held by the Master Fund should be equitably subordinated.

Derivative Instruments

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which the Master Fund may participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on the Master Fund.

Regulation in the Derivatives Industry

There are many rules related to derivatives that may negatively impact the Master Fund, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of Charter Oak and the Master Fund, and increase the amount of time that Charter Oak spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Master Fund.

These rules are operationally and technologically burdensome for Charter Oak and the Master Fund. These compliance obligations require employee training and use of technology, and there are operational risks borne by the Master Fund in implementing procedures to comply with many of these additional obligations.

These regulations may also result in the Master Fund forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants ("FCMs")), as the use of other parties may be more efficient for the Master Fund from a regulatory perspective. However, this could limit the Master Fund's trading activities, create losses, preclude the Master Fund from engaging in certain transactions or prevent the Master Fund from trading at optimal rates and terms.

Many of these requirements were implemented under legislation intended to reform the U.S. financial regulatory system, the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation, or "EMIR"), and similar regulations globally. In the United States, regulatory responsibility for derivatives is divided between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over "security-based swaps" and the CFTC has regulatory authority over "swaps". EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation.

Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps, that are still in the proposal stage or are expected to be introduced in the future.

The following describes derivatives regulations that may have the most significant impact on the Master Fund:

Reporting

Most swap transactions have become subject to anonymous “real time reporting” requirements, meaning that information relating to transactions entered into by the Master Fund will become visible to the market in ways that may impair the Master Fund’s ability to enter into additional transactions at comparable prices or could enable competitors to “front run” or replicate the Master Fund’s strategies.

Central Clearing

In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives, including EMIR, are underway to require certain derivatives to be cleared through central clearinghouses. In the United States, clearing mandates affect certain interest rate and credit default swaps. The CFTC and the SEC may introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for the Master Fund in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Master Fund would be exposed under non-cleared derivatives), the Master Fund could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and, as a result, the Master Fund may not be able to hedge its risks or express an investment view as well as it would have been able to had it used customizable derivatives available in the over-the-counter markets. The Master Fund may have to split its derivatives portfolio between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

Another risk is that the Master Fund may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the Master Fund’s FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject the Master Fund to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Master Fund. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Master Fund to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Master Fund. In addition, clearinghouses may not allow the Master Fund to portfolio-margin its positions, which may increase the Master Fund’s costs.

Although standardized clearing for derivatives is intended to reduce counterparty risk (for instance, it may reduce the counterparty risk to the dealers to which the Master Fund would have been exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and the Master Fund’s FCM, subjecting the Master Fund to the risk that the assets of the FCM are insufficient to satisfy all of the FCM’s payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

Swap Execution Facilities

In addition to the central clearing requirement, certain swap transactions are required to trade on regulated electronic platforms, such as swap execution facilities (“SEFs”), which require the Master Fund to subject itself to regulation by these venues and subject the Master Fund to the jurisdiction of the CFTC. CFTC rules governing the operation of SEFs continue to evolve; the SEC has yet to finalize rules related to security-based SEFs.

The EU regulatory framework governing derivatives is set not only by EMIR but also a legislative package known as a recast of the Markets in Financial Instruments Directive (“**MiFID II**”). Among other things, MiFID II requires transactions in derivatives to be executed on regulated trading venues.

It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for the Master Fund to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of these regulations.

Margin Requirements for Non-Cleared Swaps

Rules issued by U.S., EU and other regulators globally (the “**Margin Rules**”) impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that the Master Fund will be required to post to swap counterparties may increase by a material amount, and as a result the Master Fund may not be able to deploy capital as effectively. Additionally, to the extent the Master Fund is required to segregate initial margin with a third-party custodian, additional costs will be incurred by the Master Fund.

Call and Put Options

The Master Fund may incur risks associated with the sale and purchase of call options and put options. Under a conventional cash-settled option, the purchaser of the option pays a premium in exchange for the right to receive upon exercise of the option (i) in the case of a call option, the excess, if any, of the reference price or value of the underlier (as determined pursuant to the terms of the option) above the option’s strike price or (ii) in the case of a put option, the excess, if any, of the option’s strike price above the reference price or value of the underlier (as so determined). Under a conventional physically-settled option structure, the purchaser of a call option has the right to purchase a specified quantity of the underlier at the strike price, and the purchaser of a put option has the right to sell a specified quantity of the underlier at the strike price.

A purchaser of an option may suffer a total loss of premium (plus transaction costs) if that option expires without being exercised. An option’s time value (i.e., the component of the option’s value that exceeds the in-the-money amount) tends to diminish over time. Even though an option may be in-the-money to the purchaser at various times prior to its expiration date, the purchaser’s ability to realize the value of an option depends on when and how the option may be exercised. For example, the terms of the transaction may provide for the option to be exercised automatically if it is in-the-money on the expiration date. Conversely, the terms may require timely delivery of a notice of exercise, and exercise may be subject to other conditions (such as the occurrence or non-occurrence of certain events, such as knock-in, knock-out or other barrier events) and timing requirements, including the “style” of the option.

Uncovered option writing (i.e., selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The seller of an uncovered put option

bears a risk of loss if the reference price or value of the underlier declines below the exercise price by more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

Index or Index Options

The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the Master Fund will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

Index Futures

The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Master Fund also is subject to Charter Oak's ability to correctly predict movements in the direction of the market.

Credit Default Swaps

Credit default swaps can be used to implement Charter Oak's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Master Fund may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Master Fund to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Master Fund may also buy credit default protection with respect to a referenced entity if, in Charter Oak's judgment, there is a high likelihood of credit deterioration. In such instance, the Master Fund will pay a premium regardless of whether there is a credit event.

Futures Contracts

The value of futures contracts depends upon the price of the Securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Master Fund's positions trade or of its clearing houses or counterparties. 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 particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Master Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Non-U.S. Futures Transactions

Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally “linked” to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the Master Fund may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

Forward Contracts

The Master Fund may enter into forward contracts and options thereon, including non-deliverable forwards. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts 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. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which Charter Oak would otherwise recommend, to the possible detriment of the Master Fund. In its forward trading, the Master Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Master Fund trades. Master Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. Charter Oak may order trades for the Master Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Master Fund to the risk of loss.

Contracts for Differences

Contracts for differences (“CFDs”) are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument’s value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any financial instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the posting of additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Master Fund’s obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Master Fund’s financial risk.

Failure to Enter into Offsetting Trade

To the extent the Master Fund invests in a futures contract or long option, unless an offsetting trade is made, the Master Fund would be required to take physical delivery of the commodity underlying the future or option. To the extent Charter Oak fails to enter into such offsetting trade prior to the expiration of the contract, the Master Fund may suffer a loss since neither the Master Fund nor Charter Oak has the operational capacity to accept physical delivery of commodities.

Exotic Options

Exotic options are typically, but not always, traded over-the-counter. OTC contracts may not trade in a liquid market and pricing may be opaque. The illiquidity of these markets can be exacerbated in times of market stress. The Master Fund may incur substantial costs entering into and exiting positions that could have a material impact on performance. Exotic options may be subject to a higher degree of pricing risk as demonstrated by instances in which different counterparties in the market employ different valuation and pricing methodologies to the same exotic option. Because exotic options can often be highly customised, there is lower visibility with respect to the pricing and valuation of these instruments. Exotic options may be subject to high levels of price volatility. For example, in the case of barrier options, as the price of the asset underlying the option trades closer to a barrier level, the delta of the option (i.e., the ratio of the change in the price of the underlying asset to the corresponding change in the price of the option) and the gamma of the option (i.e., the rate of change of the delta with respect to the underlying asset's price) may become very high. Exotic options may be subject to higher levels of model risk than commonly traded options because standard models are not able to adequately capture or predict the risks associated with the exotic options. Exotic options may be "path dependent". This means that their terminal value (at exercise or expiration) depends upon the value of the underlying asset, not only at the time of exercise or expiration, but also at prior points in time. In this sense, the option's terminal value depends upon the "path" taken by the underlying asset over the life of the option. For example, a barrier option's value at expiration depends upon both the value of the underlying asset at expiration and whether the past value of the underlying asset ever satisfied a barrier condition. In contrast, a vanilla option (e.g., a call option) is not path dependent. Its value at exercise or expiration depends on the value of the underlying asset only at that point in time. The additional features incorporated by exotic options require additional judgments regarding the likelihood of certain conditions being satisfied, any one of which can result in loss if made incorrectly. An OTC option may be closed out only with the counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

Distressed Obligations

The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Master Fund's investments in any Security. Obligations in which the Master Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the value of the assets collateralizing the Master Fund's investments will be sufficient or that prospects for a successful reorganization or similar

action will become available. In any reorganization or liquidation proceeding relating to a company in which the Master Fund invests, the Master Fund may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Master Fund's investments may not compensate the Limited Partners adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new Security the value of which will be less than the purchase price to the Master Fund of the Security in respect of which such distribution was made.

Equity Securities Generally

The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Master Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from Charter Oak's expectations or if equity markets generally move in a single direction and the Master Fund has not hedged against such a general move. The Master Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Exchange-Traded Funds

Exchange-traded funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying Securities they are designed to track. ETFs are also subject to certain additional risks, including the risk that their prices may not correlate perfectly with changes in the prices of the underlying Securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Master Fund's expenses (e.g., Management Fees and operating expenses), Limited Partners may also indirectly bear similar expenses of an ETF.

Illiquid Securities

Certain Securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such Securities. Valuation of such Securities may be difficult or uncertain because there may be limited information available about the issuers of such Securities. The market prices, if any, for such Securities tend to be volatile and may not be readily ascertainable, and the Master Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid Securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of Securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Master Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Master Fund may be required to hold such Securities despite adverse price movements. Even those markets which Charter Oak expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Initial Public Offerings

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Fund's Interests.

Municipal Securities

Various factors may adversely affect the value and yield of municipal securities. These factors include political or legislative changes and uncertainties related to the tax status of municipal securities or the rights of investors in these securities. To the extent that the Master Fund invests heavily in a particular state's municipal securities, the Master Fund will be more vulnerable to factors affecting that state. The Master Fund's investments in revenue securities, where principal and interest payments are made from the revenue of a specific project or facility, and not general tax revenues, may have increased risks. Factors affecting the project or facility, such as local business or economic conditions, could have a significant impact on the project's ability to make payments of principal and interest on these securities.

PIPE Transactions

Private investments in public companies whose stocks are quoted on stock exchanges or which trade in the over-the-counter securities market, a type of investment commonly referred to as a "**PIPE**" transaction, may be entered into with smaller capitalization public companies, which will entail business and financial risks comparable to those of investments in the publicly-issued securities of smaller capitalization companies, which may be less likely to be able to weather business or cyclical downturns than larger companies and are more likely to be substantially hurt by the loss of a few key personnel. In addition, PIPE transactions will generally result in the Master Fund acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an investment may be illiquid. The Master Fund's ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration. Alternatively, it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the Securities Act, or otherwise under the U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Master Fund is able to have securities acquired in a PIPE transaction registered or sell such securities through an exempt transaction, the Master Fund may not be able to sell all the securities on short notice, and the sale of the securities could lower the market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Master Fund's investments.

Preferred Stock

Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Private Equity Investments - Risk of Early Stage Companies

Investments in the private equity of companies at an early stage of development involve a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

Control Issues

Although Charter Oak may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Master Fund takes minority positions in companies in which it invests, Charter Oak may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect its position in such companies.

Highly Leveraged Companies

Investments in private equity of highly leveraged companies involve a high degree of risk. The use of leverage may increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any such company cannot generate adequate cash flow to meet debt service, the Master Fund may suffer a partial or total loss of capital invested in the company, which, depending on the size of the Master Fund's investments, could adversely affect the return on the capital of the Master Fund.

Repurchase and Reverse Repurchase Agreements

In a reverse repurchase transaction, the Master Fund "buys" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Master Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Master Fund involves certain risks. For example, if the seller of securities to the Master Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Master Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Master Fund's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Master Fund may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Master Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Restricted Securities

Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by the Master Fund. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

Structured Notes

Structured notes, variable rate mortgage-backed and asset-backed securities each have rates of interest that vary based on a designated floating rate formula or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market's perception of anticipated changes in those rates or indices. The movements in specific indices or interest rates may be difficult or impossible to hedge.

Undervalued Securities

The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed.

Unlisted Securities

Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Risks Relating to Non-U.S. Investments and Non-U.S. Jurisdictions

Non-U.S. Exchanges

The Master Fund may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. Securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

Non-U.S. Investments

Investing in the Securities of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in Securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Master Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Master Fund may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Master Fund's rights in such markets. For example, Securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Master Fund under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Dependence on Developing Countries

The level of commodity prices can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made many developing countries, particularly China, disproportionately large users of commodities and has increased the extent to which commodity prices are dependent on the markets of those developing countries. Political, economic and other developments that affect these developing countries may affect the level of certain commodities and, thus, the value of the Master Fund's investments. Because certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers, political, economic and supply-related events in those countries could have a disproportionate impact on the prices of commodity futures contracts and other types of financial instruments in which the Master Fund will invest. Events affecting the prices of commodities tend to affect prices worldwide, regardless of the location of the event.

ITEM 9: DISCIPLINARY INFORMATION

Charter Oak and its supervised persons have no reportable disciplinary events to disclose.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Item 10.A. *Broker-Dealer Activities*

Charter Oak is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

Item 10.B. *Commodity or Futures Industry Affiliations*

Neither Charter Oak nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities with the Commodity Futures Trading Commission. However, the Funds are exempt pursuant to CFTC Regulation 4.13(a)3 and as a result, Charter Oak and the General Partner is deemed to be an exempt Commodity Pool Operator with the CFTC.

Item 10.C. *Affiliate Relationships*

Charter Oak Alta Fund GP LLC, a Delaware limited liability company, serves as the general partner to the Master and Onshore Fund.

As described in *Item 4.B. Description of Advisory Services* above, Charter Oak also serves as the Investment Manager to Carbon Fund I and Carbon Fund II. Charter Oak Carbon Fund I GP LLC is the general partner to Carbon Fund I. Charter Oak Carbon Fund II GP LLC is the general partner to Carbon Fund II. The Carbon Funds and the Funds have aspects of their trading strategies that may overlap and thus, the Carbon Funds and Master Fund may invest in the same investments. Refer *Item 12.B. Aggregation and Allocation* below for the Firm's required policies as it relates to the fair and equitable treatment of the allocation of investments.

Item 10.D. *Investment Adviser Recommendations*

Not applicable. Charter Oak and its supervised persons do not recommend or receive compensation for the selection of other investment advisers for Fund investors.

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

Item 11.A. *Code of Ethics Generally*

In connection with its registration, Charter Oak implemented a Code of Ethics for all “Access Persons” of the Firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the standards of business conduct required of a supervised person, personal securities trading procedures, and reporting of violations of the Code of Ethics, among other things. All Access Persons will be required to acknowledge the terms of the Code of Ethics annually, or as amended. A copy of the Code of Ethics may be obtained from the Chief Compliance Officer.

Access Persons of Charter Oak will be required to follow the Code of Ethics in connection with their personal trading activities. Subject to satisfying this policy and applicable laws, Access Person of Charter Oak (i.e., the Portfolio Managers, any employees, and other subject to our supervision and control) and its affiliates may be permitted to trade for their own accounts and participate in transactions involving securities that are purchased for clients. The Code of Ethics is designed to assure that the personal transactions, activities, and interests of the employees of Charter Oak will not interfere with (i) making decisions in the best interest of the clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts. Nonetheless, because the Code of Ethics in some circumstances would permit Access Persons to invest, directly or indirectly, in the same securities as the Clients, there is a possibility that Access Persons might benefit from market activity by a Client in a security held by an access person. Access person trading will be regularly monitored under the Code of Ethics, in an effort to prevent conflicts of interest between Charter Oak and its Clients.

Item 11.B. *Participation or Interest in Client Transactions*

As a matter of policy, Charter Oak generally does not cause one client to effect transactions in which such Client purchases securities or other instruments from, or sells securities or other instruments to, another Client (i.e., cross trades) or to Charter Oak or its principals or affiliates (i.e., principal trades), or in which Charter Oak or one of its affiliates acts as broker for both the Client and the other party to the transaction (i.e., agency cross transactions).

Item 11.C. *Related Person Transactions*

Charter Oak’s policies and procedures prohibit its Access Persons and related persons from trading ahead of Clients in the same instruments that the Firm buys or sells for Client accounts. However, there may be circumstances in which Charter Oak, its Access Persons and/or related persons have holdings in the same instruments that Charter Oak buys or sells for Client accounts, and it or they may own securities, or options on securities, of issuers whose securities are subsequently bought for Client accounts because of Charter Oak’s recommendations regarding a particular security. Charter Oak’s policy as to such transactions is that neither Charter Oak nor any of its Access Persons or related persons are to benefit from price movements that may be caused by transactions for Client accounts or otherwise. Charter Oak addresses this conflict by requiring Employees to sign and adhere to the Firm’s Code of Ethics and to report personal securities holdings and transactions to Charter Oak.

Item 11.D *Trading Securities At/Around the Same Time as Clients’ Securities*

As discussed above, from time to time, Charter Oak, its Access Persons, or related persons of Charter Oak may buy or sell securities for themselves that Charter also recommends to the Client. Charter Oak will

always document any transactions that could be construed as conflicts of interest and will always transact Client business before the business of its Access Persons and/or related persons when similar securities are being bought or sold.

ITEM 12: BROKERAGE PRACTICES

Item 12.A – Factors used to Select or Recommend Broker-Dealers

Charter Oak will always have discretion as to the placement of brokerage (and accordingly, the commission rates paid). In selecting brokers to effect portfolio transactions, Charter Oak considers such factors as price, quality of execution, expertise in particular markets, the ability of the brokers to effect the transactions, the brokers' facilities, reliability, reputation, experience, financial responsibility in particular markets, familiarity both with investment practices generally and techniques employed by clients and certain brokerage or research services ("soft dollar items") provided by such brokers and clearing and settlement capabilities, subject at all times to principles of best execution, in accordance with the Firm's policies and procedures. In selecting broker/dealers to execute transactions, the Firm need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Charter Oak believes that the broker-dealers that it recommends provide competitive transaction and custody costs, helping clients to eliminate or control costs and optimize the custodial structure to the benefit of account holders. When possible, Charter Oak seeks to pre-negotiate preferred terms for its clients providing clients with the benefits associated with the economy of scale and custodial knowledge of the firm.

Certain brokers utilized by Charter Oak may provide general assistance to the Firm, including, but not limited to technical support and consulting service. In selecting a broker, Charter Oak may consider the broker's general assistance and consulting services. To the extent Charter Oak would otherwise be obligated to pay for such assistance, it has a conflict of interest in considering those services when selecting a broker.

Item 12.A.1. *Research and Other Soft Dollar Benefits*

While Charter Oak currently does not, the Firm may effect transactions with broker-dealers who provide research services (collectively, "soft-dollar items") in the future to Charter Oak that assist the Firm in making investment and trading decisions on behalf of its Clients. Charter Oak may use "soft-dollars" to receive broker-dealer research reports, company financial data and economic data. The negotiated commissions paid to broker-dealers supplying soft-dollar items may not represent the lowest obtainable commission rates. In any such arrangement, the amount of the commission paid must be reasonable in relation to the value of the brokerage and soft-dollar items provided by the broker-dealer, viewed in terms of either the particular transaction or Charter Oak's overall responsibilities with respect to its Clients. Charter Oak intends to comply with the soft-dollar "safe harbor" afforded by Section 28(e) under the 34 Act.

When the Firm uses Client brokerage commissions to obtain soft-dollar items, it receives a benefit because it does not have to produce or pay for such soft-dollar items. However, Charter Oak believes that such soft dollar items may provide the Clients with benefits by supplementing the research and services otherwise available to the Clients. In addition, the research and other benefits resulting from a brokerage relationship benefit all Client accounts or Charter Oak's operations as a whole, including any Client accounts that direct the Firm to use a broker that does not provide soft dollar benefits.

Charter Oak may have an incentive to select or recommend a broker-dealer based on its interest in receiving the soft-dollar items, rather than on the Client's interest in receiving most favorable execution. Charter Oak

periodically reviews the execution performance of its brokers to ensure that any potential conflicts of interest are resolved.

To the extent that the Firm does engage in such “soft dollar” arrangements, the Client may be charged a brokerage commission in excess of that which another broker might charge for effecting the same transaction if Charter Oak determines in good faith that such commission is reasonable in relation to the value of the brokerage, research, other services and soft dollar relationships provided by that broker, viewed in terms of either the specific transaction or the Firm’s overall responsibilities to the portfolios over which Charter Oak exercises investment authority.

Soft-dollar items, whether provided directly or indirectly, may be utilized for the benefit of Charter Oak’s and its affiliates’ other accounts. Soft-dollar items are not limited to those Clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits. Charter Oak may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms.

A broker from which Charter Oak obtains soft dollar services generally establishes “credits” based on past transactional business (including markups and markdowns on principal transactions), which may be used to pay for specified expenses. In some cases the process is less formal and a broker simply may suggest a level of future business that would fully compensate the broker for services or products it provides. Charter Oak monitors the soft dollar services provided to ensure that appropriate transactions are executed with a soft dollar provider.

Item 12.A.2. Brokerage for Client Referrals

Charter Oak does not participate in selecting or recommending brokers or dealers in exchange for client referrals. Charter Oak may receive referrals in the future and if it does it will appropriately amend this Brochure.

Item 12.A.3. Directed Brokerage

Charter Oak does not accept directed brokerage arrangements. Securities transactions are executed by brokers selected by the Firm in its discretion and without the consent of the Clients or Fund Investors.

Item 12.B. Aggregation and Allocation

Charter Oak may (but is not required to) combine orders on behalf of one Client account with orders for other Client accounts for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, Charter Oak will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Charter Oak believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a Client than if that Client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of Charter Oak’s relationship to the Clients it manages by virtue of its position as an investment manager, there may be circumstances in which transactions for those entities may not, under certain laws, regulations and internal policies, be combined with those of some of Charter Oak’s and its affiliates’ other Clients, which may result in less advantageous execution for those Clients.

Charter Oak may place orders for the same security for different Clients at different times and in different relative amounts due to differences in investment objectives, cash availability, size of order and practicability of participating in “block” transactions. The level of participation by different Clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular Client.

In addition, Charter Oak and/or its related persons or Clients may buy or sell specific securities for its or their own account that are not deemed appropriate for Client accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments in client accounts are made. Where execution opportunities for a particular security are limited, Charter Oak attempts in good faith to allocate such opportunities among Clients in a manner that, over time, is equitable to all clients.

ITEM 13: REVIEW OF ACCOUNTS

Item 13.A. and 13.B. *Review of Accounts*

Each Client's portfolio is reviewed on a regular basis by the Portfolio Managers to determine conformity with each Client's stated risk parameters, investment objectives, and guidelines. Charter Oak's investment personnel convene regularly to evaluate each Client's portfolio's conformance with such Client's governing documents and any investment limitations, restrictions or risk parameters.

Item 13.C. *Client Reports*

Investors in each Fund will receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund. In addition, investors in each Fund will receive written reports containing unaudited summary financial information regarding their Fund investments monthly.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Item 14.A. *Other Compensation*

Not applicable. Charter Oak does not receive a direct economic benefit from any third party for providing investment advice or other advisory services to any Fund related to the selection or recommendation of broker-dealers.

Item 14.B. *Client Referrals*

The Firm does not receive a benefit from anyone who is not a Client for providing advisory services to clients. Neither the Firm nor any related person has retained a third-party marketer or solicitor or otherwise directly or indirectly compensates any person who is not a supervised person of the Firm for Client or Investor referrals. Should this change in the future, the arrangement will be documented in writing and this document will be updated to comply with Rule 206(4)-1 of the Investment Advisers Act of 1940 (the "Advisers Act").

ITEM 15: CUSTODY

Under Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”), in connection with the advisory services provided by Charter Oak, certain affiliated entities are deemed to have custody of the cash and/or securities of certain Funds. Charter Oak and its affiliates are exempt from many of the requirements of the Custody Rule because (i) the Funds are audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board, and (ii) the Firm distributes the Fund’s audited financial statements to investors in such Fund within 120 days of the Fund’s fiscal year end. Some of the loan documents, which the Firm does not consider securities for purposes of complying with the Custody Rule, are held with an unaffiliated attorney as opposed to a qualified custodian.

ITEM 16: INVESTMENT DISCRETION

Charter Oak has full discretion to manage each Fund. This authority is granted pursuant to an Investment Management Agreement (“**IMA**”) between Charter Oak and that Fund. Investors will grant authority to the Fund to enter into or be party to an IMA with Charter Oak by signing a subscription agreement.

ITEM 17: VOTING CLIENT SECURITIES

Charter Oak has voting authority due to the fact that it has discretionary authority over the securities held by its clients. Accordingly, the Firm understands its fiduciary responsibility to monitor corporate events, to vote proxies and cast votes in the best economic interests of its clients, and to not put client interests second to its own economic interests. Charter Oak has adopted the proxy voting policies and procedures set forth in its Compliance Manual. Under the Firm’s proxy voting policy:

- Charter Oak will vote proxies in the best interests of each particular Client. The Firm’s policy is to vote all proxies for a specific issuer in the same way for each Client, absent some qualifying restrictions or a material conflict of interest.
- Charter Oak will generally vote with recommendations on routine corporate housekeeping matters.
- Charter Oak will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights.
- Charter Oak may choose not to vote in certain instances that would otherwise not be in the best interest of the Funds. Such determination will be documented by way of a proxy voting log and maintained by the Chief Compliance Officer.
- In reviewing proposals, the Firm may also consider the opinion of management, the effect on management, the effect on shareholder value and the issuer’s business practices.

ITEM 18: FINANCIAL INFORMATION

Item 18.A. *Balance Sheet*

Charter Oak is not required to provide financial information in this Brochure because Charter Oak does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.

Item 18.B. *Financial Condition*

Charter Oak is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to clients.

Item 18.C. *Bankruptcy Petitions*

Not applicable. Charter Oak has not been the subject of a bankruptcy petition at any time during the past ten years.