

**Item 1. Cover Page**

**Brochure of**  
**CSI Capital Management, Inc.**  
**600 California Street**  
**18th Floor**  
**San Francisco, CA 94108**  
**415-354-3000**

**[www.csicapital.com](http://www.csicapital.com)**

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This brochure provides information about the qualifications and business practices of CSI Capital Management, Inc (“CSI”). If you have any questions about the contents of this brochure, please contact us at 415-354-3000. 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.

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

Although CSI is a “Registered Investment Adviser,” that registration does not imply a certain level of skill or training.

**Item 2. Material Changes**

Not applicable.

**Item 3. Table of Contents**

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#### **Item 4.           Advisory Business**

CSI is a California corporation that has been in business since 1978. It serves as investment adviser to separately managed accounts. CSI's Chairman and controlling owner is Leland H. Faust. Steven E. Cutcliffe is CSI's President. As of December 31, 2010, CSI had total discretionary assets under management of approximately \$1,409,287,526 and total non-discretionary assets under management of approximately \$ 23,102,626.

CSI invests principally, but not solely, in equity and fixed income securities that are traded publicly in U.S. markets on behalf of its clients, but is authorized to enter into any type of investment transaction that it deems appropriate under the terms of the client's account agreement.

As part of its overall services to its clients, CSI furnishes investment supervisory services, that is, continuous advice to clients as to the investment of funds on the basis of individual needs of the client. CSI serves as a representative to professional athletes, entertainers, and others in their business and financial matters. The services rendered by CSI include tax planning and financial planning, as well as investment supervisory services.

CSI typically tailors its services to the individual needs of individually managed accounts by managing each such account according to CSI's general investment strategy, but using the asset allocation and restrictions selected by the client. CSI's discretionary authority is limited, however, as described in Item 16.

#### **Item 5.           Fees And Compensation**

For all services combined (excluding investment supervisory services), CSI generally charges a fixed annual retainer. This retainer is in no way dependent upon either the client's investment income or the capital gains from a client's investments. In lieu of a fixed annual retainer, a client may pay a fee based on a percentage of the client's income from his or her professional activities. Such fees are negotiable.

In addition, for asset management services, CSI generally charges a fee on assets under management of 1% per year on assets less than \$5 million, plus 0.75% per year on assets between \$5 million and \$10 million, plus 0.5% per year on assets over \$10 million, but such fees are negotiable. Some clients may pay 1% per year on all assets, based on the amount of the client's retainer fee (described above) and the level of planning services to be provided by CSI. Some clients may pay a minimum quarterly fee for asset management services if the client does not also receive financial management services. Compensation is payable to CSI at least annually, with CSI billing most of its clients on a quarterly basis.

No compensation is payable to CSI prior to rendering asset management services; however, fixed annual retainers or fees based on a client's income may be paid in advance if such advance payment would have beneficial tax consequences to the client.

The annual fee schedules for investment management services are as follows:

Equities (Large Cap)

Up to \$10 million	1.00%
\$3-18 million	.50%
Over \$18 million	30%

Fixed Income

Up to \$5 million	50%
Over \$5 million	.30%

Equities (Small Cap)

Up to \$10 million	1.00%
\$10 million to \$50 million	75%
Over \$50 million	.50%

Balanced Accounts

Fees for balanced accounts are negotiable and payable quarterly.

Each client that becomes a client of CSI on an introduction from Tamalpais Wealth Advisors, LLC (“TWA”), generally has the same fee structure as the client had at TWA, which is generally annual fee schedules as follows:

Individual Securities and Mutual Fund Portfolio

First \$5 million	1.50%
Next \$3 million	1.00%
In excess of \$8 million	0.75%

Mutual Fund Portfolio

First \$5 million	1.00%
In excess of \$5 million	0.75%

Bond Portfolio

First \$5 million	0.50%
In excess of \$5 million	0.375%

Institutional Fixed Income Portfolio

“Full Discretion” one to 10 year benchmark dedicated fixed income

To \$25 million	0.375%
\$25 million to \$50 million	0.25%
After \$50 million	negotiated fee

“Full Discretion” one to 5 year benchmark dedicated fixed income

First \$25 million	0.25%
\$25 million to \$50 million	0.20%
After \$50 million	negotiated fee

“Full Discretion” cash management

First \$5 million	0.25%
\$5 million to \$25 million	0.20%
Above \$25 million	0.125%

Under certain circumstances and asset levels, investment management fees are negotiable. Unless otherwise negotiated, fees are payable quarterly in advance.

CSI may bill certain of these clients in arrears in circumstances where the client is prohibited from paying its investment management fees in advance due to legal and/or regulatory restrictions.

Upon written notice, the investment management services agreement may be cancelled at any time by either the client or by CSI. In the event of cancellation, the client will be reimbursed, pro rata, for the remaining number of days in the current quarter.

CSI or its affiliates may, from time to time, negotiate a performance based fee or allocation with a client. For example, as described below in Item 8.D, CSI's affiliates act on behalf of certain Private Funds (as defined below) and may receive such a fee or allocation of up to 20% of the profits, under specified conditions.

CSI typically deducts management fees directly from client accounts, but may bill a client for such amounts on request.

Accounts that invest in mutual funds also pay, indirectly, investment advisory fees to the managers of those funds.

CSI believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

Each account is responsible for its own costs and expenses, including trading costs and expenses (such as brokerage commissions and clearing and settlement charges), ongoing legal, accounting and bookkeeping fees and expenses. CSI bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. All or part of these costs and expenses may be paid, however, by securities brokerage firms that execute clients' securities trades, as discussed in Item 12 below.

## **Item 6. Performance-Based Fees And Side-By-Side Management**

CSI manages accounts that pay performance-based compensation as described in Item 5 and accounts that do not pay performance-based compensation. CSI has a conflict of interest if, in any time period, one fee structure would cause higher fees to CSI than the other fee structure, because CSI would have an incentive to favor the account that would pay the higher fees. To address this conflict, CSI typically charges a performance-based fee only for certain Private Funds that invest in very different assets than typical client accounts. In addition, CSI has policies and procedures to review client account investment allocations on a regular basis.

## **Item 7. Types Of Clients**

CSI provides investment advice to high-net-worth individuals, institutions, trusts, endowments, pension plans and investment funds. CSI generally requires a minimum of \$3 million to open an individually managed account, but may waive this minimum.

## **Item 8. Methods Of Analysis, Investment Strategies And Risk Of Loss**

### CSI's Approach

CSI believes successful wealth management is an ongoing process that requires a methodical, comprehensive and dynamic approach, including:

- Resources Assessment
- Global Objectives
- Resource Planning
- Monitor & Report

### **Resource Assessment**

The first step in the wealth management process is to do a complete "inventory" of a client's current financial resources, including sources of income, real property, financial assets, retirement accounts, etc. Concurrently, CSI carefully considers the client's age, health, family status and obligations, and overall living expenses.

With this information CSI works closely with each client to fully explore the concept of risk and how it pertains to their particular situation. This helps CSI's clients to better understand risk and helps CSI to develop an appropriate risk profile for each client.

### **Global Objectives**

CSI believes that a shared effort between client and advisor in establishing realistic goals and objectives is integral to the planning process. With an accurate "inventory" of financial resources and an understanding of risk tolerance, CSI works with each client to identify short and long-term liquidity needs and to establish realistic financial goals and objectives.

CSI believes that this methodical and collaborative approach to planning lays the foundation for a sound working relationship with its clients and offers the best opportunity for successful wealth management.

### **Resource Planning and Implementation**

Fundamental to the wealth management process is a methodical and disciplined process of investment planning and implementation. Central to CSI's approach is the practice of diversifying investments among high-quality assets. With this as its premise, CSI designs customized and comprehensive financial solutions to meet the unique needs of each client.

The investment solutions that CSI offers carefully balance its clients' personal and financial parameters with its assessment of domestic and international economic conditions and price levels in various financial markets. Through diversification CSI believes its clients can participate in economic growth and prosperity while mitigating the risks of economic downturns and significant market disruptions when they occur.

### **Monitoring and Reporting**

CSI believes that systematic reporting is of critical importance to successful wealth planning and accumulation. The frequency and content of CSI's reporting is established with each client so that the status of each account and the progress made toward established goals and objectives is effectively communicated.

It is CSI's experience that active and constructive communication allows for appropriate and timely adjustments to be made to each client's financial strategy and is instrumental to long-term success.

### **CSI's Services**

#### **Wealth Management**

CSI believes strongly that a comprehensive client-centric approach offers the best opportunity for successful wealth management. The holistic approach that CSI takes requires attention to various disciplines, which when weaved together provide a complete and cohesive financial solution.

- Investment Advisory
- Tax Planning
- Estate Planning
- Personal Finance
- Portfolio Management

#### **Investment Advisory**

Central to CSI's investment approach has been the practice of diversifying investment portfolios among high-quality assets, which has proven most successful in preserving and accumulating wealth over the long term.

The investment solutions that CSI offers carefully balance its clients' personal and financial parameters with its assessment of domestic and international economic conditions and price levels in various financial markets. Allocation among various asset classes is vital to achieve appropriate diversification. Through diversification CSI believes its clients can participate in economic growth and prosperity while mitigating the risks of economic downturns and significant market disruptions when they occur.

#### **Tax Planning**

Tax planning strategies are extremely important in wealth management considering the combined burden of federal, state and municipal taxes. CSI's legal team\* provides each client with a comprehensive personalized tax plan designed to reduce overall tax liability.

\* Taylor & Faust is an affiliate of CSI Capital Management and performs all of the legal services described above.

## **Estate Planning**

Estate planning is a very important part of the integrated financial solutions provided to CSI's clients. While many clients may not believe they are the prime candidates for such services, often they are surprised at the necessity and value of making sure their assets are passed to their heirs in the manner that they intend.

While estate planning often involves local experts, CSI either handles matters internally\* or coordinates the work with outside experts to make sure that the best advice is given without inundating clients with the task of finding and receiving proper advice from unknown sources.

## **Personal Finance**

For many of CSI's clients, earning and accumulating assets has been easier than tending to mundane and often tedious daily financial tasks. No matter the level of income or assets, everyday financial affairs must be accounted for and reconciled.

CSI offers accounting services that take many of these tasks out of the hands of its clients. CSI's services include developing and maintaining monthly budgets, bank reconciliation and cash flow reporting, and long-term income and spending projections. CSI's goal is to offer a service that, if needed, simplifies the daily financial lives of our clients.

## **Portfolio Management**

CSI believes strongly that a comprehensive client-centric approach offers the best opportunity for successful wealth management. The holistic approach that CSI takes requires attention to various disciplines, which when weaved together provide a complete and cohesive financial solution.

CSI's investment philosophy is grounded in the belief that a diversified portfolio of high-quality assets provides the best opportunity for capital preservation and growth. Regardless of asset class (common stock, bonds, real estate, or private equity), CSI makes every effort to find the highest quality assets in which to invest on behalf of its clients.

CSI's investment research is both thorough and independent and provides it with the foundation to be a truly long-term investor. CSI values its independence, judgment, and experience and maintain a healthy skepticism of conventional wisdom and "expert" advice.

CSI is a fee-based independent investment advisor that never receives commissions on any of its clients' transactions. This allows for independence and objectivity, leaving CSI free to focus on the best interests of its clients.



## General Disclosure

The investment strategies and services summarized above represent CSI's current intentions, are general in nature and are not exhaustive. Certain clients choose not to receive some of those services. CSI may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities markets and the economy generally, CSI may pursue any objectives or use any techniques that it considers appropriate and in clients' interest.

## Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that investors should consider before investing in any account that CSI manages. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or investor may encounter. A potential client should discuss with CSI's representatives any questions that such person may have before opening an account.

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.
- An account may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- CSI may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. CSI also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.
- Counterparties such as brokers, dealers, custodians and administrators with which CSI does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- CSI may cause clients to invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting

in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.

- Some of an account's positions may be or become illiquid, in which case CSI may not be able to sell such positions.
- An account may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- CSI determines the value of securities held in client accounts, whether or not a public market exists for such instruments. If CSI's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new investor in a fund might receive an interest that is worth less than the investor paid and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- CSI and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss breached CSI's fiduciary duty to the client or investor.
- There is not and will not be an active market for any Private Fund interests. It may be impossible to transfer any such interests, even in an emergency.
- No client or investor has been represented by separate counsel. The attorneys who represent CSI or its manager do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.
- CSI, an account custodian or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of CSI, a fund or an account custodian will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that CSI must devote to regulatory compliance, to the detriment of investment activities.
- CSI's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
- CSI's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.

The above is only a brief summary of some of the important risks that a client or investor may encounter. Before deciding to invest in any Private Fund that CSI manages, you should consider carefully all of the risk factors and other information in the fund's offering circular.

**Item 9. Disciplinary Information**

Not applicable.

**Item 10. Other Financial Industry Activities And Affiliation**

CSI's affiliates, including its shareholders and employees, may, from time to time, act as the general partner of an investment limited partnership or manager of a limited liability company (a "Private Fund") that invests in private securities, real estate or other investments. Those Private Funds may solicit investors who may or may not be clients of CSI. Currently, such Private Funds include Athlon Venture Fund I, L.P., Terroir Hotel and Resort Fund, L.P., Kustom Entertainment, LLC, Dawson Real Estate Fund, L.P. and Terroir Hotel and Resort Fund II, L.P. In addition, Sonnant, LLC, of which Charles Banks (a shareholder of CSI) is a Manager and owner, may act as a lending agent or may provide other real estate services for a Private Fund or for an entity in which a Private Fund invests, and may receive a fee (or special allocation) in connection with these activities.

**Item 11. Code Of Ethics, Participation Or Interest In Client Transactions And Personal Trading**

CSI has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, that establishes standards of conduct for CSI's supervised persons. The Code of Ethics includes general requirements that CSI's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to CSI's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Compliance Officer. Each supervised person of CSI receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Clients and prospective clients may obtain a copy of CSI's Code of Ethics by contacting Jack Olson at 415-354-3000.

Under CSI's Code of Ethics, CSI and its employees may personally invest in securities of the same classes as CSI purchases for clients and may own securities of issuers whose securities that CSI subsequently purchases for clients. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, except as described in Item 12 regarding aggregating securities transactions, CSI's employees must obtain pre-approval before engaging in most securities transactions. CSI and its employees may also buy or sell specific

securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which CSI does not believe appropriate to buy or sell for clients.

CSI solicits investors who may or may not be CSI's clients to invest in its Investment Fund clients. CSI has an incentive to cause a client to invest in an Investment Fund because of CSI's performance compensation from an Investment Fund.

Because CSI manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. For example, CSI selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. CSI may buy or sell a security for one type of client but not for another, or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. CSI attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. CSI may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client so long as it is CSI's policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. CSI is not obligated to acquire for any account any security that CSI or its employees may acquire for its or their own accounts or for any other client, if in CSI's absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

## **Item 12. Brokerage Practices**

CSI has complete discretion in selecting the broker that it uses for client transactions and the commission rates that clients pay such brokers. In selecting a broker for any transaction or series of transactions, CSI may consider a number of factors, including, for example:

- net price, clearance, settlement and reputation;
- financial strength and stability;
- efficiency of execution and error resolution;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- special execution capabilities;
- order of call;
- offering to CSI on-line access to computerized data regarding clients' accounts;
- computer trading systems; and
- the availability of stocks to borrow for short trades.

CSI may also purchase from a broker or allow a broker to pay for the following (each a "soft dollar" relationship):

- research reports, services and conferences, including third-party research fees;
- technical data;
- periodical subscription fees;

- consultations;
- performance measurement data;
- on-line pricing;
- news wire and data processing charges; and
- quotation services.
- custody, recordkeeping and similar services;
- proxy voting services; and
- computer software.

CSI may receive soft dollar credits based on principal, as well as agency, securities transactions with brokers or direct a broker that executes transactions to share some of its commissions with a broker that provides soft dollar benefits to CSI.

CSI may allocate the costs of certain computer equipment and software used for both research and non-research purposes between their research and non-research uses, and use soft dollars to pay only for the portion that CSI allocates to research uses.

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If CSI uses commission dollars to pay for products or services that provide administrative or other nonresearch assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor.

CSI may pay to a broker commissions and mark-ups that exceed those that another broker might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker provides. CSI determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or CSI’s overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. The research and other benefits resulting from CSI’s brokerage relationships benefit CSI’s operations as a whole and all accounts that it manages, including those that do not generate the soft dollars that pay for such research and other benefits and accounts of clients that direct CSI to use a broker that does not provide CSI with soft dollar services. CSI does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

CSI’s relationships with brokers that provide soft dollar services influence CSI’s judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. CSI has an incentive to select or recommend a broker based on CSI’s interest in receiving soft dollar services rather than clients’ interest in receiving the most

favorable execution. These conflicts of interest are particularly influential to the extent that CSI uses soft dollars to pay expenses it would otherwise be required to pay itself.

CSI addresses these conflicts of interest by annually evaluating the trade execution services that CSI receives from the brokers that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers. CSI considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers, increasing or decreasing targets for each broker and the appropriate level of commission rates.

CSI may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts that CSI manages or with accounts of its affiliates. In such event, CSI may charge or credit a client the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the client than it would be if CSI were not executing similar transactions concurrently for other accounts. CSI may also cause a client to buy or sell securities directly from or to another client, if such a cross-transaction is in the interests of both clients.

CSI may direct a certain amount of brokerage to a broker in return for the broker's referral of prospective clients or investors. Directing brokerage in exchange for client or investor referrals creates a conflict of interest in that CSI has an incentive to refer its clients' brokerage business to brokers to which it might not otherwise direct transactions. CSI has policies and procedures to review its brokerage practices regularly, including its use of brokers from which CSI receives client or investor introductions.

If a client directs CSI to use a specific broker, CSI has not negotiated the terms and conditions (including, among others, commission rates) relating to the services provided by such broker. CSI is not responsible for obtaining from any such broker the best prices or particular commission rates. A client that directs CSI to use a specific broker may not be able to participate in aggregate securities transactions and may trade after such aggregate transactions and receive less favorable pricing and execution. The client may pay higher commissions and mark-ups than it would pay if CSI had discretion to select broker-dealers other than those that the client chooses.

### **Item 13. Review Of Accounts**

Investment advisory accounts are reviewed by the principals of CSI, acting in their capacity as officers of the company. All accounts are reviewed at least monthly, with more frequent reviews as circumstances warrant. The number of accounts assigned to any account manager is limited by the ability of that person to handle accounts. Factors which trigger reviews, in addition to the usual monthly reviews, include a change in the client's circumstances or a change in world or macro-economic conditions which may have an impact on the client's investments. There is no particular sequence in which accounts are reviewed. When the accounts are reviewed, the client's holdings are reviewed in light of the client's objectives and the degree to which the objectives are being met given the current circumstances.

CSI reports in writing on a quarterly basis to its clients concerning their investment advisory accounts. The report shows the activity in the client's account and the current holdings of the client.

#### **Item 14. Client Referrals And Other Compensation**

CSI may engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the client and CSI complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

CSI receives client referrals from Charles Schwab & Co. Inc. ("Schwab") through CSI's participation in Schwab Advisor Network <sup>TM</sup> (the "Service"). The Service is designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of an unaffiliated with CSI. Schwab does not supervise CSI and has no responsibility for CSI's management of clients' portfolios or CSI's other advice or services. CSI pays Schwab fees to receive client referrals through the Service. CSI's participation in the Service may raise potential conflicts of interest described below.

CSI pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee is billed to CSI quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by CSI and not by the client. CSI has agreed not to charge clients greater fees or costs than the fees or costs CSI charges clients with similar portfolios who were not referred through the Service simply because those clients were referred by Schwab.

CSI generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees CSI generally would pay in a single year. Thus, CSI has an incentive to recommend that client accounts be held in custody at Schwab. In addition, if a potential client is referred by Schwab, CSI may not refer that potential client to any other financial services provider, but only back to Schwab.

The Participation and Non-Schwab Custody Fees are based on assets in accounts of CSI's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, CSI has incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit CSI's fees directly from the accounts.

For accounts of CSI's clients maintained in custody at Schwab, Schwab does not charge the client separately for custody but receives compensation from CSI's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also receives a fee for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are

in addition to the other broker-dealers fees. Thus, CSI may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for CSI's other clients. Thus, trades for accounts held in custody at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

#### **Item 15. Custody**

The custodian of each individually managed account sends account statements at least quarterly to the client. Each client should carefully review those statements and compare them with the statements that such client receives directly from CSI, if any.

#### **Item 16. Investment Discretion**

CSI has discretionary authority to manage investment accounts on behalf of clients pursuant to a grant of authority in each Investment Fund's limited partnership agreement or a limited power of attorney in each client's account agreement. Except for CSI's limited partnership clients, such discretion is limited by the requirement that clients advise CSI of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and
- any specific investment restrictions relating to the account.

A client must promptly notify CSI in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct CSI to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's investment objectives. In addition, a client may notify CSI at any time not to invest any funds in the client's account in specific securities or specific categories of securities.

#### **Item 17. Voting Client Securities**

CSI votes all proxies on behalf of each account over which CSI has proxy voting authority based on CSI's determination of such account's best interests. In determining whether a proposal serves an account's best interests, CSI considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

CSI abstains from voting proxies when CSI believes that it is appropriate to do so.



If a material conflict of interest over proxy voting arises between CSI and a client, CSI will vote all proxies in accordance with the policy described above. If CSI determines that this policy does not adequately address the conflict of interest, CSI will notify the client of the conflict and request that the client consent to CSI's intended response to the proxy solicitation. If the client consents to CSI's intended response or fails to respond to the notice within a reasonable time specified in the notice, CSI will vote the proxy as described in the notice. If the client objects in writing to CSI's intended response, CSI will vote the proxy as the client directs.

A client can obtain a copy of CSI's proxy voting policy and a record of votes cast by CSI on behalf of that client by contacting CSI.

#### **Item 18. Financial Information**

Not Applicable.

#### **Item 19. Requirements For State-Registered Advisers**

Not Applicable.

#### **Privacy Policy**

CSI and the Investment Funds for which it serves as general partner:

- collect non-public personal information about their clients and investors from the following sources:
  - information received from clients or investors on applications or other forms, and
  - information about clients' or investors' transactions with CSI, its affiliates or others;
- do not disclose any non-public personal information about their clients or investors or former clients or investors to anyone, except as permitted by law;
- restrict access to non-public personal information about their clients and investors to their employees who need to know that information to provide services to clients; and
- maintain physical, electronic and procedural safeguards that comply with federal standards to guard clients' and investors' personal information.