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

**C12 CAPITAL MANAGEMENT LP**

**April 23, 2012**

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*This brochure provides information about the qualifications and business practices of C12 Capital Management LP ("C12"). If you have any questions about the contents of this brochure, please contact us at 441-295-5950. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*Additional information about C12 also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

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

## **ITEM 2**

### **MATERIAL CHANGES**

This Form ADV Part 2A (the “Brochure”) of C12 Capital Management LP (“C12”) updates the Form ADV Part 2A of C12 initially submitted on February 10, 2012.

In connection with updating this Brochure, changes were made to the following items:

**Item 4**, to reflect changes in C12's regulatory assets under management.

**Item 8**, to provide additional detail and clarification regarding C12's methods of analysis and investment strategies.

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of C12 Capital Management LP**

C12 is an investment adviser that was launched in September of 2009. C12 was formed as a Delaware limited partnership with C12 GP LLC, a Delaware limited liability company (the “Adviser GP”), as its general partner. C12 and the Adviser GP are indirectly wholly owned by Stephen King.

#### **B. Advisory Services**

C12’s clients are private pooled investment vehicles that are offered to investors on a private placement basis. C12’s current clients include C12 Helix Liquid Opportunities Master L.P., an exempted limited partnership formed under the laws of the Cayman Islands (the “Master Fund”), its feeder funds and their respective subsidiaries and certain other entities established to facilitate investment in the Master Fund (collectively, the “Helix Funds”), which feeder funds, subsidiaries and other entities currently include C12 Helix Liquid Opportunities LP, a Delaware limited partnership (the “Domestic Fund”), C12 Helix Liquid Opportunities Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Offshore Fund,” and together with the Domestic Fund, the “Helix Feeders”), C12 Helix Liquid Opportunities Intermediate L.P., an exempted limited partnership formed under the laws of the Cayman Islands (the “Intermediate Fund”), and C12 Helix Agency Mortgage L.P., an exempted limited partnership formed under the laws of the Cayman Islands. C12 provides investment management services (including without limitation investment analysis, research and execution) to the Helix Funds in accordance with the Helix Funds’ investment guidelines and restrictions.

C12 also provides limited non-discretionary advisory services with respect to the management and disposition of certain assets for Protium Finance LP, an exempted limited partnership formed under the laws of the Cayman Islands, its subsidiaries and certain related entities (the “Protium Funds”), which are either directly or indirectly wholly owned by Barclays Bank PLC, a public limited company registered in England and Wales. The Helix Funds and the Protium Funds are sometimes referred to herein collectively as the “Funds” and each, as a “Fund.”

The services that C12 provides to its clients are determined on a negotiated basis based on the client’s investment objectives and the expertise that C12 has to offer. C12 provides investment advisory services relating to investments in interest rate and credit derivatives, government debt, corporate debt, mortgage-backed securities, asset-backed securities, commodities, equities and indices, futures, options, and other derivatives with respect thereto. C12 may expand its services, expertise, capabilities and relationships in the future to meet the needs of its clients or particular advisory relationships.

C12 expects to primarily advise pooled investment vehicles, which will be managed or advised in accordance with the applicable investment vehicle’s investment guidelines and restrictions. The services that C12 provides to pooled investment vehicles are generally not tailored to the individualized needs of any particular investor in the vehicle. An investment in such a vehicle does not, in and of itself, create an advisory relationship between the investor and C12. Investors in pooled investment vehicles must consider whether such

vehicle meets their investment objectives and risk tolerance prior to making an investment in the vehicle.

### **C. Assets Under Management**

C12 provides discretionary advisory services in respect of the Helix Funds, which represented approximately \$2,281,662,000 in regulatory assets under management, calculated as of March 31, 2012. C12 provides non-discretionary advisory services in respect of the Protium Funds, which represented approximately \$1,049,000,000 in regulatory assets under management, calculated as of March 31, 2012.

## **ITEM 5 FEES AND COMPENSATION**

### **A. Advisory Fees**

C12's fee arrangements generally depend on the services being provided, vary by client and are negotiated with each client based on a number of factors, including, investment strategy, the nature and scope of services performed and the size of the account/relationship. C12 and its principals, employees and affiliates may also receive performance fees, special allocations and asset-based fees from time to time. Please see Item 6 "Performance-Based Fees and Side-By-Side Management" for an additional discussion of performance based fees and allocations.

### **B. Fee Schedules**

A brief summary of the fees and other expenses charged to the Funds is provided below.

#### Helix Funds and Other Multi-Investor Vehicles

C12's fees for managing pooled investment vehicles with multiple investors are set forth in the applicable advisory or management agreement with such investment vehicle and/or the partnership agreement or other applicable organizational document for such pooled investment vehicle. Such arrangements will generally include an asset-based and/or a performance-based component and is negotiated on a case-by-case basis with respect to each investment vehicle (or group of related investment vehicles in a master-feeder structure). The annual management fees currently charged by C12 in this category range from 1% to 2% of net asset value and the annual incentive allocations to which C12 (or an affiliate of C12) is currently entitled range from 10% to 20% of realized and unrealized capital gains in excess of applicable high water marks (after deduction of the management fee and other expenses).

#### Protium Funds

C12's fees for managing the Protium Funds and similar vehicles are set forth in the applicable advisory or management agreement with such investment vehicle. Such fees may vary based on the services that C12 is providing, and may include fixed, asset-based, performance-based and/or other variable components. The management fees currently charged by C12 in this category (in respect of the Protium Funds) are currently limited to fees for non-discretionary services, and are generally fixed but subject to adjustment from time to time for inflation or otherwise based on a predetermined schedule or measures such as the consumer price index.

### **C. Timing and Payment of Fees**

C12's base management fees are generally billed and payable in advance of each quarter. Incentive allocations are generally deducted from assets and paid to C12 (or an affiliate of C12) at the end of each fiscal year. If a client terminates C12's advisory relationship mid-quarter, the client may be able to recover an amount up to the unearned portion of the fee, but generally will not be able to recover amounts relating to costs already

incurred (including any related fees charged by C12). If a client terminates C12's advisory relationship other than at the end of a fiscal year, the incentive allocation borne by such client will generally be determined as if the date of such termination were the end of the fiscal year. In addition, because many of the service providers C12 expects to employ in connection with its activities also bill for their services in advance, the amounts that a client may be able to recover may be further limited to the amounts that C12 can recover from its service providers.

#### **D. Other Fees and Expenses**

In addition to the fees described above, clients may be subject to other costs and expenses in connection with C12's advisory services. Such fees may include, among others: investment-related expenses whether relating to investments that are consummated or unconsummated (e.g., brokerage commissions, due diligence costs, investment banking fees, consultants' fees, sourcing or finder's fees (which may include a management fee component and/or a performance fee component)), interest on margin accounts and other indebtedness, costs associated with foreign exchange transactions; borrowing charges on securities sold short, custodial fees, clearing and settlement charges, interest expense and investment-related travel and lodging expenses; research-related expenses, including, without limitation, news and quotation equipment and services; legal expenses; professional fees (including, without limitation, expenses of consultants and experts); the costs of organizing and maintaining any subsidiaries; costs relating to swaps (and similar agreements) entered into by a client; termination fees; auditing and tax preparation expenses; accounting expenses; market data costs; costs of third-party administrators; costs of printing and mailing reports and notices; organizational and offering expenses; liability insurance and related insurance; management fees; indemnification expenses; corporate licensing fees and other professional fees; bank service fees; withholding and transfer fees; expenses relating to trademarks; entity level taxes; regulatory and compliance expenses relating to the client and its operation; other expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of the client's assets (directly or through trading subsidiaries); and extraordinary expenses and other similar expenses related to the client.

Please see Item 12 "Brokerage Practices" for an additional discussion of brokerage and other transaction costs.

## **ITEM 6**

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

As noted in Item 5 “Fees and Compensation”, C12 and its principals, employees and affiliates may earn performance-based fees or allocations, at various levels, with respect to certain clients. Under a performance based fee or allocation, C12 or its relevant principal, employee or affiliate receives a portion of the portfolio’s positive rate of return which, in certain instances may be subject to the portfolio reaching a target level of return. However, performance-based fees and their terms, conditions and methods of calculation may vary among clients and investment strategies and certain clients do not pay performance-based fees and may only be charged a management fee or other fixed fee.

The management of portfolios that are charged different types of fees and are managed by the same adviser can create a conflict of interest. The variation in performance-based fees among C12’s clients may create an incentive for C12 to direct the best investment ideas to, or to allocate or sequence trades in favor of, clients that pay or allocate performance-based fees over a client that only pays asset-based fees. In addition, when C12 or its principals, employees or affiliates receives performance-based fees or allocations, or C12 or its principals, employees or affiliates have a financial incentive to achieve gains in excess of the disincentive to suffer losses, C12 and/or such persons may have an incentive to chose investments that are riskier or more speculative than might otherwise be chosen.

C12 is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflicts of interest described above, including generally allocating trades among clients on a pro rata basis and periodically reviewing trade allocations to ensure that they are fair, equitable and in compliance with C12’s allocation policy and fiduciary duties to each of its clients. Please see Item 11 “Code of Ethics, Participation or Interests in Client Transactions and Personal Trading” for an additional discussion of C12’s trade allocation policy.



## **ITEM 7**

### **TYPES OF CLIENTS**

C12 provides investment advice to pooled investment vehicles offered to investors on a private placement basis as described above. Investors in the Funds may include, without limitation, high net worth individuals, financial, banking or thrift institutions, insurance companies, investment companies (including mutual funds), fund-of-funds, pension and profit-sharing plans, other pooled investment vehicles (e.g., hedge funds), charitable organizations or foundations, endowments, trusts and estates, corporations and other business entities, development finance institutions and federal, as well as state or municipal government entities.

C12 does not generally impose any minimum account sizes of its own, but a \$2,000,000 or \$10,000,000 minimum commitment applies to investors in the Helix Funds, which minimum is dependent on the class of interests in the Helix Funds which such investor is acquiring. These minimums may be waived only at the sole discretion of the Helix Funds and/or C12 Helix Liquid Opportunities General Partner, Ltd., an exempted company incorporated under the laws of the Cayman Islands (“Helix GP”), the general partner of the Domestic Fund, the Intermediate Fund and the Master Fund. The concept of a minimum commitment is not applicable with respect to the Protium Funds, as the Protium Funds are not accepting any new investors.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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

C12's investment strategy begins with the creation of a top-down macroeconomic view that is informed by the prevailing economic and capital market conditions. To aid in that process, C12 relies upon a combination of in-house and third-party research. The top-down views result in a variety of potential scenarios, or states of the world. For each scenario, C12's team assigns expected price and spread levels for the specific assets and instruments traded by the Funds. The portfolio construction process is intended to reflect C12's macroeconomic views, optimize for each Fund's stated risk/return objectives within our expected range of scenarios, and may employ directional and/or cross-market (relative value) trades. Each Fund makes extensive use of indices and derivatives, and from time to time will construct baskets of single name instruments. C12 assesses the economics, volatility, and liquidity associated with each trade in order to determine appropriate trade sizing.

Examples of assets that may be purchased in connection with the above strategy include: (i) interest rate derivatives; (ii) government debt; (iii) currencies; (iv) credit derivatives; (v) corporate debt; (vi) mortgage-backed securities; (vii) asset-backed securities; (viii) commodities; (ix) equities; and (x) indices, futures, options, and other derivatives with respect thereto. Implementing the above strategy may also involve short sales of securities or other assets for either hedging or speculative purposes. Investing in securities involves the risk of loss that clients should be prepared to bear.

#### **B. Investment Strategy Risks**

**U.S. Government Obligations.** U.S. Government obligations include securities issued by the U.S. Treasury, U.S. Government agencies or government-sponsored entities. While U.S. Treasury obligations are backed by the "full faith and credit" of the U.S. Government, securities issued by U.S. Government agencies or government-sponsored entities may not be backed by the full faith and credit of the U.S. Government. Government National Mortgage Association ("GNMA" or "Ginnie Mae"), a wholly owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or the Department of Veterans Affairs. Government-sponsored entities (whose obligations are not backed by the full faith and credit of the U.S. Government) include the Federal National Mortgage Association ("FNMA" or "Fannie Mae") and the Federal Home Loan Mortgage Corporation ("FHLMC" or Freddie Mac). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest and ultimate collection or scheduled payment of principal, but its participation certificates are not backed by the full faith and credit of the U.S. Government. If a government-sponsored entity is unable to meet its obligations or its creditworthiness declines, the performance of a Fund that holds securities issued or guaranteed by the entity will be adversely impacted. U.S. Government obligations are

subject to low but varying degrees of credit risk, and are still subject to interest rate and market risk.

**Credit Default Swaps.** A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an institution which owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination.

In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. Credit default swaps can be used to implement C12's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, C12 may cause a Fund to sell credit default protection in which a Fund receives a premium to take on the risk. In such an instance, the obligation of a Fund to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. A Fund may also "purchase" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of C12, there is a high likelihood of credit deterioration.

The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield curve, among other factors. In addition, there are variations among credit default swaps with respect to when a restructuring of the underlying debt obligation triggers a credit event requiring the seller of credit protection to pay the purchaser of credit protection, as well as which underlying debt obligations of a particular issuer are deliverable in connection with the restructuring. Credit default swaps on sovereign debt, in particular, may present additional risks in connection with events of restructuring, compared to credit default swaps on corporate debt, which have historically been relatively better-defined and understood among industry participants. For example, in the context of the October 27, 2011 Eurozone proposal relating to Greek Debt, which would have caused holders of Greek debt to accept writedowns of 50%, the International Swaps and Derivatives Association, Inc. indicated that because the proposed restructuring was voluntary and non-binding, "it does not appear to be likely that the Eurozone proposal will trigger payments under existing CDS contracts."

As such, there are many factors upon which market participants may have divergent views. C12 may also cause a Fund to enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

**Residential Mortgage-Backed Securities (“RMBS”).** RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by the government or any other entity. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the related mortgaged property is located, the terms of the loan, the borrower’s “equity” in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans backing RMBS often are “jumbo” mortgage loans, having original principal balances that are higher than the Fannie Mae and Freddie Mac loan balance limitations. As a result, such RMBS may experience increased losses.

Each underlying residential mortgage loan backing an issue of RMBS may have a “balloon” payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than self-amortizing loans because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates, conditions in credit markets and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of RMBS may experience losses.

Prepayments on the underlying residential mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS. RMBS are particularly susceptible to prepayment risks, as they generally do not contain prepayment penalties and a reduction in interest rates will increase the prepayments on the RMBS, resulting in a reduction in yield to maturity for holders of such securities.

Non-agency RMBS typically are backed by non-conforming mortgage loans, which are mortgage loans that do not qualify for purchase by government-sponsored agencies, such as Fannie Mae and Freddie Mac, because of credit characteristics and size that do not satisfy Fannie Mae and Freddie Mac guidelines, including loans to mortgagors whose creditworthiness and repayment ability do not satisfy Fannie Mae and Freddie Mac underwriting guidelines and loans to mortgagors who may have a record of credit write-offs, outstanding judgments, prior bankruptcies and other negative credit items. Accordingly, non-conforming mortgage loans are likely to experience rates of delinquency, foreclosure and loss that are higher, and that may be substantially higher, than mortgage loans originated in accordance with Fannie Mae or Freddie Mac underwriting guidelines. The majority of mortgage loans made in the United States qualify for purchase by government-sponsored agencies. The principal differences between conforming mortgage loans and non-conforming mortgage loans include the applicable loan-to-value ratios, the credit and income histories of the related mortgagors, the documentation required for approval of the related mortgage loans, the types of properties securing the mortgage loans, the loan sizes and the mortgagors' occupancy status with respect to the mortgaged properties, and such differences generally lead to higher delinquency, foreclosure and losses on non-conforming mortgage loans as compared to conforming mortgage loans.

Another factor that may result in higher delinquency rates is the increase in monthly payments on adjustable rate mortgage loans. Borrowers with adjustable rate mortgage loans are being exposed to increased monthly payments when the related mortgage interest rate adjusts upward from the initial fixed rate or a low introductory rate. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, borrowers who intend to sell their homes on or before the expiration of the fixed rate periods on their mortgage loans may find that they cannot sell their properties for an amount equal to or greater than the unpaid principal balance of their loans. These events, alone or in combination, may contribute to higher delinquency rates and, as a result, adversely affect the performance and market value of RMBS.

The mortgage loans underlying certain of the RMBS may be structured with negative amortization features. Negative amortization arises when the mortgage payment in respect of a loan is smaller than the interest due on such loan. On any such mortgage loans, if the monthly payments are not enough to cover both the interest and principal payments on the loan, the shortfall is added to the principal balance, causing the loan balance to increase rather than decrease over time. During periods in which the outstanding principal balance of any such mortgage loan is increasing due to the addition of deferred interest, the increasing principal balance of such mortgage loan may approach or exceed the value of the related mortgage property, thus increasing the likelihood of defaults, as well as the amount of any loss experienced with respect to any such mortgage loan that is required to be liquidated. Furthermore, each such mortgage loan generally provides for the payment of any remaining unamortized principal balance (due to the addition of deferred interest, if any, to the principal balance of such mortgage loan) in a single payment at the maturity of the loan. Because the related mortgagors may be required to make a larger single payment upon maturity, it is possible that the default risk associated with such mortgage loans could be greater than that associated with fully amortizing mortgage loans. If the pool of mortgage loans underlying any RMBS owned by a Fund were to contain loans with negative amortization features, the yield on such RMBS could be adversely affected.

Structural features of RMBS securities may contribute to the impact of increased delinquencies and defaults and lower recoveries on the underlying mortgage pool. In particular, there may be a decline in the interest rate payable under RMBS because the interest rate on RMBS typically is limited by the weighted average net coupon of the underlying mortgage loans themselves, often referred to as an “available funds cap.” Mortgage loans bearing interest at a higher rate will have a greater tendency to default than those with lower mortgage rates. Such defaults will reduce the weighted average coupon of the underlying mortgage loans and accordingly the interest rate payable to investors in the related RMBS security, including a Fund.

Violations of consumer protection laws may result in losses on RMBS. Applicable state laws generally regulate interest rates and other charges, require licensing of originators and require specific disclosures. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the loans backing RMBS. Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these laws, policies and principles may limit the ability of the issuer of a RMBS to collect all or part of the principal of or interest on the underlying loans, may entitle a borrower to a refund of amounts previously paid and, in addition, could subject the owner of a mortgage loan to damages and administrative enforcement.

Delinquencies, defaults and losses on residential mortgage loans may continue to increase, which may affect the performance of RMBS. In particular, RMBS that are backed by subprime and midprime mortgage loans, as well as “Alt-A” and “Alt-B” mortgage loans and second lien mortgage loans, may continue to see increased default rates. Subprime and midprime mortgage loans are generally made to borrowers with lower credit scores and having higher loan-to-value ratios. Alt-A and Alt-B loans may also have some of the characteristics of subprime and midprime mortgage loans. Accordingly, these types of mortgage loans are more sensitive to economic factors that could affect the ability of borrowers to pay their obligations under the mortgage loans backing these securities. In addition, in recent months, housing prices and appraisal values in many states have declined or stopped appreciating.

RMBS often provide that the servicer is required to make advances in respect of delinquent mortgage loans. However, servicers experiencing financial difficulties may not be able to perform these obligations. Servicers who have sought bankruptcy protection may, due to application of the provisions of bankruptcy law, not be required to advance such amounts. Even if a servicer were able to advance amounts in respect of delinquent mortgage loans, its obligation to make such advances may be limited to the extent that it does not expect to recover such advances due to the deteriorating credit of the delinquent mortgage loans. In addition, a servicer’s obligation to make such advances may be limited to the amount of its servicing fee.

Since 2007, a number of originators and servicers of mortgage loans have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings. Such financial difficulties may have a negative effect on the ability of servicers to pursue collection on mortgage loans that are experiencing increased delinquencies and defaults and to maximize recoveries on sale of underlying properties following foreclosure. The inability of the originator to repurchase such mortgage loans in the event of early

payment defaults and loan representation breaches may also affect the performance of RMBS backed by those mortgage loans.

A number of servicers have entered into agreements with federal and state government agencies committing the servicers to modify underlying mortgage loans in order to reduce interest rates on the loans, forgive delinquent interest (and in some cases principal) and to take other actions that are intended to delay or prevent foreclosure on the mortgaged property. Federal legislation has been proposed that would protect servicers who make such modifications to mortgages backing RMBS from claims brought by investors in the RMBS. Amendments to the U.S. Bankruptcy Code have also been proposed that would enable a bankruptcy court to reduce the principal amount of a mortgage loan without the consent of the owner of the mortgage loan.

These adverse changes in market conditions and in laws and regulations may reduce the cashflow which a Fund receives from RMBS held by the Fund and decrease the market value of such RMBS.

**Federal Conservatorship of FNMA and FHLMC.** The payments of principal and interest that Funds receive on certain of their RMBS, which depend directly upon payments on the mortgages underlying such securities, may be guaranteed by GNMA, FNMA or FHLMC (such RMBS, “Agency RMBS”). GNMA is part of a U.S. Government agency and its guarantees are backed by the full faith and credit of the United States. FNMA and FHLMC are U.S. Government-sponsored entities (“GSEs”), but their guarantees are not backed by the full faith and credit of the United States.

In response to general market instability and, more specifically, the financial conditions of FNMA and FHLMC, in July 2008, the Housing and Economic Recovery Act of 2008 (“HERA”), established a new regulator for FNMA and FHLMC, the U.S. Federal Housing Finance Agency (the “FHFA”). In September 2008, the U.S. Treasury, the FHFA and the U.S. Federal Reserve announced a comprehensive action plan to help stabilize the financial markets, support the availability of mortgage financing and protect taxpayers. Under this plan, among other things, the FHFA was appointed as conservator of both FNMA and FHLMC, allowing the FHFA to control the actions of the two GSEs, without forcing them to liquidate, which would be the case under receivership. Importantly, the primary focus of the plan was to increase the availability of mortgage financing by allowing these GSEs to continue to grow their guarantee business without limit, while limiting the size of their retained mortgage and agency security portfolios and requiring that these portfolios be reduced over time.

In an effort to further stabilize the U.S. mortgage market, the U.S. Treasury pursued three additional initiatives beginning in 2008. First, it entered into preferred stock purchase agreements, which have been subsequently amended, with each of the GSEs to ensure that they maintain a positive net worth. Second, it established a new secured short-term credit facility, which was available to FNMA and FHLMC (as well as Federal Home Loan Banks) when other funding sources were unavailable. Third, it established an agency security purchase program under which the U.S. Treasury purchased Agency RMBS in the open market. The U.S. Federal Reserve also established a program of purchasing Agency RMBS.

Those efforts resulted in significant U.S. Government financial support and increased control of the GSEs. In December 2010, the FHFA reported that, from the time of execution of the preferred stock purchase agreements through September 30, 2010, funding provided to FNMA and FHLMC under the preferred stock purchase agreements amounted to approximately \$89 billion and \$64 billion, respectively. The U.S. Treasury has committed to support the positive net worth of FNMA and FHLMC, through preferred stock purchases as necessary, through 2012. Those agreements, as amended, also require the reduction of FNMA's and FHLMC's mortgage and agency security portfolios (they were limited to \$900 billion as of December 31, 2009, and to \$810 billion as of December 31, 2010, and must be reduced each year until their respective mortgage assets reach \$250 billion).

Both the secured short-term credit facility and the agency security program initiated by the U.S. Treasury expired on December 31, 2009. However, through that securities purchase program (from September 2008 through December 2009), the U.S. Treasury acquired approximately \$220 billion of Agency RMBS. In addition, while the U.S. Federal Reserve's program of agency security purchases terminated in 2010, through the first quarter of 2010, the U.S. Federal Reserve had purchased \$1.25 trillion of Agency RMBS. Subject to specified investment guidelines, the portfolios of Agency RMBS purchased through the programs established by the U.S. Treasury and the U.S. Federal Reserve may be held to maturity and, based on mortgage market conditions, adjustments may be made to these portfolios. This flexibility may adversely affect the pricing and availability of Agency RMBS that Funds seek to acquire during the remaining term of these portfolios.

Although the U.S. Government has committed to support the positive net worth of FNMA and FHLMC through 2012, there can be no assurance that these actions will be adequate for their needs. These uncertainties lead to questions about the availability of, and trading market for, Agency RMBS. Despite the steps taken by the U.S. Government, FNMA and FHLMC could default on their guarantee obligations which would materially and adversely affect the value of a Fund's Agency RMBS. Accordingly, if these government actions are inadequate and the GSEs continue to suffer losses or cease to exist, a Fund's performance could be materially and adversely affected.

In addition, the problems faced by FNMA and FHLMC resulting in their being placed into federal conservatorship and receiving significant U.S. Government support have sparked serious debate among federal policy makers regarding the continued role of the U.S. Government in providing liquidity for mortgage loans. The future roles of FNMA and FHLMC could be significantly reduced and the nature of their guarantee obligations could be considerably limited relative to historical measurements. Any such changes to the nature of their guarantee obligations could redefine what constitutes an agency security and could have broad adverse implications for the market and our business, operations and financial condition. Alternatively, FNMA and FHLMC could be dissolved or privatized, and the U.S. Government could determine to stop providing liquidity support of any kind to the mortgage market. In February 2011, the U.S. Treasury and the Department of Housing and Urban Development released a report to Congress entitled "Reforming America's Housing Finance Market" in which they proposed to reduce or eliminate the role of GSEs in mortgage financing. The report calls for phasing in increased pricing of FNMA and FHLMC guarantees to help level the playing field for the private sector to take back market share, reducing conforming loan limits by allowing the temporary increase in FNMA's and FHLMC's conforming loan limits to reset as scheduled on October 1, 2011 to the lower levels set in the HERA and continuing to wind down FNMA's and FHLMC's investment



portfolio at an annual rate of no less than 10% per year. The upper limit for loans backed by Fannie Mae and Freddie Mac were lowered in October as scheduled from \$729,750 to \$625,500. If Fannie Mae or Freddie Mac were eliminated, or their structures were to change (i.e., limitation or removal of the guarantee obligation), or their market share reduced because of required price increases or lower limits on the loans they can guarantee, a Fund could be unable to acquire additional Agency RMBS and existing positions in Agency RMBS and related positions could be materially and adversely impacted.

As indicated above, recent legislation has changed the relationship between FNMA and FHLMC and the U.S. Government. Future legislation could further change the relationship between FNMA and FHLMC and the U.S. Government, and could also nationalize, privatize, or eliminate such entities entirely. Any law affecting these GSEs may create market uncertainty and have the effect of reducing the actual or perceived credit quality of securities issued or guaranteed by FNMA or FHLMC. As a result, such laws could increase the risk of loss on investments in Agency RMBS guaranteed by FNMA and/or FHLMC. It also is possible that such laws could adversely impact the market for such securities and spreads at which they trade. All of the foregoing could materially and adversely affect a Fund's performance.

**Commercial Mortgage-Backed Securities ("CMBS").** The collateral underlying CMBS generally consists of mortgage loans secured by income-producing property, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self storage properties. Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS.

Successful management and operation of the related business (including property management decisions, such as pricing, maintenance and capital improvements) will have a significant impact on performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, increases in interest rates, real estate taxes and other operational expenses, general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates and civil disturbances, changes in governmental rules, regulations and fiscal policies, acts of God, social unrest and insurance coverage are among the factors that may impact both performance and market value. The value of commercial real estate is also subject to limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Property-specific issues with respect to the underlying mortgaged property, such as significant government regulation of a particular industry, reliance on franchise, management or operating agreements, transferability on purchase or foreclosure of related valuable assets such as liquor and other licenses and ease of conversion of a commercial property to an alternative use will impact both risk of loss and loss severity with respect to the underlying mortgage loan pool and the CMBS.

At any one time, a portfolio of CMBS may be backed by commercial mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the commercial mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Certain of the commercial mortgage loans underlying the CMBS may bear interest at adjustable rates based on LIBOR for one-month dollar deposits or other established interest indices. Accordingly, debt service for any such commercial mortgage loan will increase as interest rates rise. In contrast, rental and other income on the related mortgaged properties is not expected to rise significantly as interest rates rise. Accordingly, debt service coverage ratios of the underlying floating rate commercial mortgage loans generally will be adversely affected by rising interest rates, and a borrower's ability to make all payments due on such floating rate commercial mortgage loans may be adversely affected.

Mortgage loans on commercial properties often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity, and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default.

Most commercial mortgage loans underlying CMBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related CMBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of CMBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related CMBS. Revenues from the assets underlying such CMBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow.

**Futures and Derivative Investments.** The prices of futures contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap

agreements also depends upon the price of the financial instrument underlying them. In addition, a Fund's assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties.

C12 may cause a Fund to buy or sell (write) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. C12's option transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or a form of leverage, in which a Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, without taking into account other positions or transactions a Fund may enter into, the principal risks involved in options trading can be described as follows: When a Fund buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of a Fund's investment in the option (including commissions). The Fund could mitigate those losses by selling short, or buying puts on, the securities for which it holds call options, or by taking a long position (e.g., by buying the securities or buying calls on them) in securities for which it holds put options.

When a Fund sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered". If it is covered, a Fund would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss a Fund might suffer as a result of owning the security.

Swaps and certain options and other customized instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk.

**Short Selling.** Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a Fund engages in short sales will depend upon C12's investment strategy and opportunities. 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 a Fund of buying those securities to cover the short position. There can be no assurance that a Fund will be able to maintain the ability to borrow securities sold short. In such cases, a 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.

**Forward Trading.** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or futures they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or futures 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. Disruptions can occur in any market traded by C12 due to unusual trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which C12 would otherwise recommend, to the possible detriment of a Fund. Market illiquidity or disruption could result in major losses to a Fund.

**Investing in High Yield Securities.** High yield securities generally trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, it is more difficult to hedge the risks associated with bonds of issuers that do not have publicly traded equity securities. 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. 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 are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

**Capital Structure Arbitrage.** The success of this strategy will depend on the ability of C12 to identify and exploit the relationships between movements in different securities and instruments within an issuer’s capital structure (e.g., bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. In the event that the perceived pricing inefficiencies underlying an issuer’s securities were to fail to materialize as expected by C12, Funds could incur a loss.

**Debt Securities Generally.** Funds may invest in corporate and government debt securities and other similar instruments. Funds may invest in debt instruments that are unrated, and whether or not rated, the debt instruments may have speculative characteristics. 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. Such instruments are regarded as

predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions.

**Commodities and Commodities-Linked Instruments.** Investments in commodities markets or instruments linked to commodities may subject Funds to greater volatility than investments in traditional securities, such as stocks and bonds. The commodities markets may fluctuate widely based on a variety of factors. These include changes in overall market movements, domestic and foreign political and economic events and policies, war, acts of terrorism, changes in domestic or foreign interest rates and/or investor expectations concerning interest rates, domestic and foreign inflation rates and/or investor expectations concerning inflation rates and investment and trading activities of mutual funds, hedge funds and commodities funds.

Prices of various commodities may also be affected by factors, such as drought, floods, weather, livestock disease, embargoes, tariffs and regulatory developments, which are unpredictable. The prices of commodities can also fluctuate widely due to supply and demand disruptions in major producing or consuming regions. Certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers. As a result, political, economic and supply related events in such countries could have a disproportionate impact on the prices of such commodities.

The value of a commodity-linked derivative investment typically is based upon the price movements of a commodity, a commodity futures contract or commodity index, or some other readily measurable economic variable. Commodity-linked derivatives provide exposure to the investment returns of commodities that trade in the commodities markets without investing directly in physical commodities. The value of commodity-linked derivative instruments may be affected by the same factors that would affect an investment in the underlying commodities. Investments in commodity-linked derivatives may be subject to greater volatility than non-derivative based investments. A highly liquid secondary market may not exist for certain commodity-linked derivatives, and there can be no assurance that one will develop.

Commodity-linked derivatives also may be subject to credit and interest rate risks that in general affect the values of fixed-income securities. Therefore, at maturity, Funds may receive more or less principal than it originally invested. Funds might receive interest payments that are more or less than the stated coupon interest payments.

In addition, due to the limited number of entities that may serve as counterparties (and which C12 believes are creditworthy) at any one time, a Fund may enter into swap agreements with a limited number of counterparties and may invest in commodity-linked notes issued by a limited number of issuers that will act as counterparties, which may increase such Fund's exposure to counterparty credit risk. There can be no assurance that any Fund will be able to limit exposure to any one counterparty at all times.

To the extent Funds invest in commodity-linked notes, in addition to commodity risk and general derivatives risk, they may be subject to additional risks.

If payment of interest on a commodity-linked note is linked to the value of a particular commodity, commodity index or other economic variable, a Fund might not

receive all (or a portion) of the interest due on its investment if there is a loss of value of the underlying investment. To the extent that the amount of the principal to be repaid upon maturity is linked to the value of a particular commodity, commodity index or other economic variable, a Fund might not receive all or a portion of the principal at maturity of the investment.

A liquid secondary market may not exist for the commodity-linked notes that a Fund buys, which may make it difficult to sell them at an acceptable price or to accurately value them. Commodity-linked notes are also subject to the credit risk of the issuer. If the issuer of a commodity-linked note in which a Fund invests becomes bankrupt or otherwise fails to pay, the Fund could lose money.

The value of the commodity-linked notes a Fund buys may fluctuate significantly because the values of the underlying investments to which they are linked are themselves extremely volatile. Additionally, the particular terms of a commodity-linked note may create economic leverage by requiring payment by the issuer of an amount that is a multiple of the price increase or decrease of the underlying commodity, commodity index or other economic variable. Certain commodity-linked notes in which a Fund may invest will be leveraged, which means that the amount by which the value of the notes will rise or fall in response to changes in the underlying instrument has been magnified by a certain multiple. This would have the effect of increasing the volatility of the value of these commodity-linked notes as they may increase or decrease in value more quickly than the underlying commodity, commodity index or other economic variable. Therefore, at the maturity of the note, the Fund may receive more or less principal than it originally invested and may receive interest payments on the note that are more or less than the stated coupon interest payments.

**Repurchase and Reverse Repurchase Agreements.** When a Fund enters into a repurchase agreement, such Fund “sells” securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers to a broker-dealer or financial institution, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Fund “buys” securities issued by the U.S. or a non-U.S. government, or agencies thereof, or corporate issuers 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 a Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Fund involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case may involve costs to a Fund.

**Recent Developments in the Credit Market.** Recently, declines in the market value of asset-backed securities, especially securities backed by subprime mortgages, have been associated with significant market events. Increasing credit and valuation problems in the subprime mortgage market have generated extreme volatility and illiquidity in the markets for securities directly or indirectly exposed to subprime mortgage loans. This volatility and illiquidity has extended to the global credit and equity markets generally, and, in particular, to the high-yield bond and loan markets, intensified by, among other things, growing uncertainty regarding the extent of the problems in the mortgage industry and the degree of exposure of financial institutions and others, decreased risk tolerance by investors and significantly tightened availability of credit. The duration and ultimate effect of current market conditions cannot be predicted, nor is it known whether or the degree to which such

conditions may worsen. However, the continuation of current market conditions, uncertainty or further deterioration could result in further declines in the market values of potential Fund investments or declines in the market values of subsequently purchased Fund investments. Such declines could lead to diminished investment opportunities for a Fund, prevent a Fund from successfully executing its investment strategies or require a Fund to dispose of investments at a loss while such adverse market conditions prevail.

**Global and Emerging Market Investments.** Investments in securities and instruments of issuers located outside the United States, including in markets regarded as emerging or developing markets, may include business uncertainties and political, social and economic uncertainties that affect a particular country or region. For example, many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, limitations on the removal of funds or other assets of a Fund, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. Income received by a Fund from sources within some countries may be reduced by withholding and other taxes imposed by such countries.

The Funds may be subject to additional risks which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. While C12 will take these factors into consideration in making investment decisions for a Fund, no assurance can be given that a Fund will be able to fully avoid these risks.

Additionally, in emerging and developing markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision which is in place may be subject to manipulation or control. Some emerging and developing market countries do not have mature legal systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in financial instruments may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain

largely untested in many countries. Acting on behalf of or in respect of a Fund or Funds, C12 may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts. Due to the foregoing risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities of issuers based in developed countries.

In addition, economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global economic conditions and world markets and, in turn, could adversely affect a Fund's performance.

**European Debt Crisis and Market Conditions.** Global markets and economic conditions have been negatively impacted by the sovereign debt crisis that has been emerging in Europe since 2010, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. Despite assistance packages to Greece, Ireland and Portugal, the creation of a joint EU-IMF European Financial Stability Facility in May 2010, and a recently announced plan to expand financial assistance to Greece, uncertainty over the outcome of the European Union (EU) governments' financial support programs and worries about sovereign finances persist. There can be no assurance that the market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize the affected countries and markets in Europe or elsewhere. Specific events, such as sovereign debt restructurings or defaults may have a negative impact on the value of particular investments a Fund makes, directly or indirectly, in sovereign debt. More generally, ongoing events relating to EU attempts to resolve the financial crisis, and continuing market concerns about future developments, could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. The full scope of the economic and political disruptions resulting from the financial crisis, which may potentially involve one or more EU member states leaving the euro, are uncertain and there is no assurance that such events and future developments will not have a negative impact on a Fund's performance. In addition, it is possible that the sovereign debt crisis in the eurozone will result in one or more countries leaving the euro and reverting to national currencies. Such an event could have a significant negative impact on the European economy and a Fund's performance.

Nations outside of the eurozone also face significant debt burdens, which have the potential to negatively impact the global economy. On August 5, 2011, Standard & Poor's lowered its long term sovereign credit rating on the United States of America from AAA to AA+. While U.S. lawmakers had reached agreement to raise the federal debt ceiling on August 2, 2011, the downgrade reflected Standard & Poor's view that such agreement had fallen short of what would be necessary to stabilize the U.S. government's medium term debt dynamics. This downgrade, along with market concerns about possible further downgrades and about the government's credit in general, could have a material adverse impact on financial markets and economic conditions in the United States and throughout the world. In particular, such developments could disrupt payment systems, money markets, long-term or short-term fixed income markets, foreign exchange markets, commodities markets and equity markets and adversely affect the cost and availability of funding and certain effects, such as



increased spreads in money market and other short term rates, have been experienced already. The ultimate effect of such developments on the performance of particular investments of a Fund and its overall performance is unpredictable.

**Highly Volatile Markets.** The prices of financial instruments in which a Fund invests can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Each Fund is subject to the risk of failure of any of the exchanges on which its positions trade or of their clearinghouses.

**Contingent Liabilities.** From time to time a Fund may incur contingent liabilities in connection with an investment. For example, a Fund may enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to the Fund.

**Fraud.** Of paramount concern in investments in loans is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a Fund to perfect or effectuate a lien on the collateral securing the loan. The Funds will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Convertible Securities.** Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its

investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

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 a Fund is called for redemption, the 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 a Fund's ability to achieve its investment objective.

**Municipal Securities.** Funds may additionally invest in securities issued by political subdivisions or municipalities of various nations, agencies of such political subdivisions or municipalities or similar issuers (collectively, "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 such Municipal Securities. To the extent that a Fund invests heavily in a particular issuer's Municipal Securities, such Fund will be more vulnerable to factors affecting that issuer. Investments in Municipal 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 Municipal Securities.

**Distressed Securities.** Distressed securities are "below investment grade" securities and 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. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns, due to the difficulty in obtaining information as to the true condition of such issuers and the adverse impact of 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 or disenfranchise particular claims. Such companies' securities 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. 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 C12 will correctly evaluate the value of the assets or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, such Fund may lose its entire investment, may be required to accept cash or securities with a value less than such Fund's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from a Fund's investments may not compensate such Fund adequately for the risks assumed.

In certain transactions, a Fund may not be “hedged” against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

**Non-Performing Nature of Debt.** It is anticipated that certain debt instruments purchased by C12 for a Fund will be non-performing and possibly 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 the loans.

**Bank Loans.** Bank loans and participations (in each case relating to loans that were not originated by a Fund) are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of a Fund to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, C12 compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Funds.

**Second Lien Loans.** Second lien loans are a form of loan with a security interest in the assets of a company that are second in ranking behind a traditional senior credit facility. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy which can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products.

**Risks Associated with Bankruptcy Cases.** Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors may have the opportunity to object to significant actions, the bankruptcy court may approve actions that are contrary to the interests of a Fund. Furthermore, creditors and equity holders may lose their ranking and priority if they are considered to have taken over management and functional operating control of a debtor.

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, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Funds; 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 company may not be able to reorganize and may be required to liquidate assets. Although C12 intends to invest primarily

in debt, the debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a Fund's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

To the extent applicable, C12 intends to invest the Funds' assets principally in securities and other financial instruments of North American and European issuers and assets located in these regions, although C12 may invest the Funds' assets in securities and other financial instruments of other issuers domiciled, or assets located, elsewhere. 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.

C12, on behalf of a Fund, may elect to serve on creditors' committees, official or unofficial, equity holders' committees or other groups to ensure preservation or enhancement of such Fund's position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If C12 concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Funds, it will resign from that committee or group, and the Funds may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if a Fund are 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.

C12 may cause a Fund to 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.

**Bankruptcy Claims.** Bankruptcy claims, which are amounts owed to creditors of companies in financial difficulty, are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by U.S. securities laws or the U.S. Securities and Exchange Commission. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain

circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

**Equitable Subordination.** Under common law principles that in some cases form the basis for lender liability claims, if a lender (a) 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, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) 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”). C12 does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, the Funds may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

C12 does not have any reportable legal or disciplinary events that are material to its clients' or prospective clients' evaluation of its advisory business or the integrity of its management.

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

**A. Relationships or Arrangements with Affiliates and/or Related Persons**

C12, its affiliates and its personnel serve as investment advisers and investment managers to multiple private pooled investment vehicles as described in Item 4 “Advisory Business.” C12, its affiliates and its personnel may take action or give advice with respect to certain Funds that differs from the advice given to other Funds. C12, its affiliates and its personnel will devote as much time to the activities of each Fund as they deem necessary and appropriate and the amount of time devoted to different Funds may vary.

In addition, with respect to the Helix Funds, C12 has delegated certain non-discretionary sub-advisory functions to C12 Capital Management US LP, a Delaware limited partnership (the “Helix Sub-Advisor”). Although the Helix Sub-Advisor is not under common control with C12, the Helix Sub-Advisor is nevertheless operationally affiliated with C12 in a number of respects, including shared use of the “C12” name, shared adherence to substantially similar internal policies and procedures and the fact that one of the Helix Sub-Advisor’s general partners and C12 share a common owner.

This affiliation could create or exacerbate conflicts of interest by reducing certain competitive pressures. For example, although C12’s agreement with the Helix Sub-Advisor will generally permit C12 to terminate its relationship with the Helix Sub-Advisor at will, C12 may not wish to do so, among other reasons, due to its affiliation with the Helix Sub-Advisor or due to the operational difficulties that a transition of services may entail.

C12 seeks to limit the potential adverse effects of any conflicts of interest that arise in connection with its provision of services by rigorously adhering to its Code of Ethics, as more fully described in Item 11 “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.”

**B. Broker-Dealer Registration Status**

C12 and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

**C. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor Registration Status**

C12 and its management persons are not registered as, and do not have any application to register as, a futures commission merchant, commodity pool operator, commodity trading advisor or associated persons of the foregoing entities.

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

**A. Code of Ethics**

C12 strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, C12 has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The Code incorporates the following general principles that all C12 employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code, any actual or potential conflicts of interest must be avoided or appropriately mitigated, and any abuse of an employee’s position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the Funds, including the Funds’ investors, must be kept confidential; and independence in the investment sub-advisory or advisory process must be maintained at all times. The Code also places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to C12 on a periodic basis, and requires that employees preclear certain types of personal securities transactions. Clients and prospective clients may request a copy of the Code by contacting C12 at the address or telephone number listed on the first page of this document.

**B. Participation in Client Transactions**

C12’s partners, officers and employees may from time to time make personal investments in securities or instruments in which C12 may invest the Funds’ assets. Personal transactions by C12’s personnel are governed by the Code. C12’s personnel may buy, sell or hold securities or other instruments for their own accounts while entering into different investment decisions for one or more Funds. In addition, C12’s personnel may also invest in eligible Funds of its or their choosing and are not required to invest in all Funds. It is expected that, if such investments are made, the size of these investments will change over time.

C12 may also have ongoing relationships with companies whose securities are in or are being considered for the Funds. From time to time, C12 may cause various Funds to acquire securities or other financial instruments of an issuer in various parts of the capital structure. For example, one Fund may acquire or own securities that are senior or junior to securities or financial instruments of the same issuer that are acquired or held by another Fund (e.g., one Fund may acquire senior debt while another Fund may acquire subordinated debt). C12 recognizes that conflicts may arise under such circumstances and will endeavor to treat all Funds fairly and equitably.

**C. Cross Transactions**

C12 may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a “Cross Trade”) for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of clients, or to reduce transaction costs that may arise in an open



market transaction. If C12 decides to engage in a Cross Trade, C12 will determine that the proposed Cross Trade is in the best interests of the clients involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each client.

C12 may execute Cross Trades with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction at a reduced transaction cost due to the riskless nature of the transaction to the assisting broker-dealer. Alternatively, a Cross Trade between two clients may occur as an “internal cross”, where C12 instructs the custodians for the Funds to book the transaction at the price determined in accordance with C12’s valuation policy. If C12 effects an internal cross, C12 will not receive any fee in connection with the completion of the transaction.

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a client by C12 or its personnel, C12 will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors and approved or disapproved by (i) an advisory board comprised of representatives of investors in the clients or (ii) a committee consisting of one or more persons selected by C12 (or its affiliate), and any valuation approved by such a committee will be determined or approved by an independent third-party that has appropriate experience in providing such valuations.

#### **D. Trade Allocation Policies and Procedures**

It is the policy of C12 to allocate investment opportunities for the Funds fairly and equitably, to the extent possible, over a period of time. C12, however, will have no obligation to purchase, sell or exchange any security or financial instrument for one Fund which C12 may purchase, sell or exchange for another Fund if C12 believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for a particular Fund.

C12 or a related person generally makes investment decisions among the Funds on a *pro rata* basis in proportion to the relative value of the eligible net assets of each Fund, or on a *pro rata* basis in proportion to the actual position size held by each Fund. Additional factors that C12 may take into account include, among others, the nature and size of the proportion of a securities issue likely to be available to C12 or the nature and size of the proposed sale; the investment objectives and restrictions on the Funds; the relative size and cash availability of the applicable strategy within a Fund; the ability to borrow and the cost of borrowed funds; tax consequences; legal restrictions, including those that may arise in foreign jurisdictions; the liquidity of the investment relative to the need of each Fund; the degree of specialization of a Fund relative to the investment offered; the relative historical participation of a Fund in the investment; the difficulty of liquidating an investment for more than one Fund; the possibility that an allocation may result in a small or odd lot; new Funds with a substantial amount of investable cash; and other factors consider relevant.

If C12 determines that the purchase or sale of the same security is in the best interest of more than one Fund, C12 may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. See Item 12 “Brokerage Practices – Order Aggregation” for an additional discussion of C12’s order aggregation policies.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Clients**

As noted previously, C12 has full discretionary authority to manage the Helix Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. C12's authority with respect to the Helix Funds is limited by its own internal policies and procedures and each Helix Fund's investment guidelines. C12 does not currently exercise discretionary authority with respect to the Protium Funds, including with respect to selecting the institutions at which their brokerage accounts (if any) are established.

Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, C12 may consider, among other things, the following:

- the ability of the brokers and dealers to effect the transaction;
- the brokers' or dealers' facilities, reliability and financial responsibility; and
- the provision by the brokers of capital introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Helix Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. C12 need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither C12 nor the Helix Funds separately compensate any broker or dealer for any of these other services.

If C12 decides, based on the factors set forth above, to execute over-the-counter ("OTC") transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another:

- the ease of use;
- the flexibility of the ECN compared to other ECNs; and
- the level of care and attention that will be given to smaller orders.

C12 maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals and legal and compliance personnel.

## **B. Research and Other Soft Dollar Benefits**

From time to time, C12 may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. C12 effects such transactions, and receives such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). C12 believes it is important to its investment decision-making processes to have access to independent research.

Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In some cases, research services are generated by third parties but are provided to C12 by or through broker-dealers.

Also, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by one or more Funds may be used by C12 to service one or more other clients. Where a product or service obtained with soft dollars provides both research and non-research assistance to C12 (*i.e.*, a “mixed use” item), C12 makes a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of C12’s allocation of the costs of such benefits and services between those that primarily benefit C12 and those that primarily benefit the Funds.

At least annually, C12 considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will C12 make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

## **C. Brokerage for Client Referrals**

Neither C12 nor any related person receives client referrals from any broker-dealer or third party. However, as discussed above, subject to best execution, C12 may

consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

#### **D. Directed Brokerage**

C12 does not recommend, request or require that a client direct C12 to execute transactions through a specified broker-dealer.

#### **E. Order Aggregation**

If C12 determines that the purchase or sale of a security is appropriate with regard to multiple clients, C12 may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by C12. In the event of a partial fill, allocations may be modified on a basis that C12 deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by C12. As a result, certain trades in the same security for one client (including a client in which C12 and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

#### **F. Trade Errors**

C12's clients will generally be responsible for any losses resulting from trading errors and similar human errors, absent willful misfeasance, gross negligence or bad faith. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Clients should assume that trading errors (and similar errors) could occur and that a client will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of C12. C12 will have a conflict of interest in determining whether a trade error resulted from any conduct that would make it responsible for the losses associated with it or not.

## **ITEM 13 REVIEW OF ACCOUNTS**

### **A. Frequency and Nature of Review of Client Accounts**

C12 performs various daily, weekly, monthly, quarterly and periodic reviews of the Funds' portfolios. Such reviews are conducted by C12's Chief Investment Officer and other personnel and the senior portfolio managers, risk management personnel, and research analysts of C12 and C12's sub-advisors or other service providers (as applicable).

C12's personnel may participate in periodic portfolio reviews with Fund investors at C12's discretion, which are attended by the appropriate members of the staff of C12 and applicable sub-advisors or other service providers.

### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review**

In addition to periodic reviews, C12 will perform additional reviews of client accounts as it deems appropriate based on a number of factors. Industry factors, market developments, statutory and regulatory developments, changes in a client's investment objectives, policies or restrictions, and any issues that may have been identified with respect to a client account trigger additional reviews of client accounts.

### **C. Content and Frequency of Account Reports to Clients**

In addition, C12 prepares and delivers (in consultation with the applicable Helix Fund's administrator) monthly and other periodic reports documenting the performance of the Helix Funds to investors. C12 also assists in the preparation and delivery of monthly and quarterly cash flow reports relating to the Protium Funds' assets to the Protium Funds' sole investor. C12 may provide certain investors with information on a more frequent basis if agreed to by C12 and/or the Funds in an executed "side letter." In addition, on behalf of the Funds, C12 issues (or causes to be issued) to investors tax reports and audited financial statements concerning their respective Funds within 120 days of the end of the Funds' fiscal year.

The frequency and content of reports vary depending on the needs of each client and such client's agreement with C12. Such reports may include, among other things, information with respect to portfolio holdings, transactions and Fund or asset performance.

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

**A. Economic Benefits for Providing Services to Clients**

C12 does not receive sale awards, prizes or other economic benefits from non-clients for providing investment advice and other advisory services to its clients.

**B. Compensation to Non-Supervised Persons for Client Referrals**

C12 does not currently compensate any person who is not a supervised person for client referrals except in connection with capital introduction services from certain broker-dealers in order to market its Funds to potential investors. In addition, C12 may compensate placement agents for introducing potential investors to the Funds.

## **ITEM 15**

### **CUSTODY**

C12 is deemed to have custody of client funds and securities because it, or an affiliate, has the authority to withdraw funds, or otherwise authorize the disbursement of funds, from a client's account in certain circumstances (e.g., the Helix GP in respect of assets of the Helix Funds). Account statements related to the clients are sent by qualified custodians to C12. C12 is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is expected that C12 is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception." Among other things, the "Pooled Vehicle Annual Audit Exception" requires that each applicable Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each such Fund distribute to its investors, within 120 days of the end of its fiscal year, its audited financial statements conducted in accordance with U.S. GAAP or other generally accepted accounting principles, such as the International Financial Reporting Standards ("IFRS"), reconciled to U.S. GAAP, with such reconciliation provided to US investors.

**ITEM 16**  
**INVESTMENT DISCRETION**

C12 exercises discretionary investment authority in managing the accounts of the Helix Funds (but not the Protium Funds) through the execution of investment management agreements or through the organizational documents of the Helix Funds (*e.g.*, limited partnership agreements), subject to any negotiated limitations on such authority contained therein.



## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In accordance with Rule 206(4)-6 under the Advisers Act, C12 has adopted proxy voting policies and procedures (the “Policies”) for the voting of proxies on behalf of clients for which C12 has voting discretion. C12’s general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any (collectively, “proxies”), in a manner that serves the best interests of the applicable Fund, as determined by C12 in its discretion. When exercising voting rights, C12 takes into account, among other considerations, the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices.

In certain circumstances, proxy voting involves logistical issues which can affect C12’s ability to vote such proxies as well as the desirability of voting such proxies. These issues include, among others, untimely notice of shareholder meetings; requirements to vote proxies in person; potential difficulties in translating the proxy and requirements to provide local agents with unrestricted powers of attorney to facilitate voting instructions. As a consequence, C12 votes proxies in these markets only on a “best-efforts” basis. In addition, C12 may refrain from voting proxies where it determines that voting the proxies would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the applicable Fund. A copy of the Policies and the proxy voting record relating to a client may be obtained by contacting C12.

**ITEM 18**  
**FINANCIAL INFORMATION**

C12 is not required to include a balance sheet for its most recent fiscal year as part of this Brochure, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.