



Form ADV Part 2A  
Firm Brochure

Castle Creek Arbitrage LLC

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This Brochure provides information about the qualifications and business practices of Castle Creek Arbitrage LLC. If you have any questions about the contents of this Brochure, please contact us at (312) 692-5075. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Castle Creek Arbitrage LLC is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Castle Creek Arbitrage LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Item 2: *Material Changes*

Item 2 requires Castle Creek Arbitrage LLC to provide a summary of any material changes to the information provided in this Brochure since the last update of the document, which was dated March 30, 2018. In the Firm's view, no material changes were made to the Brochure since March 30, 2018.

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*Item 4: Advisory Business*

Castle Creek Arbitrage LLC (“Castle Creek” or the “Firm”) is a limited liability company organized under the laws of the State of Delaware and operates from its principal place of business in Chicago, Illinois. Castle Creek was established in March of 2003 as Castle Creek Convertible Arbitrage LLC and changed its name in 2005 to Castle Creek Arbitrage LLC. From January 2002 to March of 2003 the Firm’s business was conducted through CC Investments LDC and after a transfer of assets, it formally began operations on April 1, 2003. The Firm has been registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser since February of 2006. Mr. Allan Weine is a founder, the majority owner and the sole managing member of Castle Creek. There is one other current employee that is a non-managing member and profit participant of the Firm.

Castle Creek provides investment advisory services to several private investment funds that were organized by the Firm (the “Funds”). In managing the Funds, the Firm implements several strategies, including convertible arbitrage, relative value, capital structure arbitrage, and other credit related strategies and equity-option related strategies, that are more fully described in the Funds’ offering documents. In addition, Castle Creek may provide investment advisory services to other clients that generally replicate the investment strategies used by the Funds, including pooled investment vehicles organized by unaffiliated third parties or separately managed accounts (collectively, “Managed Accounts”, and together with the Funds, “Clients”).

The Funds, and the shares and interests offered by the Funds, are not registered under applicable securities regulations, including the U.S. Securities Act of 1933, as amended or the Investment Company Act of 1940, as amended. Accordingly, interests or shares of the Funds are offered and sold exclusively to investors that satisfy eligibility and suitability requirements under rules applicable to private placement transactions or offshore transactions.

The Firm’s advisory services are provided on a discretionary basis, which may be limited by conditions set forth in the governing documents for a Fund or may be imposed by a Managed Account in written investment guidelines or restrictions. As Castle Creek provides advisory services to the Funds, and not directly to any underlying investor as a result of investing in the Funds, the Firm does not take into consideration any specific investment condition requested by an investor in the Funds. Castle Creek does not manage any assets on a non-discretionary basis.

As of January 1, 2019, Castle Creek managed (on a fully discretionary basis) approximately \$360 million in Client assets, calculated on a net basis.

*Item 5: Fees and Compensation*

Castle Creek does not have a standard fee schedule for its advisory services. The Funds are typically structured such that the Firm receives an annual asset-based management fee (ranging from 1.0% to 1.5%) and an annual incentive fee (ranging from 15% to 20%). As more fully described in a Fund’s offering documents, the Firm has discretion to reduce or waive fees charged to any Fund or Fund investor, including where the Firm or Firm employees are investors in a Fund.

Asset-based management fees are paid monthly in arrears based on the average net asset value of the Fund at the end of each month. Incentive fees are generally payable as of each December 31 and upon any investor redemption from a Fund, subject to a “high water mark.” The “high water

mark” for each investment in a Fund is the higher of the most recent December 31 net asset value which an incentive fee was computed and paid on or the last December 31 net asset value which an incentive fee was computed on (adjusted for contributions and withdrawals / redemptions since the prior December 31). The “high water mark” is proportionately reduced each time a Fund investor makes a redemption / withdrawal when there is a loss carry forward attributable to the investment. Fund investors that make redemptions / withdrawals on quarter ends other than as of December 31 are subject to incentive fees on the portion of their investment redeemed.

For advisory services provided to a Managed Account, the Firm charges asset-based management and incentive fees that are similar to the fees charged to the Funds. The Firm will generally negotiate such fees based on various factors, including the amount of assets managed, the investments restrictions imposed by the account, the nature and extent of the relationship with the client or other business factors.

In addition to the asset-based management fee and incentive fee, each Client is responsible for the costs and expenses arising from its organization and operation. Such costs and expenses typically include: (i) accounting, (ii) administrative (including, as applicable, expenses related to reporting to underlying Fund investors and the on-going offering of Fund interests), (iii) audit, (iv) custody, (v) legal (including litigation-related and indemnification expenses, such as directors and officers and errors and omissions insurance premiums), (vi) brokerage and trading, and (vii) other operating expenses. The brokerage and trading expenses are further described in the *Brokerage Practices* section of this Brochure. The expenses of a Fund, including the asset-based management and incentive fees, may constitute a higher percentage of average net assets than would be typically found in other investment options.

Investors in a Fund are generally limited in their ability to terminate their participation in the Fund. In addition to other redemption and transfer restrictions that are described in a Fund's offering documents, investor redemptions within the first twelve months of an investment in a Fund are generally subject to a 3% early redemption fee.

As Castle Creek organized each Fund specifically to offer its advisory services to the Fund, the advisory agreement between Castle Creek and each Fund provide for limited instances under which the agreement may be terminated.

#### Item 6: *Performance-Based Fees and Side by Side Management*

As noted under the *Fees and Compensation* section, Castle Creek charges performance-based fees (*i.e.*, incentive fees) that are based on a share of capital gains on, or capital appreciation of, a Client's assets. Castle Creek does not currently manage a Fund or Managed Account that is not charged a performance-based fee. The Firm structures performance-based fee arrangements in accordance with applicable rules, including Rule 205-3 of the Investment Advisers Act of 1940, as amended.

Performance-based fees may create an incentive for Castle Creek to make investments that are riskier or more speculative than would be the case in the absence of such fees. As performance-based fees are calculated on an annual basis, which includes unrealized appreciation of a client's assets, the fees may be greater than if based solely on realized gains. In addition, performance-based fees could be based on unrealized gains that clients may never realize. Castle Creek has implemented various procedures (including with respect to trade allocation and valuation of assets) to address the conflicts of interest arising due to charging performance-based fees.

Item 7: *Types of Clients*

Castle Creek currently serves as managing member or investment manager to the Funds, which are exempt from registration under applicable securities regulations. Investors in the Funds are required to be "qualified purchasers" and "accredited investors" (as those terms are defined under applicable SEC rules) and may include fund of funds, institutions, business entities, trusts, pension and profit sharing plans, government entities, and high net worth individuals. Investors in the Funds are generally required to make a minimum initial investment of \$1,000,000 (USD) and may not redeem their investment without penalty for the first twelve months after an investment. At its discretion, and subject to any applicable regulatory requirements, the Firm may modify the minimum initial investment amount and/or the early redemption penalty for certain Fund investors. Investors in a Fund must independently make a determination with respect to the suitability of their making or continuing any investment in a Fund. Castle Creek does not make any such suitability determination or otherwise provide investment advisory services to Fund investors solely as a result of their investing in a Fund.

In providing advisory services to the Funds, Castle Creek generally disfavors "side letters" with Fund investors, even if the terms of a side letter do not adversely affect other Fund investors. There are currently side letters that offers terms that modify, or are in addition to, certain provisions of the applicable Fund's offering memorandum. The Firm does not plan to enter into any new side letters in the future except in unusual circumstances. As such, it has incorporated in each Fund's offering documents as general terms (applicable to all Fund investors) many of the undertakings that the Firm most frequently encounters in side letter requests.

A Managed Account client may include unregistered or registered pooled investment vehicles (which are organized by third parties that are unaffiliated with Castle Creek), institutions or other business entities.

Castle Creek generally requires a minimum investment of \$50 to \$75 million (USD) to launch a new Fund or establish a new Managed Account relationship; however, the Firm may modify that minimum amount for a variety of factors.

Item 8: *Methods of Analysis, Investment Strategies and Risk of Loss*

**Investing in securities involves the risk of loss that clients should be prepared to bear.** The Firm does not offer any products or services that guarantee rates of return on investments. The Funds, investors in the Funds and Managed Accounts all assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

*Investment Strategies and Methods of Analysis*

Castle Creek's investment strategies primarily include convertible arbitrage, relative value, capital structure arbitrage, and other credit related strategies and equity-option related strategies. When implementing these strategies, the Firm strives to construct a diversified portfolio of convertible securities, high-yield corporate bonds, derivatives, corporate debt, bank debt, bank loans, distressed loans and claims, leveraged loans, equity securities and other securities both on U.S. and non-U.S. exchanges. In addition, the Firm looks to generate returns from a combination of attractive coupon or dividend yields and interest generated on the proceeds of short holdings,

and, in the case of convertible securities, by trading on the underlying security's volatility or credit spread. The Firm also utilizes derivatives and participates in swap transactions.

The Firm's convertible arbitrage strategy consists of buying, selling and trading U.S. and non-U.S. convertible securities, typically including hedging a portion of the risk inherent in such securities. Convertible securities are securities that may be exchanged or converted into a predetermined number of an issuer's underlying common shares at the option of the holder during a specified time period. They may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants or other securities combining the features of these securities. Convertible hedging combines the use of other instruments in conjunction with a convertible security with a view to controlling risk while seeking capital gains. Convertible securities may be hedged by selling short some or all of the common stock issuable upon conversion of such securities, or by establishing "synthetic" short positions through derivatives and options transactions. The Firm utilizes fundamental credit research along with quantitative analysis and modeling in selecting investments with regard to the equity and fixed income components of any particular investment in this strategy.

The Firm's relative value strategy focuses on spread relationships between the pricing components of financial assets. This strategy seeks to avoid exposure to significant outright market risk. However, the "spread" risk of the relative values of positions diverging rather than converging or vice versa may be significant. The Firm employs mathematical and statistical techniques and models in an attempt to identify and hedge trading opportunities in this strategy.

Capital structure arbitrage involves buying long and selling short different classes of securities of the same issuer in anticipation of profiting from a relative mispricing among them. Other credit related strategies take various different forms, including, but not limited to, buying and selling different credit sensitive instruments relating to one issuer, selling "short" bonds of an issuer subject to potential credit deterioration and buying distressed and high-yield securities offering favorable return profiles. The Firm may also purchase units in special purpose acquisition companies (SPACs) during an initial public offering. The Firm may keep the common stock of the related company or keep warrants and sell short the common stock of the related company.

#### *Investment Risks*

There are various risks associated with implementing the Firm's investment strategies, including, among others:

- *Portfolio management:* The Firm's strategies are dependent on the services of Mr. Weine and his (as well as other Firm portfolio managers') discretionary market judgment. The absence of Mr. Weine and/or other key personnel could have a material adverse effect on the Firm.
- *Arbitrage trading:* The Firm will engage in arbitrage trading when implementing its strategies. Arbitrage opportunities are often short lived and arbitrage trading can involve large transaction costs because of the need to simultaneously buy and sell many different securities.
- *Leverage and the availability of credit:* The Firm's trading activities will utilize leverage, which typically increases the risk of loss and the volatility of a portfolio. The greater the leverage that is incorporated, the more likely it is that a sudden, substantial change will occur in the value of a portfolio. There is generally no restriction on the amount of leverage that the Firm may use and the amount of leverage may be significant from time to time. The Firm depends on the availability of credit to finance the portfolios for its Clients. While the Firm

attempts to negotiate the terms of its financing arrangements with brokers and dealers, its ability to do so is limited. There can be no assurance that the Firm will be able to maintain adequate financing arrangements to implement its investment strategies.

- *Debt and other income securities:* Fixed income securities are typically subject to interest rate, market, credit, and currency risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. Fixed income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.
- *Distressed securities:* The Firm may invest in securities issued by companies in weak financial condition, experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems or even bankruptcy or reorganization proceedings. Investing in distressed securities may be unusually complicated and may involve an unusually high degree of risk and illiquidity.
- *Short sales:* The Firm may engage in short sales as part of hedging transactions or when it believes securities are overvalued. A short sale theoretically presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value, creating a greater loss. In addition, the ability to continue borrowing the security is not guaranteed. If the short seller loses the ability to continue borrowing the security, a "buy-in" may occur, forcing the short seller to purchase the security at an inopportune time.
- *Derivative instruments:* The Firm invests in derivative instruments, including futures, options, swaps, structured securities and other instruments and contracts, which involve risks applicable to trading the underlying asset and also other risks such as risks associated with trading on an unregulated market, counterparty risks relating to the creditworthiness of the counterparty, market risk, and operations risk.
- *Reliance on corporate management and financial reporting:* Many of the Firm's strategies rely upon financial information made available to the public by issuers of securities. The Firm may have no ability to independently verify the financial information disseminated by issuers and is dependent upon the integrity of both the management of such issuers and the financial reporting process in general.
- *High Turnover:* The Firm's trading and investing activities will utilize leverage and will result in a substantial turnover rate of portfolio holdings, high concentration in certain types of positions, short selling and use of derivative instruments. Short-term results are extremely difficult to predict and may vary widely. The Firm's investment strategies may result in frequent losses on individual investments, even during periods when overall performance is profitable.
- *Concentration:* In general, the Firm is not restricted as to the percentage of assets that may be invested in any particular issuer, industry, instrument, market or strategy. As such, a portfolio may have a high concentration in certain types of positions.
- *Global market exposure:* By investing in foreign markets, a portfolio is subject to, among other risks: (i) currency exchange-rate risk; (ii) the possible imposition of withholding, income or excise taxes; (iii) the absence of uniform accounting, auditing and financial reporting standards and practices; (iv) less rigorous disclosure requirements and little or



potentially biased government supervision and regulation; and (v) economic and political risks, including expropriation, exchange controls and potential restrictions on foreign investment and repatriation of capital.

Item 9: *Disciplinary Information*

SEC-registered investment advisers like Castle Creek are required to disclose all material facts regarding any legal or disciplinary events that are material to a client's evaluation of the Firm's advisory business or the integrity of the Firm's management. In the Firm's view, there is no information to disclose that is applicable to this item.

Item 10: *Other Financial Industry Activities and Affiliations*

Castle Creek has one wholly-owned subsidiary, CC ARB Global, Ltd that was established in December of 2010 as a private limited company and organized under the laws of England and Wales. On October 21, 2011, CC ARB Global, Ltd received authorization from the United Kingdom's Financial Services Authority (now Financial Conduct Authority) to provide investment sub-advisory services to the Firm. CC ARB Global, Ltd. is not separately registered with the SEC, but rather falls under Castle Creek's SEC investment adviser registration as a "relying adviser" in accordance with the SEC's "Form ADV: General Instructions".

Castle Creek and the Funds rely upon available exemptions and are not registered with the U.S. Commodity Futures Trading Commission.

Item 11: *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*

Castle Creek has adopted a Code of Ethics designed to promote honest and ethical conduct in its business dealings. The Firm believes it is important to create an environment where ethics are valued and promoted and that employees recognize their fiduciary duty to the Firm's clients. As a fiduciary, Castle Creek has an obligation to, among other things, protect the confidentiality of client information, to prevent the misuse of material non-public information and to the extent feasible, to avoid or mitigate conflicts of interests. Although no amount of procedures can guarantee an individual's behavior, Castle Creek believes starting with a Code of Ethics that is enforced by the Firm should promote honest and ethical conduct by its employees.

The Code of Ethics imposes various requirements on all Castle Creek employees, including pre-clearance of most personal securities transactions, periodic reporting of personal securities holdings and disclosure of outside business activities. Employees must provide or arrange for automatic delivery to the Firm's compliance department of duplicate copies of accounts statements for personal securities accounts and confirmations for trades of most securities. These reports are reviewed to determine if personal trading by employees is done in a manner consistent with the Code of Ethics.

In addition, the Code of Ethics sets forth general guidelines when an employee may accept or provide non-cash compensation, such as gifts, meals or event tickets to individuals (including Fund investors, other clients, broker/dealers, company management or service providers) who conduct business with the Firm. In general, the Code of Ethics requires an employee to internally report certain non-cash compensation items or to decline receipt, based on a consideration of various factors, including the market value of the item.

Castle Creek also maintains an Insider Trading policy designed to prevent the misuse of material, non-public information. In accordance with the Insider Trading Policy, Castle Creek employees may not trade, for their personal accounts or for the account of any Client, while in the possession of material non-public information. Any employee who believes he or she has come into possession of material non-public information is required to inform the Chief Compliance Officer or Chief Investment Officer so that appropriate steps may be taken.

All Castle Creek employees are required to certify their compliance with the Firm's Code of Ethics and the Insider Trading Policy at least annually. Existing and prospective clients may obtain a copy of Castle Creek's Code of Ethics by contacting the Firm at (312) 692-5075.

Castle Creek employees also invest directly in certain Funds managed by Castle Creek. This could create a potential conflict of interest to favor such Funds over Funds in which employees are not invested. However, as noted under *Trade Allocation* below, Castle Creek seeks to allocate investment opportunities and treat all similarly situated Clients fairly and equitably over time to the extent such opportunities are determined to be appropriate.

#### Item 12: *Brokerage Practices*

##### *Trade Execution*

In managing Client assets, Castle Creek is granted discretionary authority to make decisions with respect to investments that are bought or sold for a Client, the quantity and prices of transactions with respect to those investments, the broker/dealers used for a particular transaction and the commissions paid. The Firm's discretion may be limited by conditions imposed by a Client, such as by restricting the purchase of a particular security or limiting the aggregate percentage of securities in a particular sector.

When placing trades for a Client, the Firm will generally seek "best execution" in light of the circumstances involved in each transaction. In selecting a broker/dealer for any transaction, Castle Creek will consider a variety of factors (both specific to the broker/dealer and in general with respect to the security being traded), including net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. Taking these factors into consideration, the Firm may cause a Client's account to pay a brokerage commission in excess of that which another broker/dealer may have charged for executing the same transaction. The Firm is not obligated to obtain the lowest commission or best price for any particular transaction.

##### *Soft Dollars*

In addition to execution quality, Castle Creek may consider the value of various products and services a broker/dealer provides to the Firm. Selecting a broker/dealer in the recognition of products or services other than simply transaction execution is known as paying for those products or services with "soft dollars." Because many of those products or services could be considered to provide some benefit to Castle Creek and because the soft dollars used to acquire them are Client assets, the Firm has a conflict of interest in allocating client brokerage business under these circumstances. In addition, Castle Creek may have an incentive to cause Clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage commissions with which to acquire additional products and services.

Castle Creek will make decisions involving soft dollars in a manner that it reasonably believes satisfies the requirements of the safe harbor provided by section 28(e) of the Securities Exchange

Act of 1934, as amended. That is, considering all appropriate factors, the Firm will generally determine that commissions paid are reasonable in relation to the value of the brokerage and research products and services provided by the broker/dealer. That reasonableness may be viewed in terms of a particular transaction (or transactions) or in terms of the Firm's overall responsibilities to its Clients. In some cases, the commission charged by a broker/dealer for a particular transaction may be greater than the amount another broker/dealer who did not provide research products or services might charge. Additionally, in some cases, a transaction may be executed by a broker/dealer in recognition of research products or services that are not used in managing that Client's account.

Where a particular product or service that a broker/dealer is willing to provide for soft dollars has not only a "research" application, but it also useful to the Firm for non-"research" purposes (*i.e.*, a "mixed used"), Castle Creek may allocate the cost of the product or service between its "research and non-research" uses and pay only the "research" portion with the soft dollars. The Firm's interest in making such an allocation may differ from a Client's interest, as the Firm has an incentive to designate as great a portion of the cost as "research" as possible in order to permit payment with soft dollars.

Soft dollar eligible products and services currently received by the Firm include research reports (including reports specific to issuers, industries and/or regions), subscriptions to specialized publications, propriety research, portfolio evaluation services, financial database software and services, and computerized news, pricing and order entry services.

When a broker/dealer provides products or services in expectation of brokerage business, it may suggest the level of business it would like to receive as compensation. In making its brokerage selections, the Firm considers those suggestions as part of its evaluation of the factors described above. Actual transactional business received by a particular broker/dealer during any period may be less than the suggested level but may (and the Firm expects that it often will) exceed that level. This may be in part because the total brokerage business generated may exceed the aggregate amounts requested by all broker/dealers from which the Firm receives products and services, and in part because the broker/dealers that provide such products and services may also provide superior execution and may therefore be the most appropriate broker/dealers for particular transactions regardless of whether or not they provided such products or services.

To facilitate the receipt of third-party research products and services, the Firm has entered into an arrangement with three broker/dealers whereby the Firm executes securities transactions with such broker/dealers at negotiated commission rates. A portion of the commissions is retained by the broker/dealers as compensation for the execution services provided and a portion is credited to the Firm to pay for soft dollar eligible third party research products and services. The broker/dealer will pay the portion credited to the Firm to a third party commission management vendor hired by the Firm to manage research commission dollars. The Firm will submit invoices from third party providers of the eligible research products or services to the commission management vendor and payments of the invoices will be made directly to the provider from the pool of commission credits.

Prime brokers used by the Funds for financing, clearing, settlement and custody services may also offer capital introduction services. Capital introduction services are made available to the Firm on an unsolicited basis, generally without regard to the rates of commissions charged to the Funds or the volume of business placed through the prime broker. The Firm may or may not utilize the capital introduction services offered by the prime brokers for the Funds.

### *Trade Allocation*

In general, where sufficient quantities or trading volumes for the opportunity exists, Castle Creek will allocate an investment opportunity among participating Clients based on a predetermined percentage allocation or on an objective allocation methodology. The predetermined percentage allocation is generally determined at the beginning of each month based on the assets held by each Client. When appropriate, the Firm will aggregate or bunch purchases or sales of a security and allocate such trades among the participating Client accounts.

Castle Creek seeks to allocate investment opportunities and treat all similarly situated Clients fairly and equitably over time to the extent such opportunities are determined to be appropriate. Nonetheless, the Firm will have a conflict of interest between allocating investment opportunities in a manner that treats all such Clients fairly over time and allocating investment opportunities in a manner that maximizes incentive fees, as well as in accommodating varying Fund investor redemption terms. In accordance with its Trade Aggregation and Allocation Policy, Castle Creek is not obligated to make an identical investment decision for one Client that it makes for any other Client, when the Firm believes that the investment would be unsuitable, impractical or undesirable for a particular Client. Although the Firm's Trade Aggregation and Allocation Policy is designed to treat all Clients fairly over time, the performance of one Client may differ even though the investment objectives may be substantially the same or similar. Castle Creek may trade on behalf of a Client in a way that may differ from or conflict with trades made on behalf of another Client (even though they implement similar or overlapping investment programs) due to different overall investment objectives and strategies, individual Client instructions, Client-specific risk management policies or other factors.

In limited circumstances and when consistent with a Client's investment objectives and policies, the Firm may determine it appropriate to affect an internal cross transaction between Clients. In an internal cross trade, the Firm causes one Client to purchase (or sell) a security and a different Client to sell (or purchase) the same security. In general, there are inherent conflicts of interest in effecting a cross trade between client accounts. An adviser may be viewed as advantaging (or favoring) one client over another, or as benefiting itself to accommodate a client, as the adviser determines the clients impacted by the trade, what security (or securities) to trade, the quantity to trade and under certain circumstances, may be viewed as determining the price at which a security is traded.

To address the inherent conflicts of interest in effecting an internal cross trade, the Firm: (1) will only effect the trade when it deems the trade to be in the best interests of each participating Client; (2) will obtain prior consent from each participating Client (or Client representative); (3) will effect the trade at a price determined in accordance with the Firm's then-current Valuation Policy; (4) will not receive any compensation as a result of effecting the trade (other than the fees described in the *Fees and Compensation* section above); and (5) will ensure the trade complies with applicable securities regulations, including Rule 206(3)-2 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Firm does not engage in cross transactions between, (on the one hand) a Client account; and (on the other hand) any personal account held by the Firm or a Firm employee; or any Fund which could constitute a principal account due to employee investment in such Fund.

### *Trade Errors*

From time to time, Castle Creek may make a trade error when trading for a Client. Trade errors are not errors in judgment, strategy, market analysis or economic outlook, but rather errors in

implementing a specific trade. Examples of trade errors would be buying 10,000 shares of a security rather than the 1,000 that was intended or taking a long rather than an intended short position in a particular security. In the case of a trade error caused by the broker executing a particular trade, the Firm will hold the particular broker responsible. In the case of a trade error caused by the Firm, Castle Creek determines whether to have any costs arising from the trade error borne by the Client, or by the Firm, by applying the relevant standard of liability for the Firm in its management of the Client's assets (as set forth in the applicable agreement with the Client). Accordingly, with respect to the Funds, Castle Creek will generally be obligated to reimburse a Fund for any trade error resulting from the Firm's gross negligence, intentional misconduct or bad faith, and not otherwise.

Castle Creek will itself determine in good faith whether or not a given trade error is required to be reimbursed under the general standard of liability applicable to the Client. This approach does not contemplate that the Firm would determine whether any individual trade error resulted from the Firm's gross negligence, intentional misconduct or bad faith per se; rather, the Firm would likely consider itself to have been grossly negligent if it determines that its procedures were inadequate to prevent such error from recurring with any frequency. Castle Creek will have a conflict of interest in determining the resolution of any trade error and it will attempt to resolve any such conflict by making an objective determination of the status of any trade error under the applicable liability standard. Trade error costs may be significant, including market losses resulting from the position incorrectly acquired as well as the additional brokerage costs of closing out or reversing the error. The opportunity cost (lost profits) of not having made a trade intended to be made is not considered a trade error cost. Any gains recognized on a trade error will be for the benefit of the affected Client and none will be retained by the Firm.

#### *Item 13: Review of Accounts*

Castle Creek's Chief Investment Officer reviews strategy parameters, portfolio structure, and security selection on a routine basis (typically at least weekly). Portfolio managers also monitor the overall portfolio structure, as well as the selection and execution of investment opportunities, on an ongoing basis. Other employees of the Firm, including the Firm's Risk Manager and the Chief Financial Officer/Chief Compliance Officer also perform periodic reviews of accounts to ensure the accounts are managed consistent with applicable investment guidelines or restrictions and applicable legal and regulatory requirements.

Fund investors (and/or their designated representatives) receive (i) a weekly and monthly estimate of the Fund's performance, (ii) a monthly unaudited account statement, (iii) a monthly newsletter that provides an overview of the market and the Fund for the particular reporting period and (iv) an annual audited financial statement for the Fund within 120 days after the end of the Fund's fiscal year. The monthly account statements, monthly newsletters, and the annual financial statements are all delivered by the administrator of each Fund directly to Fund investors. Certain investors will receive tax information to assist the investors in completing their tax returns.

Castle Creek also provides more detailed information regarding the Funds to those investors who enter into a non-disclosure agreement with the Firm with respect to such information. Among others, the supplemental information includes risk reports, transparency reports and detailed portfolio holdings information, which is generally provided on a monthly or quarterly lag. While all Fund investors have the opportunity to receive this supplemental information, not all investors will receive it if they choose to not enter into a non-disclosure agreement with the Firm.

For Managed Accounts, Castle Creek will provide reporting specific to the client's account in a format and at a frequency as agreed upon with the client. Such reporting will generally be done on a monthly basis but may be more or less frequent depending on the client's needs.

*Item 14: Client Referrals and Other Compensation*

Castle Creek does not currently compensate any person for client referrals. From time to time, the Firm may pay a fee to facilitate the inclusion of information about the Firm or the Funds in databases maintained by various third-party data providers who make such information available to users of the databases.

*Item 15: Custody*

Qualified custodians maintain custody for all Client assets. As defined under applicable securities rules, qualified custodians generally include banks, registered broker/dealers, registered futures commission merchants and certain foreign financial institutions. Castle Creek does not have physical custody of any Client assets; however, the Firm may be deemed to have custody due to the Firm's role as managing member of a Fund or to the extent the Firm automatically deducts advisory fees.

Castle Creek selects qualified custodians for Fund assets and the Fund is responsible for all costs and expenses associated with such custodians. Prime brokers for the Funds act as clearing brokers and custodians for Fund assets, holding such assets in prime brokerage accounts in the name of the Funds. The prime brokers for the Funds currently include BNP Paribas, Deutsche Bank Securities, J.P. Morgan, Pershing LLC and Scotia Capital. From time to time, certain Fund assets may also be held by Keybank, Computershare Trust Company or other third party transfer agent appointed by an issuer.

Castle Creek has arranged for an annual audit of each Fund, to be prepared in accordance with generally accepted accounting principles and to be performed by an independent audit firm that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The Firm will ensure a copy of a Fund's annual audited financial statement is distributed to each Fund investor (or Fund investor representative) within 120 days of the end of the Fund's fiscal year.

For a Managed Account, the client is responsible for selecting its own qualified custodians and for incurring all costs and expenses associated with such qualified custodians. Castle Creek will reconcile positions held by the Managed Account with the client-selected custodian(s) on a routine basis. In addition, the client's custodian(s) are responsible for delivering account statements directly to the client on at least a quarterly basis. These statements should be reviewed carefully by the client.

*Item 16: Investment Discretion*

Castle Creek's investment advisory services are provided on a discretionary basis subject to any investment objectives, guidelines and/or restrictions as set forth in the governing documents for a Fund or as agreed upon in writing with a Managed Account. The grant of the Firm's discretionary authority is documented in a written agreement with each Client. In acting with discretionary authority, the Firm determines what securities to trade, when and in what amount to trade and the broker/dealers to execute each trade.



Item 17: *Voting Client Securities*

Rule 206(4)-6 under the Advisers Act requires SEC registered investment advisers who exercise voting authority with respect to client securities to adopt and implement proxy voting policies and procedures. Due to the nature of the investment strategies utilized by the Firm, equity securities are generally not held long by Client accounts such that the Firm would be entitled to vote on proxy matters relating to such securities. However, there are instances when the Firm is entitled and as such, the Firm has adopted a written proxy policy and procedures (the "Proxy Procedures") reasonably designed to ensure proxy voting by the Firm is done in the best interests of its Clients.

The Firm reviews all proxy proposals on a case-by-case basis and generally votes in favor of routine corporate proposals, such as electing directors and selecting auditors. The Proxy Procedures permit the Firm to abstain from voting proxies in the event that a Client's economic interest in the matter being voted upon is limited relative to the Client's overall portfolio or in the determination that the vote would not have a material effect on a proposal's outcome or on the Client's economic interests.

Where Castle Creek believes a proxy proposal raises a material conflict between the Firm's interests and interests of a Client, the Firm will seek to resolve or mitigate the conflict. For each proxy voted, Castle Creek maintains all related records as required by applicable law. A Client may obtain a copy of the Firm's Proxy Procedures or a copy of the specific voting record for its account by contacting Castle Creek at (312) 692-5075.

*Corporate Actions*

Consistent with its fiduciary duties and in accordance with written authorization from a Client, Castle Creek will generally act on corporate actions that it receives for current holdings in a Client account. Corporate actions include, for example, tender offers, warrant exercises, exchanges or conversions, bankruptcy proceedings and class actions. In particular for class actions that impact the Funds, each Fund has retained an unaffiliated, third party service provider to assist with identifying class actions and filing necessary documents on behalf of the Fund. The service provider monitors class actions and is paid a percentage of any proceeds recovered. Upon termination of a client relationship, Castle Creek will use reasonable efforts to forward any notices that it receives relating to corporate actions to the Client and the Firm will be under no obligation to act on such notices.

Item 18: *Financial Information*

Castle Creek is not aware of any financial condition that impairs or is reasonably expected to impair the Firm's ability to meet its contractual commitments to its Clients.

*Other Information*

*Privacy Notice*

Castle Creek believes that protecting the confidentiality of its clients' nonpublic personal information is of the utmost importance. The Firm is committed to maintaining the confidentiality of all such nonpublic personal information in its possession and the Firm does not disclose such information except as described in this Privacy Notice.

Castle Creek collects nonpublic personal information about its clients from the following sources:

- Information provided on Fund subscription documents and related forms or in correspondence and other communications with the Firm or the Firm's representatives (for example, name, address, Social Security number, birth date, assets, income and investment experience); and
- Information about client transactions (for example, account activity and balances).

The Firm does not disclose any nonpublic personal information about its current or former clients other than in connection with the administration, processing and servicing of client accounts, or to its accountants, attorneys and auditors, or as otherwise permitted or required by law.

Castle Creek does not otherwise provide nonpublic personal information about its clients to outside firms, organizations or individuals, although the Firm will release information if directed by a client or in connection with any government or self-regulatory organization request. The Firm seeks to safeguard client personal information and restrict access to client nonpublic personal information to the Firm's employees who need to know the information to provide services to a client. In addition, the Firm maintains physical, electronic and procedural safeguards that are designed to comply with federal standards to maintain the confidentiality of client nonpublic personal information.

The accuracy of each client's nonpublic personal information is important to Castle Creek. Clients may correct, update or confirm their personal information anytime by calling the Firm at (312) 692-5075.

Castle Creek may modify this Privacy Notice at any time. The Firm will notify current clients of any modification, as well as transmit a copy of its current Privacy Notice to all current clients on an annual basis.