

**Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Camber Capital Management LLC (“Camber”). If you have any questions about the contents of this brochure, please contact Sean George at (617) 717-6600 or [sgeorge@cambercapital.com](mailto:sgeorge@cambercapital.com). 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. Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

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

March 24, 2016

## **Item 2: Material Changes**

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There only material change to this brochure since the previous release of the brochure dated March 30, 2015 is in Item 4.E of this brochure. Camber's regulatory assets under management have increased from approximately \$2,209,155,036 as of December 31, 2014 to approximately \$ 2,556,211,381 as of December 31, 2015.

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#### **Item 4: Advisory Business**

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##### **A: Firm Description**

Camber Capital Management LLC, a Massachusetts limited liability company formed on February 9, 2006 (“Camber”), currently provides discretionary investment advisory services to private pooled investment vehicles and individuals through managed accounts (collectively, the “Clients”). Stephen R. Du Bois is the founder, managing member and sole owner of Camber.

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##### **B: Types of Advisory Services**

Camber's investment objective is to seek capital appreciation without regard to current income. Camber intends to achieve its objective by investing primarily in publicly-traded common stocks of healthcare companies. This covers a number of industries, including healthcare services and facilities, pharmaceuticals, medical products and devices and biotechnology. These industries represent a significant growth area of our economy, particularly with the aging of the population. Camber intends to invest a majority of its Clients' total assets in the securities of healthcare companies, but may from time to time invest a portion of its capital in investments outside the healthcare sector, if more compelling ideas present themselves.

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##### **C: Tailored Services**

Camber does tailor its advisory services to the individual needs of its managed account Clients. Clients may impose restrictions on (i) investments in certain types of securities and (ii) maximum positions and exposure created by Clients' securities holdings.

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##### **D: Wrap Fee Programs**

Camber does not participate in any wrap fee programs.

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##### **E: Client Assets Under Management**

As of December 31, 2015, Camber managed approximately \$2,556,211,381 in regulatory assets under management for five (5) Clients, all of which are managed on a discretionary basis. Camber does not manage any assets on a non-discretionary basis.

## **Item 5: Fees and Compensation**

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### **A. Description**

Camber bases its fees upon a percentage of assets under management and upon performance. Most Clients typically pay Camber quarterly management fees no greater than 1.5% per annum of such Client's net asset value. Clients also pay an affiliate of Camber a performance allocation equal to no greater than twenty percent (20%) of such Client's increase in net asset value (after calculation and accrual of management fees) determined as of the last business day of each year, subject to a high water mark. Such fees are currently not negotiable.

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### **B. Fee Billing**

Management fees are deducted quarterly from Clients' assets in advance. Any performance allocation is deducted annually in arrears from Clients' assets.

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### **C. Other Fees and Expenses**

Clients managed by Camber pay or reimburse Camber, as the case may be, for all costs and expenses related to its investments and its operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, interest and commitment fees on debit balances or borrowings, borrowing charges on securities sold short, costs of any liability insurance obtained on behalf of Clients, custody fees, costs of any litigation or investigation involving Client activities, indemnification expenses, the management fees, consulting expenses, the fees and expenses of professionals providing services to Clients, including legal, audit, accounting, tax and administration and director services for Camber's non-U.S. pooled investment vehicles that are companies, any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes, regulatory costs, filing and license fees, the costs of reporting and providing information and any extraordinary expenses. Camber or one of its affiliates may elect from time to time to pay certain of the Clients' expenses in addition to the organizational expenses, including, but not limited to, other operating expenses. Please refer to Item 12 for more information about brokerage.

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#### D. Fees in Advance

Clients pay management fees quarterly and in advance. Management fees are calculated based on the balance in each Client's account as of the beginning of each calendar quarter. An investor who invests in a pooled investment vehicle managed by Camber who withdraws shall be reimbursed a pro rata portion of the management fee, if any, based upon the date of withdrawal. In addition, a managed account Client who terminates its investment management agreement with Camber shall be reimbursed a pro rata portion of any management fees paid in advance based upon the date of termination.

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#### E. Securities Compensation

Not applicable.

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

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### **Sharing of Capital Gains**

If applicable, Clients pay an affiliate of Camber a performance allocation no greater than twenty percent (20%) of the excess net capital appreciation attributable to such Client's capital account, subject to a high watermark. Performance allocations are generally paid in arrears at the end of each fiscal year. All of Camber's Clients are charged both management fees and performance fees/allocations.

## **Item 7: Types of Clients**

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### **Description**

Camber currently provides investment advisory services and portfolio management on a discretionary basis for high net worth individuals and pooled investment vehicles.

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### **Account Minimums**

The Clients that Camber manage have minimum initial investments of \$1,000,000, although when Camber is accepting new managed accounts or investors in its pooled investment vehicles, Camber may accept lesser amounts in its sole discretion.



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

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

Camber's investment objective is to seek capital appreciation without regard to current income. Camber intends to achieve its objective by investing primarily in publicly-traded common stocks of healthcare companies. This covers a number of industries, including healthcare services and facilities, pharmaceuticals, medical products and devices and biotechnology. These industries represent a significant growth area of our economy, particularly with the aging of the population. Camber intends to invest a majority of its Clients' total assets in the securities of healthcare companies, but may from time to time invest a portion of its capital in investments outside the healthcare sector, if more compelling ideas present themselves.

Camber believes that the healthcare industry is a particularly attractive area of investment focus. The favorable demographics of an aging population create a solid foundation of industry growth on which well-positioned companies may capitalize. In addition, the unusual market incentives, regulatory uncertainties, scientific advances, and pricing structure inherent in the industry often lead to substantial market and knowledge inefficiencies. Rapid technological change also lends itself well to a long/short investment strategy, as a successful new technology often displaces an existing one rapidly in the marketplace.

The number of positions will depend to some extent on market conditions. However, it is anticipated that no single investment will represent more than 10% of the portfolio at cost in long positions and more than 10% of the portfolio at market value in short positions (with the exception of exchange traded funds or other hedging instruments). Camber believes that the excessive focus on short-term returns and near term catalysts by investors in the healthcare space often causes public market prices to greatly overreact to near term news flow. Camber intends to take advantage of these opportunities by intelligently taking on short term risk in order to capitalize upon attractive intermediate to long term opportunities.

In an effort to maximize returns, Camber will also employ leverage, from time to time, as a normal course of its strategy. Camber believes that leverage will allow its Clients to take advantage of value added investment research. Leverage will be employed to the extent that Camber believes it can substantially exceed the costs of leverage. If Camber is unable to identify value-added investment ideas that it believes will provide a significant margin of safety over the cost of capital, then leverage will not be employed. It is expected that leverage will generally not exceed 200% of the net asset value of its Clients' assets.

The cash balances of the Clients' assets will vary from time to time, as Camber may deem advisable. However, Camber will seek to fully invest the assets of its Clients in most market conditions. Clients will hold any cash balances it may accumulate for investment, reinvestment or distribution in short-term debt securities, securities subject to repurchase agreements, money market mutual funds, interest-bearing bank accounts, short-term U.S. government securities, or other securities.

In general, the Clients' investment strategy has been broadly structured to provide Camber with flexibility to achieve its investment objective. It is impossible to predict the degree of profitability, if any, which may be achieved from the investment strategy described herein. Camber will endeavor to commit its Clients' resources among the various investments and strategies consistent with the philosophy and process articulated herein and in response to changing market conditions and opportunities. However, investing in securities involves risk of loss that Clients should be prepared to bear.

Camber uses a fundamental, bottom-up research approach that seeks to identify high-quality companies whose inherent value is not adequately reflected in such company's market valuation. The process used to identify and evaluate investment opportunities can vary depending on market conditions, but can be generally summarized as follows:

***Sourcing:*** Camber has been actively involved in healthcare investing and has experience investing in many areas of the healthcare industry. Camber will monitor hundreds of healthcare companies on a regular basis, in order to find attractive entry points into undervalued companies. These often occur when the public market overreacts to short-term news flow, which sometimes creates an attractive longer-term risk reward balance. While it is anticipated that most investment ideas will come from the healthcare area, Camber intends to opportunistically identify and evaluate opportunities in other areas from time to time.

***Evaluation:*** Camber's due diligence process varies depending on market conditions, the speed with which it feels an investment decision needs to be reached, and depends on the healthcare sub-sector and geography being evaluated. But investment opportunities are often evaluated through some combination of interviews with physicians to understand the scientific rationale of new products as well as likely market acceptance rates, conversations with regulatory experts and managed care providers to understand likelihood of approval and reimbursement status, evaluation of political and legislative risk factors, sell side analyst discussions and research reports, and analysis of financial statements. Camber generally seeks to interview the management teams of a variety of healthcare companies on a regular basis to form a well-rounded view of opportunities and challenges both for individual healthcare companies and the industry as a whole. Valuation analysis is usually based on fundamental cash flow and strategic value analyses. Investments will be made by the Partnership when the Camber determines that a favorable risk/reward balance exists.

***Risk Management:*** Camber monitors all positions in an effort to ensure that the investment thesis is still valid. Camber also plans to diversify investments across the various healthcare sub-sectors. Camber's goal is to identify as many short candidates as it can to generate alpha, not just to hedge market risk. However, Camber will use hedging instruments, such as exchange-traded funds, when necessary to manage portfolio risk.

Camber intends to invest primarily in common stocks, but may invest in preferred stocks, convertible securities, warrants, stock purchase rights and other equity related interests. As market conditions or investment opportunities warrant, Camber may

also invest in debt securities, without restriction as to any minimum rating criteria, and may hold foreign currency or foreign currency instruments in connection with existing or planned investments in foreign securities. Camber does not intend to invest in currencies for speculative purposes. Allocation of the portfolio among various investment types is a function of the market place and Camber's assessment of investment opportunities available at any given time. The types of investments and techniques that may be employed by Camber include, but are not limited to:

***Long and Short Positions.*** Generally, Camber's investments will be "long" positions and "short" positions in which its Clients own or is short securities for capital appreciation. When market conditions dictate, or when Camber anticipates a decline in the price of a security, it may sell "short" an index of securities or the securities of a particular issuer. Selling short involves borrowing and selling securities which a Client does not own. A Client subsequently returns the borrowed securities by purchasing such securities in the open market at a higher or lower price. A Client may maintain a standing number of short positions such that a Client has a net exposure markedly less than that of the stock market itself. Short sales may be used for profit or as a hedging device to control risk.

***PIPES.*** Camber may invest in PIPEs on behalf of its Clients. Most PIPEs transactions involve the purchase of securities in a private offering where either (i) the closing of the private transaction is conditioned upon the effectiveness of a registration statement covering the resale of such securities or (ii) the issuer covenants at the time of the closing of the private offering to obtain an effective registration statement covering the resale of such securities within a certain period of time.

***Options and Other Contracts.*** Camber may engage in various types of options and derivative security transactions, including hedging in equity and index options (both puts and calls) to reduce the risk of both short and long positions. Investing in transactions can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. Camber may invest in options when Camber believes that such options present a more favorable risk/reward profile than directly trading in the underlying security. Camber may establish similar positions by entering into "swaps" or other contracts with a financial institution on behalf of the Clients whereby the parties agree that each will be obligated to the other for the amount of relative increase or decrease in the market value of one or more securities. Such contracts may be used for investment or to hedge risk.

***Foreign Securities.*** Camber will monitor investment opportunities in capital markets outside of the United States, as well as in foreign securities traded in domestic markets. Camber believes that there are certain unique investment opportunities for healthcare companies that are headquartered outside of the United States. Investment decisions will be based upon criteria similar to those employed in U.S. markets with additional consideration being given to currency risk and the host country's political, regulatory and tax environment. Camber may hedge potential foreign currency risk where appropriate.

The descriptions contained herein of specific strategies that are or may be engaged in by the Camber should not be understood as in any way limiting the Clients'

investment activities. Camber may engage in investment strategies not described herein that Camber considers appropriate.

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### C. Material Risks

All investment programs have certain risks that are borne by Clients. Camber's investment approach constantly keeps the risk of loss in mind. Please refer to the Confidential Offering Memorandum for the particular pooled investment vehicle managed by Camber for a more detailed discussion of risks.

***Investment and Trading Risks.*** An investment managed by Camber involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that Camber's investment program will be successful. Camber will be investing substantially all of its Clients' assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which Camber expects to invest have recently experienced and continue to experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to Camber's Clients.

***Risks of Investing in Healthcare Companies.*** Certain healthcare companies are subject to intense competition and rapid technological change, and may present risks not typical of investments made in other industry sectors, including the following:

- (1) Many life science companies face high research and development costs and obsolescence of their products. These factors may have a significant adverse effect on the financial condition and operating results of companies in the healthcare industries.
- (2) Healthcare companies may also have persistent losses or erratic revenue patterns, which in turn may lead to significant volatility in their share prices.
- (3) The viability of many healthcare companies depends largely on whether such companies can obtain Food and Drug Administration ("FDA") approval of their products or services. If a healthcare company fails to obtain FDA approval for one or more of its products or services, such company may be unable to continue operations, and the Clients may lose some or all of its investment in such company.
- (4) Many healthcare companies derive a large portion or all of their value from one product. If clinical trials are not successful, or if new scientific knowledge causes a product to be uncompetitive in the market, a company may lose most of its market value before Camber is able to exit its investment.
- (5) As Camber intends to invest primarily in securities of healthcare companies, its investment performance will be closely tied to and affected

by the healthcare industries. Companies in the healthcare industries are often faced with the same obstacles, issues or regulatory burdens, and their securities may react similarly and move in unison to these or other market conditions. Among the key drivers of healthcare industries growth are the current and future state and federal legislative and regulatory climates.

- (6) If state and federal legislative bodies or the FDA undertake new legislative and regulatory initiatives that impede, rather than promote, the growth of the healthcare industries in the future, Camber may have difficulty identifying attractive healthcare investment opportunities, and otherwise profitable investments could become unprofitable.

***Limited Diversification.*** At any given time, it is possible that Camber may make investments that are concentrated in a particular type of security, industry or market capitalization. This limited diversity could expose Camber to significantly greater volatility than in a more diversified portfolio.

***Use of Leverage.*** Camber may leverage Clients' portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to Clients when a Client earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the Camber fails to earn as much on such incremental investments as it pays for such funds. In the event that Camber leverages its portfolio, fluctuations in the market value of Camber's portfolio will have a significant effect in relation to its Clients' capital and the risk of loss and the possibility of gain will each be increased. In addition, when Camber utilizes leverage, the level of interest rates generally, and the rates at which Camber can borrow in particular, will be an expense of each Client and therefore affect the operating results of its Clients. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of a Client's portfolio.

Clients may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to Clients. For example, should the securities pledged to brokers to secure the Clients' margin accounts decline in value, Clients could be subject to a "margin call" pursuant to which the Clients would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of a Client's assets, Camber might not be able to liquidate assets quickly enough to pay off its margin debt.

***Short Sales.*** Camber may engage in short sales as part of hedging transactions or when it believes securities are overvalued. Short sales are sales of securities Camber borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Clients will be able to make a profit by

purchasing the securities at a later date at the lower prices. Clients will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale 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.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. Camber’s ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of Camber. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may from time-to-time impose restrictions that adversely affect Camber’s ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, Camber may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. Camber may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and Camber is subject to strict delivery requirements. The inability of a Client to deliver securities within the required time frame may subject the Client to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Client to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Client’s ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to a Client.

***Small Cap Issuers.*** A significant portion of a Client’s assets may be invested in small-cap issuers. While, in Camber’s opinion, the securities of small issuers may offer the potential for greater capital appreciation than investment in securities of larger-cap issuers, securities of small-cap issuers also present greater risks. For

example, some small issuers have limited product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment analysts, and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small issuers generally are more sensitive to changes in earnings expectations, corporate developments, and market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small issuers may be higher than in those of large-cap issuers.

***Equity Securities of Growth Companies.*** A portion of a Client's assets may be invested in equity securities of companies that Camber believes have potential for capital appreciation significantly greater than that of the market averages, so-called "growth" companies. The market capitalization of the growth companies in which the Clients will invest may range from small to large capitalizations. Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations. Securities of growth companies may be traded in the over-the-counter ("OTC") markets. While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volume than exchange-listed securities. The values of these securities may fluctuate more sharply than exchange-listed securities, and Clients may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.

***Undervalued Equity Securities.*** Camber's investment strategy focuses on investing in companies that Camber believes are undervalued. Opportunities in undervalued equity securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

***Hedging.*** Camber may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, Camber's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of Camber's hedging strategies may also be subject to Camber's ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to

hedge a position in a smaller cap issuer than a larger-cap issuer. Camber's portfolio is not expected to be completely hedged at all times and at various times Camber may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, Camber's assets may not be adequately protected from market volatility and other conditions.

***Portfolio Liquidity and Transfer Restrictions (PIPEs and Similar Investments).***

Camber may invest a portion of its Clients' assets in illiquid investments which may have to be held for a substantial period of time before they can be liquidated. Camber may invest in so-called "PIPE" transactions, in which a private purchase of common stock or a security convertible into common stock, is anticipated to be followed shortly by a registered public offering of such common stock, or of common stock of the same class. As securities sold in a PIPE transaction will generally be restricted only for the period from the private sale until the issuer's registration statement with the SEC covering resale of such securities becomes effective, Clients may pay more for such securities than for other private placement securities. If the issuer is unable to obtain an effective resale registration statement for a PIPE, the PIPE will remain restricted under U.S. securities laws (subject to the availability of some other exemption) and Clients may be unable to recover from the issuer an amount sufficient to compensate Clients for the loss of liquidity of such security.

***Investments that Become Illiquid.*** Securities that were generally liquid and easy to value when purchased may, over time, become illiquid and/or difficult to value as a result of changing circumstances with respect to the issuer(s) of the securities or the markets generally. In such event, the General Partner may, in its sole discretion, segregate such securities.

***Counterparty Risk.*** Some of the markets in which the Clients may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. This exposes the Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Clients to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Clients have concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. Clients are not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Clients to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Clients. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.



***Prime Broker Risk.*** Clients' assets may be held in one or more accounts maintained for certain Clients by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Clients' assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Clients' assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on the Clients and their assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Clients' assets or in a significant delay in the Clients having access to those assets.

***Purchasing Securities of Initial Public Offering.*** From time to time the Clients may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for the Clients to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. Clients may invest in securities that are “new issues,” as defined by Rule 5130. Rule 5130 and Rule 5131 restrict certain persons from participating in “new issues.” As a result, certain investors in funds managed by Camber may be restricted from participating in profits and losses attributable to such investments.

***Risks of Investments in Options.*** Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Clients may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or

purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

***Derivative Investments.*** Derivative instruments or “derivatives” include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Clients to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent Camber from promptly liquidating unfavorable positions and subject the Clients to substantial losses.

***Foreign Securities.*** Camber may invest in securities of non-U.S. issuers. Camber’s Clients’ investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Clients’ assets denominated in that currency and thereby impact the Clients’ total return on such assets. Camber may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or

confiscatory taxation, limitations on the use or transfer of Client assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for the Clients to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of the Clients' trades affected in such markets.

***Investments in Fixed-Income Securities.*** Camber may invest a portion of Clients' capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations, debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, commercial paper, and "higher yielding" (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk). 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, 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 for such securities.

***Economic and Regulatory Climate.*** The success of Camber's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of Camber's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may make corporate mergers, exchange offers, tender offers or other similar transactions less desirable or may make arbitrage or trading activities engaged in by Camber less profitable. In particular, it should be noted that many tender offers, acquisitions and other corporate reorganizations require the acquiror to obtain high levels of financing to successfully complete the transaction. In addition, changing market and economic

conditions may affect, among other things, the level and volatility of securities' prices, the liquidity of Camber's investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Clients' profitability or result in losses. Camber may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss.

Recently, global markets experienced unprecedented volatility and losses. The effects thereof are continuing and there can be no assurance that the Clients will not be materially adversely affected.

***Change in Investment Strategies.*** The investment strategies, approaches and techniques discussed herein may evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, these investment strategies, approaches and techniques may not reflect the investment strategies, approaches and techniques actually employed by Clients. Nevertheless, the investments made on behalf of Clients will be consistent with Camber's investment objective.

## **Item 9: Disciplinary Information**

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### **Legal and Disciplinary**

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of Camber's advisory business or the integrity of its management.

- A. Not applicable.
- B. Not applicable.
- C. Not applicable.

## **Item 10: Other Financial Industry Activities and Affiliations**

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### **A. Broker-Dealer**

Not applicable.

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### **B. Financial Industry Activities**

Not applicable.

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### **C. Affiliations**

Camber and its management persons have relationships and arrangements that are material to its advisory business or its Clients with various related persons as described below. None of these relationships or arrangements creates a material conflict of interest with Clients.

1. Not applicable.
2. Camber serves as the investment manager to the following pooled investment vehicles: Camber Capital Fund L.P., a Delaware limited partnership, Camber Capital Fund II, L.P., a Delaware limited partnership, Camber Capital Master Fund, L.P., a Cayman Islands exempted limited partnership and Camber Capital Offshore Fund, Ltd., a Cayman Islands exempted company.
3. Camber's related persons Camber Capital Partners LLC and Camber Capital Partners II LLC are both investment advisers.
4. Not applicable.
5. Not applicable.
6. Not applicable.
7. Not applicable.
8. Not applicable.
9. Not applicable.
10. Not applicable.
11. Camber Capital Partners LLC, the general partner of both Camber Capital Fund L.P. and Camber Capital Master Fund, L.P., as well as Camber Capital Partners II LLC, the general partner of Camber Capital Fund II, L.P., are sponsors/syndicators of limited partnerships.

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### **D. Compensation for Referrals.**

Not applicable.

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

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### **A. Code of Ethics**

The Access Persons of Camber have committed to a Code of Ethics that is available for review by Clients and prospective Clients upon request. The Code of Ethics has been adopted in accordance with Section 204A and Rule 204A-1 under the Investment Advisers Act of 1940, as amended. Each Access Person must read, sign and deliver a certificate of compliance with the Code of Ethics. In accordance with Rule 204A-1, Access Persons also must provide initial securities holdings reports and annual securities holding reports. In addition, all Access Persons must also have copies of all brokerage account statements related to personal securities transactions regarding reportable securities in which the Access Person has direct or indirect beneficial ownership sent directly to the Camber. Finally, all Access Persons must pre-clear all reportable securities prior to investment.

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### **B. Participation or Interest in Client Transactions**

Camber's related persons, Camber Capital Partners LLC and Camber Capital Partners II LLC, each a Delaware limited liability company, serve as the general partner to three pooled investment vehicles managed by Camber. These general partners maintain capital accounts in each pooled investment vehicle managed by Camber. Stephen Du Bois is the manager of each general partner and owns all or substantially all of the equity interests in each general partner. Mr. Du Bois also has significant investments in these pooled investment vehicles as a limited partner. There is a potential conflict of interest in this arrangement since each general partner is generally entitled to an allocation of 20% of the net profits of each pooled investment vehicle, which could encourage Camber to invest more aggressively in riskier securities than in the absence of this performance allocation.

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### **C. Participation or Interest in Client Transactions**

See response to Item 11.B above.

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### **D. Participation or Interest in Client Transactions**

See response to Item 11.B above.

## **Item 12: Brokerage Practices**

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### **A. Selecting Brokerage Firms**

Camber is responsible for selecting broker-dealers to execute trades and negotiating any commissions paid on such transactions. Camber's primary consideration in placing transactions with particular broker-dealers is to obtain best execution in the most effective manner possible. Camber also takes into account a variety of other factors, including the financial strength, integrity and stability of the broker-dealer and the commissions to be paid. Camber may also consider the quality comprehensiveness and frequency of available research and other products and services considered to be of value. The products and services furnished by broker-dealers may include, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; and statistics and pricing or appraisal services, discussion with research personnel, special execution capabilities, order of call and the availability of stocks to borrow for short trades.

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

Camber is authorized to pay higher prices for the purchase of securities from, or accept lower prices for the sale of securities to, brokerage firms that provide it with such research and trading relating products and services or to pay higher commissions to such firms if Camber determines such prices or commissions are reasonable in relation to the overall services provided. Accordingly, Clients may be deemed to be paying for research and other products and services with "soft" or commission dollars. It is anticipated that the use of commissions or "soft dollars" to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under Section 28(e), research obtained with soft dollars generated by a Client may be used by Camber to service accounts other than such Client. Where a product or service obtained with soft dollars provides both research and non-research assistance to Camber, Camber will make a reasonable allocation of the cost that may be paid for with soft dollars. Although Camber believes that Clients benefit from many of the products and services obtained with soft dollars generated by Clients' trades, Clients may not benefit exclusively or at all.

When Camber uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Camber receives a benefit because it does not have to produce or pay for the research, products or services. Camber may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on Camber's Clients interest in receiving most favorable execution.

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#### **2. Brokerage for Client Referrals. Not applicable.**

- a. Not applicable.
- b. Not applicable.



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3. Directed Brokerage.

- a. Not applicable.
- b. Not applicable.

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B. Aggregation.

Unless a Client has imposed a particular restriction that is applicable to an investment or Camber is rebalancing assets among its Clients, Camber invests Clients' assets proportionately based upon the respective net assets of each Client and the securities to be purchased or sold may be aggregated in order to obtain superior execution and/or lower brokerage expenses. Execution prices for identical securities purchased or sold on behalf of multiple Clients in any one business day may be averaged. In such instances, allocation of prices, as well as expenses incurred in the transaction, shall be made in a manner that Camber considers to be equally as favorable to each Client.

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

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#### **A. Periodic Reviews**

Account reviews are periodically performed by Sean George, Camber's Chief Financial Officer/Chief Compliance Officer, and Brian Foley, Camber's Chief Operating Officer, when appropriate.

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#### **B. Review Triggers**

Other conditions that may trigger a review are changes in applicable laws, new investment information, and changes in a particular Client's circumstances.

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#### **C. Regular Reports**

Audited annual financial statements of pooled investment vehicles managed by Camber will be prepared and sent as soon as practicable following the close of the fiscal year. Camber also will provide each investor in each pooled investment vehicle with unaudited performance information at least quarterly; provided, however, that Camber anticipates providing such information monthly as well. Camber will provide each partner in each pooled investment vehicle that is taxed as a partnership with a Schedule K-1 for tax purposes. If Camber is unable to deliver such Schedule K-1 by April 15, Camber will provide such limited partners with estimates of the taxable income or loss allocated to their investment. Unless otherwise restricted by law, all reports, financial statements, and other information may be delivered electronically.

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**Item 14: Client Referrals and Other Compensation**

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A. Referrals

Not applicable.

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B. Other Compensation

Not applicable.

**Item 15: Custody**

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Account Statements

Not applicable.

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Performance Reports

Not applicable.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

Camber accepts discretionary authority to manage securities on behalf of its Clients. Camber has the authority to determine, without obtaining specific Client consent, the investments to be bought or sold, and the amount of the investments to be bought or sold on behalf of Clients.

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### **Limited Power of Attorney**

Before Camber assumes discretionary authority, clients sign a limited power of attorney by execution of the limited partnership agreement or subscription agreement for the applicable pooled investment vehicle or enter into an investment management agreement that delegates discretionary authority to Camber.

## Item 17: Voting Client Securities

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### A. Proxy Voting

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Camber's proxy voting policy requires Camber to act in the best interest of its Clients when exercising proxy voting authority. Camber will not put its own interests ahead of a Client's interest at any time and will resolve any potential conflicts between its interests and those of its Clients in favor of its Clients. Investors and prospective investors are able to obtain information about how the securities managed by Camber are voted and a copy of Camber's proxy voting policy and procedures upon written request.

Camber has retained Institutional Shareholder Services ("ISS") to assist it in coordinating and voting proxies with respect to Client securities. The Chief Compliance Officer shall monitor ISS to assure that all proxies are being properly voted and appropriate records are being retained. In general, proxies will be voted in accordance with ISS's written guidelines that have been adopted by Camber. Such guidelines will be updated as necessary by Camber or when Camber receives updated voting guidelines from ISS. Camber typically votes in accordance with the recommendations provided by ISS unless a certain recommendation is not in the best interests of Camber's Clients or unless Camber strongly disagrees with a certain recommendation provided by ISS.

#### *Procedures*

Camber's Chief Compliance Officer shall be primarily responsible for receiving, processing, and voting proxies for securities held in Client accounts. The Chief Compliance Officer is responsible for ensuring that all proxies received by Camber are voted in a timely manner and voted consistently across portfolios. The Chief Compliance Officer shall make arrangements with the prime brokers for the timely delivery of all proxies received with respect to securities held by the Clients.

#### *Conflicts of Interest*

The Chief Compliance Officer, in consultation with Camber's legal counsel if necessary, shall be primarily responsible for determining whether a conflict of interest exists in connection with any proxy vote that requires Camber to exercise voting authority over Client securities. The Chief Compliance Officer shall presume a conflict of interest to exist whenever Camber or any partner, member, affiliate, subsidiary or employee of Camber as a personal or business interest in the outcome of a particular matter before shareholders. A conflict would arise, for example, in any case where: (i) Camber has a business, financial, or personal relationship with participants in a proxy contest or candidates for corporate directorships; or (ii) Camber, in its capacity as general partner or manager (or some similar capacity) of a Client, also manages or seeks to manage the retirement plan assets of a company whose securities are held by the Client. Other examples where the Chief Compliance Officer shall presume the existence of a conflict of interest for proxy-voting purposes include, but are not limited to, whenever:

a current Client of Camber is affiliated with a company soliciting proxies, and has communicated its view to Camber on an impending proxy vote;

Camber has identified a personal or business interest either in a company soliciting proxies or in the outcome of a shareholder vote; or

a third-party with an interest in the outcome of a shareholder vote has attempted to influence Camber.

*Resolving Conflicts of Interest*

A presumption of a conflict of interest shall not necessarily prevent Camber from voting proxies related to Client securities. In the event that Camber perceives a conflict to exist between Camber's interests and those of its Clients, Camber shall, in each event, promptly disclose these conflicts to the affected Client in writing and obtain the Client's prior written consent before exercising any proxy voting authority over the related securities. If Camber is unable to contact a Client or otherwise obtain written consent by the time the vote of the proxy is due, then Camber shall vote the proxy in a manner consistent with the Client's best interest. In addition, putative conflicts deemed by the Chief Compliance Officer, in conjunction with senior management and Camber's legal counsel if necessary, to be immaterial to a shareholder vote shall not prevent Camber from voting the related proxies.

*Limitations on Proxy Voting*

Camber shall not be obliged to vote proxies if Camber reasonably determines that the cost of voting such securities would exceed the expected benefit to the Client.

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B. Not applicable.

## **Item 18: Financial Information**

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### **A. Balance Sheet**

Camber has not included a balance sheet for its most recent fiscal year because Camber does not require prepayment of fees of more than \$1,200 for any Client, six (6) months or more in advance.

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### **B. Financial Condition**

Camber does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

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### **C. Bankruptcy Petition**

Camber has not been the subject of a bankruptcy petition at any time during the past ten years.