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This Brochure provides information about the qualifications and business practices of Camden Asset Management L.P. If you have any questions about the contents of this Brochure, please contact us at 310-785-9755 or [mocampo@camdenasset.com](mailto:mocampo@camdenasset.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.

Camden Asset Management L.P. (“Camden”) is registered as an investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training.

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

## **Item 2 – Material Changes**

This Brochure dated March 26, 2020 does not contain any material changes since Camden’s last Brochure dated March 20, 2019. Please note that this summary discusses only material changes that have occurred since the last annual update of the Brochure. While Camden has revised the language in various sections, it has not materially altered any of its responses in this Brochure.

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#### **Item 4 – Advisory Business**

Camden Asset Management, L.P. (“Camden”) is a California Limited Partnership founded in 1991. Camden’s principal owner is Harpenden Corporation, an S-Corp solely owned by John Wagner. Harpenden Corp owns 70% of Camden. The remaining partners are employees of Camden.

Camden provides advisory services to private investment vehicles and to separate accounts. Camden is the general partner of two limited partnerships (Yield Strategies Fund I, L.P. and Yield Strategies Fund II, L.P.), the manager of seven limited liability companies (Equity Overlay Fund, LLC, Camden Bonds Plus Fund LLC, Long Duration Fund, LLC, Gamma 1, LLC, Aggregate Fund, LLC, Camden Enhanced Government Credit Fund LLC and Camden Credit Fund, LLC), the investment adviser to two offshore corporations (Redbourn Partners Ltd. and Yield Strategies Fund II, Ltd.). Redbourn Partners Ltd. and Yield Strategies Fund I, L.P. are currently in dissolution and are not accepting new investors or making investments. (The LPs, LLCs and Offshore Corporations will collectively be referred to as the “funds” and the funds and the separate accounts will collectively be referred to as “clients”.) All separate accounts have or will have investment objectives that are identical or substantially similar to those of the funds. In providing such advisory services, Camden directs and manages the investment and reinvestment of each client’s assets and provides reports to clients and fund investors. Camden manages the assets of all clients in accordance with the terms and investment guidelines of the management agreements and fund governing documents applicable to each client.

All clients have one of two basic strategies: hedged and long-only. The majority of Camden’s clients have a hedged strategy where Camden invests in convertible bonds, convertible preferred stocks, and warrants on a hedged basis. Camden purchases (or sells) the convertible securities and sells (or buys) stock, bonds and/or options against these purchases (or sales). Where permitted by investment guidelines, Camden also engages in event-driven transactions on a hedged basis (except in the case of cash deals which are not hedged). Where permitted by investment guidelines, Camden also engages in capital structure arbitrage where different classes of securities within the same capital structure are purchased and sold short. Most positions are in US domestic issuers, although some clients also invest in non-US stocks and other securities. In the long-only strategy, Camden invests in the same security types as detailed for the hedged strategy but does not hedge those positions with the underlying stocks, options or bonds.

Most hedged clients have a benchmark index (such as the S&P 500 Index, Bloomberg Barclays Capital Aggregate Bond Index or other such bond index, and money market/Treasuries). For the majority of clients with non-money market benchmarks, Camden purchases financial futures to provide the necessary market exposure to the related index.

Separate account clients impose investment restrictions as negotiated in their investment management agreement. The individual needs of the investors in the funds are not the basis of investment decisions by Camden. Investment advice is provided directly to the funds and not individually to the funds’ investors.

As of December 31, 2019, Camden managed \$7.4 billion in discretionary assets across 18 clients. Camden does not manage any non-discretionary assets. However, for Camden’s separately managed accounts, the client determines the benchmark to which Camden would manage the futures for index replication.

## Item 5 – Fees and Compensation

Camden is compensated for its services through a combination of quarterly management and/or annual performance fees. These fees are subject to negotiation in certain circumstances and in certain cases are dependent on minimum account balances.

- The maximum annual management fee is 1% of a client's total assets, however, Camden, from time to time, negotiates its fee.
- The performance fee is generally calculated by taking the amount by which a client's performance exceeds the return of a benchmark selected by Camden and a client (the "excess performance") and multiplying the excess performance by a percentage generally ranging from 15% to 30%. Fund performance fees are charged to each investor's capital account.
- Certain performance fee arrangements are tiered and involve "breakpoints" pursuant to which the performance fee rate is higher (or lower) on initial excess performance and decreases (or increases) as certain excess performance percentages are hit. Accordingly, clients pay performance fees in excess (or less than) the range noted above on a certain portion of excess performance, with the performance rate then decreasing (or increasing) to a level more consistent with (and, in some cases, potentially above or below) such range on subsequent portions of excess performance.
- Certain clients pay a performance fee but no management fee, while other clients pay a management fee but no performance fee.
- All performance fees are subject to a high watermark. In most cases, each capital contribution during the calendar year is treated as if it were a separate capital account for fee calculation purposes (i.e., each contribution earns its own performance fee). For some clients the performance fee is prorated for each capital withdrawal during the applicable performance period or the client may pay a performance fee for any excess performance attributable to the assets withdrawn.

For separately managed accounts, Camden bills clients for fees incurred. For funds, Camden bills the fund and the administrator then wires the amounts from the funds. The management fees are invoiced quarterly in arrears and the performance fees are invoiced annually, except in some circumstances for intra-year withdrawals. Depending on the client account agreement, management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Fees for clients initiated or terminated during a calendar quarter generally will be prorated..

Clients will incur other investment-related and non-investment related fees and expenses as detailed in the individual guidelines included in the respective client management agreements and governing documents. Such fees include, among others, brokerage commissions, transaction costs and other related costs and expenses, certain charges imposed by custodians, brokers, third party investment and other third parties, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, other fees and taxes on brokerage accounts and securities transactions, as well as tax fees.

In addition, the funds pay or reimburse Camden for its ordinary and extraordinary ongoing operating expenses, including, but not limited to, interest on borrowings and commitment fees and related

expenses payable to lenders, accounting, audit, bookkeeping, recordkeeping, clerical, and legal fees and expenses, insurance premiums, custodial fees, registrar and transfer agency fees and expenses, administration fees and expenses, printing, courier and mailing expenses, other promotional expenses, expenses related to the continuing offering of fund shares or interests, the cost of maintaining their corporate existence and registered office, Directors' fees, the cost of attendance by the Directors at meetings of the Board of Directors, costs of business travel related to the fund, transfer taxes, fees and expenses for consulting, research and statistical services and all extraordinary or non-recurring expenses, including litigation expenses. Item 12 further describes the factors that Camden considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

In most cases, Camden has entered into performance fee arrangements with qualified clients; such fees are subject to individualized negotiation with each qualified client. Camden will structure any performance or incentive fee arrangement in accordance with Section 205 of the Investment Advisers Act of 1940 (the "Advisers Act") and the rules thereunder, including Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Camden shall include realized and unrealized capital gains and losses. As a result, the performance fee earned could be based on unrealized gains that clients may never realize. Such fee arrangements also create an incentive to favor performance-based fee paying clients over other clients in the allocation of investment opportunities. Camden has a fiduciary duty to its clients not to favor the account of one client over that of another, without regard to the types and amounts of fees paid by those clients. In light of this conflict of interest, Camden maintains procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients (*See Item 11* for more detail). Explanations for variations from the applicable allocation procedure are required to be documented and are subject to the periodic review of Camden's Chief Compliance Officer to ensure that all clients are being treated fairly.

#### **Item 7 – Types of Clients**

Camden provides portfolio management services to corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, and private investment funds. Interests in the funds are not registered under the Securities Act of 1933, as amended (the "Securities Act"), and such funds are not registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Accordingly, interests in the funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements either in private transactions with the United States or in offshore transactions. Typically, these investors are high net worth individuals, corporate pension, Taft-Hartley plans, institutions, and other entities.

Subject to the discretion of Camden to accept less, the minimum investment for an institutional account that will be separately managed is generally \$50 million. Investors in the funds are generally required to make minimum initial investments for participation in a fund, subject to waiver pursuant the terms in the applicable fund governing documents.

The funds enter into separate agreements, commonly referred to as "side letters", or other similar agreements with a particular investor in connection with its admission to the fund without the

approval of any other investor, which would have the effect of establishing rights under or supplementing the terms of the applicable fund's governing documents with respect to such investor in a manner more favorable to such investor than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement include, without limitation: (i) reporting obligations, (ii) waiver of certain confidentiality obligations, (iii) "most favored nation" provisions or (iv) rights or terms requested or necessary in light of particular investment, legal, regulatory or public policy characteristics of an investor.

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

### ***Camden's Hedged Strategy***

Camden's hedged convertible process employs a bottom-up approach using a combination of fundamental and quantitative analyses in identifying convertible securities that are attractively valued relative to the underlying common stock. Camden expects that in normal market conditions, the accounts' portfolios typically will consist of convertible bond/preferred positions in combination with the respective underlying common stocks and/or straight bonds. Camden seeks to manage risk by utilizing interest rate and on occasion credit hedges, short-selling, and options may be used to hedge individual transactions.

Camden's core strategy typically will focus primarily on hedged investments using securities, such as convertible bonds and preferred stocks, in combination with the respective underlying common stock and, on occasion, corporate bonds. An example of a typical transaction is to be long a convertible security and short in the appropriate ratio of the underlying common stock to neutralize the equity exposure of the convertible (or, in rare occasions, Camden will reverse a position and be long the underlying common stock and short the convertible security). The amount of equity hedge will be based on analytic modeling of the convertible security combined with Camden's evaluation of other factors, such as: short-term liquidity issues, indenture provisions, cost of the stock borrow, etc.

Camden also expects to employ credit risk hedging in certain circumstances, typically using straight debt. Camden expects that an account's portfolio holdings typically will represent a mix of opportunity sets, either focusing on earning high current income while seeking to hedge away most market risks or focusing on volatility/credit changes where Camden believes there are opportunities for capital gain. Camden expects to invest predominately in U.S. financial instruments but may invest in non-U.S. financial instruments from time-to-time.

Less frequently, Camden also invests in merger arbitrage, capital structure arbitrage, warrant arbitrage and secured loan strategies. Additionally, Camden maintains, from time to time, continued involvement in pre-existing positions that no longer fall in the aforementioned categories.

For the index-benchmarked accounts where Camden buys futures to replicate or closely replicate the index exposure, Camden rolls futures quarterly, and rebalances monthly, if necessary, to maintain the approximate beta (the return generated from a portfolio that can be attributed to overall market returns) or duration exposure as per the client mandate.

### ***Camden's Long-Only Strategy***

Camden's long-only strategy is focused on convertible bond securities and identifies mispriced credits that are attractive on a risk-reward basis. Camden aims to construct balanced portfolios with the goal of achieving reasonable equity participation of the convertible market, as dictated by market

conditions, while earning higher yields with lower downside risk relative to the underlying equities<sup>1</sup>. Camden uses a combination of fundamental and quantitative methodologies to identify and invest in convertible bonds and other securities that Camden perceives to be mispriced and that Camden believes are attractive on a risk-reward basis. A bottom-up fundamentally driven process is utilized to select securities. Camden uses an iterative process relying mainly on the portfolio managers' inputs but using an optimization model to suggest portfolio improvements.

Quantitative analysis entails evaluating a bond's sensitivity and cheapness relative to its stock price, credit spreads, and stock volatility. Fundamental analysis includes identifying and capturing event optionality and security structure, which includes analyzing the company's capital structure. Fundamental research also includes reviewing publicly available documents, e.g. 10-Qs, participating in company conference calls and reading research reports as well as speaking with analysts/management, forming opinion on credit risk, understanding causes and potential catalyst for credit improvement/deterioration.

Camden first evaluates whether the position fits within client goals and expectations, follows client guidelines in setting up and sizing positions and its risk profile, studies how position fits into total portfolio and its preexisting risk and exposure levels, evaluates yield, credit quality, and equity sensitivity, and measures industry concentration and position concentration. All these factors are based on iterative feedback between models and portfolio managers.

Buy considerations are based on an evaluation of factors such as yield, credit quality, and equity participation from models and portfolio manager conviction on particular security. A convertible is typically sold when a convertible security reaches full valuation relative to other opportunities, detrimental changes occur in an issuer's risk/return profile, or a security is replaced for what we perceive to be a more attractive opportunity.

### ***All Strategies***

Investing in securities involves substantial risks, including the possibility of partial or total loss of capital. Prospective clients and investors should not make an investment unless they can readily bear the consequences of a complete loss of their investment.

## **Risks Related to Camden's Investment Strategy**

Achievement of a Client's Investment Goal and Objective. All financial instrument investments risk the loss of capital. No guarantee or representation is made that the program of a client will be successful. No assurance can be given that a client will achieve its investment objective or avoid substantial losses.

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<sup>1</sup> The term "equity participation" refers to the portfolios' exposure to the equity component of the convertible securities market. For instance, if the convertible securities market taken as a whole increases or decreases by 1% over a given time period due to changes in the equities markets, the portfolios' would be expected (all other things being roughly equal) to increase or decrease (as applicable) by 0.75% as a result of targeting a 75% equity participation.



Performance History of Camden. The past investment performance of Camden and its principals should not be regarded as an indication of the future results that may be achieved by a client.

Trading Risks. Clients invest in and trade financial instruments. The financial instrument markets are speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for financial instruments change rapidly and are affected by a variety of factors, including interest rates and general trends in the overall economy or particular industrial or other economic sectors. Government actions, especially those of the Federal Reserve Board, have a profound effect on interest rates which, in turn, affect the price of financial instruments. In addition, a variety of other factors that are inherently difficult to predict, such as domestic and international political developments, governmental trade and fiscal policies, patterns of trade, and war or other military conflict can also have significant effects on the markets. A client will have only limited ability to vary its portfolio in response to changing economic, financial and investment conditions. No assurance can be given as to when or whether adverse events might occur which could cause significant and immediate loss in value of a client's portfolio. Even in the absence of such events, trading financial instruments can quickly lead to large losses. Such trading losses could sharply reduce the net asset value of a client's account.

General Economic and Market Conditions. The success of a client's account will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, national and international political circumstances and other unusual occurrences such as a pandemic or terrorist attack. These factors affect the level and volatility of securities prices and the liquidity of portfolio investments. Unexpected volatility or illiquidity could impair a client account's profitability or result in losses.

Business, Terrorism and Catastrophe Risks. Clients will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risk of loss can be substantial and could have a material adverse effect on Camden's business and clients' portfolios including investments made by Camden.

Availability of Investment Strategies. The identification and exploitation of the investment strategies pursued by an account involves a high degree of uncertainty. No assurance can be given that Camden will be able to locate suitable investment opportunities in which to deploy all of a client's capital.

Trading is Speculative and Volatile. A principal risk in financial instrument trading is the traditional volatility in the market prices of financial instruments. Moreover, as Camden buys and "sells short" securities on margin, the volatility of an account's portfolio will be greatly increased, leading to significantly greater risks. The profitability of a client account depends greatly on predicting market prices. If Camden incorrectly predicts price movements, large losses could result. Clients trade in the securities markets on a purely speculative basis. No assurance can be given that Camden's speculative trading will result in profitable trades for clients or that clients will not incur substantial losses.

2008 and 2020 Financial Market Dislocation and Illiquidity. Recent developments in the global financial markets have illustrated that the current environment is one of extraordinary and possibly unprecedented uncertainty and instability for all market participants. To the extent that

such marketplace events are not temporary and continue or reoccur, this would most likely have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect certain of client investments to greater or lesser extents. Such marketplace events also would most likely restrict the ability of a client to sell or liquidate investments at favorable times or for favorable prices (although such marketplace events may not foreclose a client's ability to hold such investments until maturity). As a result, such events could result in a client account's losing substantial value caused predominantly by liquidity and counter-party issues that could result in substantial losses to an account. In addition, certain clients have the right to suspend or limit redemptions under certain circumstances.

Global financial markets and their participants, including the brokers and other financial institutions that the clients retain, have already been negatively affected by such market turmoil. It is unclear what resulting legal, regulatory, reputational and other unforeseen risks market participants will become subject to in the future. The impact of such risks on the markets in which clients operate in general cannot be determined with precision but could adversely affect the business of clients, restrict the ability of clients to acquire, sell or liquidate investments at favorable times and/or for favorable prices, restrict the clients' investment activities and impede the clients' ability effectively to achieve their investment objectives.

Investment in Fixed-Income Instruments. Many of the convertible securities purchased by clients pursuant to their convertible arbitrage strategy will be fixed-income securities. Additionally, clients purchase long or short straight, non-convertible debt securities as part of its capital structure arbitrage and event-driven investing. Clients invest in fixed income and adjustable rate securities, including securities of issuers in developed countries, issuers located in or with significant exposure to emerging markets, and in the sovereign debt of developed countries.

The value of fixed-income securities in which a client invests will change in response to fluctuations in interest rates, market and credit risks. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-income securities generally can be expected to decline. 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. The values of fixed-income securities are affected by changes in the credit rating or financial condition of the issuing entities.

The fixed income instruments in which a client invests are not required to satisfy any minimum credit standard, and will include instruments that are considered to be of relatively poor standing and have predominately speculative characteristics with respect to capacity to pay interest and repay principal. A client invests in bonds rated lower than investment grade, which are considered speculative. A client also invests a substantial portion of its assets in high-risk instruments that are low rated or unrated.

Subordinated Securities. Camden trades subordinated securities for certain clients. Generally, such subordinated securities bear the first risk of loss on the collateral underlying such securities and involve greater credit risk of default than the senior classes of the issue or series.

Certain subordinated securities ("first loss securities") absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no

credit enhancement or equity. Such securities therefore possess some of the attributes typically associated with equity investments. As a result, changes in the value of the performance of subordinated securities are expected to be greater than the change in the value or payment performance of the underlying mortgages or other collateral. In the event of a default, proceeds from any realization on the underlying mortgages or other collateral will first be allocated to the senior classes of securities in accordance with the priority of payments prior to any allocation to the subordinated securities held by a client.

Corporate Debt Obligations. A client invests in corporate debt obligations, including commercial paper and adjustable rate securities. Corporate debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations. Therefore, a client is indirectly exposed to such risks associated with corporate debt obligations.

High Yield Securities. A client invests in high yield bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, is a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Equity Securities. Investment in equity securities offers the potential for substantial capital appreciation. However, such investment also involves certain risks, including issuer, industry, market and general economic related risks. Adverse developments or perceived adverse developments in one or more of these areas could cause a substantial decline in the value of equity securities owned by a client.

New Issues. In certain rare circumstances, a client will invest or trade in "new issues" within the meaning of Rule 5130 of the Financial Institution Regulatory Authority, Inc. ("FINRA") (generally, initial public offerings of equity securities). The risk of loss associated with securities purchased in initial public offerings is greater than those in connection with general securities trading. While Camden believes that such securities offer significant potential for gain, the prices of newly issued securities may not increase as expected, and in fact may decline to a significant extent. Such securities have no public market prior to their initial offering or creation and there is no assurance that (i) an active public market in such securities will develop or continue after commencement of trading or (ii) that the initial public offering price or initial trading level of such securities will be indicative of the market price for such securities on a "fully-distributed" basis.

Investment in Convertible Securities. Convertible securities ("Convertibles") are generally debt securities or preferred stocks that may be converted into common stock. Convertibles typically pay current income as either interest (debt security Convertibles) or dividends (preferred stocks). A Convertible's value usually reflects both the stream of current income payments and the value of the underlying common stock. The market value of a Convertible generally performs like that of a regular

debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly.

An issuer could be more likely to fail to make regular payments on a Convertible than on its other debt because other debt securities may have a prior claim on the issuer's assets, particularly if the Convertible is preferred stock. However, Convertibles usually have a claim prior to the issuer's common stock.

In addition, for some Convertibles, the issuer can choose when to convert to common stock, or can "call" (redeem) the Convertible. An issuer may convert or call a Convertible when it is disadvantageous for a client, causing the client to lose an opportunity for gain. For other Convertibles, a client may be able to choose when to convert the security to common stock or to put (sell) the Convertible back to the issuer.

A client will attempt to hedge the purchase of Convertibles by the simultaneous short sale of another related security (e.g., the short sale of some portion of the common stock into which the Convertibles on the long side are convertible or the sale of the related option). To the extent that there are losses on a long position, and the hedged portion (short position) of the strategy is not sufficient to completely offset such losses, a client will incur a loss. Losses also would be incurred if the prices of two securities which are arbitrated against each other do not move as expected. A convertible arbitrage strategy is also subject to stock-borrow risk, which is the risk that a client will be unable to sustain the short position in the underlying common shares.

There are a number of other potential risks associated with convertible arbitrage. Normally, because of its additional yield characteristics, it is necessary for a buyer of Convertibles to pay a conversion premium over the underlying equity. There are circumstances when the conversion premium can erode more quickly than anticipated, such as when a takeover bid is announced for the underlying equity or, on occasion, when the Convertible is redeemed. Any one of these factors could prove detrimental to a client. Liquidity of Convertibles is not always assured, and there can be periods of temporary market dislocation when prices and arbitrage positions will be distorted.

Merger or Risk Arbitrage. Merger arbitrage attempts to profit from selling short the stock of an acquiring company and buying the stock of the target company. This is termed "arbitrage" due to the fact that companies will often finance takeovers through the issuance of more stock, thus diluting the value of the existing float, and offer a premium over the current share price of the firm they are acquiring based upon expected future revenues and profits. However, merger arbitrage trades will lead to significant losses should the merger fall apart, whether for regulatory reasons or otherwise. In cases where the merger fails to occur, the share price of the target company will in most cases experience a sharp decline, while the acquiring company's stock can rise, thus creating a loss on a client account's repurchase of the acquiring company's shares.

When a client engages in risk arbitrage transactions it will purchase or sell short securities at prices below or above the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase price could be substantially in excess of the market price of the securities

prior to the announcement of the merger, exchange offer, tender offer or other similar transaction. If the proposed merger, exchange offer, tender offer or other similar transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security purchased would decline sharply and result in losses to a client if such securities are sold, transferred or exchanged for securities or cash, the value of which is less than the purchase price. Alternatively, a client would sell a security short or enter into an option strategy in anticipation of the security's price not exceeding a specific value or remaining within a certain value range. If the proposed merger, exchange offer, tender offer or other similar transaction were to occur at a price in excess of that anticipated by Camden at the time of such trade, a client would incur a loss on such short sale or option strategy. In certain transactions, a client would not be "hedged" against market fluctuations. This can result in losses, even if the proposed transaction is consummated. In addition, a security to be issued in a merger or exchange offer would be sold short by a client in the expectation that the short position will be covered by delivery of such security when issued. If the merger or exchange offer is not consummated, a client would be forced to cover the short position at a higher price than the short sale price, resulting in a loss.

Capital Structure Arbitrage. The strategies of Camden involve trading the spreads in the debt of companies with multiple classes of debt, trading the spreads in the equity of companies with multiple classes of equity and/or trading combinations of a company's debt and equity, in each case to take advantage of relative mispricings. Camden could be incorrect in its assumption and a client would then not realize profits from such investments. Moreover, Camden may be correct in its assumption but may not be able to maintain such investments long enough for them to be profitable.

Special Situation Investments/Distressed Companies. Certain of Camden's investments involve start-up companies, companies developing new products or companies seeking to raise additional capital for expansion. In addition, Camden invests in companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to a client, they involve a substantial degree of risk. Any one or all of the issuers of the securities in which the client invests could be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Camden will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a client invests, the account would lose its entire investment or would be required to accept cash or securities with a value less than the client's original investment.

Arbitrage Strategies. The arbitrage strategies of Camden results in greater portfolio turnover and, consequently, greater transaction costs. Camden's investment strategies are designed to be relatively neutral with respect to the movements in the underlying equity markets. Depending upon the investment strategies employed and market conditions, however, a client would be adversely affected by unforeseen events involving such matters as changes in interest rates or the credit status of an issuer, forced redemptions of securities or acquisition proposals.

REITs. Camden invests in securities issued by, or otherwise have exposure to, real estate investment trusts ("REITs"). REITs are pooled investment vehicles that invest primarily in either real estate or real estate related loans. The value of a REIT is affected by changes in the value of the properties owned by the REITs' managers, and are subject to heavy cash flow dependency, default by borrowers and the qualification of the REITs under applicable regulatory requirements for favorable

income tax treatment. REITs are also subject to risks generally associated with investments in real estate including possible declines in the value of real estate, general and local economic conditions, environmental problems and changes in interest rates. To the extent that assets underlying a REIT are concentrated geographically, by property type or in certain other respects, these risks may be heightened. A client will indirectly bear its proportionate share of any expenses, including management fees, paid by a REIT in which it invests.

Event Driven Strategies. A client allocate assets to investment strategies that center on discovering catalysts and discerning relationships among financial instruments that other investors may have overlooked. Unless the anticipated event occurs or the relationships foreseen by Camden are accurate over the timeframe anticipated by Camden, the client likely will realize a loss which sometimes would be significant. A part of these investment strategies involves taking positions with respect to two or more financial instruments. To the extent the price relationships between such financial instruments remain constant, no gain or loss on the positions would occur. Such positions, however, entail a substantial risk that the price differential could change unfavorably causing a loss.

Certain of a client's investment operations involve arbitraging between a security and its announced buy-out price (or other forms of "risk arbitrage" discussed above), between two or more securities (as a "pairs trade" or otherwise), between the equity and equity options markets, and/or any similar transaction or combination of transactions. This means, for example, that a client purchases (or sells) securities (i.e., on a current basis) and takes offsetting positions in options in the same or related securities. To the extent the price relationship between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably, causing a loss on the position.

Hedging Risk. Except for the Long-Only accounts, Camden attempts to hedge most of the market price risk arising from its investment portfolios through the purchase and/or sale of various other financial instruments. However, there can be no assurance that Camden's hedging will prove successful.

If Camden analyzes market conditions incorrectly or employs a risk reduction strategy that does not correlate well with a client's investments, a client's risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. There might be imperfect correlation, or even no correlation, between price movements of a financial instrument and price movements of the investment being hedged. If the value of a financial instrument used in a short hedge increased by less than the decline in value of the hedged investment, the hedge would not be fully successful. Such a lack of correlation might occur due to factors unrelated to the value of the investments being hedged, such as speculative or other pressures on the markets in which financial instruments are traded.

A client purchases or sells financial instruments with a greater or lesser value than the securities it wishes to hedge or intends to purchase in order to attempt to compensate for differences in volatility between the instrument and the securities, although this will not be successful in all cases. If price changes in the client's financial instruments positions are poorly correlated with its other investments, the positions will fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

If successful, the hedging strategies can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements. However, such strategies can also reduce opportunity for gain by offsetting the positive effect of favorable price movements.

Futures Trading. Camden trades futures contracts for certain clients. Substantially all trading in futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, will be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets.

- (i) *Volatility* – Futures prices are highly volatile. Price movements for the futures contracts that a client trades are influenced by, among other things, changing supply and demand relationships, government, trade, fiscal, and economic events, and changes in interest rates. Governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly.
- (ii) *Position Limits* – The CFTC has jurisdiction to establish, or cause exchanges to establish, position limits with respect to all commodities traded on exchanges located in the U.S. and will do so, and any exchange may impose limits on positions on that exchange. No such limits presently exist in the forward contract market or on certain non-U.S. exchanges. Insofar as such limits do exist, all commodity-trading accounts owned, held, controlled or managed by Camden and its principals and affiliates will more than likely be combined (that is, aggregated) for position limit purposes.
- (iii) *Price Limits* – U.S. commodity exchanges limit fluctuations in futures contracts prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” In addition, even if futures prices have not moved the daily limit, a manager may not be able to execute futures trades at favorable prices if little trading in such contracts is taking place (a “thin” market).
- (iv) *Margin* – Futures are typically traded on “margin.” The margin is the amount of escrow or performance bond deposit that a client will have to make and maintain with its futures commission merchants (futures brokers) to secure its future obligation to close out open positions. The initial margin requirements is satisfied by the deposit of cash (or, in some U.S. markets, certain U.S. Government obligations). The open positions must be “marked-to-market” daily, requiring additional margin deposits if the position reflects a loss that reduces a client’s equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity. The level of margin that must be maintained for a given position is sometimes subject to increase, requiring additional cash outlays. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures contract trading typically is accompanied by a high degree of leverage. Because margin requirements normally range upward from as little as 2% or less of the total value of the contract, a comparatively small commitment of cash or its equivalent permit trading in futures contracts of substantially great value. As a result, price fluctuations result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin. Such a profit

or loss could materialize suddenly, since the prices of futures frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

- (v) *Size of a client account* – Depending upon the size of a client account, it could be difficult or impossible for Camden to take or liquidate a position in a particular position.

Mortgage Trading in the “to-be-announced” Market (“Mortgage TBAs”). In rare circumstances, Camden will trade Mortgage TBAs for certain clients. Mortgage TBAs essentially are contracts for future delivery of a generic pool of mortgage-backed securities that are not fully specified in advance. Each Mortgage TBA contract involves the delivery at a certain date of mortgage pools issued by a certain agency that carry a certain coupon, but the exact pools to be delivered are left to the counterparty to decide by the settlement date. It is generally assumed that the “cheapest-to-deliver” pools will be used for settlement, usually resulting in pools that contain more recently issued mortgages. The Mortgage TBA market effectively allows mortgage lenders to sell the loans they intend to fund even before the loans are closed. This also allows the lender to lock in an interest rate for the borrower. The mortgages underlying the Mortgage TBAs will be residential mortgages issued or guaranteed by either Ginnie Mae, Fannie Mae or Freddie Mac. As such, Mortgage TBAs are subject to the risks associated with such mortgage-backed securities. Changes in interest rates and/or mortgage refinancing activity will affect the value of Mortgage TBAs (e.g., an increase in interest rates will generally cause their values to decline). In addition, because Mortgage TBAs can be acquired with small amounts of margin, the effect of such leveraging could exacerbate client losses.

Credit Ratings. Credit ratings of debt securities are not a guarantee of quality. A credit rating represents only the applicable rating agency’s opinion regarding credit quality based on the rating agency’s evaluation of the safety of the principal and interest payments. In determining a credit rating, rating agencies do not evaluate the risks of fluctuations in market value. As a result, a credit rating will not fully reflect the risks inherent in the relevant security. Rating agencies could fail to make timely changes to credit ratings in response to subsequent events. In addition, to the extent that a rating agency rates a security at the request of an issuer, the rating agency has a conflict of interest in providing such rating.

Counterparty Risk. Many of the markets in which a client effects its transactions are “over-the-counter” or “inter-dealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes a client to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the client to suffer a loss. In addition, in the case of a default, a client could become subject to adverse market movements while replacement transactions are executed. Moreover, a client has a limited internal credit function which evaluates the creditworthiness of its counterparties. The ability of an account to transact business with any one or more counterparties, the lack of complete evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement increases the potential for losses by a client.

Interest Rate Risk. Accounts are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities in which a client invests.



Risk of Loss Due to Failure of Broker-Dealers. Institutions, such as brokerage firms or banks, hold certain of a client's assets in "street name." Bankruptcy, inadequate controls or fraud at one of these institutions, in particular, one of a client's prime brokers, could impair the operational capabilities or the capital position of the account.

There will be substantial delays in the repayment of a client's assets in such event, as well as the risk of total loss of such assets. In such event, the timing and amount of recovery from the prime broker will depend on circumstances of its insolvency (including the amount and value of assets still held by the prime broker) and any related liquidation proceedings.

There are increased risks in dealing with offshore brokers, as well as unregulated trading counterparties, including the risk that assets may not benefit from the protection afforded to "customer funds" deposited with U.S. regulated brokers and dealers. In this event, a client would be an unsecured creditor of the counterparty, and as such, its claims to the assets of the offshore broker or other counterparty would rank below those of "customers."

Even where proper segregation of an account's assets exists, in the event of the insolvency of U.S. regulated broker/dealer or Futures Commission Merchant ("FCM"), a client may be subject to a risk of loss as its recovery would be limited to its pro rata share (together with all other customers of such broker/dealer or FCM) of "customer funds." In certain past commodity broker insolvencies, customers have, in fact, been unable to recover from the broker's estate the full amount of their "customer funds." In the case of any bankruptcy, a client might recover, even in respect of property specifically traceable to the account, only a pro rata share of all property available for distribution to all of the broker-dealer or FCM clients.

Trading in Options. A client's trading will include the trading of options contracts. An option on a financial instrument gives the purchaser of the option the right but not the obligation to take a position at a specified price (the "striking," "strike" or "exercise" price) in a financial instrument. A "call" option gives the purchaser the right to buy the underlying financial instrument, and the purchaser of a "put" option acquires the right to take a sell position in the underlying Financial Instrument. The purchase price of an option is referred to as its "premium." The seller (or "writer") of an option is obligated to take a position at a specified price opposite to the option buyer if the option is exercised. Thus, in the case of a call option, the seller must be prepared to sell the underlying financial instrument at the strike price if the buyer should exercise the option. A seller of a put option, on the other hand, stands ready to buy the underlying financial instrument at the strike price. Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option will be subject to greater fluctuation than is an investment in the underlying financial instruments. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying financial instrument will fall below the exercise price.

The correlation between options prices and the prices of underlying securities could be imperfect and the market for any particular options may be illiquid at a particular time.

Highly Volatile Markets. The prices of financial instruments in which a client invests can be highly volatile and may be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. A client also

is subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouse.

**Leverage.** For those clients where it is permitted, when deemed appropriate by Camden, and subject to applicable regulations, a client will use leverage in its investment program and will obtain its leverage in any manner deemed appropriate by Camden, including by borrowing to buy securities or by entering into derivative transactions that have the effect of leveraging the client's investments.

The use of leverage provides exposure to changes in price at a ratio greater than 1:1 in reference to the amount invested. To provide a simple example of the use of leverage, an account may use \$1,000,000 in cash and borrow \$2,000,000 to purchase a total of \$3,000,000 of stock. Leverage magnifies both the favorable and unfavorable effects of price movements in the investments made by the client, which may subject the account to substantial risk of loss. In the example above, if the market value of the stock declines 10% to \$2,700,000, the client's equity in the stock, which is the stock's market value minus the loan balance of \$2,000,000, would fall to US\$700,000. Thus, the account would suffer a loss of 30% due to a 10% decrease in market value. The opposite would be true if the stock price were to appreciate by 10% - the account would have received a 30% percent return on a 10% increase in market value.

In addition, regardless of the price movements of the investments, clients incur borrowing expenses whenever they use leverage (such as fees, commissions, interest and taxes), which reduce the return on such investments.

**Margin.** A client borrows to buy securities on margin or to make other investments. In the event of a sudden, precipitous drop in value of any such assets occasioned by a sudden market decline, a client might not be able to liquidate assets quickly enough to meet its margin or borrowing obligations. Also, because acquiring and maintaining positions on margin allows the account to control positions worth significantly more than its investment in those positions, the amount that they stand to lose in the event of adverse price movements is high in relation to the amount of the investment.

**Derivative Investments.** Derivatives are financial contracts whose values depend on, or are derived from, an underlying product, such as the value of a securities index. A client will use various derivative instruments, including options, forward contracts, swaps and other derivatives that are volatile and speculative. The risks generally associated with derivatives include the risks that: (1) the value of the derivative will change in a manner detrimental to a client; (2) before purchasing the derivative, a client will not have the opportunity to observe its performance under all market conditions; (3) another party to the derivative fails to comply with the terms of the derivative contract; (4) the derivative is difficult to purchase or sell; and (5) the derivative involves indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations. Derivative transactions expose a client 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 a client to suffer a loss. In addition, in the case of a default, an account could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events intervene to prevent settlement, or where a client has concentrated its transactions with a single or small group of counterparties. A client is not restricted from dealing with any particular counterparty or from

concentrating any or all of its transactions with one counterparty. There is a risk that a client could lose the entire premium paid to a counterparty under an option or other derivative transaction. Use of derivative instruments presents various risks, including the following:

- (i) *Tracking* – When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged prevents account from achieving the intended hedging effect or expose the client to the risk of loss.
- (ii) *Liquidity* – Derivative instruments, especially when traded in large amounts, are not liquid in all circumstances, so that in volatile markets a client is not able to close out a position without incurring a loss.
- (iii) *Leverage* – Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments magnifies the gains and losses experienced by a client and could cause its net asset value of a client account to be subject to wider fluctuations than would be the case if the client did not use the leverage feature in derivative instruments.

Continued Availability of Financing. There can be no assurance that clients will be able to maintain a source of financing. An account's counterparties could terminate these transactions under certain circumstances and the counterparties are under no obligation to execute new or additional credit or derivative transactions with the clients. In the event a counterparty is unable or unwilling to provide such financing going forward, the clients would be adversely affected.

While certain clients will not borrow for investment purposes, those clients could borrow on a short-term basis to meet margin calls on futures, options and short positions. Such leverage will further increase the volatility and risk of loss to these clients.

Illiquid Investments. The financial instruments in which a client invests include assets that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. The sale of such assets often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of financial instruments eligible for trading on national securities exchanges or for which there is an active over-the-counter market. Therefore, a client's investments in illiquid financial instruments could reduce the returns of the client because it may be unable to sell the illiquid financial instruments at an advantageous time or price. These thinly traded and relatively illiquid securities may cease to be traded after the client invests. A client also acquires significant positions in some securities or other instruments. In such cases and in the event of extreme market activity, the client will not be able to liquidate its investments promptly if the need should arise or to cover short sales, thereby forcing the client to incur unlimited losses. In addition, a client will have difficulty selling illiquid securities or other investments, perhaps causing the client to have difficulty in meeting redemption requests. No assurance is given that a client will be able to satisfy its owners' redemption requests as of each applicable redemption date. In addition, a client's sales of thinly traded securities or other investments could depress the market value of such investments and thereby reduce the client's profitability or increase its losses. Such circumstances or events could affect materially and adversely the amount of gain or loss the client will realize.

Restricted Securities. A client invests in restricted securities that are subject to substantial holding periods or that are not traded in public markets. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. No assurance can be given that any such restricted securities will be eligible to be traded on a public market even if a public market for securities of the same class were to develop. It is speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

Lack of Liquidity in Markets. Despite the heavy volume of trading in securities and financial instruments, the markets for some securities and financial instruments have limited liquidity and depth. This lack of depth could be a disadvantage to an account, both in the realization of the prices which are quoted and in the execution of orders at desired prices.

Short Sales. A client engages in short sales for hedging purposes. A short sale involves the sale of a financial instrument that a client does not own in the expectation of purchasing the same financial instrument (or a financial instrument exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, a client often must borrow the financial instrument, and the client will be obligated to return the financial instrument to the lender, which is accomplished by a later purchase of the financial instrument by the client. When a client makes a short sale of a financial instrument on a U.S. exchange, it must leave the proceeds thereof with the broker, and it must also deposit with the broker an amount of cash or U.S. government securities or other financial instruments sufficient under current margin regulations to collateralize its obligation to replace the borrowed financial instruments that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the financial instrument. The extent to which a client engages in short sales depends upon Camden's perception of market direction. Recent market turmoil, combined with the perception that short selling is one of the potential causes of market fragility, has led to regulations restricting the use of short sales. The U.S. and certain other jurisdictions have promulgated such regulations recently. As a result, Camden could be prohibited from using short sales to hedge certain positions or using short sales as part of its strategy. In addition, these regulations have temporarily resulted, and may continue to result, in crowded shorts, increased borrowing costs and an unwillingness of certain brokers to facilitate short sales within the parameters of such regulations. Arbitrage strategies have been particularly impacted by these regulations because the success of such strategies is dependent on obtaining offsetting short exposure. The specific regulations in effect at any given time vary with regulators' perceptions of market risk and it is not possible to gauge what, if any, regulations will be in effect in the future.

A client's obligations under its securities loans will be marked to market daily and collateralized by the account's assets held at the broker, including its cash balance and its long positions. Because securities loans must be marked to market daily, there may be periods when the securities loan must be settled prematurely, and a substantial loss would occur.

Competition. The investment management industry, in general, and the financial instrument markets in which accounts will focus, are extremely competitive. In pursuing its trading methods and strategies, an account will compete with trading firms, including many of the larger investment advisory and private investment firms, as well as institutional and industry investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, a client has little capital and will have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs, and more investment professionals than the client has or

expects to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which a financial instrument may be purchased by a client and the price it expects to receive upon consummation of the transaction.

Small Companies. A client invests a portion of its assets in small and/or less well-established companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strength of larger corporations. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies are subject to wider price fluctuations. When making large sales, a client will more than likely have to sell portfolio holdings at discounts from quoted prices or will have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

Over-the-Counter ("OTC") Trading. Financial instruments that may be purchased or sold by an account include financial instruments not traded on an exchange, including, but not limited to, certain swap transactions and forward foreign currency transactions. Significant disparities may exist between "bid" and "asked" prices for financial instruments that are not traded on an exchange. Financial instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded-instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. To the extent that an account engages in these transactions, a client must rely on the creditworthiness of its counterparty.

Start-Up Periods. A client will encounter a start-up period during which it will incur certain risks relating to the initial investment of newly contributed assets. Moreover, the start-up period also represents a special risk in that the level of diversification of the client's portfolio will be lower than in a fully committed portfolio.

Non-U.S. Investments. Investment in non-U.S. issuers or securities principally traded outside the United States involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets.

Sovereign Debt Risk. Investments in sovereign debt securities involve special risks. The governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, or the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. If an issuer of sovereign debt defaults on payments of principal and/or interest, a client will have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and a client's ability to obtain recourse will be limited.

Non-U.S. Exchanges and Markets. A client will engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets involves certain risks not applicable to trading on U.S. exchanges and is frequently less regulated. For example, certain of those exchanges do not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants, as do U.S. exchanges. There also is typically less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-U.S. exchanges is conducted in such a manner that all participants are not afforded an equal opportunity to execute certain trades and is also subject to a variety of political influences and the possibility of direct government intervention. Investment in non-U.S. markets would also be subject to the risk of fluctuations in the exchange rate between the local currency and the dollar and to the possibility of exchange controls. Foreign brokerage commissions and other fees are also generally higher than in the United States.

Currency and Exchange Rate Risks. A client invests in financial instruments denominated or quoted in currencies other than the U.S. Dollar. Changes in currency exchange rates therefore affects the value of a client’s portfolio and the unrealized appreciation or depreciation of investments. Further, a client incurs higher brokerage commissions in connection with conversions between currencies as brokers are subject to risks during the conversion process.

Money Market Instruments. Money market instruments generally are considered to be low risk, and, because by definition they are short-term securities, highly liquid. Nonetheless, these instruments are subject to risk, including default risk, depreciation risk and liquidity risk. For example, commercial paper is not backed by collateral. Issuers of commercial paper are required to have high credit ratings and defaults have been rare but they have nonetheless occurred, most recently with commercial paper issued by Lehman Brothers. Money market accounts are not insured or guaranteed by the Federal Deposit Insurance Corporation and may not be guaranteed by the Exchange Stabilization Fund. As a result, they are subject to a risk of loss.

Loans of Portfolio Securities. A client from time to time lends securities from their portfolio to brokers, dealers and financial institutions and receives collateral in the form of cash or securities in an amount equal to the current market value of the loaned securities, including any accrued interest or dividend receivable. The client will retain all rights of beneficial ownership as to the loaned portfolio securities, including voting rights and rights to interest or other distributions, and will have the right to regain record ownership of loaned securities to exercise such beneficial rights. Such loans will be terminable at any time.

Secured Loans. A client will invest in secured loans. Secured loans are relatively illiquid, meaning that a secured loan is not be able to be sold quickly or potentially at a fair price. In addition, secured loans, like most other debt obligations, are subject to the risk of default. This risk of default is greater than with many other types of debt obligations because secured loans are often obligations of below-investment-grade companies. A borrower’s default on principal or income payments results in a reduction of the value of the applicable secured loan, the income produced by the secured loan investment and possibly a client account’s net asset value. Secured loans are subject to interest rate risk. Interest rates on secured loans will adjust periodically, based on a base rate (typically LIBOR) plus a premium or spread over the base rate. In general, the value of fixed income securities increase

when prevailing interest rates fall and decrease when interest rates rise. Secured loans are also subject to pre-payment risk because borrowers typically have option prepayment rights. Because of prepayments, the actual remaining maturity of secured loans is considerably less than their stated maturity.

Turnover. A client's trading activities is made on the basis of short-term market considerations. Camden anticipates that the clients' portfolio turnover rates will be significant, involving substantial brokerage commissions and fees. The clients will be responsible for the payment of all of the trading expenses incurred in connection with their trading activities, which will ultimately affect the return achieved by the accounts.

Private Placements and Unregistered Securities. A client will purchase equity, convertible securities, and fixed income obligations the disposition of which may be restricted under the 1933 Act and other applicable law. Whether or not so restricted, the market to resell such securities is illiquid. Therefore, such investments may be required to be held for a lengthy period of time or, if the client were forced to liquidate its position in such securities, such liquidation will potentially be taken at a substantial discount to the underlying value or result in the entire loss of the value of such investment.

Suspension of Trading. Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension could render it impossible for Camden to liquidate positions and thereby expose a client to losses.

Trade Errors. On occasion, errors will occur with respect to trades executed on behalf of a client. Trade errors can result from a variety of situations, including, for example, when a security is purchased/sold instead of being sold/purchased, when the wrong security is purchased or sold, when the right security was purchased but for the wrong account, and when the wrong number of shares/bonds were purchased of a security for a particular account. Trade errors frequently result in losses but may, occasionally, result in gains. Camden will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker, Camden will strive to recover any losses associated with such error from such third party. If a trade error made by Camden results in a loss to a client, the Chief Compliance Officer of Camden will determine the corrective action to be taken in accordance with Camden's established compliance procedures, up to and including reimbursement of the account by Camden. Gains realized by a client as a result of a trading error made by Camden will remain in the client's account. In no case will soft dollars be used to pay for correcting a trade error made by Camden and in no case will brokerage be directed to a broker to generate commissions to be used to pay for correcting a trade error made by Camden. Camden has established internal policies regarding the manner in which trade errors are handled, but clients and investors should be aware that, in applying such policies, Camden may have a conflict of interest.

Increase in Amount of Assets Under Management. It is not known what effect, if any, an increase in the amount of assets under management would have on the trading strategies utilized by Camden or its investment results. No assurance can be given that its strategy will continue to be successful.

Regulatory Risks. Legal, tax and regulatory changes could occur during the term of a client's engagement of Camden that will adversely affect the client. The tax and regulatory environment for hedge funds is evolving, and changes in the regulation or tax treatment of hedge funds and their

investments will adversely affect the value of investments held by a client and the ability of the client to successfully implement its investment strategies. The federal income tax treatment of hedge funds is also evolving and subject to future change. The effect of any future tax or regulatory change on a client could be substantial and adverse.

The securities and derivatives markets are subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities and derivatives both inside and outside of the United States is a rapidly changing area of law and is subject to modification by government and judicial action. The global financial markets have undergone disruption which have led to extensive governmental intervention. Such intervention has in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have in some cases been difficult to interpret and fluid in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to previously successful investment strategies.

On July 21, 2010, the U.S. passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Congress left the SEC broad discretion in promulgating rules and regulations to implement the particulars of this legislation. The SEC as well as other regulators, self-regulatory organizations and exchanges around the world continue to have the authority to implement regulations that could affect a client’s operations to varying degrees, including the authority to take extraordinary actions in the event of market emergencies (which authority may be used more frequently if market conditions are or remain unusually turbulent). The regulation of private investment vehicles and their transactions also is subject to future modification by further legislative, regulatory as well as judicial action. The duration, severity, and ultimate effect of the worldwide financial crisis of the past few years and both recent and proposed governmental actions with respect to private investment funds and separate accounts cannot be predicted, and any resulting changes in the treatment of such funds or separate accounts and their investments could have a material adverse impact on the returns of a client or a client’s ability to conduct its business.

Market disruptions caused by unexpected political, military and terrorist events will from time to time cause dramatic losses for a client, and such events can result in unexpected volatility and risk.

Potential for Loss of Principal. Although a client will seek to lessen risk by diversifying its investments, a client nevertheless could lose all or a substantial portion of its investment. There can be no assurance that a client will achieve its objectives or avoid substantial losses.

Business Dependent on Key Individuals. No assurance can be given that a client’s trading methods and strategies will be successful under any market conditions. If one or more of Camden’s investment professionals (John Wagner - Managing Partner, CIO and Portfolio Manager, Alexander Lach - Partner, Portfolio Manager, Scott Lange - Partner, Portfolio Manager, or David Lindberg - Partner, Portfolio Manager) were to die or become disabled or otherwise terminate his relationship with Camden, such event could have a material adverse effect on a client.



A Client Will Pay Substantial Fees and Expenses Regardless of Whether It Experiences Any Profits. A client will incur obligations to pay (i) the management fee, and (ii) a client's operating, legal, administrative, accounting, auditing, and other related expenses and fees, including its investment costs such as brokerage commissions and other transaction costs of the brokers, research costs, and the costs of offering the interests. The foregoing expenses are payable regardless of whether any profits are realized by a client. In addition, to the extent that the performance of a client exceeds the benchmark, the performance fee will be payable to Camden, even if a client suffers a loss on an absolute basis.

Pricing Information; Portfolio Valuation. While pricing information generally is available for many of the financial instruments in which a client invests, observable pricing inputs will not always be available from any source. Additionally, a client's investments in illiquid, restricted or otherwise hard to value financial instruments will be difficult to value accurately. For purposes of calculating the net asset value of a client, financial instruments for which observable pricing information cannot be obtained will be valued based upon unobservable data that reflect Camden's own assumptions about the factors that a market participant would use in pricing the financial instruments. Prices quoted by different sources are subject to material variation. While Camden will make reasonable efforts in good faith to evaluate such information, there can be no assurance that the value at which an asset is carried on the books of a client will be realized upon its disposition.

A client may elect not to engage an independent valuation agent to value the client's financial instruments and, in any event, the valuation of financial instruments may be subjective and may fail to reflect their actual value. In light of the foregoing, there is a risk that a client who redeems all or part of its investment while a client holds such a financial instrument will be paid an amount less than such client otherwise would be paid if the actual value of such financial instrument is higher than the value designated by the client. Similarly, there is a risk that such client might, in effect, be overpaid, and accordingly the value of the interests of the other clients might be diluted, if the actual value of an investment in an illiquid, restricted or otherwise hard to value financial instrument is lower than the value designated by the client. Likewise, an investor who subscribes while a client holds an illiquid, restricted or otherwise hard to value financial instrument will underpay for the interest purchased if the actual value of such financial instrument is higher than the value designated by the client as of the applicable closing date, or, conversely, will overpay for the interest purchased if the actual value of such financial instrument is lower than the value designated by the client.

Risks Associated With Performance Fee. The performance fee could encourage Camden to make investments on behalf of the client that are riskier or more speculative than in the absence of such an arrangement. Further, Camden will receive a performance fee as to unrealized gains that may never be realized and will not return a performance fee paid for a period in which there is an unrealized gain, even if in a subsequent period the client does not earn such unrealized gain or suffers a net loss. As a result, the performance fee would be greater than it would be if it were based solely on realized gains. Because the performance fee is determined based on a client's relative performance measured against the benchmark return, a performance fee would be payable with respect to a client in a performance period in which the incremental return is negative, on an absolute basis, if the benchmark return for the period declined by a greater amount.

Agreements with Investors. As disclosed in **Item 7**, Camden will, from time to time, enter into side agreements with investors of the funds. Although the content of each agreement is unique, these agreements generally address subjects such as fees, liquidity, reports, confidentiality, liability, and indemnification.

## Potential Conflicts of Interest

Other Business Relationships; Investment and Trading Opportunities. Camden and its affiliates manage multiple client accounts. The records of any such trading engaged in for one client will not be available for inspection by Camden's other clients, except as required by law. The trading methods and strategies that Camden utilizes will also be utilized by it in managing other clients and for its proprietary accounts. The personal investment activities of the principals and employees of Camden are subject to approval of the Chief Compliance Officer of Camden in accordance with Camden's personal trading policies and procedures.

When Camden places the same or similar orders at or about the same time for clients, all such clients will be competing for the same or similar positions and, depending upon whose order is placed first, the difference in timing could result in some clients receiving better prices than other clients. In addition, Camden will have a conflict of interest in rendering advice to a client because the financial benefit from managing some other client could be greater, which will provide an incentive to favor such other client. Camden at times and from time to time will elect to apportion major or minor portions of the investments made by a client among other clients that are managed by Camden; however, that apportionment will not be made in parallel and will not always be based on the capital in each client account. Rather, such investments will be allocated among clients based on Camden's perception of the appropriate risk and reward ratio for each client, the intended sector strategy of each client, the liquidity of the client account at the time of the investment and on a going-forward basis, the overall portfolio composition of the client portfolio and such other factors as Camden will determine in its sole discretion.

Situations will arise in which the activities of Camden for other clients will be disadvantageous to certain clients, such as the inability of the market fully to absorb orders for the purchase or sale of particular securities placed for multiple clients at prices and in quantities which would be obtainable if the same were being placed for a single client. Camden will aggregate orders of clients, and, if any order is not filled at the same price, they will be allocated on an average price basis. Such aggregation of orders will not always benefit each client equally with regard to the price or quantity executed.

Various factors affecting different types and sizes of client accounts require the utilization of different strategies or methods for such clients. Camden and its principals and affiliates will establish, sponsor, or be affiliated with other clients which will engage in the same or similar businesses as a client using the same or similar trading strategies.

Proprietary Trading by Camden and Its Principals. Camden and its principals will trade financial instruments for their own accounts, and will do so in a manner that may or may not parallel Camden's trading for a client. The records of such proprietary trading will not be available for inspection by a client or its investors due to the confidential nature of such records except as required by law. Because Camden and its principals will trade for their own respective accounts at the same time that Camden is managing a client, prospective investors should be aware that, as a result of a neutral allocation system, testing a new trading system, trading their proprietary accounts more aggressively or other actions, such persons will from time to time take positions in their proprietary accounts that are opposite to the positions taken for an account.

Conflicting Positions. One or more other clients will hold the opposite position in a given instrument as that held by a client at the same point in time. Such opposing position will create

conflicts for Camden and will limit the ability of Camden to add to the position held by the client, to dispose of a position or to obtain a favorable price in the course of such addition or disposition. In addition, one or more other clients will take actions that conflict with actions taken by a client or that involve a different timing or nature of action taken with respect to the client. For example, it is possible that Camden will buy or sell certain securities or instruments for one or more other clients while a client is undertaking a different (including potentially opposite) strategy with respect to those securities or instruments. This is expected to happen, for example, in the case of Treasury securities in connection with duration and/or interest rate hedging by certain accounts. To the fullest extent permitted by law, Camden is not required to seek to eliminate the possibility or effects of any such conflict of interest. Accordingly, such conflict will result in an economic benefit to one client of Camden and/or an economic harm to another client of Camden.

Camden Benefits from "Soft Dollar" Arrangements. Although Camden endeavors to negotiate brokerage commission rates which are competitive by industry standards, Camden selects brokers that provide investment brokerage and/or research products and/or services which assist the Camden in its investment decision-making process. In such event, a client will pay a broker, indirectly, a commission for executing a transaction which is in excess of the amount of commission another broker would have charged for effecting that transaction if Camden determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage or research product or service provided by such broker. Although all Camden clients benefit over time from the research and services paid for by soft dollars, there can be no assurance that clients will necessarily participate in every transaction related to this research or supported by these services. All "soft dollar" benefits will fall within the safe harbor created by Section 28(e) of the 1934 Act to the extent applicable.

Other Conflicts of Interest. Certain conflicts of interest will exist in Camden's relationship to a client. Such conflicts could affect the objectivity of Camden and the performance of the account. While Camden in all instances will use reasonable efforts to resolve these conflicts of interest equitably, there can be no assurance that Camden will be successful in that regard.

Although Camden has agreed to use its reasonable efforts in managing a client, Camden, its affiliates and the principals, employees and agents of the foregoing (collectively, "Investment Adviser Parties") will not be required to devote full time or any material proportion of their time to a client. Camden manages assets for other clients. Camden advises several other clients (including both managed accounts and funds) which hold some of the same investments as another client. Camden will in the future organize other entities similar to a client.

From time to time, the Investment Adviser Parties or an advisory client of an Investment Adviser Party will invest in, or withdraw an investment from, an investment entity in which a client is invested, is withdrawing its investment from, or is not invested. In addition, Camden will recommend that the client purchase or sell an investment that is being sold or purchased, respectively, by another advisory client. Camden will resolve potential conflicts of interest resulting from such co-investment in a fair and equitable manner and in such a way as to not unfairly prejudice the interest of a client or its investors.

The Investment Adviser Parties invest in various securities for clients, as well as for their own accounts. The Investment Adviser Parties, in trading on behalf of client accounts or their own accounts, will make use of information obtained by the Investment Adviser Parties in the course of managing an account. The Investment Adviser Parties have no obligation to the accounts for any

profits earned from their use of such information nor to compensate the account in any respect for their receipt of such information.

Although the Investment Adviser Parties are not directly affiliated with a security broker, the Investment Adviser Parties will have a conflict of interest in selecting brokers because of continuing business dealings with certain brokers. Camden intends to review brokerage arrangements on a periodic basis to assure that the accounts secure favorable execution of brokerage transactions and to assure that the commissions paid are reasonable in relation to the value of the brokerage and other services provided.

Camden will discuss the foregoing conflicts of interest with any prospective or existing investor upon request.

### **Risk Management**

Camden strives to mitigate both firm and investment level risks through a variety of risk management processes. Camden has an internal control environment designed to identify and mitigate operational risks including, but not limited to, policies, procedures and controls around (i) cash and wire transfers, (ii) trade execution and allocations, (iii) trade settlement and reconciliation, (iv) portfolio valuation, and (v) counterparty monitoring. Camden utilizes: (i) custodial banks to enhance cash and settlement controls for separately managed accounts; (ii) a reputable fund administrator for single investor and commingled funds; and (iii) multiple prime broker relationships for all funds and accounts. Additionally, Camden engages ENY to serve as the funds' auditor. Camden has strived to establish a culture of compliance with a comprehensive compliance program and has implemented oversight committees including the Pricing Review Committee, the Counterparty Oversight Committee, the Administrator Oversight Committee, and the Compliance Committee. Camden has implemented IT controls that allow for remote access and redundant backup which is stored daily.

Additionally, Camden has adopted guidelines and procedures to manage investment level risks including (i) position limits; (ii) procedures to monitor the various investment eligibility guidelines to each specific fund or account; (iii) procedures to monitor senior management calls and meetings; (iv) daily risk reporting to senior personnel; and (v) procedures to manage equity risk with delta hedging, interest rate risk with treasury hedging, volatility risk with the use of equity options and different trade types, and event risk with fundamental and scenario analysis. Internal reporting is performed daily to monitor compliance with the guidelines detailed in (ii) above across all funds and separate accounts.

Notwithstanding the foregoing, not all risk can be eliminated.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Camden or the integrity of Camden's management. Camden has no information applicable to this Item.

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

Camden is registered with the Commodity Futures Trading Commission and listed as a member of the National Futures Association as a commodity pool operator. Camden is also listed as an exempt

commodity trading adviser with the National Futures Association. Camden is the general partner, manager and/or investment adviser to the funds. In this capacity, Camden receives management and performance fees, where applicable. In addition, Camden, as well as some of Camden's employees, currently invests directly in Yield Strategies Fund II, L.P. Camden is also an investor in Equity Overlay Fund LLC, Gamma 1 LLC, Camden Bonds Plus Fund LLC, Yield Strategies Fund I, LP, Camden Enhanced Government Credit Fund LLC, and Camden Credit Fund LLC.

See also response to Item 12 relating to Camden's relationships with broker-dealers.

### **Item 11 – Code of Ethics**

Camden has adopted a code of ethics, entitled the "Code of Ethics," that sets forth standards of conduct expected of advisory personnel and addresses conflicts that arise from personal trading by advisory personnel. Camden has designated all of its employees as "Access Persons," as that term is defined under Advisers Act Rule 204A-1, for purposes of its Code of Ethics. Accordingly, all employees of Camden are covered by the Code of Ethics. Under the Code of Ethics, Camden is required to keep copies of certain records. To simplify the submission and maintenance of records required to be collected under the Code of Ethics, Camden receives electronic feeds of an Access Person's security holdings and trading activity through its ComplianceELF portal. To the extent that an Access Person's security or brokerage accounts are not linked directly to Camden's ComplianceELF portal, Access Persons must arrange for the Chief Compliance Officer ("CCO") to receive directly from the Access Person's broker, dealer or bank, as applicable, duplicate copies of each periodic account statement (including monthly account statements, to the extent any securities transactions occur during the month) containing information regarding securities transactions during each calendar month in the accounts of the Access Person. In addition, Access Persons must obtain written approval before making certain types of investments.

Camden's Code of Ethics is governed by two overriding principles. First, client trades are always processed first. Second, Camden and its employees must manage both real and perceived conflicts of interest. If an Access Person doubts the propriety of any personal trade, such doubt is resolved in favor of not trading. The Code also contains policies involving the safeguarding of proprietary and non-public information by Camden personnel along with restrictions on the use of insider information and the use of non-public information regarding a client.

Camden's CCO is required to report issues that arise under the Code of Ethics to senior management at least annually. Camden's CCO is Maureen Ocampo. Clients and prospective clients can obtain a copy of the Code of Ethics by contacting Camden.

### **Cross Trades**

Camden recognizes its obligation to seek best execution for its clients. Camden, in seeking best execution for its clients, believes that in certain situations, brokered cross-trades between client accounts may be appropriate. In a brokered cross transaction, Camden arranges a transaction between two or more existing clients through an unaffiliated registered broker-dealer. Such transactions may be appropriate when establishing opening positions for a client, liquidating positions as part of closing a client account, adjusting client position size, and when transferring a client from a separate account to a fund or vice versa.

Because Camden will potentially have conflicting loyalties and responsibilities regarding such

transactions and to ensure that Camden meets its obligations of seeking best execution, all brokered cross trades will comply with applicable law and be effected pursuant to the following guidelines:

- The transaction must be effected through a broker or dealer that is not an affiliate of Camden – this is, through a broker or dealer that is not a person controlling, controlled by or under common control with Camden.
- Camden does not set the price of the security being traded. If the client is a registered investment company, the transaction must be effected at the independent current market price of the security.
- Each cross-trade must be consistent with each client's investment objectives and restrictions.
- If the client is a registered investment company, no additional brokerage commission, spread, fee or other remuneration (except a customary transfer fee) will be paid to the broker or dealer in connection with the cross-trade.
- Camden receives no compensation (other than its advisory fee) in connection with the transaction.

#### **Item 12 – Brokerage Practices**

Camden generally has the authority to determine, without obtaining specific client consent, the brokers or dealers to be used and the commission rates paid. Separate account clients may request that Camden use specific brokers or dealers, subject to Camden's approval. In selecting brokers and dealers to execute portfolio transactions on behalf of a client, Camden gives consideration to such factors as the price of the security, the rate of the commission, the size and difficulty of the order, and the reliability, integrity, financial condition, general execution, trading ideas, ability to trade less liquid securities, and access to new deals (primary market transactions). It is not Camden's policy to seek the lowest available commission rate when Camden believes that a broker or dealer charging a higher commission rate would offer greater reliability or provide better price or execution.

In many cases, Camden will direct client portfolio transactions to brokers and dealers that provide research and other brokerage services to Camden. Such research and brokerage services are generally used to service all of Camden's clients. Although it is unlikely that any one client will benefit in a significantly disproportionate manner from such brokerage and/or research services, there can be no assurance that brokerage commissions paid with respect to a particular client will be used to pay for brokerage and/or research services used for the sole benefit of that client. Camden benefits when using client brokerage commissions to obtain research or other products or services, since Camden does not have to produce or pay for the research, products or services itself. Camden will potentially have an incentive to select or recommend a broker or dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution. Camden will, in its discretion, cause a client to pay a broker-dealer a commission greater than another qualified broker or dealer might charge to effect the same transaction where Camden determines in good faith that the commission is reasonable in relation to the value of the brokerage and/or research services received. To the extent that Camden uses broker-provided research services and related products for non-research purposes, Camden will make a reasonable allocation of the cost of the services and/or product attributable to the non-research use and will bear this cost.

Under Section 28(e) of the Securities Exchange Act of 1934, an investment adviser is deemed to have acted lawfully and in a manner consistent with its fiduciary duties under federal and state law, if the adviser determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker. For purposes of Section 28(e), research products or services provided by a broker will include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other products and services providing lawful and appropriate assistance to the investment adviser in the performance of its investment decision making responsibilities, without regard to whether the research products or services benefit the client bearing the commission charge.

Camden participates in arrangements with brokers serving its clients providing for the use of commissions or "soft dollars" to pay the costs of certain research products or services which fall within the safe harbor created by Section 28(e). If Camden generates "soft dollars" with respect to the trades of an account whose assets are considered "plan assets" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or with respect to an account held by a plan subject to ERISA, Camden intends to comply with the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended, to the extent applicable.

In the last fiscal year, the types of products and services Camden acquired with soft dollars include, prospectuses, prices, earnings projections, options pricing information, convertible bond and equity information, credit analysis and information, liquidity and volatility information, data for convertible model system, ratings information, credit analysis and assessments, conference calls, event transcripts, and market data and research information.

### *Allocations*

The objective of Camden's allocation procedures is to allocate investment opportunities fairly and equitably over time among all funds and accounts managed by Camden. Camden's allocation policy was developed to mitigate potential conflicts or issues that could arise from different fee structures (e.g., fixed/performance fee differences) or other account differences.

For Hedged Clients: each client that participates in a particular order will participate at the average price for that order, with transaction costs shared pro rata based upon their respective participation in the transaction(s). While Camden attempts to consolidate all trades into one ticket at the end of the day, this may not be permitted due to reporting rules or other broker restrictions. Allocation of each day's transactions is typically finalized by close of business on trade date. In some cases, this policy might cause a client to pay or receive a less favorable price than if the order had not been aggregated or might adversely affect the position size obtained or liquidated for a client. Trades will not be blocked for clients where Camden determines that blocking will not lead to efficiency, foreign regulations preclude blocking, and/or the trade is directed to a broker in return for legitimate research or similar products.

For Long Only Clients, Camden currently manages two types of long only strategies: credit constrained and unconstrained ("Long Only clients"). The overall objective of the Long Only clients is meaningfully different than the hedged clients. While there are several similar convertible names in both the hedged clients and the Long Only clients, the reason for their inclusion is not with the same intent. The trading of the Long Only clients is not done pro-rata with the hedged clients as they have their own investment objective and don't have the ability to hedge to mitigate the risk of the

long side positions thereby making the risk profile of the position different for the Long Only clients than when included within the hedged clients.

Given this, the Long Only clients are traded separately from the hedged clients and are not including in any hedged clients block trading allocations, except for new issue trading as discussed in Camden's Allocation Procedures. Additionally, the credit constrained and unconstrained long only portfolios are sufficiently different, with different guidelines, benchmarks, and position size limitations that a pro-rata allocation is not the default. Allocations for these two accounts are at the discretion of the portfolio managers, taking into account the constraints detailed above.

Camden maintains Allocation Procedures that are available to clients and investors upon requests.

### **Item 13 – Review of Accounts**

All positions in all client accounts are reviewed on a regular basis by one of Camden's investment professionals: John Wagner (Managing Partner, CIO and Portfolio Manager), Alexander Lach (Partner, Portfolio Manager), Scott Lange (Partner, Portfolio Manager) and David Lindberg (Partner, Portfolio Manager). Reviews are performed in accordance to the limits and guidelines provided in the applicable fund documents or account agreements.

Separate account clients receive written reports and other information set forth in each applicable client agreement, as well as any reports or information required by applicable law. Investors in Camden's funds also receive monthly, quarterly and/or annual performance reports and the applicable fund's annual financial statement.

### **Item 14 – Client Referrals and Other Compensation**

Camden may, from time to time, enter into arrangements with third parties for marketing and solicitation activities in respect of Camden and its private investment funds. Terms related to these arrangements will be disclosed to clients and potential investors as required by applicable law.

### **Item 15 – Custody**

It is Camden's expectation that separate account clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. If a client does not receive a statement from its custodian on at least a quarterly basis, the client should alert Camden. Camden urges its clients to carefully review such statements and compare such official custodial records to the account statements that Camden may provide to its clients. Camden's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Camden is deemed to have custody of the funds and, with the exception of Gamma 1, LLC, sends audited financial statements to investors in the funds. Gamma 1, LLC and its client securities are subject to an annual surprise examination by a qualified public accountant. Assets of the funds are maintained by qualified custodians to the extent required by applicable law.

### **Item 16 – Investment Discretion**

Camden receives discretionary authority from the client at the outset of an advisory relationship to



select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Camden observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions are set forth in the applicable account agreement or fund documentation.

#### **Item 17 – Voting Client Securities**

Camden has adopted a policy governing the voting of proxies that is designed to ensure that Camden votes client securities in the best interest of its clients.

Camden has appointed a proxy administrator to assist in the proxy voting process. The duties of the proxy administrator will be to: (i) research and make voting determinations in accordance with its proxy voting guidelines contained in its proxy voting manual; (ii) provide recommendations with respect to proxy voting matters in general; (iii) vote and submit proxies in a timely manner; (iv) disclose conflicts of interest; and (v) handle other administrative functions of proxy voting.

Notwithstanding the foregoing, Camden retains final authority and fiduciary responsibility for proxy voting. Camden generally will vote proxies so as to promote the long-term economic value of the underlying securities. Each proxy proposal will be considered on its own merits, and an independent determination will be made whether to support or oppose management's position. Although Camden believes that the recommendation of management should be given substantial weight, Camden will not support management proposals that it believes are detrimental to the underlying value of account positions.

Should a client wish to direct Camden's vote in a particular solicitation, Camden will vote client proxies in accordance with a client's specific request even if it is in a manner inconsistent with Camden's policies and procedures. Such specific requests must be made in writing by the individual client or by an authorized officer, representative or named fiduciary of a client.

In the event that the proxy administrator determines that the voting of the proxy presents a material conflict of interest between Camden and the client or clients, Camden shall: (i) in cases where the proxy administrator had made a recommendation, take no further action, in which case the proxy administrator shall vote such proxy in accordance with the proxy administrator proxy voting guidelines or as the proxy administrator recommends; (ii) disclose such conflict to the client or clients and obtain written direction from the client as to how to vote the proxy; (iii) suggest that the client or clients engage another party to determine how to vote the proxy; or (iv) engage another independent third party to determine how to vote the proxy.

Clients may obtain a copy of these proxy voting policies as well as information about how Camden has voted the clients' proxies by calling (310) 203-4200.

#### **Item 18 – Financial Information**

Not Applicable.