

D. E. Shaw & Co., L.P.

Form ADV Part 2A: The Brochure

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This brochure provides information about the qualifications and business practices of D. E. Shaw & Co., L.P. (the “Adviser” or “DESCO LP”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”) under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Such registration does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at (212) 478-0000. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about DESCO LP is available on the SEC’s website at www.adviserinfo.sec.gov.

This brochure is for informational purposes only. It does not convey an offer of any type and is not intended to be, and should not be construed as, an offer to sell, or the solicitation of an offer to buy, any interest in any entity, investment, or investment vehicle.

Material Changes

The only material changes to this brochure since its initial filing on March 31, 2011, are the inclusion of two disciplinary events in Item 9, one involving a related person of the Adviser, which was previously described in an other than annual update to this brochure dated December 12, 2011, and one involving the Adviser.

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Item 4: Advisory Business

DESCO LP is a Delaware limited partnership and an investment adviser registered with and regulated by the SEC under the Advisers Act. DESCO LP serves as the managing member, manager, and/or investment adviser of certain entities in the D. E. Shaw group.

The Adviser provides investment advice to a number of affiliated collective investment schemes (or hedge funds) and other entities (the “Funds”). The Funds are institutional vehicles whose investor base consists of institutional investors and other highly sophisticated, high net worth participants. These investors must meet certain minimum financial requirements (e.g., an institution must generally own and invest on a discretionary basis at least \$25 million of certain investments), among others, in order to be eligible to participate in the Funds, which are structured as private investment companies that are exempt from registration as investment companies under U.S. law by virtue of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “Investment Company Act”).

DESCO LP was formed in 1992 and has been a registered investment adviser since 1999. Since the D. E. Shaw group’s organization in 1988, DESCO LP and its predecessor firms have built a significant presence in many of the world’s capital markets, investing in a wide range of companies and financial instruments within both the major industrialized nations and a number of emerging markets. Its past activities have ranged from the deployment of investment strategies based on either mathematical models or human expertise to the acquisition of existing companies and the financing or development of new ones.

DESCO LP’s principal owner is Dr. David Elliot Shaw. Other entities and individuals hold minority stakes in DESCO LP.

DESCO LP bases its advice to clients on the investment objectives and restrictions (if any) set forth in the applicable offering memorandum, organizational documents, investment management agreement, and/or subscription agreements, as the case may be (each and collectively, the “Governing Document”).

DESCO LP managed approximately \$13.6 billion in client assets on a discretionary basis as of January 1, 2011.

Item 5: Fees and Compensation

Fees for advisory services generally include a performance-based fee and an asset-based fee and are generally set forth in the applicable Governing Document. DESCO LP enters into performance-based fee arrangements with clients that fall within the definition of a “qualified client” pursuant to Rule 205-3 under the Advisers Act or as permitted under Section 205(b) of the Advisers Act. Performance-based fees are generally paid in arrears annually or, where applicable, at the time of a withdrawal, redemption, or distribution of capital. Asset-based fees are generally paid monthly in advance based on net assets as of the beginning of the relevant month. The fee schedule for qualified clients of the Adviser and of the Adviser’s associated unregistered investment advisers includes an asset-based fee that currently ranges from 1.5% to 3% annually and a performance-based fee that currently ranges from 15% to 30% of net profits. A percentage of the management fee is deducted at the beginning of each month from the applicable Fund. Each performance charge is assessed annually (or on a *pro rata* basis upon a withdrawal

from the applicable Fund) on net profits, if any, and is subject to loss carryforward provisions. The Governing Document of the applicable Fund provides the definitive terms of such fees. In general if an asset-based fee has been paid in full in advance for a period in which either the advisory contract with the relevant client has been terminated, or, with respect to a Fund, for the period in which an investor has withdrawn or redeemed its investment in such Fund, the applicable portion of such asset-based fee paid relating to the portion of the period after such termination, withdrawal, or redemption will be returned or credited to the client or to the withdrawing or redeeming Fund investor, subject to the actual terms of the applicable Governing Document; however, the Governing Documents typically do not permit a termination, withdrawal, or redemption mid-period.

For certain Funds or classes of Fund interests, DESCO LP may designate certain Investments, including without limitation those that the Adviser determines, in its sole discretion, are illiquid, lack a readily assessable market value, and/or should be held (often for an extended period of time) until the occurrence of a specified event or the resolution of a specified circumstance, as so-called “side pocket” Investments. Generally each such side pocket Investment will be valued at historical cost, and performance-based fees will not be paid until such side pocket Investment pays a dividend, effects a distribution, makes an interest payment, is liquidated, is realized, or is otherwise redesignated by the Adviser in its sole discretion as a non-side pocket Investment. Certain Funds or classes of Fund interests (including those holding side pocket Investments) may have additional fee guidelines, which are described more fully in the applicable Governing Document.

DESCO LP may negotiate fees and other terms in certain cases. The Adviser may from time to time enter into agreements with certain underlying investors in the Funds that may provide for terms of investment that are more favorable than the terms described in the applicable Governing Document. Such terms may include the waiver, reduction or rebate of management fees, Fund expenses and/or performance fees, the provision of additional information or reports or more favorable transfer rights. No such agreement will necessarily entitle any other Fund investor to the same terms of investment.

Funds advised by DESCO LP may incur expenses in connection with custodial or brokerage services discussed in Item 12. In addition, each Fund bears its operating costs and expenses as described more fully in the applicable Governing Document. Furthermore, the Adviser may be entitled under the Governing Document to be reimbursed for some or all expenses that it or its related persons incur on behalf of the relevant client.

Neither the Adviser nor its supervised persons receives compensation for the sale of securities or other investment products to clients or investors.

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

DESCO LP enters into performance-based fee arrangements with clients as discussed in Item 5 above.

The performance-based fees available to the Adviser in connection with a particular client may be higher than those available to the Adviser in connection with another client, whether in percentage or absolute dollar amounts. Therefore, the Adviser may have an incentive to devote more research and development or other activities, and/or to allocate investment opportunities, to such higher fee-paying client.

When trading on behalf of multiple clients with differing performance-based fees, the Adviser endeavors to allocate investment opportunities among clients in a fair and equitable manner. The Adviser's trade allocation for any given client may vary based on differences in investment objectives among clients, different capital constraints of each client, varying leverage preferences of each client, and any scheduled increase or decrease of any particular client's assets under management. The Adviser does not alter its allocation policy with respect to a client, or allocate trades among multiple advisory clients, without the approvals of relevant senior management and compliance personnel.

Item 7: Types of Clients

DESCO LP's only clients are the Funds, which are structured as private investment companies that are exempt from registration under Section 3(c)(7) of the Investment Company Act. A minimum dollar value of assets and other conditions are typically imposed on investors in the Funds.

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

Methods of Analysis and Investment Strategies

The Adviser's focus is the pursuit of potentially attractive investment opportunities and, in some cases, the active creation of new ones. The Adviser's investment activities may be divided into three broad categories—quantitative strategies based on mathematical and computational models, qualitative strategies based on the analysis of human experts, and hybrid strategies that combine quantitative and qualitative approaches to investing.

Quantitative strategies are a central focus of the Adviser's activities and are used to identify underpriced and overpriced securities, to manage various forms of portfolio risk, and to reduce the cost of transacting in various financial instruments. While a great deal of human effort is expended conducting scientific research in each of these areas, the Adviser's quantitative strategies are largely based on mathematical models embodied in computer software rather than on human judgments regarding the fundamental soundness of the underlying companies or other assets. The Adviser's qualitative strategies are based on the detailed analysis of particular companies, resources, industries, economies, and entrepreneurial opportunities by experts with extensive asset- and market-specific knowledge. Investments include both publicly traded and privately held financial instruments, certain physical commodities and commercial rights, and in some cases, entire companies. The Adviser may also provide individually tailored debt and equity financing to both healthy and financially distressed companies.

The Adviser also deploys hybrid strategies through a combination of quantitative and fundamental techniques.

The instruments in which Funds managed by the Adviser may invest include without limitation common and preferred stock; futures, options on futures, and forward contracts; bonds, notes, debentures, bills, trade claims, and other forms of indebtedness or liability issued or incurred by corporations, sovereign nations, governmental agencies and instrumentalities, municipalities, or other persons; options, rights, warrants, convertible securities, exchangeable securities, synthetic and/or structured convertible or exchangeable products, participation instruments, and investment contracts; mortgages, mortgage-backed securities, and other asset-backed securities, including securities backed by various forms of consumer and

asset-based finance receivables; real estate, easements, other forms of real property-related instruments, interests in the foregoing, interests in public and/or private real estate investment trusts (“REITs”), real estate operating companies (“REOCs”), and other companies that engage in real estate-related businesses; currencies; energy-related products and instruments; weather-related instruments; emissions allowances and transmission rights; commodities; cash and cash equivalents; money market instruments; bank notes, term loans, debtor-in-possession loans, revolving loans, bank guarantees, letters of credit, and other forms of lender assets or obligations; swaps (including credit default swaps) and other derivative instruments; receivables; financial interests in settlements of legal disputes; insurance- and reinsurance-related products; instruments having a value or return that is explicitly tied to the occurrence (or non-occurrence) of economic, political, legal, natural, technological, bankruptcy, default, and/or other events; catastrophe bonds, industry loss warranties, and other catastrophe risk-linked instruments; royalty trusts; intellectual property; assets with specified tax attributes; limited partnership and other limited liability interests; general partnership and other unlimited liability interests; interests in investment companies; and/or any other security, instrument, interest, or property selected by the Adviser (collectively, “Investments”).

Such Investments are expected to be issued by or relate to publicly-held issuers, privately-held issuers, and other issuers of various types both in the United States and outside the United States, and may be either controlling or non-controlling Investments, in each case without restriction. Additionally, the types of Investments held by Funds managed by the Adviser and the countries in which they are issued are likely to vary over time. Such Investments may be traded on exchanges or “over-the-counter” or may not be traded on any exchange or other market. DESCO LP’s trading and other authority with respect to a particular client will be outlined in the applicable Governing Document.

Potential Risk Factors

An investment with the Adviser involves substantial risks that should be carefully considered. Certain risk factors that may be considered applicable to an investment with the Adviser are outlined below. Additional risk factors are outlined in the Governing Document for the applicable Fund. It should be noted, however, that there may be other risk factors applicable to such an investment that are not identified but that might still result in material losses to investors. Prospective investors should also consult their own legal, investment, tax, and other advisers, and the applicable Governing Document, as to whether an investment with the Adviser is appropriate for them.

It should be noted that many of the risks outlined under one caption or heading are applicable to one or more other captions and headings.

No Assurance of Investment Return

An investment in a Fund managed by the Adviser is not intended as a complete investment program. Such an investment should be regarded as speculative in nature and appropriate only for a sophisticated investor that can afford a loss of all of its investment with the Adviser and that is able to invest for an indefinite period. It should not be assumed that an investment in a Fund managed by the Adviser will be profitable. In addition to the risk of loss on its Investments, clients’ investments are subject to the direct and indirect fees and expenses outlined elsewhere in this brochure or applicable Governing Document, which will reduce returns and require that the Adviser make a certain level of profit from its investing activities in order for an investment simply to break even.

Past performance of the Adviser's strategies or the investment vehicles sponsored, advised, and/or managed by the Adviser, or of any investment strategies operated within any such investment vehicle, is not indicative of the results that will be achieved by the Adviser in the future and provides no assurance of the success of the Adviser in achieving its investment objective.

General Factors

The prospects of an investment in a Fund managed by the Adviser could be materially adversely affected by changes or instability in market, economic, political, technological, regulatory, and social conditions, and by numerous other factors outside the control of the Adviser.

Disruptions in the global financial markets may have materially adverse, and in certain cases catastrophic, consequences for the values, liquidity, and stability of certain Investments. Such disruptions may occur in the future, and the duration, severity, and ultimate effect of such disruptions are difficult to forecast.

In addition, many of the Adviser's investment strategies and/or Investments are likely to be exposed to risks relating to weaknesses in various global economies and risks relating to the economic cycle. Numerous factors affecting the performance of the Adviser's investment strategies, such as interest rates, commodity prices, equity prices, availability, and terms of financing, demand from market participants, and deflationary and inflationary pressures, may be affected by the economic cycle and long-term economic trends. Predictions about financial market conditions and economic factors are highly uncertain, and the presence, duration, and impact of any market or economic conditions could have a material adverse effect on the Adviser's investment strategies.

The Adviser may choose not to attempt to hedge the risk exposures outlined in this brochure, and there can be no assurance that any hedging attempted by the Adviser would reduce applicable risks.

Special Risks of Certain Markets

Certain markets may pose special risks due to, among other factors, the limited availability of useful information, the reliance on self-interested persons for price and other information, and more or less regulation. For example, price information might be available only from dealers and might not be verifiable. Further, less regulation in certain markets might enable market intermediaries or other investors to engage in "frontrunning" (whether directly or through their customers or agents) of the Adviser's trades, to misuse information about positions managed by the Adviser to reduce the value or liquidity of those positions, and to take other actions that materially adversely affect the Adviser's investment strategies. The limited availability of price information or actions of market intermediaries or investors could exacerbate other risk factors outlined in this brochure, including short squeezes, and could have a material adverse effect on the Adviser's investment strategies. In addition, dealers may withdraw or substantially reduce the scope of their activity with regard to certain markets or Investments without notice, resulting in disruptions to strategies, pricing, and/or the ability to liquidate or close out positions. Any of the foregoing could have a material adverse effect on the Adviser's investment strategies.

International Investments

The Adviser may cause a client to purchase, sell, hold, trade, originate, structure, and restructure Investments issued by or relating to both U.S. and non-U.S. persons. International investing and trading

involve special risks not typically associated with trading in Investments issued by or relating to solely U.S. persons. Depending on the particular countries and Investments involved and on the nature of the particular transactions executed outside of the United States, these special risks may include changes in exchange rates and exchange control regulations; devaluations or nonconvertibility of non-U.S. currencies; failures or disruptions in central banks, banking systems, markets, or financial exchanges; changes in monetary policies, interest rates, or interest-rate policies; political, social, and economic instability; adverse diplomatic developments; investment and repatriation restrictions; the nationalization and/or expropriation of assets; government intervention in the private sector; default by public and private issuers on their financial obligations (and limited recourse in connection with such defaults); the imposition of non-U.S. taxes; discrimination against foreign investors; and less liquid markets, less information, higher transaction costs, greater difficulty in enforcing contractual obligations, fewer or different rights for creditors generally, more uncertain procedures (if any) for Reorganization Proceedings, less information regarding legal and regulatory risks, less uniform accounting and auditing standards, greater price volatility, less reliable clearance and settlement procedures, and less government supervision of exchanges, brokers, market intermediaries, issuers, and other markets and market participants than is generally the case in the United States.

Further, individual non-U.S. economies may differ favorably or unfavorably from the U.S. economy in various respects, such as growth of gross national product, rate of inflation, amount of capital reinvestment, degree of resource self-sufficiency, and balance of payments position. For example, certain non-U.S. countries have experienced substantial, and in some cases extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets (both public and private) of certain countries in which the Adviser may invest, and may therefore have a material adverse effect on the Adviser's investment strategies.

The Adviser may trade, directly or indirectly, Investments on exchanges located outside the United States. Some non-U.S. exchanges, in contrast to domestic exchanges, are "principals' markets" in which performance is solely the responsibility of the individual member with whom the trader has entered into a contract and not that of an exchange or its clearinghouse. Clients thus may be subject to the risk of the inability of, or refusal by, a counterparty to perform with respect to any such contract. Moreover, as there may be less government supervision and regulation of non-U.S. exchanges, clearinghouses, and clearing firms than of those in the United States, clients may also be subject to greater risk of certain failures (including the complete failure) of the exchanges on which its positions trade and/or certain failures (including the complete failure) of such exchanges' clearinghouses or clearing firms than it would be in the United States.

The foregoing risks are likely to be more pronounced in connection with Investments in developing countries or emerging markets.

Availability of Investment Opportunities

Identification and exploitation of investment opportunities and investment strategies by the Adviser involve a high degree of uncertainty. The Adviser makes decisions based on its assumptions, assessments, and estimates, all of which are subject to error. There can be no assurance that the Adviser will be able to

identify and/or successfully take advantage of suitable investment opportunities. Even if the Adviser takes advantage of an investment opportunity, there is a risk that such investment opportunity will result in losses to the Adviser's clients. If the Adviser is not able to identify and/or take advantage of suitable investment opportunities, it may change its risk parameters in order to deploy capital, which may have a material adverse effect on the Adviser's investment strategies. In addition, the Adviser may rely on market participants to inform it of particular trading and/or other investment opportunities. Client returns may be reduced if market participants fail to provide such information or if the Adviser is otherwise unable to source opportunities it considers appropriate for its investment strategies.

Even if investment opportunities are identified, the Adviser may decide to hold extensive cash positions for extended periods of time, thus potentially reducing (possibly materially) the returns of its investment strategies.

Limited Diversification; Concentration; Correlation

The overall portfolios of the Adviser's clients may not be broadly diversified among particular issuers, issuances, companies, countries, industries, exchanges, counterparties, strategies, types of Investments, or other shared characteristics. In general, less diversification may lead to greater volatility and/or risk than would be the case with a more broadly diversified portfolio. Even if a client's overall portfolio is diversified, however, there can be no assurance that such diversification will reduce volatility and/or risk. In addition, a client's portfolio may be concentrated in particular issuers, issuances, companies, countries, industries, exchanges, counterparties, strategies, types of Investments, and/or other shared characteristics, without any limitation other than applicable law or regulation (if any). Such concentration would magnify the risks associated with such investments for the client, including the risk of significant losses.

There can be no assurance that the Adviser's clients will achieve returns that are not closely correlated with various market indices or the returns of other investment vehicles. There can be no assurance that the Adviser will value less-correlated returns more highly than any other factor in selecting the Investments and strategies. In addition, certain of the strategies deployed by the Adviser may maintain (possibly extensive) unhedged exposure for an indefinite period to various sources of equity, credit, interest-rate, and/or other risk, whether known or unknown, while other strategies deployed on behalf of a client may have such unhedged exposures from time to time. There can be no assurance that an investment with the Adviser would improve the risk/return profile of any investor's portfolio or otherwise improve the performance of the investor's overall portfolio.

Low Creditworthiness Investments

There is no minimum credit standard for any of the Adviser's investment strategies, and a (possibly substantial) portion may, whether at the time of investment or at a later time, involve Investments that are unrated; rated below "investment grade" by recognized rating services; and/or defaulted. Unrated, sub-investment-grade, and defaulted Investments generally involve greater risk of loss in either a short or a long position than do investment-grade Investments. For example, the market values and yields of unrated, sub-investment-grade, and defaulted Investments generally react more dramatically to changes in general economic conditions, in the levels of interest rates, and in the financial condition and prospects of their issuers than do those of more highly rated Investments. During periods of economic downturn or

rising interest rates, issuers of unrated, sub-investment-grade, and defaulted Investments may experience, to a greater degree than issuers of more highly rated Investments, certain forms of financial stress that could materially adversely affect such Investments. Such issuers may be in early stages of development; may not have proven operating histories; may be operating at a loss or have significant variations in operating results; may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence; may require substantial additional capital to support their operations, to finance expansion, or to maintain their competitive position; or may otherwise have a weak financial condition. Additionally, such issuers may be highly leveraged, which may present greater risks to these companies.

Adverse publicity and investor perceptions, whether based on fundamental analysis, market rumors, distress of related issuers, or other sources, may materially adversely affect such low creditworthiness Investments. Adverse effects on long positions in these Investments include the increased probability of default, the decreased value of any recovery in connection with a reorganization proceeding, decreased secondary market prices (if any) for these Investments, and general decreases in the liquidity of these Investments. The secondary market for these Investments is concentrated among relatively few market-makers or investors and may be expected to be less liquid than the secondary market for Investments that have higher ratings or are issued by non-distressed issuers. In addition, the lower liquidity of unrated, sub-investment-grade, and defaulted Investments, as well as other factors outlined above, could exacerbate the risks of short positions in these Investments.

Certain forms of low creditworthiness Investments may be issued pursuant to note indentures, promissory notes, or other indicia of indebtedness that contain fewer debt covenants, rights, and remedies compared to those afforded to lenders under a credit agreement. As a result, such Investments may be more sensitive to certain risk factors as compared to similar debt instruments with greater debt covenants, rights, and remedies. Moreover, the lack of certain financial covenants with respect to such Investments may result in a higher risk of loss and may hinder the ability of the Adviser to restructure a problematic loan in order to mitigate its exposure to loss.

Currencies

Client accounts generally will be denominated in the currency of the applicable class of Funds for which investors have subscribed. Investments in such accounts therefore may be subject to fluctuations in the value of other currencies relative to the currency of such class.

The Adviser may recommend Investments that are denominated in currencies other than U.S. dollars, and there is no limit on the portion of Investments that may comprise Investments denominated in currencies other than U.S. dollars. In addition, the Adviser may make investments in non-U.S. currencies themselves. As a result, a client may be exposed to currency risks. The Adviser may or may not hedge such exposures, and there can be no assurance that any such hedging would reduce applicable risks. A client may also incur costs in connection with hedging against currency exposures and conversions between various currencies.

Derivative Instruments

The Adviser may trade all types of derivative instruments without limitation other than any applicable limitations imposed by regulations and/or by counterparties and clearing brokers. Derivative instruments are financial instruments that derive their performance, at least in part, from the performance of an underlying asset, index, interest rate, or other reference instrument. Examples of derivative instruments include swaps, futures, forwards, options, warrants, options on futures, and swaptions.

Investments and trading in derivative instruments are generally highly speculative and involve various risks that are different in certain respects from, and are possibly greater than, the risks associated with investing directly in the applicable underlying assets or reference instrument. Examples of various risks associated with derivative instruments include market risk, complexity, a high degree of leverage, illiquidity, the absence of reliable price quotes and/or a reliable trading market, unstable correlation between a derivative instrument and the underlying asset or reference, volatility, tax risk, government intervention to influence prices, legal or regulatory uncertainty, and, with respect to over-the-counter derivative instruments, nonperformance of counterparties (including direct or central counterparties).

In addition, agreements that govern the Adviser's Investments in derivative instruments typically impose obligations on the Adviser or the Fund. Under such agreements, a failure to observe such obligations may result in the declaration of an event of default, which would permit the counterparty to exercise a range of remedies, possibly including the ability to unilaterally terminate Investments governed by such agreements and to require the Adviser to pay such counterparty the replacement cost of the terminated Investments based on market quotes obtained by such counterparty, which quotes may be materially different than market prices. Such agreements also typically include payment or valuation provisions that require determinations by a calculation agent or a valuation agent (typically the dealer). If the Adviser is unable to negotiate favorable terms for such provisions or rights to dispute such determinations, the counterparty may have rights to make determinations that adversely affect the applicable Investments.

Trading derivative instruments might deprive a client of certain tax benefits obtained from trading the underlying assets or reference instruments and/or, with respect to over-the-counter derivative instruments, from trading exchange-traded instruments.

Trading in options or warrants involves a risk of loss related to the premium for the option or warrant as well as a risk of loss related to the value of the underlying security or instrument, which loss in either case could be substantial. The writing of an uncovered option by a client may result in an unlimited loss of a client's capital within a relatively short period of time.

Trading in futures contracts and options on such contracts may be subject to limitations imposed by regulatory authorities and relevant exchanges, which may prevent a client from liquidating positions and could subject a client to substantial losses. Forward contracts (and options on forward contracts) are not traded on exchanges and are generally not regulated.

Debt Investments

Without limiting the scope of its possible activities, the Adviser may cause clients to hold, structure, and restructure loans and other forms of indebtedness.

The discussion in this section is based in part upon principles of U.S. federal and state laws. With respect to Investments relating to non-U.S. borrowers, there can be no assurance that the laws of certain non-U.S. jurisdictions (and/or the consequences of such laws) would not result in additional risks.

Secured Loans; Second Lien Loans; Unsecured or Subordinated Loans

Measures taken by the Adviser to protect clients' interests in loans in which they may invest, including the validity or enforceability of such loans and the creation and maintenance of the anticipated priority and perfection of applicable security interests, may prove to be inadequate. There can be no assurance that any collateral would be sufficient to cover the obligations being collateralized or the amount of a client's investment. Any collateral may decline in value; may be subject to competing claims of creditors; may be difficult to recover or sell due to legal, regulatory, or other reasons; or otherwise may be inadequate to allow a client to recoup its investment.

The Adviser may cause clients to invest in certain loans ("Second Lien Loans") that are secured by a second priority interest or lien on collateral but are subordinated to other secured obligations. Second Lien Loans are subject to a risk that the cash flow of the related borrower and the property securing the Second Lien Loan may be insufficient to make scheduled payments on the Second Lien Loans after giving effect to any obligations in respect of the senior secured loans of the borrower. Second Lien Loans are also expected to be less liquid than senior secured loans.

Finally, the Adviser may cause a client to invest in various types of unsecured indebtedness (such as senior unsecured, subordinated, or general indebtedness) that would be junior in priority to the claims of secured creditors. The claims of secured or senior creditors may exhaust some or all of the assets of a borrower before unsecured, subordinated, or general creditors may participate in such assets.

Lender Liability; Equitable Subordination; Fraudulent Conveyance

Investments structured as loans or other forms of indebtedness may subject clients to claims of lender liability and/or may be subject to claims of equitable subordination or recharacterization.

The risk of such claims may be exacerbated if a client holds a significant equity position and/or certain management positions (including representation on the board of directors) with respect to the applicable borrower. Under the concept of "equitable subordination," a court may subordinate the claim of a lender or bondholder to the claims of other creditors in certain circumstances, such as if the court finds that such lender or bondholder engaged in inequitable conduct to the detriment of other creditors. In addition, under certain circumstances, a loan may be recharacterized as an equity contribution if a court determines that the loan was in substance a disguised equity contribution to a company. If a court recharacterizes a loan as an equity contribution, such loan would be made subordinate to the claims of all creditors. Any successful claims of lender liability against a client or any successful claims of equitable subordination or recharacterization could have a material adverse effect on such Investment held by a client (possibly resulting in losses that exceed the value of such Investment).

Investments structured as loans or other forms of indebtedness may also be subject to claims of fraudulent conveyance. Any claims of fraudulent conveyance or preferential payment with respect to an investment could have a material adverse effect on a client, which could be required to return related payments.

Certain Additional Risks

The terms of certain loans or other forms of indebtedness held by clients advised by the Adviser may obligate such clients to extend to a borrower additional credit in the future, either at the request of the borrower or if certain other conditions are met. Any such additional extension of credit would increase a client's exposure to the applicable borrower. In addition, if a client does not have adequate available funds or chooses not to fund at the time additional credit is required, the borrower may seek to assert claims for damages against the client.

Certain of the loans in which the Adviser may cause a client to invest may require the client to indemnify or reimburse the lead or agent bank for the loan for costs incurred by such bank. Such indemnification or reimbursement may cause substantial losses to the client and may be required in addition to any costs incurred by the client itself. In addition, lenders and other persons may seek to bring claims against the client for the acts or omissions of a lead or agent bank.

Origination Activities

The Adviser may cause clients to engage in the origination of debt and/or equity financing. If a client engages in such activities, it will be subject to applicable laws in each jurisdiction in which such activities take place.

The market for originating debt and equity financing is highly competitive, and the Adviser may be unable to compete effectively with other market participants for origination opportunities. Price pressure from competitors (including market participants that are not directly originating loans) may cause the Adviser to recommend a client lower the interest rates that it charges borrowers, which consequently may lower the value of the loans. Further, if competitors adopt less stringent loan origination standards in order to maintain their loan origination volume, the Adviser may cause clients to do so as well. If the Adviser adopts less stringent loan origination standards, a client will bear increased risk for each loan originated under such less stringent standards, which may not be compensated by an increase in price.

Alternatively, the Adviser may determine not to adopt less stringent origination standards in this competitive environment, which decision may result in a loss of market share. Increased pressure on pricing and origination opportunities likely would reduce the volume and quality of the Adviser's origination activity and materially adversely affect clients. Some competitors may have higher risk tolerances or different risk assessments than the Adviser, thereby allowing such competitors to achieve a broad diversification of Investments and to establish more relationships than the Adviser. These competitive pressures could have a material adverse effect on clients.

The Adviser has limited experience in originating mortgage loans. Mortgage lending activities are highly regulated by U.S. federal, state, local, and other governmental authorities.

Asset-Backed Securities

The Adviser may cause clients to invest directly or indirectly in asset-backed securities, which are structured securities collateralized or backed by another asset or assets, such as residential or commercial mortgages, home equity loans, auto loans, installment sale contracts, credit card receivables, commercial loans, corporate loans, investment-grade or high yield debt, or, in some cases, other asset-backed securities. Asset-backed securities may include instruments such as collateralized mortgage obligations,

collateralized bond obligations, collateralized debt obligations, and collateralized loan obligations, and may include synthetic structures that are backed by derivative instruments instead of by the relevant loans, bonds, or other assets themselves.

Asset-backed securities are often extremely complex, and their values and returns may be subject to significant fluctuations as a result of relatively small changes in interest rates, prepayments, defaults, late payments, or other factors. The value of an asset-backed security is highly dependent upon the performance of the underlying assets and upon the expected quality of the underlying assets.

Substantial leverage may be inherent in the structure of some asset-backed securities. Consequently, asset-backed securities may present a greater degree of risk than other types of fixed income securities and may be more volatile, less liquid, and more difficult to price accurately than less complex securities. The Adviser may recommend hedging transactions in certain circumstances to protect against interest rate movements, prepayment risk, defaults, or other factors, but there can be no assurance that such hedging transactions, if any are undertaken, would fully protect a client against such risks.

Asset-backed securities are typically separated into tranches representing different degrees of credit quality, with lower-rated tranches being subordinate to senior tranches. It is expected that the returns on the junior tranches of such securities would be especially sensitive to the rate of defaults in the collateral pool and would be subject to a substantially greater risk of non-payment than would senior tranches of such securities. Other types of asset-backed securities, including interest-only and principal-only securities, may participate in only certain types of income streams generated by the underlying assets.

The Adviser may cause clients to, directly or indirectly, issue mortgage-backed and other asset-backed securities collateralized by real property and/or other assets. These asset-backed securities generally would be for resale in the secondary market and may include collateralized mortgage obligations and real estate mortgage investment conduits.

Distressed Issuers

The Adviser may cause clients to invest in long and short positions in Investments issued by or otherwise related to companies that at the time of the applicable investment are experiencing, or subsequent to the applicable investment do experience, various forms of financial, business, operational, legal, and/or other distress or impairment, including companies involved in bankruptcy or other reorganization or liquidation proceedings (collectively, "Reorganization Proceedings"), as well as those emerging from Reorganization Proceedings and those seeking financial restructurings or reorganizations outside such proceedings. These Investments involve a high degree of risk and the total value of the applicable Investment may be lost.

The Adviser also may cause clients to purchase from banks, other financial institutions, or other investors bank loans (whether through assignment or participation transactions) and other forms of direct or indirect indebtedness (including revolving loans and letters of credit) of distressed companies. Investments in loan participations would expose a client to risks related to the creditworthiness of the banks or other financial institutions issuing such participations.

The Adviser also may cause clients to purchase bankruptcy claims (including trade claims), which are amounts owed to creditors of a distressed company. Investments in bankruptcy claims are difficult to

value. Moreover, bankruptcy claims generally are illiquid and non-interest-bearing, and there can be no assurance that a company will be able to satisfy its obligations under a claim.

Sophisticated financial and legal analysis is often necessary for successful investment in distressed companies. There is no assurance that the Adviser will correctly evaluate the value of the collateral (if any) supporting the Investments held by a client or the prospects for a successful reorganization or similar action. Such Investments may be subject to additional risks, such as significant volatility in the value of the Investment; the involuntary exchange of such Investments for cash, financial instruments, or other property (including illiquid Investments) having substantially less value than the original Investment; and/or delayed or extended payment for such Investments.

In addition, Reorganization Proceedings, as well as other financial restructurings or reorganizations, are subject to a number of risks. For example, such proceedings may be of uncertain duration; may be subject to unanticipated and possibly lengthy delays; may involve substantial legal, professional, and administrative costs to the reorganizing company and its investors; may involve other factors that are beyond the control of the reorganizing company and its investors; and/or may result in the liquidation of the reorganizing company. Further, the Adviser, on behalf of a client, may decide to become involved in the restructuring of a particular distressed company, including through representation on creditors' or equityholders' committees or other groups (whether formal or informal) and participation in litigation or direct negotiations with the company's management, each of which may involve special risks and/or conflicts of interest for a client. The occurrence of any of these risks could have a material adverse effect on the value of the applicable Investment or on the Adviser's ability to dispose of or to act to protect the value of such Investment.

Energy-Related Strategies

The Adviser may deploy various energy-related strategies.

Energy markets operate in a politically charged environment and are subject to extensive regulation by various governmental authorities. These authorities directly or indirectly set, approve, or accept certain rates and contracts; encourage or discourage capital projects; oversee energy transmission and distribution infrastructure; regulate energy markets; and otherwise govern matters relating to energy. The politically charged environment and the high degree of regulation increase uncertainty with respect to pricing, supply, transmission, and/or delivery in energy markets.

There is often only limited price information available in markets for trading energy and other energy-related Investments, and certain of this price information may be unreliable because it may reflect illiquidity, regulatory intervention, and/or improper behavior by market participants, including possible manipulation. Many of these markets also suffer from high volatility and a lack of transparency, and data from these markets may not prove useful when creating or applying quantitative trading strategies. In addition, many of these markets function or are regulated in isolation. These factors may result in limited coordination among markets and market participants and limited usefulness of various data.

The market for trading energy and energy-related Investments is uncertain, and many participants have exited the market or significantly reduced their trading activities. The reduced number of remaining participants may exacerbate the risks associated with illiquidity and volatility. Regulatory authorities or

market participants may respond to any perceived uncertainty by changing the available products or services, the accessibility of markets, regulation, or other matters relating to the industry.

Many regulators, independent system operators, or other operators of energy markets in which the Adviser may participate have authority to impose price caps, price restrictions, retroactive price changes, and other mechanisms to address volatility or manage supply in such markets. Various independent system operators or other authorities may intercede in markets to exercise this authority, significantly affecting the markets in which the Adviser operates or hopes to operate.

Illiquid Investments

The Adviser may cause clients to make investments characterized by varying degrees of liquidity, such as Investments for which there exists no actively traded secondary market and which are thus highly illiquid or for which there is an absence of readily ascertainable market values. Any illiquidity with respect to the Investments recommend by the Adviser may or may not be anticipated and/or may vary over time. Such Investments may constitute a substantial portion of the client's assets managed by the Adviser and may involve significant transaction costs when they are purchased or disposed of, whether through adverse price movements (whether related to liquidity or otherwise), increased spreads between quotes and dealer mark-ups (which may already be material for such Investments), and/or other transaction costs. The Adviser may choose to liquidate illiquid Investments (quickly or otherwise) if it believes that such liquidations may be warranted by market conditions or other considerations.

In addition, the Adviser may cause clients to invest in Investments that are subject to resale restrictions due to regulatory, statutory, or contractual provisions that limit the ability of the Adviser to liquidate such Investments. Such regulatory, statutory, or contractual restrictions could cause liquidity-related losses, could result in exposure to unhedged positions, and could have other material adverse effects on clients.

Leverage; Margin

Many of the strategies deployed by the Adviser are highly dependent on the use of leverage for their success. The Adviser intends to use instruments (including futures, swaps, options, and other derivative instruments) that, if such instruments were to decrease in value, could result in losses exceeding the capital allocated to them. In addition, the Adviser may cause clients to buy certain Investments on margin and/or may enter into swaps or other derivative instruments to enhance leverage and/or to support an increase in positions in Investments.

The amount of leverage employed from time to time by clients is determined by the Adviser. The Adviser may cause a client to employ the maximum leverage permitted by applicable law and regulation and by the persons extending credit or otherwise providing leverage to the client. Only a limited amount of the leverage employed by a client may be apparent from the balance sheet or other financial statements of the client, and a large portion (and possibly the majority) of the leverage employed may be effected through off-balance sheet transactions or methods, such as total return swaps (which can offer leveraged exposure to the reference instrument).

A client may incur potentially significant expenses, including interest charges and commitment fees, in connection with any leverage that it uses. In addition, the rights of any lenders to a client to receive

payments of interest or repayments of principal generally will be senior to those of the client and the terms of any such borrowings may restrict certain activities of a client.

Although any financial leverage may have the effect of increasing returns in the event of favorable investment results, returns will be reduced by the cost of borrowing, and investment losses and other losses will be exacerbated by leverage (possibly causing substantial losses, including losses exceeding the total value of the assets of a client). The use of leverage by the Adviser will increase the volatility of the investment performance of its investment strategies.

The persons that are expected to extend credit or otherwise provide leverage to clients generally are entitled to receive margin or other collateral to secure such leverage, and many of such persons have discretion to increase the collateral requirements for the leverage they provide, in certain circumstances on very little notice. Although the Adviser is expected to allocate a portion of a client's available cash to act as a "cushion" to cover additional collateral requirements, the amount so allocated may not be sufficient to meet the additional collateral requirements imposed by the persons providing leverage or warranted by market conditions. In addition, persons extending credit or otherwise providing leverage may impose certain financial and non-financial covenants, including requiring that the capital of a client exceed certain levels and/or that reductions in a client's capital do not exceed certain amounts or percentages. In the event these or other covenants are violated, such persons may terminate credit lines or derivative contracts and/or require the liquidation of some or all of a client's Investments. Even absent a violation of a covenant or other agreement, such persons may have the right to terminate credit lines or derivatives contracts and/or to compel a client to liquidate or cover an Investment with little notice, possibly resulting in a disposition of the collateral or assets at a time and/or in a manner adverse to the client. A client may be materially adversely affected if (a) it fails to meet any collateral requirements, whether as a result of increased requirements imposed by any such persons or as a result of market fluctuations affecting the value of collateral or of the associated Investment; (b) some or all of its Investments are liquidated in order to meet such increased requirements or in response to a violation of a covenant or other agreement; (c) its credit lines are terminated, or (d) leverage otherwise becomes unavailable or difficult to maintain. The adverse effects of liquidating Investments would be exacerbated when the applicable investments are illiquid.

More generally, losses experienced by a client and/or by other investors holding positions that overlap those of clients could lead to the imposition of increased collateral requirements, which could in turn require the liquidation (by clients and/or such other investors) of certain positions, which liquidations may occur at disadvantageous times and/or more quickly than would otherwise be desirable. The market impact associated with such liquidations could in turn lead to further losses (by clients and/or such other investors), potentially leading to a "vicious cycle" that could result in progressively increasing losses to clients. Such events could also lead to a rapid deterioration in the liquidity associated with the affected positions as well as unexpected adverse correlations among various Investments held by clients, thus further exacerbating the adverse effects to clients. Notwithstanding such losses and illiquidity, the Adviser may elect to have clients increase their exposure to such Investments, which may result in further losses.

The institutions, including brokerage firms and banks, with which a client may trade or invest may encounter financial difficulties that may require such institutions to reduce the amount of financing

provided to the client, resulting in forced liquidation of substantial portions of the client's Investments. Any financial difficulty of any such counterparty, or any reduction in the amount of financing granted to a client by any such counterparty, could have a material adverse effect on the client.

Notwithstanding the foregoing, there can be no assurance that clients will be able to borrow money, use margin, or engage in any financing transaction in order to obtain and/or employ leverage. Further, a client may not be able to obtain leverage and/or other financing, whether at a reasonable cost or at all, in the event that the Investments held by the client are not sufficiently diversified. Any inability of a client to obtain, employ, and/or maintain leverage or other forms of financing, whether at a reasonable cost or at all, would be expected to result in (possibly materially) lower returns to the client than had the client been able to obtain, employ, and/or maintain such leverage at a reasonable cost.

Complexity of Quantitative Strategies

Many of the investment strategies that the Adviser deploys on behalf of the client are highly complex. In many cases, the successful deployment of a particular investment strategy may require or involve sophisticated mathematical calculations and complex computer programs. Although the Adviser intends to use good faith efforts to carry out such calculations and programs correctly and to use them effectively, there can be no assurance that it will successfully do so. Errors may occur and have occurred in designing, writing, testing, monitoring, and/or implementing such calculations and programs, including errors in the manner in which such calculations and programs function together. Whether or not such calculations or programs relate to a substantial portion of the client's Investments, any errors in this regard may be difficult to detect, may not be detected for a significant period of time, and could have a material adverse effect on the client. In addition, while the Adviser may seek to apply existing calculations and programs to different components of the investment strategies deployed on behalf of the client (including markets, strategies, or Investments), such application may prove ineffective in such different contexts. Moreover, the effectiveness of such calculations and programs may diminish over time, including as a result of market changes and changes in the behavior of other market participants. The complexity of the components of the investment strategies deployed on behalf of the client that apply such calculations and programs, and the interactions among such components may make it difficult or impossible to detect the source of any weakness or failure in such components before material losses are incurred. For example, it may be difficult or impossible to distinguish unexpected trading results resulting from market activity from unexpected trading results resulting from an error in the applicable calculation or programs. The mathematical calculations and computer programs utilized by the Adviser are subject to inherent limitations and, like all approaches to investing, are almost always susceptible to being improved upon as experience is gained, strategies are refined, and markets change.

Private Investment Activities

The Adviser may engage in certain private investment activities, certain risks of which are outlined below.

Private Equity-Related Investments Generally

The Adviser may cause clients to acquire controlling or non-controlling positions in privately held companies.

Private equity-related Investments are generally characterized by an extremely high degree of illiquidity, frequently lasting several years and possibly indefinitely. The realization of a private equity return, if any, generally occurs only upon the partial or complete monetization of an Investment by means of a dividend, distribution, recapitalization, initial public offering, asset liquidation, sale, other disposition, or similar financial event. Contractual or legal restrictions may delay realization of a private equity-related Investment beyond the occurrence of any such financial event. In addition, a client generally is expected to earn little or no current cash income on such Investments prior to any realization event.

Private equity-related Investments may be extremely difficult to value, particularly in the absence of a specific liquidity event, readily available comparables, or a material change in the company associated with such Investment or the industry in which such company operates. Even if a valuation change is ultimately made, the change may be, by necessity, highly subjective.

The long time horizons of investing in private equity-related Investments may expose a client to shifts in market, economic, political, technological, regulatory, and/or social conditions to an unusual degree. Developments occurring after a private equity-related Investment is acquired may fundamentally alter the anticipated market for such Investment, preventing the Adviser from disposing of the Investment profitably or at all, or subjecting the client to risk of a potentially complete loss on such Investment.

The Adviser may become involved in the exercise of control of a particular privately held company, including in the form of representation on the boards of directors, equityholders' committees, or other groups (whether formal or informal) and participation in litigation.

Venture Capital-Related Investments

The Adviser may cause clients to invest in privately held companies in early, venture capital stages of development. Such venture capital-related Investments involve a high degree of business and financial risk.

Follow-on Investments; Co-Investments

Following its initial investment in a privately held company, the Adviser may be presented with the opportunity to provide additional capital to such company. Even if such an investment is desired, it is possible that a client will have insufficient available capital to act. Any decision by the Adviser not to make a follow-on investment or any inability by a client to fund such an investment could have a material adverse effect on a privately held company in need of capital, potentially materially adversely affecting the client.

The Adviser may recommend co-investing with third parties (including other clients advised by the Adviser, or other Related Persons of the Adviser) through consortiums of investors, partnerships, joint ventures, or other similar arrangements. Such Investments may involve risks in connection with such third-party involvement, including the possibility that any such third party may have financial, legal, or regulatory difficulties that have a material adverse effect on such Investment, may have economic or business interests or goals that are inconsistent with those of the relevant client, may pursue interests inconsistent with those of the relevant client, may default on their obligations, and/or may be in a position to take (or block) action in a manner contrary to the relevant client's investment objective. In addition, a client may in certain circumstances be liable for the actions of its co-investors. Such Investments may

involve performance charges, incentive compensation arrangements, and/or other fees payable to such third parties.

Real Estate-Related Strategies

The Adviser may engage in certain real estate-related strategies. Examples of possible Investments include real property, real estate development and/or operations, sale-leasebacks, and REITs. To the extent a real estate-related Investment is pursued through a private equity-related strategy, the risks outlined in above with respect to private equity-related Investments will also apply to such real estate-related Investment.

The value of a client's investments in real property assets may be affected by many factors, including changes in macroeconomic variables (such as interest rates and the availability of mortgage financing); local economic climate; quality of management; attractiveness and location of properties; physical condition of properties; quality of maintenance; insurance and management services; operating costs and leasing commissions; financial resources of tenants; competition based on rental rates; fluctuations in the average occupancy and room rates for hotel properties; social, political, economic, and other factors that influence travel activity; and regulations and legislation governing land usage, property improvements, zoning, and taxation.

The Adviser may cause clients to hold Investments in REITs and REOCs, joint ventures, strategic alliances, or other real estate investment firms. Because the interests of managers and/or other partners of such firms may not be aligned with those of a client, the client may be adversely affected by decisions made by those managers.

Insurance- and Reinsurance-Related Instruments and Products

The Adviser may cause clients to purchase, sell, hold, trade, structure, and restructure instruments that offer direct or indirect exposure to insurance, reinsurance, and insurance- and reinsurance-related risks (collectively, "Insurance-Related Investments"). These instruments may include equity investments in D. E. Shaw Re (Bermuda), Ltd. ("DESCO Re"), a Bermuda-based insurance and reinsurance company managed by D. E. Shaw & Co. (Bermuda), Ltd. ("DESCO Bermuda"), a wholly owned subsidiary of the Adviser; insurance-linked securities, such as catastrophe bonds, catastrophe options, and catastrophe futures; and securities in other public or private entities (insurance- or reinsurance-related or otherwise). Insurance-Related Investments that may be held by a client are generally characterized as having values that are directly or indirectly tied to the occurrence (or non-occurrence) of certain events, such as natural, economic, political, legal, technological, bankruptcy, default, and/or other events, but also may relate to other types of risks that are typically taken by insurance or reinsurance companies, such as mortality or longevity risks. Such Insurance-Related Investments generally would require a payment by one party or a forfeit of principal and interest if specified loss thresholds are exceeded or other events occur, resulting in potentially material losses for a client.

There is often only limited price information available in markets for Insurance-Related Investments. There is no secondary market for many Insurance-Related Investments, and where a secondary market does exist, Insurance-Related Investments are generally held by a small number of market participants. As a result, Insurance-Related Investments are generally highly illiquid and their prices may be highly

volatile, thus resulting in an increased risk of material losses. This illiquidity and price volatility may be particularly pronounced during certain seasons or around the time of a specific weather-related event, even in cases where a particular Insurance-Related Investment has only a limited apparent connection to such event.

Short Sales

Many or all of the investment strategies expected to be deployed by the Adviser involve the execution of “short sales.” Short selling involves an investor borrowing securities from a lender and selling such securities to another person, with an obligation to return to the lender an equivalent amount of the borrowed securities at a later date. Short selling allows an investor to profit from declines in a security’s value. While short sales may be useful under certain circumstances in the pursuit of potential profit opportunities and/or the mitigation of certain forms of risk, they may result in an unlimited loss of capital within a relatively short period of time, whether due to price changes, recalls sought and penalties imposed by lenders of the borrowed securities, short squeezes, unavailability of the securities at the time the Adviser desires to close out the short position, or other causes. Financing methods employed or derivative transactions recommended by the Adviser may involve the economic equivalent of short positions in various Investments, which could have economic consequences substantially similar to those caused by the execution of short sales.

Beginning in 2008, a number of countries imposed (and in some cases have removed) restrictions or outright bans on short sales and related transactions in financial sector securities (and, in some cases, other securities), making it difficult or impossible for many market participants either to continue to implement their strategies or to control the risk of their open positions. In addition, the SEC has adopted a “circuit breaker” triggered short sale price test restriction and, pursuant to certain provisions of the Dodd-Frank Act, is expected to propose certain short sale and/or short position reporting requirements that may have the effect of deterring or limiting short selling of U.S. equities in general. Other countries have adopted or may adopt similar or other types of reporting and requirements. Any ongoing or future regulatory limitations on short selling, or any ongoing or future requirement to disclose short sales or short positions, may materially adversely affect the Adviser’s ability and willingness to implement strategies based on or involving short sales on behalf of clients.

Electronic Trading

The Adviser may trade on electronic trading and order routing systems, which differ from traditional open outcry trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchanges offering the system or listing the instrument. Characteristics of electronic trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, trade error policies, and trading limitations or requirements. There are also differences regarding qualifications for access, grounds for termination of access, and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times, security, service providers, and the receipt and monitoring of electronic mail.

Trading through an electronic trading or order routing system is also subject to risks associated with system or component failure. In the event of system or component failure, it is possible that, for a certain time period, it might not be possible to enter new orders, execute existing orders, or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority. Trading venues offering an electronic trading or order routing system typically adopt rules to limit their liability, the liability of member brokers and software and communication system vendors, and the amount that may be collected for system failures and delays, which rules may vary among the venues.

Hedging Transactions

The Adviser may seek to limit a client's exposure to various risk factors through the use of various hedging techniques. There can be no assurance that such hedging techniques will be effective or that they will result in higher or more stable returns than would have been the case had they not been employed. Moreover, such hedging techniques will tend to limit any potential gain that might result from an increase in the value of a hedged position.

It should be noted that any hedging techniques employed on by the Adviser would be intended only to reduce exposure to certain risks and not to reduce all forms of investment risk. Further, the Adviser is not obliged to hedge any particular form of risk in any particular situation, and the Adviser will be free to have clients assume such risks and/or to change its investment policies and practices in any manner as determined by the Adviser and without the approval of or notice to clients. Moreover, certain of the investment strategies deployed by the Adviser may from time to time have extensive unhedged exposure to various sources of equity, credit, interest rate, and/or other risk, whether known or unknown.

Under certain circumstances, hedging techniques intended to reduce certain forms of risk may actually increase risk, whether due to the unintended market impact of hedging transactions, leverage effects associated with hedging positions, unexpected adverse price movements of a hedging instrument relative to the hedged instrument (*i.e.*, adverse changes in the "basis" between the hedging and hedged instrument), lower liquidity of the hedged and hedging positions relative to an unhedged position, the risks related to the use of derivative instruments, or other factors. In addition, even where the Adviser seeks to hedge a particular risk, a suitable hedging transaction might not be identified by the Adviser, not be available to a client, and/or not be successfully executed.

Portfolio Turnover

Certain investment strategies that are expected to be deployed by the Adviser are based at least in part on short-term considerations and are thus characterized by rapid portfolio turnover. Such rapid turnover is expected to cause clients to experience substantial brokerage fees, commissions, and/or commission-equivalents, and/or increased aggregate liquidity costs (or price "slippage"), any or all of which could have a material adverse effect on the investment performance of the Adviser's investment strategies.

Unlimited Liability Investments

The Adviser may cause clients to invest directly or indirectly in unlimited liability entities, which investments would expose a client to a risk of loss in excess of its initial investment in such entities. Such investments may be made in general partnerships and/or other unlimited liability entities.

Investments in Additional Strategies; Investments in Emerging Strategies, Companies, and Portfolio Funds

As outlined in this brochure, the Adviser may invest clients' assets in additional strategies not outlined in this brochure. Such investment decisions will be based on one or more factors that the Adviser may deem relevant from time to time, including liquidity constraints and the availability of opportunities that it deems attractive, and the Adviser is permitted to invest in strategies that have investment styles, investment returns, leverage, asset classes, and associated risks that are different (possibly materially) from those outlined in this brochure. The Adviser may allocate a portion of the applicable client's assets directly or indirectly to strategies with which the Adviser has limited or no familiarity, and to companies in an early stage of development. Because such "emerging" strategies and companies may, among other things, be more difficult to evaluate and/or monitor, they may expose clients to greater risk and lower returns than those with longer operating histories and/or with which the Adviser has more extensive experience. There can be no assurance that any decisions outlined in this paragraph will be successful or will not have a material adverse effect on a client.

Item 9: Disciplinary Information

The Adviser's related person, D. E. Shaw Securities, L.L.C. ("SEC LLC"), is a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). In June 2009, SEC LLC self-reported to FINRA inadvertent violations of certain rules regarding technical trade reporting obligations for certain short sale transactions it executed. Specifically, SEC LLC failed to include the short sale modifier in such transactions reported to the FINRA/Nasdaq Trade Reporting Facility. SEC LLC submitted a Letter of Acceptance, Waiver and Consent ("AWC") to FINRA and consented to a censure and fine of \$45,000. FINRA accepted the AWC on December 2, 2011. SEC LLC's disciplinary history is available at www.finra.org/brokercheck.

In addition, in April 2010 and June 2010, certain entities in the D. E. Shaw group advised by DESCO LP unintentionally violated futures contract position limits set by the U.S. Commodities Futures Trading Commission ("CFTC") in connection with trading soybeans and corn, respectively, on the Chicago Board of Trade, a member of the CME Group. In each case, the violation was as of the close of trading on a single day, and in each case, the D. E. Shaw group discovered the violation and put on correcting trades on or before the next trading day and before receiving notification of the violations, so that its positions were below the applicable limits. DESCO LP submitted to the CFTC an Offer of Settlement, in which DESCO LP consented to cease and desist from such violations and to the payment of a civil monetary penalty of \$140,000. The CFTC entered an Order on February 22, 2012, accepting the Offer of Settlement. The CME Group issued warning letters to the D. E. Shaw group for each violation.

DESCO LP believes there are no other legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

Certain management persons of the Adviser are registered representatives of SEC LLC, which is a related person of the Adviser. One of the management persons of the Adviser is a registered representative of Diffusion Markets, L.L.C., which is a related person of the Adviser and a broker-dealer registered under the Exchange Act and a member of the Chicago Board Options Exchange (“CBOE”).

DESCO LP and certain of its related persons rely on exemptions from registration as commodity pool operators pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation 4.13 (“Rule 4.13”) and as commodity trading advisers with the CFTC.

Related Persons

The Adviser is part of an international financial services firm. The Adviser acts as managing member, manager, holding company, and/or “parent company” for certain of its related persons, and this activity may be considered to be separate from the provision of investment advice. For purposes of this brochure, the Adviser does not consider itself to be engaged in the business of its related persons.

DESCO LP is a managing member or manager of certain Funds and acts as adviser for such Funds as well as for other Funds.

Subject to applicable law, DESCO LP may use for clients, or suggest or recommend to clients, placement agent services offered by the Adviser’s related person, SEC LLC. To the extent that the services of SEC LLC are used, clients may be charged a fee. The Adviser’s related persons license (or sublicense) certain intellectual property from the Adviser and may utilize the Adviser’s employees in connection with their businesses.

The Adviser’s wholly owned subsidiary, D. E. Shaw Investment Management, L.L.C. (“DESIM”), is registered with the SEC as an investment adviser under the Advisers Act and relies on exemptions from registration as a commodity pool operator pursuant to Rule 4.13 and as a commodity trading adviser with the CFTC. DESIM licenses certain intellectual property from the Adviser and utilizes certain of the Adviser’s employees in connection with its own investment advisory activities. In addition, as agreed between the entities, the Adviser may reimburse DESIM for certain expenses and DESIM may reimburse the Adviser for certain expenses.

The Adviser’s wholly owned subsidiary, D. E. Shaw Direct Capital, L.L.C. (“DESDC”), is registered with the SEC as an investment adviser under the Advisers Act and relies on exemptions from registration as a commodity pool operator pursuant to Rule 4.13 and as a commodity trading adviser with the CFTC. DESDC licenses certain intellectual property from Adviser and utilizes certain of the Adviser’s employees in connection with its own investment advisory activities. In addition, as agreed between the entities, the Adviser may reimburse DESDC for certain expenses and DESDC may reimburse the Adviser for certain expenses.

The Adviser’s wholly owned subsidiary, D. E. Shaw Multi-Asset Adviser, L.L.C. (“DESMAS”), acts as an investment adviser. DESMAS and its personnel are subject to the supervision and control of the Adviser; DESMAS is not separately registered with the SEC under the Advisers Act. DESMAS relies on exemptions from registration as a commodity pool operator pursuant to Rule 4.13 and as a commodity

trading adviser with the CFTC. DESMAA licenses certain intellectual property from Adviser and utilizes certain of the Adviser's employees in connection with its own investment advisory activities. In addition, as agreed between the entities, the Adviser may reimburse DESMAA for certain expenses and DESMAA may reimburse the Adviser for certain expenses.

The Adviser's wholly owned subsidiary, D. E. Shaw Heliant Adviser, L.L.C. ("Heliant Adviser"), acts as an investment adviser. Heliant Adviser and its personnel are subject to the supervision and control of Adviser; Heliant Adviser is not separately registered with the SEC under the Advisers Act. Heliant Adviser relies on exemptions from registration as a commodity pool operator pursuant to Rule 4.13 and as a commodity trading adviser with the CFTC. Heliant Adviser licenses certain intellectual property from the Adviser and utilizes certain of the Adviser's employees in connection with its own investment advisory activities. In addition, as agreed between the entities, the Adviser may reimburse Heliant Adviser for certain expenses and Heliant Adviser may reimburse the Adviser for certain expenses.

The Adviser's wholly owned subsidiary, D. E. Shaw Composite Adviser, L.L.C. ("Composite Adviser"), acts as an investment adviser. Composite Adviser and its personnel are subject to the supervision and control of the Adviser; Composite Adviser is not separately registered with the SEC under the Advisers Act. Composite Adviser relies on exemptions from registration as a commodity pool operator pursuant to Rule 4.13 and as a commodity trading adviser with the CFTC. Composite Adviser licenses certain intellectual property from the Adviser and utilizes certain of the Adviser's employees in connection with its own investment advisory activities. In addition, as agreed between the entities, the Adviser may reimburse Composite Adviser for certain expenses and Composite Adviser may reimburse the Adviser for certain expenses.

The Adviser's wholly owned subsidiary, D. E. Shaw Adviser, L.L.C. ("DESCO Adviser LLC"), acts as an investment adviser. DESCO Adviser LLC and its personnel are subject to the supervision and control of Adviser; DESCO Adviser LLC is not separately registered with the SEC under the Advisers Act. DESCO Adviser LLC relies on exemptions from registration as a commodity pool operator pursuant to Rule 4.13 and as a commodity trading adviser with the CFTC. DESCO Adviser LLC licenses certain intellectual property from the Adviser and utilizes certain of the Adviser's employees in connection with its own investment advisory activities. In addition, as agreed between the entities, the Adviser may reimburse DESCO Adviser LLC for certain expenses and DESCO Adviser LLC may reimburse the Adviser for certain expenses.

The Adviser's related person, D. E. Shaw & Co., L.L.C. ("DESCO LLC"), serves as managing member to certain clients of the Adviser, but does not provide investment advisory services. DESCO LLC is not registered with the SEC as an investment adviser under the Advisers Act and relies on an exemption from registration as a commodity pool operator pursuant to Rule 4.13 and as a commodity trading adviser with the CFTC. DESCO LLC and Adviser act as joint commodity pool operators for certain commodity pools. DESCO LLC licenses certain intellectual property from the Adviser and may utilize certain of the Adviser's employees in connection with its own activities. In addition, as agreed between the entities, the Adviser may reimburse DESCO LLC for certain expenses and DESCO LLC may reimburse the Adviser for certain expenses.

The Adviser's wholly owned subsidiary, D. E. Shaw & Co. (U.K.), Ltd. ("DESCO UK") has received permission from the U.K. Financial Services Authority under Part IV of the Financial Services and Markets Act 2000, authorizing it to engage in certain regulated activities in the United Kingdom. Pursuant to that authorization, DESCO UK provides investment management and other services to the Adviser that will ultimately be for the benefit of certain of the Adviser's advisory clients; the Adviser compensates DESCO UK for those services. DESCO UK licenses certain intellectual property from the Adviser and may utilize certain of the Adviser's employees in connection with its own investment management activities. In addition, as agreed between the entities, the Adviser may reimburse DESCO UK for certain expenses and DESCO UK may reimburse the Adviser for certain expenses. The directors of DESCO UK are Neil Cosgrove, Julius Gaudio, and Stuart Steckler. In addition to being a director of DESCO UK, Mr. Cosgrove is a Managing Director of Adviser, having joined Adviser in February 1998. Mr. Cosgrove received his B.A. from St. Catherine's College, University of Cambridge. Please refer to Form ADV Part 2B for the education and business backgrounds of Mr. Gaudio and Mr. Steckler.

DESCO UK's wholly owned subsidiary, D. E. Shaw & Co. MENA, Ltd. ("DESCO MENA"), is authorized as a Category 4 firm within the Dubai International Financial Centre and carries out certain regulated activities subject to supervision by the Dubai Financial Services Authority. Pursuant to that authorization, DESCO MENA provides investment advice, marketing, and other services to the Adviser that will ultimately be for the benefit of certain of the Adviser's advisory clients. The Adviser and/or DESCO UK compensate DESCO MENA for those services. In addition, as agreed between the entities, the Adviser and/or DESCO UK may reimburse DESCO MENA for certain expenses and DESCO MENA may reimburse the Adviser and/or DESCO UK for certain expenses.

The Adviser's wholly owned subsidiary, D. E. Shaw & Co. (Asia Pacific) Limited ("DESCO AP") is licensed with the Securities & Futures Commission in Hong Kong to engage in certain regulated activities, pursuant to which DESCO AP provides asset management and other services to the Adviser that will ultimately be for the benefit of certain of the Adviser's advisory clients; the Adviser compensates DESCO AP for those services. DESCO AP licenses certain intellectual property from Adviser and may utilize certain of the Adviser's employees in connection with its regulated activities. In addition, as agreed between the entities, the Adviser may reimburse DESCO AP for certain expenses and DESCO AP may reimburse the Adviser for certain expenses. DESCO AP established its wholly owned subsidiary, D. E. Shaw Private Equity Investment Management (Shanghai) Co., Limited ("DESCO Shanghai") in accordance with the Wholly Foreign-Owned Enterprise Law of the People's Republic of China, the Detailed Implementing Rules with respect to the Wholly Foreign-Owned Enterprise Law of the People's Republic of China, and other relevant laws and regulations in the Pudong New Area, Shanghai. DESCO Shanghai provides private equity investment management and relevant consulting services to the Adviser that will ultimately be for the benefit of certain of the Adviser's advisory clients. The Adviser compensates DESCO Shanghai for services. In addition, as agreed between the entities, the Adviser may reimburse DESCO Shanghai for certain expenses and DESCO Shanghai may reimburse the Adviser for certain expenses. The directors of DESCO AP are Anil Chawla, Julius Gaudio, and Lou Salkind. Mr. Chawla, in addition to being a director of DESCO AP, serves as a director of D. E. Shaw India Advisory Services Private Limited. Mr. Chawla previously was a Managing Director of General Electric in India. Mr.

Chawla received a bachelor of commerce degree from D.A.V. College at Panjab University and a chartered accountancy degree from the Institute of Chartered Accountants of India. Please refer to Form ADV Part 2B for the education and business backgrounds of Mr. Gaudio and Dr. Salkind.

The Adviser's wholly owned subsidiary, D. E. Shaw & Co. (Mauritius) Limited ("DESCO Mauritius") provides financial and other services to the Adviser that will ultimately be for the benefit of certain of the Adviser's advisory clients; the Adviser compensates DESCO Mauritius for those services. In addition, as agreed between the entities, the Adviser may reimburse DESCO Mauritius for certain expenses and DESCO Mauritius may reimburse the Adviser for certain expenses. DESCO Mauritius's wholly owned subsidiary, D. E. Shaw India Advisory Services Private Limited ("DESIAS") provides non-binding investment recommendations and other services to DESCO Mauritius that will ultimately be for the benefit of certain of the Adviser's Advisory clients. DESCO Mauritius compensates DESIAS for those services. In addition, as agreed between the entities, DESCO Mauritius may reimburse DESIAS for certain expenses and DESIAS may reimburse DESCO Mauritius for certain expenses.

The Adviser's wholly owned subsidiary, D. E. Shaw & Co. Global, L.L.C. ("DESCO Japan") is licensed with the Japan Financial Services Agency and the Kanto Local Finance Bureau of Japan as an entity authorized to engage in Type II Business activities pursuant to the provisions of Article 29 of the Financial Instruments and Exchange Law ("FIEL"). Under its Type II Business registration, DESCO Japan engages in the business of distributing interests of certain of its Funds in Japan that are managed by various entities in the D. E. Shaw group on a private placement basis. DESCO Japan licenses certain intellectual property from the Adviser and may utilize certain of the Adviser's employees in connection with its regulated activities. In addition, as agreed between the entities, the Adviser may reimburse DESCO Japan for certain expenses and DESCO Japan may reimburse the Adviser for certain expenses.

The Adviser's related person, DESCO Re, is registered with the Bermuda Monetary Authority under the Insurance Act 1978 as a reinsurance and insurance company (Class 3). The Adviser's wholly owned subsidiary, DESCO Bermuda, is registered with the Bermuda Monetary Authority under the Insurance Act 1978 as an insurance manager. Pursuant to an insurance management agreement between DESCO Re and DESCO Bermuda, all reinsurance and insurance activities of DESCO Re are performed by DESCO Bermuda. These activities will ultimately be for the benefit of certain of the Adviser's advisory clients; the Adviser compensates DESCO Bermuda for those activities. DESCO Bermuda licenses certain intellectual property from the Adviser and may utilize or employ certain of the Adviser's employees in connection with its activities as an insurance manager. In addition, as agreed between the entities, the Adviser may reimburse DESCO Bermuda for certain expenses and DESCO Bermuda may reimburse the Adviser for certain expenses. The Adviser's employees may also serve as directors or officers of DESCO Bermuda and DESCO Re.

Certain Potential Conflicts of Interest

DESCO LP and its related persons and their directors, partners, officers, and employees may have various Advisory, transactional, financial, and other interests in securities and/or other financial instruments that may be purchased or sold by the Adviser's advisory clients (or clients of related advisers), which themselves may be related persons. DESCO LP, and/or its related persons that are investment advisers, has established a variety of restrictions, procedures, and disclosures designed to address potential

conflicts between the interests of its clients and the interests of itself and/or its related persons in this regard, to ensure that its actions are consistent with the best interests of its advisory clients in this context. When conflicts of interest in this regard arise, they are addressed in compliance with all legal requirements and such restrictions, procedures, and disclosures, as applicable. Restrictions and procedures generally are established by heads of the applicable strategies, senior management, and/or compliance personnel.

Although the Adviser expects to devote a certain amount of time and effort to the business and affairs of each client, it will also devote a substantial (and probably a greater) amount of its working time and effort to activities unrelated or only partly related to the business or affairs of such client, including various investment and trading activities, the provision of various financial services, and various technology-related activities. These other activities may require substantial commitments of time and resources by the Adviser. Participation in such other activities may or may not be offered to clients, as determined by the Adviser.

The Adviser may establish a new Fund or other entity in the future that would be exposed to certain of the investment strategies deployed on behalf of clients. Clients might or might not be permitted to participate in such new Fund or other entity, as determined by the Adviser. The Adviser may determine to continue or discontinue any such competing activity being conducted for the benefit of a client. If such activity is discontinued, the relevant client may forgo the benefit of material future investments and of expertise developed by the Adviser. If such activity is continued, then competition with such new Fund or other entity may materially adversely affect the relevant client. Among the factors the Adviser would consider in making such decision are the operational, tax, regulatory, and legal efficiencies; capital stability; sources of additional capital; and the expected performance profile of the applicable strategy.

As disclosed in the applicable Governing Document, DESCO LP has no obligation to recommend for purchase or sale by its clients any securities that the Adviser, its related persons, and/or personnel of the foregoing may purchase for themselves or for other clients. In addition, the ability of DESCO LP to effect and/or recommend transactions for certain or all clients may be restricted due to actual or perceived regulatory requirements in the United States or elsewhere, to the Adviser's or a related person's internal policies designed to comply with such requirements, to actual or perceived conflicts of interest, to operational issues, and/or to other issues. Regulatory or contractual limitations related to effecting transactions for certain of DESCO LP's clients may not apply to other clients, resulting in differences among the composition of and return from client portfolios. DESCO LP reserves the right not to effect transactions for clients with or through its related persons.

As disclosed in the applicable Governing Document, DESCO LP may give advice and take action with respect to any of its clients that may differ from the advice given, or may involve a different timing or nature of action taken, with respect to any one or all other clients that the Adviser or its related persons advise, and thus effect transactions for such clients at prices or rates that may be more or less favorable than for other clients. DESCO LP may advise one or more clients to take positions the same as, different from, or opposite to positions the Adviser or its related persons advise one or more other clients to take. In general, the Adviser will act in the best interests of its clients, subject to applicable law and to any agreement, organizational or other document, or disclosure applicable to a particular client or underlying

investor. DESCO LP and/or its related persons may hold the same (or the opposite) position in a given security, commodity, or other financial instrument as that held by the client at the same time.

Any common (or opposing) positions described above may limit the ability of DESCO LP to add to the position held on behalf of any particular client, to readily liquidate such a position, or to obtain a favorable price in the course of such liquidation. In effecting transactions for the client, related person, and/or any other persons or entities, it may not always be possible or consistent with the investment objective of the client or of such other persons or entities to take or liquidate the same investment positions at the same time or at the same prices. The “market impact” associated with a liquidation by such other persons or entities may adversely affect a client’s ability to liquidate its position; or where a client’s position is liquidated, the price at which such liquidation occurs; or where a client does not liquidate its position, the mark-to-market value of such position.

DESCO LP, its related persons, and/or their clients may trade with each other from time to time upon the advice of the Adviser and, as applicable, related persons. DESCO LP generally does not itself trade securities on a principal basis with clients. Certain clients and related persons of the Adviser, however, are deemed principals (and in the future other clients may be deemed principals), based on SEC staff guidance, due to the investment in each such client or related person by the Adviser and controlling persons exceeding 25% of that client’s or related person’s assets. To the extent that DESCO LP and/or its related persons (including Funds) engage (or are deemed to engage) in principal securities transactions, any such transactions will comply with applicable law. DESCO LP and/or its related persons may have interests in such transactions that are adverse to a particular client.

To the extent permitted by applicable law and the applicable Governing Documents, DESCO LP or its related persons may effect “cross transactions” between the Adviser’s and/or its related persons’ client accounts in which one client will purchase securities held by another client. DESCO LP and/or its related persons will direct clients to enter into such transactions only when the transactions are consistent with the best interests of both clients and at a price that the Adviser and/or its related persons believe constitutes best execution for both clients. Neither DESCO LP nor any related party receives any commission or commission equivalent in connection with these transactions.

Disclosures regarding conflicts of interest and their resolution generally will be contained in the applicable Governing Document, this brochure, and/or another document. Other documents, such as financial or periodic reports, furnished to clients or investors may contain disclosure regarding conflicts of interest.

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

DESCO LP and its affiliated investment advisers have adopted a code of ethics (the “Code”) that establishes the standard of business conduct that must be followed by, among others, all partners, directors, officers, and employees of the Adviser and these investment advisers (collectively “Supervised Persons”). The Code incorporates the following general principles, which all Supervised Persons are expected to uphold: act in the best interests of clients; conduct personal securities transactions in a manner consistent with the Code, which seeks to address certain conflicts of interest in this regard; avoid taking any inappropriate advantage of one’s position at the Adviser; maintain confidentiality of

information concerning the Adviser's securities recommendations and client securities holdings and transactions; and provide accurate disclosure in reports required by auditors, regulators, or government bodies.

The Adviser believes that these general principles not only help the Adviser fulfill its obligations undertaken as an investment adviser, but also protect the Adviser's reputation and instill in employees the Adviser's commitment to honesty, integrity, and professionalism.

The Code also provides guidelines for Supervised Persons regarding adherence to securities laws generally, transactions in personal accounts involving public and private securities and commodities, activities outside of the investment adviser's business, giving and receiving business-related gifts, and the maintenance and memorialization of certain family and/or close personal relationships. For example, the Code requires that all Supervised Persons obtain approval prior to effecting any securities or commodities transaction in a personal or related account for which the employee exercises control so that potential conflicts can be addressed. In addition, the Code requires that all Supervised Persons report Code violations and outlines potential sanctions for such violations. The Adviser's Chief Compliance Officer is responsible for various aspects of the Code's administration, including without limitation the monitoring and review of personal securities and commodities transactions of Supervised Persons, and is available for any questions Supervised Persons have regarding the Code. The Adviser will provide a copy of the Code to any client or prospective client upon request and may elect to provide a copy of the Code to investors in the Funds.

Please see Item 10 for additional information regarding conflicts of interest.

Item 12: Brokerage Practices

Generally, DESCO LP is authorized by each client to determine the financial institution or counterparty to be used, if any, for each transaction executed on behalf of such client. In selecting such financial institutions or counterparties for transactions, DESCO LP seeks to obtain the best execution of transactions for its clients under the circumstances (consistent with what it believes to be the best overall interests of the client), but need not solicit competitive bids, and does not have an obligation to seek the lowest available commission cost. The price offered by a financial institution or counterparty, including commissions and commission equivalents, if any, and other transaction costs, is normally an important factor in this decision, but financial institution and counterparty selection also takes into account the overall quality of the execution services offered, including without limitation such factors as: execution capability; willingness and ability to commit capital; creditworthiness and financial stability; clearance and settlement capability; ability to maintain confidentiality; the provision of research and other services; and potential or perceived conflicts between clients of DESCO LP and its related persons. Accordingly, transactions will not always be executed at the best price or the lowest available commission. In addition, DESCO LP is not required to negotiate "execution only" commission rates; thus, the clients may be deemed to be paying for other services provided by the financial institution that are included in the commission rate. Subject to its duties under the express terms of any applicable agreement and under applicable law, the Adviser may determine eligibility of and/or direct transactions or commissions to certain broker-dealers, exchanges, or other financial institutions and counterparties (or their affiliates) that are direct or indirect owners of DESCO LP, are owned directly or indirectly by the Adviser, or are

otherwise affiliated with the Adviser; have made (or whose affiliates have made or directed) investments in Funds advised by DESCO LP or a related party; or may be willing to furnish other services for the benefit of the Adviser or a related party. In the latter case, such services will include only brokerage and research services that are deemed to fall within the safe harbor provided by Section 28(e) of the Exchange Act or any amendment or successor to such provision. Such services may include the provision of information on economic trends or conditions, political developments, industries, groups of securities, individual countries, and individual companies, as well as post-trade brokerage services or communication services related to the execution, clearing, and settlement of transactions. Research or other services obtained in this manner may be used in servicing any or all advisory clients of DESCO LP and may be used in connection with advisory accounts other than those that pay commissions and commission equivalents to the financial institution relating to the research or other service arrangements. The receipt of such services from particular financial institutions or counterparties may cause the Adviser to have an incentive to select or recommend such financial institutions or counterparties rather than on the Adviser's clients interest in receiving the most favorable execution. The appropriateness of brokerage commissions is evaluated by the Adviser on an ongoing basis.

Clients may need to maintain and use a number of brokerage accounts to facilitate the various trading strategies deployed by DESCO LP. Nevertheless, the clearing, settlement, and custody of client positions may be carried out by a limited number of counterparties and, depending on the Investment, may require negotiation on a transaction-by-transaction basis. This may create a concentration of exposure to the creditworthiness of the counterparties carrying out such clearing, settlement, and custody. Any failure of any such counterparty could have, and has had in the past, a material adverse effect on clients.

When portfolio decisions are made contemporaneously for multiple clients in the same instrument, DESCO LP may, if consistent with market conditions, client characteristics, and applicable law, bunch or aggregate client orders (including orders for clients in which the Adviser, its related persons, and/or its personnel have beneficial interests) for execution. Such bunched or aggregated orders might facilitate execution and may reduce brokerage and other costs. DESCO LP, however, is not required to bunch or aggregate orders if portfolio management decisions are not made contemporaneously, if the Adviser determines that it would be consistent with its investment management duties or the interests of its clients not to do so, or if bunching or aggregating is not practical operationally or otherwise. Because of prevailing trading activity, it is frequently not possible to receive the same price or execution on the entire volume of positions purchased or sold in such bunched or aggregated orders. When this occurs, the Adviser (in its sole and absolute discretion) may charge or credit clients participating in the bunched or aggregated order with the average price of the various prices received for that order, or alternatively, may charge or credit such clients with a price determined in good faith to be an appropriate price. Positions purchased or sold in a bunched transaction are allocated to the participating clients using methods determined by DESCO LP in its sole discretion (which methods may include *pro rata* by assets under management or by proportionate order size). DESCO LP may, however, increase or decrease the transaction amount allocated to each client if necessary to avoid holding odd-lots or small numbers of positions for particular clients. If DESCO LP is unable to or does not fully execute a bunched transaction or DESCO LP determines that it would be impractical to allocate a small number of positions among all of the accounts initially intended to participate in the transaction, the Adviser may allocate such positions in a manner determined in good faith to be an appropriate allocation. Although it is anticipated that the

bunching or aggregation of orders will benefit each client overall, aggregating orders may disadvantage clients, including without limitation by resulting in shared allocations of orders or worse execution prices for client. Alternatively, not aggregating orders may disadvantage clients, including without limitation by resulting in higher costs or worse execution prices for client orders.

Subject to applicable legal restrictions, DESCO LP or its related persons may execute transactions in which it or its related persons act as broker or principal as applicable, and may also execute transactions in which the Adviser and/or its related persons have an interest, as described in Item 10.

DESCO LP's related persons may also have independent authority to determine and direct the execution of the Adviser's clients' portfolio transactions, within the objectives, risk and liquidity profiles, and policies (if any) specified by each client or outlined in the applicable Governing Document and/or other written agreement with a client, subject to the same policies and restrictions discussed above.

The Adviser attempts to correct any identified potential trade errors. As with all financial gains and losses attributable to its investments, any financial gains or losses resulting from trade errors are generally borne by the applicable client and underlying investors (as more fully described in the applicable Governing Document).

When trading on behalf of multiple clients with differing performance-based fees, the Adviser endeavors to allocate investment opportunities among clients in a fair and equitable manner. The Adviser's trade allocation for any given client may vary based on differences in investment objectives among clients, different capital constraints of each client, varying leverage preferences of each client, and any scheduled increase or decrease of any particular client's assets under management. The Adviser does not alter its allocation policy with respect to a client, or allocate trades among multiple advisory clients, without the approvals of relevant senior management and compliance personnel.

DESCO LP does not currently participate in directed brokerage.

Item 13: Review of Accounts

For each of DESCO LP's investment strategies, a strategy head and/or other supervisors are responsible for reviewing trading data and other reports on a regular basis and overseeing the trading activity performed on behalf of the Adviser's clients within such investment strategy. Such reviews include without limitation a verification that actual trading activity is consistent with the intended strategy, an analysis of risks associated with a particular strategy, and a determination that trading is undertaken in compliance with applicable regulations. Certain of the principal executive officers of the Adviser or its affiliates may review investment strategies periodically. In addition, DESCO LP uses independent third parties to conduct financial audits of the accounts of its clients, and the Compliance Department reviews certain other aspects of regulatory compliance. The frequency of all such reviews is determined as warranted by the purpose of the review and other circumstances.

In addition to reports required by applicable law, DESCO LP provides reports in accordance with the applicable Governing Document or other written agreements with particular clients or underlying investors.

The Adviser provides advisory clients and/or investors in Funds with written reports on a periodic basis that generally include, among other things, the net asset value or the capital balance of the account and a measure of performance based on the change in valuation of the account during the report period.

In addition, an independent third-party administrator conducts an independent monthly verification of the Adviser's pricing of the investment positions held directly or indirectly by each Fund. The independent third-party administrator provides a monthly letter to investors in the Funds that confirms, among other things, the accuracy of the capital balances and of certain monthly performance information reported by the Adviser or the Adviser's related persons to those investors; the performance of an independent pricing verification; and the percentage (if any) of the relevant Fund's investments for which the independent third-party was unable to verify prices.

Item 14: Client Referrals and Other Compensation

The Adviser may and has in the past entered into capital introduction agreements with certain financial institutions under which the financial institution does not receive compensation for this service. The Adviser does not currently use solicitors for client referrals. The Funds may engage, and in the past have engaged, internal and/or external placement agents for placement of new fund interests. Additionally, DESCO LP does not currently select or recommend broker-dealers based on whether DESCO LP or its related persons receive client referrals.

Item 15: Custody

Client assets are generally held in custody by unaffiliated qualified custodians; however, the Adviser is deemed to have custody of the assets of the Funds. Fund investors do not receive account statements from the custodian; rather, the Funds are subject to an annual audit, and the audited financial statements are distributed to each Fund investor.

Item 16: Investment Discretion

DESCO LP accepts discretionary authority to manage securities on behalf of its clients. The procedures governing assumption of this authority are outlined in the applicable Governing Document.

Item 17: Voting Client Securities

The Advisers Act generally requires investment advisers to vote all proxies within their authority. The Adviser does not vote proxies where it does not have the authority to do so or where the cost of doing so, in the opinion of the Adviser, would exceed the expected benefits to the client. The Adviser generally votes most shares through and in accordance with the recommendations of an independent third party proxy voting service (the "Voting Service Recommendations"). The Adviser has designated particular individuals to review Voting Service Recommendations to determine if such recommendation is in the best interest of each client. Designated employees of the Adviser or its related persons review selected material proxy matters for the applicable advisory client and determine whether the Voting Service Recommendations appear to be in the best interest of such client. When the designated employees believe that the Voting Service Recommendation may be contrary to the best interest of such client, the

designated employees may consider an alternative vote, in which case they must obtain the approval of the Chief Compliance Officer and a Managing Director, or their respective designees, before instructing the proxy voting service to vote the applicable proxy. For the avoidance of doubt, the Adviser retains the authority to vote proxies, has not delegated such authority to any other party, and may vote against any Voting Service Recommendation if it determines such recommendation is contrary to the client's best interests.

The Adviser believes that the independent third party proxy voting service's internal policy regarding conflicts of interest, including the use of information barriers, adequately satisfies potential conflict of interest concerns. Additionally, the Adviser has established written policies and procedures designed to ensure that shares owned by a client for which the Adviser provides advice are voted in the best interest of such client (the "Proxy Voting Procedures"). The Adviser will provide a copy of the Proxy Voting Procedures to any client or prospective client upon request and may elect to provide a copy to investors.

Item 18: Financial Information

The Adviser does not require or solicit prepayment of fees more than 6 months in advance. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.