

DIAMETER CAPITAL PARTNERS LP

March 29, 2019

This Form ADV Part 2A brochure (the “Brochure”) provides information about the qualifications and business practices of Diameter Capital Partners LP (“DCP” or the “the “Adviser”). If you have any questions about the contents of this Brochure, please contact Ms. Shailini Rao at (212) 655-1419 or srao@diametercap.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Diameter Capital Partners LP also is available on the SEC’s website at www.adviserinfo.sec.gov.

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

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Item 2. Material Changes

As of March 29, 2019, DCP is submitting this annual update to the Brochure. The following is a summary of material changes made since DCP submitted its Brochure for an annual amendment filing on March 29, 2018:

- As of April 1, 2018, DCP ceased operations by Diameter Intermediate Fund LP, which was formally dissolved on November 23, 2018.
- As of December 1, 2018, Diameter Offshore Fund II Ltd commenced operating as an additional feeder fund that invests through Diameter Master Fund LP.
- DCP also made certain clarifying amendments to the Brochure.

This Brochure may be provided to current or prospective investors in Funds managed by DCP (as defined below), together with the Fund's Governing Documents (as defined below), prior to or in connection with, such person's consideration or consummation of an investment in a Fund. However, investors and other recipients should be aware that while this Brochure includes information about the Funds, it is not a complete description of the terms, risks or conflicts associated with an investment in any Fund. More complete information about a Fund is included in each Fund's Governing Documents, which may be provided to current and eligible prospective investors only by DCP or another authorized party. **In the event of any inconsistency between the Governing Documents of a Fund and this Brochure, the Governing Documents shall control.**

In no event should this Brochure be considered to be an offer of interests/shares in a Fund or relied upon in determining whether to invest in a Fund. It is not an offer of, or agreement to provide, advisory services directly to any recipient, rather, this Brochure is designed solely to provide information about DCP for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in each Fund's Governing Documents.

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Item 4. Advisory Business

Diameter Capital Partners LP (“DCP”, the “Adviser”, the “Firm”, “we” or “our”) is a Delaware limited partnership and investment adviser with its principal place of business in New York, New York. The Firm commenced operations in February 2017 and registered with the SEC on August 17, 2017 in connection therewith as an investment adviser. The Firm was co-founded by Scott Goodwin and Jonathan Lewinsohn both of whom are Managing Partners and Portfolio Managers for global investing and are responsible for Firm-wide strategy. Messrs. Goodwin and Lewinsohn are the owners of DCP. There are no external owners of DCP. The Firm provides investment advisory services on a discretionary basis to our clients, which include private funds that are pooled investment vehicles, specifically the Diameter Master Fund LP, Diameter Onshore Fund LP, Diameter Offshore Fund LP, and Diameter Offshore Fund II Ltd, intended for sophisticated investors and institutional investors (collectively, the “Funds”).

DCP generally has broad and flexible investment authority with respect to the investment portfolios that it manages for our clients. The Firm provides investment advisory services to clients with respect to a wide range of investments including: investments in long and short positions in securities issued by U.S. and international high yield issuers and related instruments; investments in distressed/special situation opportunities across capital structures and market capitalizations; investments in the broader credit markets, including investment grade bonds, high yield bonds, loans and credit default swaps; investments in derivatives and other hedging instruments including, but not limited to: options, commodities and swaptions and constant maturity swaps. The Firm currently does not tailor advisory services to the individual needs of clients, and clients may not impose restrictions on investing in certain types of securities and other financial instruments.

As of December 31, 2018, DCP has \$3,821,625,713 in regulatory assets under management. DCP manages all of these assets on a discretionary basis and does not currently manage any assets on a non-discretionary basis.

Item 5. Fees and Compensation

Asset-Based Compensation

The asset-based compensation applicable to each client account varies and is described in more detail in the Funds’ private placement memorandum, limited partnership agreement or client’s Investment Management Agreement(s) (collectively the “Governing Documents”). The Firm is paid an asset-based investment management fee generally charged at a rate that ranges from 1.0% to 1.75% per annum of the net assets of the respective Fund(s). The management fees for the Funds are charged and paid quarterly in advance, based on the value of the assets as of the beginning of each quarter. With respect to certain of the series of interests/shares, other factors apply to the calculation of the management fee, which may result in a further reduced and/or no management fee. The management fee with respect to a Fund is calculated by a Fund's administrator and deducted by the Fund's administrator pursuant to instructions from the Firm.

If an investor invests in a Fund or a client invests during a quarter or makes an additional subscription during a quarter, the management fee will be charged as of the effective date of the subscription or the date of the additional contribution based on the value of the assets as of the applicable date and will be prorated for the number of months remaining in the quarter.

Diameter Associates LLC is the general partner of the Funds that have been formed as limited partnerships (the “General Partner”) and DCP may waive, reduce or calculate differently the management fee with respect to the following, including, without limitation, partners, affiliates or employees of the General Partner or the Firm, members of the immediate families of such persons, trusts or other entities created for estate planning purposes of such persons and/or charitable organizations or foundations of such persons.

Performance-Based Compensation

The performance-based compensation applicable to each Fund varies and is described in more detail in the Governing Documents. The General Partner (or another affiliate of the Firm) may be paid annual performance-based compensation, which is compensation based on a share of net capital appreciation of the assets of a client or investor in the Funds. This performance-based compensation will generally be calculated at a rate that ranges from 12.5% to 21.0% and is subject to a loss carryforward. With respect to certain of the series of interests/shares, other factors apply to the calculation of the performance-based compensation, which may result in a further reduced and/or no performance-based compensation fee.

The performance based compensation may be waived, reduced or calculated differently with respect to the following, including, without limitation, partners, affiliates or employees of the General Partner or the Firm, members of the immediate families of such persons, trusts or other entities created for estate planning purposes of such persons and/or charitable organizations or foundations of such persons.

The performance-based compensation with respect to a Fund is calculated by a Fund's administrator and deducted by the Fund's administrator pursuant to instructions from the Firm. Performance-based compensation is paid as a reallocation of profits.

In addition to paying the management fee and performance-based compensation, the Funds are also subject to other expenses, including, without limitation: transaction-related expenses (which include all transaction-based expenses incurred in executing investments including brokerage commissions, expenses relating to short sales, clearing and settlement charges, expenses associated with consummating bank debt trades, dealer spreads, custodial fees, bank service fees, interest expenses and legal expenses associated with any potential or closed transaction); investment-related travel expenses (which are travel expenses related to the purchase, sale or transmittal of, or due diligence regarding, the Funds' investments, whether or not such investments are consummated, incurred by the Firm or the General Partner); professional fees (including, without limitation, expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; fees and expenses of any governance committee; board of directors fees and expenses; fees and expenses relating to software tools, programs or other technology utilized in managing the Funds (including, without limitation, third-party software licensing, implementation, data management and recovery services, custom development costs and all costs and expenses of any order management systems utilized by the Firm to manage the Funds); research and market data (excluding any computer hardware and connectivity hardware (*e.g.*, telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data); administrative expenses (including fees and expenses of the Administrator); legal expenses; external accounting and valuation expenses (including, pricing services but excluding the cost of accounting software packages); audit and tax preparation expenses; costs related to errors and omissions insurance for the General Partner, the Firm, Board of Directors and the Governance Committee; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses of the Funds and the Firm (including, without limitation, legal fees, filing fees and costs associated with FATCA compliance); organizational expenses; expenses incurred in connection with the offering and sale of interests/shares (including, without limitation, legal fees, registration and other filing fees and side letter negotiations, but excluding travel expenses) and other similar expenses related to the Funds (other than any fees payable to any placement agent, which will be paid by the Firm either directly or indirectly by reducing the management fees owed to the Firm); indemnification expenses; and extraordinary expenses. Generally, Fund expenses, other than management fees and any expenses which the General Partner/the Firm determine in their sole discretion should be allocated to a particular investor or investors in the Fund(s), will be charged to the capital account of all the investors on a *pro rata* basis. To the extent that expenses to be borne by the Fund(s) are paid by the General Partner or the Firm, the Fund(s) will reimburse such party for such expenses.

In certain cases the Firm has the discretion to waive or modify the application of, or grant special or more favorable rights with respect to, any provision of the Governing Documents to the extent permitted by applicable law through agreements ("Side Letters"). DCP or the Fund(s) may create additional series of interests, or enter into Side Letters with investors without notice to, or consent of, other investors in the applicable Fund.

Incentive allocation is generally determined at year end. Exceptions occur when an investor redeems or withdraws/redeems from a Fund, in which case the incentive allocation is determined and allocated at such time. The

calculation of the incentive allocation received by the General Partner is laid out in further detail in the Governing Documents of each Fund.

Client assets may be invested in exchange-traded funds (ETFs) or other registered investment companies. In these cases, the client will bear its *pro rata* share of the investment management fee and other fees of such fund, which are in addition to the management fee paid to the Firm. The Firm manages a master-feeder structure and accordingly, the feeder funds in such structure each bear their *pro rata* share of the expenses of the master fund. In addition, clients will incur brokerage and other transaction costs.

Please refer to [Item 12](#) of this Brochure for a discussion of the Firm's brokerage practices and treatment of trade errors (including expenses associated therewith).

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

As described in greater detail in the Governing Documents, each Fund may allocate to the General Partner (which is an affiliate of DCP) an incentive allocation based on the performance of the client. In addition, certain personnel of the Firm may be compensated on a basis that includes a performance-based component.

Although the right to receive an incentive allocation is generally viewed as aligning the interests of the Firm and its Funds, conflicts may arise from such arrangements, for example:

- The General Partner's receipt of incentive allocation may motivate DCP to make investments that are riskier or more speculative than it would make if its affiliate did not receive an incentive allocation. This conflict may be particularly acute when the General Partner's incentive allocation is fully payable only upon exceeding a high-water mark and the value of an investor's investment in a Fund is below such high-water mark.

Currently, DCP and its investment personnel provide management services to Funds that follow substantially similar investment strategies across a master-feeder structure. If the Firm manages more than one Fund with varying investment objectives, to mitigate the risk of favoring one Fund over others, the Firm will implement policies and procedures relating to the management of multiple Funds and the allocation of investment opportunities and related expenses. DCP recognizes that it is a fiduciary and as such must act in the best interests of its clients. Further, investors are provided with clear disclosure in applicable Governing Documents as to how the performance-based compensation is charged.

Item 7. Types of Clients

DCP's clients currently consist of the Funds, however, the Firm may serve as investment manager to other client accounts in the future. Generally, the minimum investment in the Funds for investors who are not affiliated with DCP is either \$5,000,000 or \$10,000,000 (depending on the Fund and specific series of interest being subscribed to), although lesser investment amounts may be accepted in DCP's discretion.

Investors in the Funds include institutional investors (including fund of funds, pension plans, charitable organizations and pension plans), high net worth individuals and family offices. U.S. investors in the Funds must be "qualified purchasers" and "accredited investors." Certain employees of DCP, their family members, or entities formed for the benefit of these individuals can also invest in the Funds, to the extent permitted by applicable laws and regulations.

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

The Firm seeks to manage risk actively in order to protect capital and enhance the stability of returns. The Firm will actively monitor the Fund's long-to-short position ratio, industry and company concentration, cash/credit default swap ("CDS") basis risk, portfolio liquidity by individual position and risk bucket, interest rate exposure and foreign exchange exposure. The Funds will seek to hedge currency and interest rate risk exposure, where believed appropriate. The primary risk metric is an estimation of potential downside for each investment. The Firm intends to use position level beta and individualized liquidity score to help manage risk. For long performing credit investments, extreme downside is estimated using a jump-to-default scenario that estimates the potential loss incurred if the performing issuer defaults on its obligations. For short performing credit investments, the loss is estimated using an extreme spread tightening scenario. For non-performing investments, downside is estimated using a worst-case scenario for an issuer's liabilities and asset value, usually as part of a restructuring process. The Firm will consider the maximum loss that it believes can result from each position and seeks to keep total portfolio exposure within acceptable levels. The Firm will analyze both upside and downside scenarios doing a full revaluation of the portfolio to credit spread widening and tightening, high-yield index beta adjusted scenarios and S&P scenarios.

Investing in securities involves significant risks, including the risk of loss of some or all of an investment. An investment by investors in a Fund may be deemed speculative and is not intended as a complete investment program as each Fund is designed only for experienced and sophisticated persons who are able to bear the risk of substantial impairment or total loss of their investment in a Fund. Prospective investors should speak with their legal, tax and financial advisors prior to making an investment with the Firm. The following summary identifies the material risks related to the Firm's significant investment strategies and should be carefully evaluated before making an investment with the Firm; however, the following does not intend to identify all possible risks of an investment with the Firm or provide a full description of the identified risks.

PRIMARY RISKS

Risk of Loss – No guarantee or representation is made that a Fund's investment program, including its investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the investments otherwise made by the investment professionals of the Firm are not necessarily indicative of a Fund's or the Firm's future performance.

Credit Risk – The Firm generally seeks long investments with downside protection in the fulcrum security within a capital structure. Deterioration in the credit quality of these issuers can lead to a change in the value of the debt securities of the issuer. For non-fulcrum long credit investments and levered equities, the Firm will seek to limit the size of individual positions to no greater than 1.5% of the master fund's net asset value. The Firm seeks to make short investments where a deterioration in business fundamentals are expected to lead to a spread widening or fall in price of the issuers securities. An improvement in credit quality of the issuer could lead to a spread tightening or rise in price of the issuers securities. The Firm will be focused on shorts with asymmetric payoffs primarily through the use of cash bonds, CDS, and equity put options to mitigate the potential downside of these positions.

Market Risk – Market fluctuations are subject to a number of factors, most of which are outside of the Firm's control. The Firm seeks to prioritize capital preservation in the face of market volatility through defensive portfolio construction, selectively chosen short positions that should underperform indices in all markets, methodical rates and currency hedges, and constant stress-testing.

Liquidity Risk – The Firm will compare the liquidity of the portfolio with any expected redemption requests and other liquidity needs to ensure adequate coverage. While the Firm's strategy focuses predominantly on liquid credit securities, there will be a distressed component to the Fund's portfolio. In particular, companies that in many cases were initially encountered as performing, new issue or shorts, may be temporarily illiquid as they go through the restructuring process. The Firm will strive to mitigate this risk by limiting position size and, with regard to credit instruments, the Firm seeks to focus on larger, more liquid issues.

Foreign Exchange and Interest Rate Risk – Interest rate fluctuations are determined by macroeconomic policy which is beyond the Firm's control. The Funds will invest in investment grade corporate bonds, investment grade municipal bonds, and investment grade sovereign bonds that have a trading convention of "spread over risk free rate of similar duration." The Firm will hedge out the interest rate risk in these positions at the time of trade execution.

The Firm will also hold sub-investment grade securities that have a component of interest rate risk. Each sub-investment grade security will be assigned a factor based on its spread to risk-free and a hedge proportional to that factor will be implemented to eliminate the interest rate risk of those securities. The sub-investment grade securities will be hedged daily on a portfolio basis. From time to time, the Firm may hold distressed or equity investments that are exposed to moves in interest rates and the Firm may look to reduce that interest rate risk.

Government Risk – Government intervention in securities markets is unpredictable and may lead to fluctuations in value of the Funds' investment portfolio. The Firm will seek to limit the size of single name investments that are directly exposed to a regulatory or government decision which would lead to a binary outcome for the investment.

RISKS ASSOCIATED WITH SPECIFIC INSTRUMENTS

Debt Instruments. The debt instruments in which the Funds will invest may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The Funds will invest in non-investment grade debt securities, which are typically subject to greater market fluctuations and risks of loss of income and principal than lower yielding, investment grade securities and are often influenced by many of the same unpredictable factors which affect equity prices. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues. The Funds' investments in debt instruments may experience substantial losses due to adverse changes in interest rates and the market's perception of any particular issuer's creditworthiness, which may inhibit such issuer's ability to refinance, restructure or otherwise experience recovery. The Funds also will invest in certain hybrid debt arrangements, which are subject to risks in addition to the conventional risks of general interest-rate movements and the issuer's ability to pay the debt in accordance with its terms.

Distressed and Defaulted Credits. The Funds will invest in securities of issuers in weak financial condition or default, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial or at times even total losses. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability, and a tribunal's power to disallow, reduce, subordinate, or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (*e.g.*, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security in respect to which such distribution was made.

Bank Loans. The Funds will invest in loans and participations therein originated by banks and other financial institutions. These investments may include highly leveraged loans to borrowers whose credit is rated below investment grade. Such loans are typically private corporate loans that are negotiated by one or more commercial banks or financial institutions and syndicated among a group of commercial banks and financial institutions. In order to induce the lenders to extend credit and to offer a favorable interest rate, the borrower often provides the lenders with extensive information about its business that is not generally available to the public. To the extent that the Funds obtain such information and it is material and nonpublic, the Funds will be unable to trade in the securities of the borrower until the information is disclosed to the public or otherwise ceases to be material, nonpublic information.

The Funds may invest directly or through participations in loans with revolving credit features or other commitments or guarantees to lend funds in the future. A failure by the Funds to advance requested funds to a borrower could result in claims against the Funds and in possible assertions of offsets against amounts previously lent.

The Funds may acquire interests in bank loans and other debt obligations either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. A participation interest in a portion of a debt obligation typically results in a contractual relationship with only the institution acting as a lender under the credit agreement, not with the borrower. As a holder of a participation interest, the Funds generally will have no right to exercise the rights of the lender under the credit agreement, including the right to enforce compliance by the borrower with the terms of the loan agreement, approve amendments or waivers of terms, nor will the Funds have any rights of set-off against the borrower, and the Funds may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Funds will be exposed to the credit risk of both the borrower and the institution selling the participation.

Risks Associated with Issuers in Bankruptcy and/or Liquidation. Investments made by the Funds may be non-performing or in default, and the issuer or obligor may be forced to enter into bankruptcy or liquidation proceedings. Events within a bankruptcy case are frequently adversarial and beyond the control of creditors. While creditors generally are afforded an opportunity to object to significant actions, a bankruptcy court may approve actions that may be contrary to the interests of the Funds. Furthermore, creditors and equity holders may lose their ranking and priority when they take over management and functional operating control of a debtor.

The duration of a bankruptcy cannot be estimated with any degree of certainty. Generally, no interest will be permitted to accrue during, and, therefore, return on investment may be adversely affected by, the passage of time during which a plan of reorganization of a debtor is being negotiated, approved by the creditors and confirmed by a bankruptcy court.

The Firm, on behalf of the Funds, may seek representation on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the Funds' position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Firm concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Funds, it may decide to resign from that committee or group, and the Funds may not realize the benefits, if any, of the Firm's participation on the committee or group. In addition, if the Funds are represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in that debtor while it continues to be represented on such committee or group.

Fraudulent Conveyance Considerations. Various laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur or believed that it would incur debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to the Funds) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if an issuer in which the Funds have an investment becomes insolvent, any payment made on such investment may be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency.

In general, if payments on an investment are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from the Funds, the resulting loss will be borne by investors in the Funds.

Short Selling. A short sale in equity creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. In credit short sales the risk of loss is generally limited by spread tightening to risk free rate or zero bound in the case of CDS. There can be no assurance that a Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open

market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of the over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market maker will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though a Fund secures a “good borrow” of the security sold short at the time of the execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Funds.

Equities. The Funds may invest its capital in long and short positions in equities, deferred interest obligations and other investments which do not produce current income for the Funds. Equity prices are directly affected by issuer-specific events, as well as general market conditions. In addition, in many countries investing in equity is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

Trade and Other General Unsecured Claims. The Funds may acquire interests in claims of trade creditors and other general unsecured claim holders of a debtor (“Trade Claims”). Trade Claims generally include, but are not limited to, claims of suppliers for goods delivered and for which payment has not been made, claims for unpaid services rendered, claims for contract rejection and claims related to litigation. Trade claims are typically unsecured and may, in unusual circumstances, be subordinated to other unsecured obligations of the debtor. The repayment of Trade Claims is subject to significant uncertainties, including potential set-off by the debtor, characterization of “preferences” in bankruptcy as well as the other uncertainties described herein with respect to other distressed debt obligations.

Derivative Instruments Generally. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. In addition, the Funds may, in the future, take advantage of opportunities. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Funds.

Call Options. The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds also is subject to the Firm's ability to correctly predict movements in the direction of the market.

Swaps. Whether the Funds' use of swap agreements or swaptions will be successful will depend on the Firm's ability to select appropriate transactions for the Funds. Swap agreements and options on swap agreements ("swaptions") can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds' portfolio. Moreover, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds' ability to terminate swap transactions or to realize amounts to be received under such transactions.

Futures Contracts. The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the U.S. Commodity Futures Trading Commission (the "CFTC") could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Contracts. Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that

which the Firm would otherwise recommend, to the possible detriment of the Funds. In its forward trading, the Funds will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Funds trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Firm may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

Contracts for Differences. Contracts for differences (“CFDs”) are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument’s value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer’s initiative. As is the case with owning any financial instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, *i.e.*, the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Funds’ obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Funds’ financial risk.

Credit Default Swaps. The Funds may purchase and sell credit derivative contracts – primarily credit default swaps – both for hedging and other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that they buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Funds may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Funds will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will be unsuccessful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation has occurred. The creation of the new ISDA Credit Derivative Determination Committee (the “Determination Committee”) is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determinations Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Funds would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Funds will incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Funds will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the Funds following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Funds.

Credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions.

It appears that there are likely to be widespread defaults under certain credit default swaps as a result of the current credit market disruptions. The credit derivative market may become subject to increased regulation, which could increase costs or even prevent participation by the Funds.

Structured Credit Products. Special risks may be associated with investments in structured credit products, collateralized debt obligations, synthetic credit portfolio transactions and asset-backed securities. For example, synthetic portfolio transactions may be structured with two or more classes of tranches that receive different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of a tranche may be extremely sensitive to the rate of defaults in the underlying reference portfolio. A rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that a Fund may incur losses on its investments in structured products regardless of their ratings by S&P or Moody's. Additionally, the securities in which the Funds are authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

Failure to Enter into Offsetting Trade. To the extent the Funds invest in a futures contract or option long, unless an offsetting trade is made, the Funds would be required to take physical delivery of the commodity underlying the future or option. To the extent the Firm fails to enter into such offsetting trade prior to the expiration of the contract, the Funds may suffer a loss since neither the Funds nor the Firm has the operational capacity to accept physical delivery of commodities.

Illiquid Investments. The Funds may invest in restricted, as well as thinly-traded, instruments and securities (including privately placed securities and instruments). The Funds may also make investments in privately held companies or special purpose entities, provided that it is allowed under the applicable regulation. There may be no trading market for these securities and instruments, and the Funds might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, the Funds may be required to hold such securities despite adverse price movements. In addition, if the Funds make a short sale of an illiquid security or instrument, it may have difficulty in covering the short sale, resulting in a potentially unlimited loss on that position.

The foregoing risk factors do not purport to be a complete analysis or explanation of the risks and conflicts involved in an investment in a Fund. Prospective investors are advised to read the Governing Documents of a Fund carefully and consult with their own advisors as appropriate before deciding whether to invest in a Fund.

Item 9. Disciplinary Information

DCP is not aware of any legal or disciplinary events that are material to an investor's or prospective investor's or 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

The General Partner is an affiliate of the Firm and receives performance-based compensation from the Fund(s) for which it serves as general partner. In addition, Diameter Capital Partners GP LLC, a Delaware limited liability company, is the general partner of the Firm of which Messrs. Goodwin and Lewinsohn are equal partners.

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

DCP has adopted a Code of Ethics (the “Code”) that obligates the Firm and its “Access Persons” to put the interests of its clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. In addition to compliance with DCP’s policies and procedures, all Access Persons of the Firm are required to comply with all applicable laws including the federal securities laws.

The Firm and its Access Persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Firm. To ensure that these exchanges are conducted in a manner that does not adversely affect DCP’s clients and in a manner consistent with the fiduciary duty owed by DCP to its clients, it has adopted policies and procedures governing gifts and business entertainment, which requires disclosure and/or pre-approval of certain gifts and business entertainment in excess of *de minimis* thresholds as detailed within the Code.

The Firm, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material, nonpublic information about issuers, including issuers in which DCP or its Access Persons have invested or seek to invest on behalf of clients. The Firm and its Access Persons are prohibited from improperly disclosing or using such information for their own benefit or for the benefit of any other person, regardless of whether such other person is a client. DCP maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate “need to know” such information and to assure that the Firm is meeting its obligations to its clients and remains in compliance with applicable law. In certain circumstances, the Firm may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Firm will be prohibited from communicating such information to the client(s) or using such information for the benefit of the client(s) or themselves. In such circumstances, DCP will have no responsibility or liability to the client(s) for not disclosing such information to the client(s) (or the fact that the Firm possesses such information), or not using such information for the benefit of the client(s), as a result of following DCP’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

Clients or prospective clients may review a copy of the Code by contacting Ms. Shailini Rao, the Firm’s Chief Compliance Officer, by telephone at (212) 665-1419 or email: srao@diametercap.com.

It is DCP’s policy that its Access Persons, including employees, may not engage in any transactions in his or her personal account in single name securities, with the exception of the disposition of pre-existing positions held by the Access Person prior to the commencement of his or her employment with the Firm, with pre-approval from the Chief Compliance Officer. DCP believes that such policy minimizes potential conflicts of interests presented when, because of the information the Firm has, the Firm or its Access Persons are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients’ trades). In addition to affecting DCP’s or its Access Persons’ objectivity, these practices by DCP or its Access Persons may also harm clients by adversely affecting the price at which the clients’ trades are executed.

The Firm has adopted the following additional procedures in an effort to minimize such conflicts. Access Persons of DCP must pre-clear transactions in reportable securities in their personal accounts (with the exception of transactions in U.S. treasuries, shares issued by money market funds and CDs or other cash equivalents) with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one (or more) of its’ clients, or if holding period requirements are not satisfied. All Access Persons of DCP are required to disclose their holdings upon commencement of employment with the Firm and on an annual basis thereafter. All Access Persons of the Firm are also required to disclose reportable security transactions on a quarterly basis. Access Persons’ accounts and transactions (if any) are reviewed by the Chief Compliance Officer (or her designee).

Item 12. Brokerage Practices

DCP considers a number of factors in selecting a broker-dealer or counterparty to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's (or counterparty's) compensation. Such factors include, but are not limited to, financial stability or creditworthiness; the actual executed price and the commission or spread; research (including economic forecasts, investment strategy advice, fundamental and technical advice on securities and other financial instruments, valuation advice and market analysis), custodial and other services provided for the enhancement of the Firm's general portfolio management capabilities; type of settlement (delivery versus payment vs. free delivery); the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; willingness of the broker or counterparty to make a market; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer or counterparty to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Firm need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not DCP's practice to negotiate "execution only" commission rates; thus, a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. DCP's Chief Compliance Officer and selected employees of the Firm meet periodically to evaluate the overall quality of broker-dealers and counterparties used by the Firm to execute client trades using the foregoing factors.

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to cause a client to pay more than the lowest possible commissions rate in order to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Among other things, the safe harbor permits an investment manager to use client commissions to offset certain expenses that it would otherwise be obligated to pay for itself. The Governing Documents describe the expenses that are to be borne by the Funds and those expenses which are to be borne by DCP. Pursuant to the Governing Documents, the Funds bear all research expenses. Accordingly, any portion of commissions that can be attributable to research expenses does not cause the Firm to receive any benefit, since the commissions and the research expenses are both the expenses of the Funds according to the Governing Documents. As a result, DCP does not face the kind of conflict of interest that Section 28(e) is intended to address, since it does not use client commissions to pay for research that it would otherwise have paid for itself. Nonetheless, DCP assesses the value and quality of the brokerage and research services provided by the broker dealers with which it does business to determine that the cost of such services is appropriate and reasonable in light of the brokerage and research services provided (see the foregoing paragraph).

From time to time, the Firm may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Firm or recommend investments in these private funds as investments to the clients of the broker-dealer. The Firm may place client portfolio transactions with firms who have provided capital introduction opportunities if the Firm determines that it is otherwise consistent with seeking best execution. In no event will the Firm select a broker-dealer as a means of remuneration for recommending the Firm or any other product managed by the Firm (or an affiliate) or affording the Firm with the opportunity to participate in capital introduction programs. In addition, while the Firm recognizes that it may have an incentive to favor broker-dealers that provide capital introduction services to the Firm or otherwise refer prospective clients or investors for a Fund, the Firm does not select broker-dealers in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

The Firm addresses the potential conflicts of interest in connection with its brokerage practices through its best execution review process. The Firm's best execution review process, led by the Firm's portfolio analyst in collaboration with the Chief Compliance Officer, portfolio manager, senior trader and operations analyst, includes an analysis of overall performance of broker-dealers in light of the amount of business directed to such broker-dealers. To the extent the Firm determines that the amount of business directed to a particular broker-dealer is inconsistent with the overall performance of such broker-dealer, the Firm will work towards scaling back the amount of business directed to the broker-dealer unless there is a compelling reason for such allocation, including, but not limited to, the availability of a particular security or their expertise in a particular sector.

The Firm may purchase or sell the same security or other financial instrument for multiple clients contemporaneously and using the same executing broker/dealer or counterparty. It is the Firm's practice, when appropriate, to aggregate

client orders for the purchase or sale of the same security or other financial instrument submitted at or near the same time for execution using the same executing broker/ dealer or counterparty. Such aggregation may enable the Firm to obtain a more favorable price or a better commission rate for clients based upon the volume of a particular transaction. Prior to the order being filled, the allocation of the order across various client accounts will be determined based on each client's strategy. When an aggregated order is completely filled, the Firm will allocate the investment based upon the predetermined allocation methodology among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations.

The Funds may on occasion experience errors with respect to trades made on its behalf. Trade errors may include, for example, (i) the placement of orders (either purchases or sales) in excess of the amount of securities the Funds intended to trade; (ii) the sale of a security when it should have been purchased; (iii) the purchase of a security when it should have been sold; (iv) the purchase or sale of the wrong security; (v) the purchase or sale of a security contrary to regulatory restrictions or a Fund's investment guidelines or restrictions; (vi) incorrect allocations of securities; (vii) keystroke errors that occur when entering trades into an electronic trading system; and (viii) typographical or drafting errors related to derivatives contracts or similar agreements. Trade errors may result in losses or gains. DCP generally will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker-dealer, DCP will seek to recover any losses associated with such error from the counterparty. Pursuant to the exculpation and indemnification provided by the Funds to DCP and its affiliates and personnel, DCP and its affiliates and personnel will generally not be liable to the Funds for any act or omission, absent bad faith, gross negligence, willful misconduct or actual fraud, and the Funds will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Funds, absent bad faith, gross negligence, willful misconduct or actual fraud. As a result of these provisions, the Funds (and not DCP) will benefit from any gains resulting from trade errors and will be responsible for any losses (including additional trading costs) resulting from trade errors and similar human errors, absent bad faith, gross negligence, willful misconduct or actual fraud. DCP will offset any such net gains and net losses resulting from trade errors and, in the case of net losses for which DCP is responsible under the exculpation provisions, DCP will reimburse the Funds for such net losses. Given the potential volume of transactions that may be executed by DCP on behalf of the Funds, investors should assume that trade errors (and similar errors) will occur and that, to the extent permitted by law and under the Governing Documents, the Funds will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of DCP's personnel.

Item 13. Review of Accounts

The investment objective of each Fund is set forth in the Fund's Governing Documents. The active management of the Funds is the only business of DCP. DCP's portfolio managers, including its Managing Partners, are involved in making investment decisions on behalf of the Funds. The Firm manages and reviews aspects of the Fund's portfolios on a daily, weekly, monthly or other basis as it considers appropriate, with the frequency and nature of such reviews depending on the Fund's investment program and market conditions. The portfolio managers review a variety of periodic risk reports which enable them to actively monitor and review the portfolio's risks.

Investors in the Funds receive written reports in accordance with the terms of each Fund's Governing Documents. Audited year-end financial statements are provided annually to investors in Funds. In addition, quarterly letters are generally provided to investors, which may include certain information relating to investment performance and investment themes going forward. The Firm also provides monthly statements to investors regarding their capital accounts, as well as periodic communications regarding unaudited performance estimates.

Item 14. Client Referrals and Other Compensation

The Firm does not plan to make any payments to third-party solicitors for client referrals.

Item 15. Custody

The General Partner is deemed to have custody of client assets due to serving as the general partner to certain of the Funds and DCP is deemed to have custody by virtue of its status as investment manager. The General Partner and the Firm comply with Rule 206(4)-2 under the Advisers Act (the "Custody Rule") by meeting the conditions of the pooled vehicle annual audit provision of the Custody Rule, including providing investors in the Funds with audited annual financial statements of the Funds, prepared by an independent public accountant, registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"), in accordance with generally accepted accounting principles, within 120 days of the Funds' fiscal year end. Neither the Firm nor the General Partner maintain physical custody of client assets. All client funds and securities are held at accounts maintained in the client's name with qualified custodians.

Item 16. Investment Discretion

The Firm provides investment advisory services to clients on a discretionary basis. Prior to assuming discretion over a client's assets, the Firm enters into an investment management agreement or other agreement that sets forth the scope of the Firm's discretion. The Firm has full discretionary authority to determine the securities or other financial instruments and the amount of the securities or other financial instruments to be purchased or sold for each Fund in accordance with that Fund's investment objectives, guidelines and restrictions set forth in the Fund's Governing Documents.

The Firm may in the future enter into additional agreements, or "side letters", with certain prospective or existing investors in pooled investment vehicles whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the applicable Governing Documents of a Fund. For example, certain government-related investors (e.g., public pensions), as a condition of their investment, may require that the Firm agree to certain notifications or to comply with the investor's status-specific requirements. In addition, the terms and conditions of side letters may provide for special rights to make future investments; special redemption rights relating to frequency, notice or the reduction of redemption fees; a waiver or rebate in fees and/or other terms; and such other rights as may be negotiated by the Funds and such investor.

Item 17. Voting Client Securities

To the extent the Firm has been delegated proxy voting authority on behalf of its clients, the Firm complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Firm chooses to vote proxies with respect to securities managed for clients, such proxies are voted in the best interests of its clients. In fulfilling its obligations to clients, the Firm endeavors to act in a manner that will enhance the economic value of the underlying securities held by each of its clients. In some cases, DCP may abstain from voting or may affirmatively decide not to vote if it determines that abstaining or not voting is in the best interests of the Funds.

Investors in the Funds are not permitted to direct the votes in a particular solicitation.

If a material conflict of interest between the Firm and a client exists related to voting the proxies on behalf of the client, the Firm will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the client or whether to take some other appropriate action.

Clients may review a copy of the Firm's proxy voting policies and procedures and information about how the Firm voted proxies by contacting Ms. Shailini Rao, the Firm's Chief Compliance Officer by telephone at (212) 665-1419.

Item 18. Financial Information

The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore has not included a balance sheet.

The Firm does not believe that there are any conditions that are reasonably likely to impair the Firm's ability to meet contractual commitments to clients.

The Firm has never been the subject of a bankruptcy petition.