

**Item 1. Cover Page**

**DRUM CAPITAL MANAGEMENT, LLC**

**Part 2A of Form ADV: Firm Brochure**

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March 31, 2013

**This brochure provides information about the qualifications and business practices of Drum Capital Management LLC (“Drum”). If you have any questions about the contents of this brochure, please contact Amber Tencic at (203) 391-7571 or [tencic@drumcapital.com](mailto:tencic@drumcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Registration with the SEC does not imply a certain level of skill or training.**

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

**Item 2. Material Changes**

**There have been no material changes since the date of the last annual update on March 31, 2012.**

### Item 3. Table of Contents

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*This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a prospectus or private placement memorandum and related subscription materials.*

#### **Item 4. Advisory Business**

Drum Capital Management, LLC ("Drum"), a Connecticut limited liability company, provides private equity turnaround and distressed investment advisory services to clients on a discretionary basis through fund-of-funds vehicles that are offered to institutional investors and high net worth individuals. The funds of funds managed by the registrant are not registered under the Investment Company Act of 1940 in reliance on Section 3(c)(1) or 3(c)(7) thereof. Investments are made primarily in private equity pooled vehicles (i.e. limited partnerships), but occasionally, direct investments in privately-owned companies are made by the funds ("Direct Investments"). Private equity investments include but are not limited to the following: recapitalization; subordinated obligation; equity expansion; recovery; turnaround and other private equity-related strategies. Drum's principal owner is Scott E. Vollmer, Founder and Chief Executive Officer.

Drum serves as a manager and general partner to three privately-held funds of funds sponsored by Drum that make private equity investments in distressed and turnaround special situations (the "Funds"). PCG Special Situation Investment, LLC, Drum Special Situation Investment LLC and Drum Special Situation Investment III LLC are wholly owned subsidiaries of Drum and act as general partners to the Funds. The Funds currently comprise: PCG Special Situation Partners LP ("SSP I"), Special Situation Partners II LP ("SSP II") and Drum Special Situation Partners III LP ("SSP III"). PCG Special Situation Investment LLC acts as general partner to SSP I, Drum Special Situation Investment LLC acts as general partner to SSP II, and Drum Special Situation Investment III LLC acts as general partner to SSP III. Together the general partners, including the general partners of the investment vehicles the Funds comprise, are referred to as the "General Partner." Drum is the managing member of the General Partner.

The Funds share an objective: to provide investors with superior, risk-adjusted, long-term capital appreciation through investment in a diversified portfolio of distressed strategies and investments.

Drum has full discretion in investment decisions made on behalf of the Funds. Investment advice is provided directly to the Funds according to each Fund's particular investment objectives and not individually to the Fund's investors. As of December 31, 2012, Drum managed approximately \$750,000,000 of client assets on a discretionary basis and no client assets on a non-discretionary basis.

In addition to the above, during the 2<sup>nd</sup> half of 2011 Drum became the General Partner and Advisor to two investment funds, Treadstone Capital Management LP and Treadstone/Drum Special Situation Partners Co-investments Fund LLC, which are currently investments in SSP I. No management fees or performance fees are exchanged between Drum and the investment funds.

## **Item 5. Fees and Compensation**

This brochure is delivered only to qualified purchasers, therefore the fee schedule, which includes a management fee based on a percentage of assets under management for each of the Funds, is not included. The fee schedule may be found in the confidential offering document for each Fund.

The fees are not negotiable. Drum deducts management fees from the Fund assets. Such fees must be paid quarterly in advance and are pro rated in the event of any partial quarter. If the advisory contract is terminated before the end of the billing period, Drum will calculate the amount of the refund and reimburse the Fund.

The Funds also generally bear other fees and expenses charged to the Fund accounts. These fees and expenses typically include, but are not limited to, operating expenses, ordinary and extraordinary, custodial costs and fees, costs of due diligence, costs of auditing the Funds, legal and tax preparation fees relating to the operation of the Fund, legal fees relating to review and negotiation of terms governing Manager Funds and Direct Investments and costs of managing or liquidating in-kind securities distributions. The Manager Funds (defined below) in which a Fund invests impose management fees, performance fees or special allocations of income and incur administrative and other expenses. Investors in the Fund will bear a pro rata share of such fees and expenses, in addition to the management fee, the Carried Interest (defined below) and expenses incurred by the Fund, which the Fund investors bear in their entirety.

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

Cash from distributions on, or in liquidation of, investments (net of expenses and reserves established by the General Partner in its discretion to meet liabilities or contingencies foreseen by the General Partner) is distributed by the Funds in accordance with a schedule set forth in the private offering documents. Such distributions include distributions to the General Partner known as “Carried Interest,” which is considered performance-based compensation.

The receipt of performance based compensation creates a conflict of interest between Drum’s interest in earning a profit for itself in the short term with the long term interests of the Funds and their investors. Specifically, Drum may have an incentive to make investments that are riskier or more speculative than would be the case if Drum were compensated solely based on a flat percentage of capital.

**Item 7. Types of Clients**

Drum generally provides investment advice to the Funds.

Investment advice is provided directly to the Funds and not individually to the Fund investors. The Fund investors consist primarily of institutional investors and some, high net worth individuals. Generally, the minimum investment in a Fund is \$5,000,000, although the General Partner reserves the right to accept subscriptions for lesser amounts, in its sole discretion.

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

### *Methods of Analysis and Investment Strategies*

Drum provides private equity advisory services to the Funds on a discretionary basis through fund of funds vehicles. Investments are made primarily in private equity pooled vehicles (*i.e.*, limited partnerships), and direct investments in privately-held companies are made. Drum and the General Partner generally have broad discretion with respect to the types of investments they may make; however, the Funds invest primarily in partnerships or other commingled investment funds, which are private equity funds and accounts (such partnerships, funds and accounts being herein referred to as “Manager Funds”) that have been formed to invest largely in distressed debt or securities of businesses experiencing financial or operating difficulties and to make direct investments in such businesses. Private equity investments of the underlying managers include but are not limited to the following multi-strategy approach: arbitrage; bridge loans and short term financing; event-driven investing due to a fundamental shift in the debt markets; international distressed; non-performing loans; recapitalization; subordinated obligation; equity expansion; recovery; turnaround and other private equity-related strategies.

Drum provides investment supervisory services to pooled investment vehicles. The key components of Drum's due diligence process for selecting investments for the investment vehicle are as follows:

Initial Review - Each new offering is logged into Drum's deal-tracking system and a standardized summary is prepared for circulation to the entire Drum investment team to consider during its weekly Investment Committee ("IC") meetings.

Further Review - Once the investment team determines that an opportunity is attractive, more intensive discovery is pursued. Further review activities typically include an invitation to Drum's offices for a presentation, conference calls with the underlying fund manager to address specific issues or questions identified, and the initial review of the track record.

Due Diligence - Should the opportunity move from attractive to compelling, the investment team presents a due diligence recommendation (including the track-record analysis) to Drum's IC. If the IC gives the approval for due diligence, specific guidance regarding areas of inquiry and necessary resources are provided to the IC by one of the principals and a designated investment team responsible for the final due diligence. Specific due diligence items and initiatives include a questionnaire, track record analysis, on-site due diligence, reference checks and other third-party verifications, and investment approval. Additional sources of information for Drum include internal and externally generated databases, industry contacts and other investors.



### *Material Risks of Drum's Strategies*

Investing in securities involves risk of loss that clients should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Funds' investments. This summary does not attempt to describe all of the risks associated with an investment in a Fund. Although no summary can fully describe all of the risks associated with such an investment, the confidential private placement memorandum or confidential offering memorandum for each Fund contains a more complete description of the risks associated with an investment in a Fund.

*General.* Investments made by the Funds in alternative investments, including distressed investments, involve significant risks not otherwise present in public securities investments. The Funds expect that the underlying companies in which Manager Funds invest and companies in which the Funds hold direct investments will be highly speculative and may include highly concentrated portfolios, workouts and startups, control positions and illiquid investments. In general, changes in economic conditions, including, for example, changes in interest rates, trends, tax laws and innumerable other factors, could affect substantially and adversely the prospects of a Fund and its investments. In addition, disruptions recently experienced in the financial markets or a prolonged economic downturn may adversely affect the portfolio companies of the Manager Funds and the Funds' direct investments. There can be no assurance that the Funds will be successful in their investments and consequently no assurance that the Funds will be able to return to the Limited Partners all the capital they contribute to the Funds or otherwise achieve its objectives.

The nature of distressed investments also causes material risk of loss; distressed securities frequently do not produce income while they are outstanding. The repayment of defaulted obligations is subject to significant uncertainties. The holder of distressed securities often may be required to bear certain extraordinary expenses if it is forced to seek recovery upon a default of a portfolio holding or if it participated in the restructuring of the obligation. Such expenses would be borne by the underlying Manager Fund, or if the investment was a direct investment, by the Funds.

Distressed investments also entail a higher level of credit risk (loss of income and/or principal) than investments in higher-rated securities. Securities rated in the lower rating categories are considered to be predominantly speculative with respect to capacity to pay interest and repay principal. In addition, the credit risk may change over the life of an instrument.

The Funds' Manager Funds and direct investments generally will be illiquid and not transferable. Although Drum expects that the Funds' investments will be disposed of prior to their dissolution, Drum has only a limited ability to extend the term of each Fund and a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of the dissolutions.

*Availability and Difficulty of Identifying Attractive Investments.* The success of a Fund as a whole will depend in part on the availability of appropriate investment opportunities and the ability of Drum to identify, select, develop and complete appropriate investments. Although Drum believes that significant opportunities may exist, there can be no assurance that suitable investments will be available (whether as a result of the current dislocation in the financial markets or otherwise) or selected by Drum or that a Fund will be able to invest fully its committed capital. To the extent that a significant portion of a Fund's committed capital is not invested, the Fund's potential for return may be diminished. Similar considerations will affect the success or failure of the Manager Funds in which a Fund intends to invest. Identifying attractive investment opportunities in Manager Funds and Direct Investments is difficult and involves a high degree of uncertainty. Even if attractive Manager Funds are identified, there is no assurance that the Fund will be permitted to invest in such Manager Funds or will be offered co-investment opportunities in their portfolio companies. Moreover, in the event a Fund is permitted to invest in such Manager Funds, there can be no assurance that such Manager Funds will be able to invest fully all of the capital committed to them by a Fund. Further, the failure of Drum to identify appropriate Direct Investment opportunities may result in a portfolio with significantly less than 20% of the allocated capital invested in Direct Investments, which may adversely affect the performance of the Fund.

*Leverage.* The use of leverage magnifies both the favorable and unfavorable effects of price movements in the investments made by the Fund. Although a Fund will generally seek to invest in Manager Funds that limits or prohibits the use of leverage, certain of the Manager Funds and some of the portfolio companies in which a Fund directly or indirectly invests may employ a material amount of leverage, and the Fund will have no ability to control the use of leverage by such companies. In general, leverage will increase the exposure of these companies to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the company or its industry, may impair their ability to finance their future operations and capital needs and repay indebtedness owing to Manager Funds or us (in the case of Direct Investments). As a result, the flexibility of these companies to respond to changing business and economic conditions and to business opportunities may be more limited than if they did not employ leverage. Although the General Partner does not expect a Fund to borrow for the purpose of financing its investments, it may borrow to make distributions, pay operating expenses or for such other purposes as the General Partner shall determine, which may result in increasing the overall exposure of the Fund to the risks of leverage.

*Nature of Distressed Investments.* The Funds will indirectly and directly invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative and involve significant risk. Distressed securities frequently do not produce income while they are outstanding. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout of bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments. The holder of distressed securities may often be required to bear certain extraordinary expenses if it is forced to seek recovery upon a default of a portfolio holding or if it participates

in the restructuring of the obligation. Such expenses may be expected to be borne, in the case of Direct Investments, by the Fund and, in the case of Manager Funds, directly by the Manager Funds and indirectly by the Fund. Distressed investments also entail a higher level of credit risk (loss of income and/or principal) than investments in higher-rated securities. Securities rated in the lower rating categories are considered to be predominantly speculative with respect to capacity to pay interest and repay principal. In addition, the credit risk may change over the life of an instrument. Securities that are rated by rating agencies are often reviewed and may be subject to downgrade, which generally results in a decline in the market value of such securities. Issuers of high-yield debt instruments may be highly leveraged and may not have available to them more traditional methods of financing. New issuers also may be inexperienced in managing their debt burden. An issuer's ability to service its debt obligations may be adversely affected by business developments unique to the issuer, the issuer's inability to meet specific projected business forecasts, or the inability of the issuer to obtain additional financing. High yield debt instruments are often unsecured and subordinated to other creditors of the issuer. Such investments also tend to be more sensitive to economic conditions than investment grade securities.

*Interest Rate Risk.* In addition, distressed investments are subject to interest rate risks. "Interest rate risks" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

*Nature of Bankruptcy Proceedings.* There are a number of significant risks when investing in companies involved in bankruptcy proceedings, including, but not limited to, the risks set forth below. First, many events in a bankruptcy are the product of contested matters and adversary proceedings that are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be adversely impacted by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Fifth, creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions, especially in the case of investments made prior to the commencement of bankruptcy proceedings. Sixth, certain claims, such as claims for taxes, may have priority by law over the claims of certain creditors. Seventh, a creditor (such as a Manager Fund or a Fund itself) who is represented on a creditors' committee may owe certain obligations generally to all creditors similarly situated that the committee represents and may be subject to various trading or confidentiality restrictions. Because a Fund and a Manager Fund will agree to indemnify persons serving on a creditors' committee on their behalf for claims arising from breaches of those obligations,

indemnification payments by a Fund and/or a Manager Fund would adversely affect a Fund's return on investment.

*Control Positions.* The Manager Funds may directly or indirectly take control positions in companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violations of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored. If these liabilities were imposed, a Fund could suffer material losses in its investments.

*Concentration of Investments.* While some diversification of investment risk is expected to result from the investment approach of a Fund, no assurance can be given that such diversification will occur, or if it does, that it will increase, rather than reduce, potential net profits. First, a Fund's investments will be concentrated in Manager Funds that invest heavily in distressed securities and in Direct Investments. In addition, the Manager Funds in which a Fund intends to invest will not be limited in any manner from investing in companies in which other Manager Funds invest. As a consequence, a Fund's investments may be more concentrated in a limited number of distressed companies than originally expected. Furthermore, each investment opportunity will present specific risks relevant to the industry, structure, management and environment in which the underlying company competes. These risks cannot be fully assessed at this time and could be significant. The concentration of investments could cause a proportionately greater loss than if a larger number of investments were made.

*Risks Inherent in International Investments.* At least 80% of a Fund's capital contributions will be invested in

- Manager Funds whose primary focus is to invest in the obligations of companies that are domiciled or have their principal operations in the United States and
- Direct Investments of issuers that are domiciled or conduct a majority of their operations in the United States.

As a result, all or a portion of the balance of a Fund's capital contributions may be invested in Manager Funds with a primary focus on international investments and/or Direct Investments of issuers domiciled, or conducting a majority of their operations, outside the United States. Investments on an international basis involve certain risks not involved in domestic investments, including fluctuations in foreign exchange rates, future political and economic developments, different legal systems and the existence or possible imposition of exchange controls or other foreign or US governmental laws or restrictions applicable to such investments.

**Item 9. Disciplinary Information**

Drum has no legal or disciplinary events to report to a client's or prospective client's evaluation of Drum's advisory business or the integrity of its management.

**Item 10. Other Financial Industry Activities and Affiliations**

Drum has no other financial industry activities and affiliations to disclose except for those previously described under Item 4 “Advisory Business.”

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

As a fiduciary, Drum owes an undivided duty of loyalty to its clients and thus demands the highest standards of ethical conduct and care by all of its employees (the “Employees”). It is Drum’s policy that Employees conduct themselves so as to avoid, to the extent possible, not only actual conflicts of interest with clients but any conduct that could give rise to the appearance of a conflict of interest that might compromise the trust placed in Drum by its clients.

Drum's has adopted a Code of Ethics (the “Code”) that establishes rules of conduct for Employees and is designed to, among other things, govern personal securities trading activities. The Code is based upon the principle that Drum and the Employees have a fiduciary obligation to their clients to conduct their affairs, including any personal securities transactions, in such a manner as to avoid

- serving their own personal interests ahead of clients,
- taking inappropriate advantage of their position with Drum and
- any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code purports to ensure that in its business relationships, Drum and the Employees observe the highest ethical standards and conduct. The Code

- requires compliance with the federal securities laws;
- reflects Drum’s fiduciary responsibilities and those of its advisory personnel;
- provides standards of honest and ethical conduct and precludes activities which may lead to or give the appearance of conflicts of interest between personal and professional relationships;
- prohibits certain personal securities transactions;
- requires Drum personnel to periodically report and/or pre-clear certain personal securities transactions;
- addresses prevention of the misuse of material nonpublic information and other forms of unethical business conduct;
- facilitates prompt internal reporting of violations of the Code; and
- provides accountability for adherence to the Code.

The Code will be provided to any client or Fund investor or prospective client or Fund investor upon request.

## Item 12. Brokerage Practices

*Best Execution.* As described earlier in this brochure, Drum acquires assets for the Funds primarily through investment in private equity pooled vehicles and direct investment in privately owned companies. Hence, Drum does not often use the services of broker-dealers to execute transactions.

In those limited instances (if any) in which it does utilize a broker-dealer, Drum will use its reasonable efforts to obtain best price and execution. In selecting a broker-dealer, Drum seeks best execution and takes into account numerous factors, including, but not limited to, price (including the applicable dealer spread or commission, if any) and the financial stability and reputation of the broker. Drum, in seeking to obtain the best execution of portfolio transaction, may consider the quality and reliability of brokerage services, as well as the investment information and other services provided by brokers or dealers. As of the date hereof, Drum is not receiving research products or services in connection with client brokerage arrangements.

Except as described below, Drum and its related persons have complete authority to determine, without obtaining the consent of the Limited Partners of any Fund, the securities to be sold, the amount of securities to be sold, the broker or dealer to be used (if any) and the commission rates to be paid to the brokers and dealers.

*Aggregation of Trades.* Drum's investments do not lend themselves to aggregation because Drum does not typically trade

*Allocation of Investment Opportunities.* Drum seeks to allocate investment opportunities in a manner that it believes is in the best interests of all of its clients. Although such allocations may be *pro rata* as to the participating clients, they will not necessarily be so, where Drum's allocation policies dictate a different result. For example, in allocating such investment opportunities Drum will consider, without limitation, the proposed investment's size, liquidity and time horizon; each client's diversification guidelines and differing objectives; the likelihood of current income; the anticipated duration of the investment, the likelihood of additional "add-on" capital; and available capital. Allocations may also differ for tax, regulatory or other reasons as deemed appropriate by Drum. Subject to the foregoing, Drum expects to allocate investments among clients on a *pro rata* basis based on available capital. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner. Where conflicts arise in the allocation of investment opportunities, Drum seeks to resolve such conflicts fairly.



### **Item 13. Review of Accounts**

*Review of Accounts.* Through regular discussions and face-to-face meetings with the underlying Fund managers, Drum monitors each manager's progress against investment guidelines and stated strategies and objectives, as established by Drum and a Fund. All members of the Drum Investment Committee and investment team are involved in the active monitoring process of the underlying Fund Managers and Direct investments, including the CEO, CFO, three managing directors, a director an investment analyst and a fund controller.

Investment monitoring entails (a) obtaining information on the prospects for achieving near-term objectives, (b) assessing the level and quality of deal flow and the competitive environment for deals, (c) compiling status reports on existing investments, (d) discussing potential or actual problems within a portfolio company and/or within an underlying fund manager, (e) using third-party bids and pricing to monitor the performance of the Manager Fund holdings and Direct Investments and determine intra-period investment attribution and (f) evaluating general market conditions. As part of this process, Drum will participate on advisory and valuation boards (as appropriate), attend annual investor meetings of the Fund's underlying Manager Funds and provide investors with written quarterly reports on the Fund's progress. Drum believes that these monitoring activities will allow for early detection of issues and enable it to propose effective solutions to managers. Drum will also mirror, where possible, the aggregate portfolio company holdings of the Fund on Drum's private equity portfolio software and market trading systems. This allows Drum to monitor the pricing movements of each position and the intra-period developments and news that can affect portfolio company fundamentals.

*Reports to Fund Investors.* On a quarterly basis, generally within 75 days subsequent to quarter end, Drum provides unaudited financial statements for each Fund, a capital account statement for each partner and an internally prepared investor letter.

In addition, the partners receive audited financial statements for the appropriate Fund on an annual basis, within six months from each Fund's year end.

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

Drum may enter into compensation arrangements with third party solicitors for new advisory business, and Drum has engaged from time to time a third party to solicit prospective *investors* in the Funds.

Any *client* solicitation arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, pursuant to which persons introducing new client accounts to Drum may receive a portion of the advisory fee generated by the account for a period of time that varies on a case by case basis.

**Item 15. Custody**

*Funds.* Drum is deemed to have custody of the assets contained in the Fund portfolios, since a wholly owned subsidiary of Drum serves as General Partner of each 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**

Drum provides discretionary investment advisory services to each of the Funds. Drum may make investment decisions, without consultation with a particular Fund or its Fund investors, regarding which assets or securities are bought and sold for the Fund, the total amount of the assets to be bought and sold, the broker-dealers (if any) with which orders are placed for execution and (as applicable) the commission rates at which securities transactions are effected.

## **Item 17. Voting Client Securities**

Because Drum rarely invests in public companies or equity stocks, the question of how to vote client securities seldom arises. Drum has voting authority and responsibility with respect to securities held by the clients. In addition to proxy solicitations in connection with equity securities of traditional operating companies, proxy voting is also deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities.

In voting proxies, Drum is guided by general fiduciary principles. Drum shall vote all proxies in a manner that serves the best interest of the Funds and their Limited Partners, taking into account the following factors:

- the impact on the value of or on the prospective returns of the underlying managers;
- the continued or increased availability of information regarding the underlying managers;
- industry and business practices; and
- consistency with Fund's stated objectives.

In general, Drum will segregate proxies into two categories:

- those covering primarily administrative or routine matters on which a vote is requested and
- non-recurring or extraordinary matters, such as a material change in the terms of the underlying managers.

Absent a particular reason to the contrary, it is Drum's general policy to vote in accordance with the recommendations of the underlying manager's investment adviser on administrative or routine matters. This general policy is not a predetermination, however, to vote in favor of the issuer's management, as Drum will review all client proxies in accordance with the general fiduciary principles noted above.

In the case of non-recurring or extraordinary matters, the relevant IC shall consider such proxies on a case-by-case basis. The approval of a majority of the members of the IC is necessary, and Drum shall vote such proxies as recommended by the IC.

Drum at times may determine that refraining from voting a proxy is in the client's best interest, such as when Drum's analysis of a particular proxy indicates that the cost of voting the proxy may exceed the expected benefit to the client.

In certain situations, a client may provide Drum with a statement of proxy voting policy or guidelines. In these situations, Drum will seek to comply with such policy or guidelines to the

extent that it would not be inconsistent with applicable regulation or Drum's fiduciary responsibilities, after consultation with the Funds' counsel.

Drum follows procedures designed to identify conflicts or potential conflicts that could arise between its own interests and those of its clients. If it is determined that any such conflict or potential conflict is not material, Drum may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, one or more methods may be used to resolve the conflict, including

- disclosing the conflict to the client and obtaining its consent before voting,
- engaging a third party to recommend a vote with respect to the proxy or
- such other method as is deemed appropriate under the circumstances.

Clients and Fund investors may request a copy of Drum's Proxy Voting Policy and Procedures, as well as applicable proxy voting records, by contacting Drum orally or in writing.

Any request, whether written (including email) or oral, received by an Employee shall be promptly reported to the Compliance Officer. All written requests shall be retained.

The Compliance Officer shall record the identity of the Limited Partner, the date of the request, and the action taken as a result of the request.

Drum shall furnish the information requested, free of charge, to the Limited Partner within a reasonable time period (generally, ten business days). The Compliance Officer shall maintain a copy of the written record provided in response to the Investor's written (including email) or oral request. A copy of the written response should be attached and maintained with the Limited Partner's written request, if applicable.

**Item 18. Financial Information**

Drum has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.