

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

Davidson Kempner Capital Management LP

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This Brochure provides information about the qualifications and business practices of Davidson Kempner Capital Management LP (“Davidson Kempner”). If you have any questions about the contents of this Brochure, please contact us at 212-446-4000. 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.

Davidson Kempner is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about Davidson Kempner also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

There are no material changes from our last brochure. Although there are no material changes from our last brochure, we have updated Item 5 “Fees and Compensation,” among other updates.

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Item 4 Advisory Business

Davidson Kempner Capital Management LP, a Delaware limited partnership (the “Registrant” or “DKCM”) and its Affiliates (as defined in Item 10 below) have provided investment advice and investment management services to private investment funds for over 30 years. DKCM and its Affiliates began managing capital for unaffiliated investors in 1987. Certain of the Affiliates are included in DKCM’s Form ADV as relying advisers in accordance with the position expressed in the January 18, 2012 response of the Office of Investment Adviser Regulation Division of Investment Management to the American Bar Association. The relying advisers are identified in Section 1.B of Schedule D of DKCM’s Form ADV Part 1.

DKCM has affiliates in London and Hong Kong. DKCM’s U.K. affiliate, Davidson Kempner European Partners, LLP, a limited liability partnership organized under the laws of England and Wales (“DKEP”), was established in 2004 and has been authorized and regulated by the U.K. Financial Conduct Authority since its establishment. DKCM’s Hong Kong affiliate, Davidson Kempner Asia Limited, a Hong Kong private company limited by shares (“DK Asia”), was established in 2010 and has been licensed with the Hong Kong Securities and Futures Commission since its establishment. Both entities are under common control with DKCM.

In connection with providing investment management services to private investment funds that are organized as domestic limited partnerships or offshore corporations or limited partnerships (collectively, the “Private Funds” or the “Clients”), the Registrant or an Affiliate has been appointed as the investment adviser, investment manager or general partner with full discretionary authority with respect to investment decisions on behalf of, and trading in, the Clients’ accounts. The Registrant and its Affiliates are sometimes collectively referred to as the “Adviser.”

The advice the Adviser provides with respect to the Private Funds is made in accordance with the investment objectives and guidelines set forth in the respective offering memorandum and/or other governing documents for each Private Fund. As of the date hereof, the Adviser provides advice to the following Private Funds:

- Davidson Kempner Distressed Opportunities Fund LP, a Delaware limited partnership (“DKDOF”);
- Davidson Kempner Distressed Opportunities International Ltd., a Cayman Islands exempted company (“DKDOI”);
- Davidson Kempner Distressed Opportunities International (Cayman) Ltd., a Cayman Islands exempted company (“DKDOI Cayman”), which invests substantially all of its assets in DKDOI;
- Davidson Kempner Institutional Partners, L.P., a Delaware limited partnership (“DKIP”);
- Davidson Kempner International, Ltd., a British Virgin Islands business company (“DKIL”);
- Davidson Kempner International (BVI), Ltd., a British Virgin Islands business company (“DKIL BVI”), which invests substantially all of its assets in DKIL;
- Davidson Kempner Long-Term Distressed Opportunities Fund LP, a Delaware limited partnership (“DKLDOF”);
- Davidson Kempner Long-Term Distressed Opportunities Fund II LP, a Delaware limited partnership (“DKLDOF II”);
- Davidson Kempner Long-Term Distressed Opportunities Fund III LP, a Delaware limited partnership (“DKLDOF III”);
- Davidson Kempner Long-Term Distressed Opportunities International LP, a Cayman Islands exempted limited partnership (“DKLDOI”), which invests substantially all of its assets in DKLDOI Master (as defined below);
- Davidson Kempner Long-Term Distressed Opportunities International II LP, a Cayman Islands exempted limited partnership (“DKLDOI II”), which invests substantially all of its assets in DKLDOI Master II (as defined below);
- Davidson Kempner Long-Term Distressed Opportunities International III LP, a Cayman Islands exempted limited partnership (“DKLDOI III”), which invests substantially all of its assets in DKLDOI Master III (as defined below);
- Davidson Kempner Long-Term Distressed Opportunities International Master Fund LP, a Cayman Islands exempted limited partnership (“DKLDOI Master”);
- Davidson Kempner Long-Term Distressed Opportunities International Master Fund II LP, a Cayman Islands exempted limited partnership (“DKLDOI Master II”);

- Davidson Kempner Long-Term Distressed Opportunities International Master Fund III LP, a Cayman Islands exempted limited partnership (“DKLDOI Master III”);
- Davidson Kempner Partners, a New York limited partnership (“DKP”);
- Davidson Kempner Special Opportunities Fund LP, a Delaware limited partnership (“DKSOF”), which invests substantially all of its assets in DKSO Master (as defined below);
- Davidson Kempner Special Opportunities Fund III LP, a Delaware limited partnership (“DKSOF III”);
- Davidson Kempner Special Opportunities Fund III-A LP, a Delaware limited partnership (“DKSOF III-A”);
- Davidson Kempner Special Opportunities International LP, a Cayman Islands exempted limited partnership (“DKSOI”), which invests substantially all of its assets in DKSO Master (as defined below);
- Davidson Kempner Special Opportunities International II LP, a Cayman Islands exempted limited partnership (“DKSOI II”), which invests substantially all of its assets in DKSO Master II (as defined below);
- Davidson Kempner Special Opportunities International III LP, a Cayman Islands exempted limited partnership (“DKSOI III”), which invests substantially all of its assets in DKSO Master III (as defined below);
- Davidson Kempner Special Opportunities Master Fund LP, a Cayman Islands exempted limited partnership (“DKSO Master”);
- Davidson Kempner Special Opportunities Master Fund II LP, a Cayman Islands exempted limited partnership (“DKSO Master II”);
- Davidson Kempner Special Opportunities Master Fund III LP, a Cayman Islands exempted limited partnership (“DKSO Master III”); and
- M.H. Davidson & Co., a New York limited partnership (“Co.”).

DKIP, DKIL, DKIL BVI and DKP are multi-strategy funds and are collectively known as the “Multi-Strategy Funds.”

DKDOF, DKDOI and DKDOI Cayman are funds focused on distressed investing and are collectively known as the “Distressed Funds.”

DKLDOF, DKLDOI Master, DKLDOI, DKLDOF II, DKLDOI Master II, DKLDOI II, DKLDOF III, DKLDOI Master III, and DKLDOI III are drawdown funds focused on distressed investing and are collectively known as the “Long-Term Funds.”

DKSOF, DKSOI, DKSO Master, DKSOI II, DKSO Master II, DKSO Master III, DKSOI III, DKSOF III and DKSOF III-A are closed-end funds focused on certain distressed opportunities and are collectively known as the “Special Opportunities Funds.”

Co. is a proprietary fund and is known as the “Proprietary Fund.”

Offers to sell interests in the Private Funds are made only by means of a Private Fund’s private placement memorandum and/or other governing documents, which contains information concerning an investment in the Private Fund, including a description of the material terms and risks of an investment.

For its Multi-Strategy Funds and the Proprietary Fund, the Adviser engages primarily in the following types of investment strategies:

- **Distressed Investments:** The Adviser effects this strategy by investing in the securities and financial instruments of issuers that are (or are perceived to be) experiencing financial distress or are overleveraged, are attempting to complete an out-of-court restructuring, are involved in a bankruptcy or similar proceeding and/or are involved in substantial litigation. Investments primarily are made in the senior part of a distressed company’s capital structure.
- **Risk Arbitrage:** The Adviser invests in mergers and acquisitions (or “risk”) arbitrage situations where issuers are the subject of proposed changes in corporate structure or control, such as tender or exchange offers, mergers, unsolicited merger proposals, spin-offs, split-offs, liquidations and recapitalizations.

- Long/Short Equities: The Adviser effects this strategy by investing in a long/short equities portfolio of securities that can be readily valued and trade at a discount or premium to the fair value of the underlying assets.
- Convertible Arbitrage: The Adviser invests in convertible arbitrage situations that attempt to extract value from the options “embedded” in convertible securities when such options appear mispriced relative to similar stand-alone options or historical volatility levels.
- Long/Short Credit: The Adviser invests in performing corporate high-yield and investment-grade bonds, credit default swaps and other debt that the Adviser believes are mispriced and have catalysts for credit improvement or deterioration.

The Distressed Funds’ investment objective is to generate positive absolute returns on capital through investments, long and short, in the securities and other financial instruments (including, without limitation, senior, secured and unsecured bank debt and public debt, junior debt, trade claims, equities, convertible securities, options, futures, swaps (including credit default swaps) and other derivatives) of companies that: (i) are (or are perceived to be) experiencing financial distress or are overleveraged; (ii) are attempting to complete an out-of-court restructuring, including spin-offs and recapitalizations; (iii) are involved in a bankruptcy, liquidation, or similar proceeding; and/or (iv) are involved in substantial litigation. Investments primarily are made in the lower part of a distressed company’s capital structure.

The Long-Term Funds’ investment objective is primarily to make investments in less liquid and/or longer-duration private and public securities and other financial instruments (including, without limitation, senior, secured and unsecured bank debt and public debt, junior debt, bonds, trade claims, equities and convertible securities, options, swaps (including credit default swaps) and other derivatives of U.S. and non-U.S. companies that are (i) experiencing financial distress; (ii) attempting to complete an out-of-court restructuring, including spin-offs and recapitalizations; (iii) involved in a bankruptcy, liquidation or similar proceeding; (iv) involved in substantial litigation; and/or (v) expected to have an investment horizon greater than two years). Portfolio investments may include, among other things, corporate investments, commercial real estate loans, asset-backed and structured products (including residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and collateralized debt obligations (“CDOs”)), longer-dated liquidations, private lending and other opportunities in distressed investments.

The Special Opportunities Funds’ investment objective is primarily to make investments in certain distressed opportunities.

Each of the strategies used by the Adviser has its own risk committee that oversees the risk management of that strategy. Each risk committee is chaired by Thomas L. Kempner, Jr., the Executive Managing Member of the Registrant, and is comprised of Jeff Hurwitz, the Chief Risk Officer of the Registrant, and one or more primary investment decision-makers that are involved in the management of the particular strategy, and may also include traders and other investment professionals responsible for the particular strategy, primary investment decision-makers that are not involved in the management of the strategy and/or certain other principal officers of the Registrant. Risk committees generally meet on a weekly or bi-weekly basis.

The Adviser’s regulatory assets under management were approximately \$30.2 billion as of July 31, 2016, and its net assets under management were approximately \$25.8 billion as of July 31, 2016. All managed assets are discretionary; there are no non-discretionary assets under management. DKCM and its Affiliates do not manage any wrap fee programs.

Item 5 Fees and Compensation

Compensation received by the Adviser from the Private Funds is comprised of fees based on a percentage of assets under management ("Management Fee") and annual performance allocations ("Performance Compensation"). The Adviser does not receive any compensation for the sale of securities. Management Fees are discussed in this Item 5. Performance Compensation is discussed in Item 6. All Management Fees and Performance Compensation are debited directly from Client accounts.

Management Fees are charged at annual rates of 1-2% of net assets of the relevant Multi-Strategy Fund or Distressed Fund, payable in advance on a monthly or quarterly basis. Management fees are charged at annual rates of 1.5% of contributed or committed capital of the relevant Long-Term Fund and 0.5-0.75% of net assets or contributed capital of the relevant Special Opportunities Fund, payable in advance on a quarterly basis. Fees are generally non-negotiable. However, the Adviser has discretion with respect to setting Management Fees and determining whether to reduce, waive or calculate differently the Management Fee with respect to investors that are affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons, and trusts or other entities for their benefit.

If an investor withdraws from a Private Fund prior to its termination, the investor will be entitled to any unearned prepaid portion of the Management Fee. Such unearned portions are paid out with the investor's withdrawals.

Special Investments (as defined in Item 8) generally are subject to the Management Fee described above and are carried at fair value (which may be cost) for purposes of determining the amount of the Management Fee.

The Adviser's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties.

Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Each Private Fund bears its own operating and other expenses, including, but not limited to, investment-related expenses whether relating to investments that are consummated or unconsummated (e.g., brokerage commissions, due diligence costs, investment banking fees, sourcing or finder's fees (which may include a management fee component and/or a performance fee component), borrowing charges on securities sold short, clearing and settlement charges, custodial fees, interest expense, consulting and other professional fees, expenses incurred by and relating to any Private Fund subsidiary or special purpose vehicle, investment-related travel and lodging expenses), and other expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of investments; research-related expenses (including, without limitation, news and quotation equipment and services, market data services, third party research consultant services, data providers and analytic services); investment- and trading-related computer hardware and software expenses (including order management and other systems); expenses related to portfolio and risk management products and services (including, without limitation, expenses related to portfolio and risk management software); expenses incurred in connection with currency exchanges and currency hedging (all or a portion of which may be allocated to a particular class of shares); legal and compliance expenses; professional fees (including, without limitation, expenses of consultants, valuation firms and other experts); expenses related to regulatory and compliance filings associated with the Private Fund and its investment activities (including, without limitation, expenses related to consulting services, software and systems in connection with such filings), e.g., Form PF and AIFMD filings (including Annex IV); the costs and expenses incurred in connection with any indebtedness of the Private Fund and its subsidiaries and special purpose vehicles (including, without limitation, the costs of establishing such indebtedness and loan administration costs); accounting, audit and tax compliance and preparation expenses (including, without limitation, accounting-, audit- or tax-related computer hardware and software); organizational expenses; expenses relating to the offer and sale of shares or interests; remuneration to members of the Board of Directors; Management Fees; fees to the administrator and auditor; costs of printing and mailing reports and notices; expenses related to the maintenance of the Private Fund's registered offices; corporate licensing and related fees; liability insurance and related insurance for the benefit of the Board of Directors, the Adviser and its affiliates (including the Private Fund's pro rata portion of any applicable insurance premiums);

indemnification expenses; bank service fees; withholding and transfer fees; taxes; extraordinary expenses and other similar expenses related to the Private Fund. A portion of research-related expenses may be paid for using "soft dollars."

Any expenses common to the Private Fund and any other funds or accounts managed by the Adviser or its affiliates generally will be borne by such entities in an equitable manner as determined by the Adviser.

The above description of the Private Fund expenses is not intended to be exhaustive. For a description of the fees and expenses borne by each Private Fund, please see the applicable Private Fund's offering memorandum and/or other governing documents.

Performance-Based Fees

Performance Compensation for the Multi-Strategy Funds and the Distressed Funds is generally equal to 20% of net realized and unrealized capital appreciation for each year, excluding unrealized appreciation attributable to Special Investments, after making up any losses carried forward from prior years. Performance Compensation is generally charged after the close of each calendar year and upon interim-year withdrawals.

Performance Compensation for the Long-Term Funds is in the form of carried interest generally equal to 20% of the net capital appreciation upon realization, the allocation and distribution of which is subject to hurdles, waterfalls and clawbacks. Performance Compensation for the Special Opportunities Funds is in the form of carried interest of up to 15% of the net capital appreciation upon realization, the allocation and distribution of which is subject to hurdles, waterfalls and clawbacks.

The Adviser has discretion with respect to setting the Performance Compensation and determining whether to reduce, waive or calculate differently the Performance Compensation with respect to investors that are affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons, and trusts or other entities for their benefit.

All Performance Compensation will be charged in accordance with Section 205 of the Investment Advisers Act of 1940, as amended, (the “Advisers Act”) and Rule 205-3 thereunder.

Performance Compensation arrangements may create an incentive for the Adviser to make investments that may be riskier or more speculative than would be the case if such arrangement were not in effect. In addition, because Performance Compensation is generally calculated on a basis that includes unrealized capital appreciation, it may be greater than if such compensation were based solely on realized gains.

In the allocation of investment opportunities, performance-based fee arrangements may also create an incentive to favor accounts that pay greater performance fees over accounts that pay lesser performance fees. The Adviser has adopted allocation policies, which are further described below, to ensure that all of the Clients are treated fairly and equally and to prevent this and other forms of conflicts from influencing the allocation of investment opportunities among the Clients.

Side-by-Side Management

Through the Proprietary Fund, the Registrant’s Managing Members (as defined in Item 10) and affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons, and trusts or other entities for their benefit, invest side-by-side with the Multi-Strategy Funds and invest indirectly in certain of the Multi-Strategy Funds, the Distressed Funds, the Long-Term Funds and the Special Opportunities Funds.

The Adviser intends to allocate investment opportunities to the Clients in a manner that it believes to be appropriate in light of the investment objectives of the Clients. The Adviser may be presented with investment opportunities that fall within the investment objectives of multiple Clients and multiple Clients may employ substantially similar strategies.

In general, the Adviser seeks to allocate investment opportunities relating to new positions among the investment portfolios of the Multi-Strategy Funds, the Proprietary Fund, the Distressed Funds and the Long-Term Funds (the “Relevant Funds”) based on pre-determined allocation methodologies, as modified from time to time, including, without limitation, *pro rata* allocations based on capital attributable to the relevant strategy of each of the Relevant Funds. The Special Opportunities Funds will co-invest alongside one or more of the Relevant Funds in an investment only after those entities have received their appropriate allocation of such investment. When the Adviser deems it appropriate and consistent with the interests of a Long-Term Fund or a Special Opportunities Fund, the Adviser may provide co-investment opportunities to one or more affiliated investment vehicles formed to co-invest

with, or invest alongside, such Long-Term Fund or Special Opportunities Fund, as permitted by the relevant governing documents of such fund. When adding to a previously-created investment position that is consistent with the investment program of several of the Relevant Funds, the Adviser's allocation process will allocate the additional investment in a manner that seeks to cause each Relevant Fund's ownership of the aggregate investment in the position to be its *pro rata* share of the entire position based on the then-current net asset values of the applicable Relevant Funds. Thus, while the additional investment itself might not be allocated *pro rata*, the resulting total position will be, or will be closer to, *pro rata* based on the then-current net asset values of the applicable Relevant Funds.

If necessary, *pro rata* allocation will not be used when deviations are warranted as a result of differing investment restrictions, different liquidity requirements (for example, as a consequence of investor subscriptions or redemptions), the size of the opportunity (for example, where allocations would result in odd-lots or a de minimis allocation to one or more of the Clients) or other differentiating circumstances (including tax, regulatory or other considerations). In particular, where a Client employs an investment program dedicated to a specialized strategy (such as distressed debt) and other Clients also invest a portion of their portfolio in such strategy, the Adviser will identify each such Client and establish a pre-determined allocation ratio with respect to investments in such specialized strategy. Ratios will be based on the assets of each Client invested in such specialized strategy and will be modified from time to time. In certain circumstances, based upon the risk/reward profile of particular investments, certain investments may be allocated *pro rata* across the related portfolios of the Clients based on capital attributable to such portfolio.

In general, when the Adviser determines that it would be appropriate for the Clients to participate in an investment opportunity, the Adviser will seek to aggregate orders for all of the participating Clients, on an equitable basis. The Clients that participate in an aggregated order will generally participate at the average price for all of the transactions in that security with respect to each buy/sell program on a given business day, with transaction costs generally shared *pro rata* based on the Clients' participation in the transaction. The effect of such aggregation may operate on some occasions to a Client's disadvantage. Specifically, if the Adviser has determined to invest at the same time for more than one of the Clients, the Adviser may place combined orders for all such Clients simultaneously and if any order is not filled at the same price, it may average the prices paid. Similarly, if an order on behalf of more than one Client cannot be fully executed under prevailing market conditions, the Adviser may allocate the securities traded among the different Clients on the basis that it considers equitable. In these circumstances, each Client would pay, in connection with the acquisition of securities by more than one Client, the average price per unit acquired, which may be higher than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone. There may be corresponding potential disadvantages when more than one Client simultaneously seeks to dispose of commonly held securities and other investment positions.

Situations may occur where a Client could be disadvantaged because of the activities conducted by the Adviser for other Clients. Such situations may be based on, among other things: legal restrictions on the combined size of positions which may be taken for all Clients managed by the Adviser or the difficulty of liquidating an investment for more than one Client where the market cannot absorb the sale of the combined positions; or the determination that a particular investment is warranted only if hedged with an option and there is a limited availability of such options. Instances also may arise where the Adviser determines an investment opportunity to be suitable for more than one Client but the market is too illiquid to enable each to participate to the extent advisable. In the above situations, or in other situations in which conflicts arise, the Adviser will endeavor to allocate investment opportunities fairly; nevertheless, from time to time as any given conflict situation arises, such conflict may be resolved in a manner detrimental to a particular Client.

In addition, the Adviser may give advice or take action with respect to the investments of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives, and strategies. Accordingly, Client accounts with similar strategies may not hold the same securities or instruments or achieve the same performance. The Adviser also may advise Clients with conflicting programs, objectives or strategies. These activities also may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients.

The Adviser and its personnel may have conflicts in allocating their time and services among the Clients. The

Adviser will devote as much time to each Client as the Adviser deems appropriate to perform its duties in accordance with its management agreements.

From time to time, subject to applicable restrictions under the Private Funds' investment guidelines and restrictions, the Adviser may direct one of its Private Funds to sell securities to, or buy any securities from, another Private Fund through a cross transaction in which neither the Adviser nor a related person will receive compensation. Any such transaction will be effected based on the then current independent market price and consistent with valuation procedures established by the Adviser. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in the Private Fund by the Adviser and its personnel or affiliates, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that the Adviser will notify the relevant Private Fund (or an independent representative of the Private Fund) in writing of the transaction and obtain the consent of the Private Fund (or an independent representative).

The Adviser may purchase securities offered in initial public offerings ("New Issues") on behalf of certain of the Clients. Pursuant to FINRA Rule 5130, FINRA Rule 5131 and FINRA/NASD interpretations thereof, the Adviser may allocate New Issues among the Clients eligible to invest in New Issues in proportion to their relative capital balances or any other basis that it considers in compliance with the FINRA rules. However, Clients without sufficient available capital may not be allocated New Issues. The Adviser does not allocate the profits and losses from New Issues to fund investors who are "restricted persons" under the FINRA rules.

Item 7 Types of *Clients*

As noted in Item 4 above, the Adviser provides investment advice and investment management services to the Private Funds, which are pooled investment vehicles that are organized as domestic limited partnerships or offshore corporations or limited partnerships (e.g., hedge funds). Investors in the Proprietary Fund are comprised solely of the Registrant's Managing Members and affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons and trusts or other entities for their benefit. Investors in the other Private Funds may include some or all of the following: individuals; banks or thrift institutions; investment companies; pension and profit sharing plans; trusts, estates or charitable organizations; and corporations or other business entities.

Generally, investors in the Private Funds must make a minimum investment of \$2 million to \$5 million, as applicable, to the relevant Private Fund. In addition, investors in the Private Funds generally must be "accredited investors," as defined in Rule 501(a) of Regulation D, promulgated pursuant to Section 4(2) of the Securities Act of 1933, as amended, and "qualified purchasers," as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

The Adviser invests Client assets using a variety of arbitrage and other event-driven strategies, including “risk” arbitrage transactions and investments in financially distressed companies. The Adviser’s investment decisions and advice with respect to the Private Funds are in accordance with their investment objectives and guidelines as set forth in each Private Fund’s respective private placement memorandum and/or other governing documents. The Adviser regularly obtains advice from attorneys, accountants and other experts to assist in its analysis of investment situations.

As noted in Item 4 above, the Adviser’s significant investment strategies include: (i) distressed investing; (ii) mergers and acquisitions (or “risk”) arbitrage; (iii) long/short equities; (iv) convertible and volatility arbitrage; and (v) long/short credit.

8.A. Methods of Analysis and Investment Strategies

The Adviser’s distressed investments strategy involves investing in securities or other financial instruments of stressed or distressed companies undergoing liquidation, restructuring, refinancing pressures or substantial litigation. As distressed investment opportunities are identified, they are subjected to rigorous, fundamental, bottom up analysis. This analysis addresses, where appropriate, legal, financial, regulatory, litigation and timing issues. Investment memoranda summarizing the investment’s thesis, likely sequence of events, and potential risks and rewards are generally prepared for every distressed investment (other than asset-backed products for which detailed models are prepared), and updated over the course of the investment life.

The Adviser’s merger arbitrage strategy involves investing in securities with an announced or anticipated hard catalyst and a clearly defined risk/return trade profile. Hard catalysts include, among other things, announced merger or takeover offers (friendly and unsolicited), tender offers, auctions, exchange offers, spin-offs, re-capitalizations and legal/regulatory events. In response to, or in anticipation of, a hard catalyst event, the Adviser conducts a detailed analysis of the business and financial conditions of the relevant company, analyzes the processes surrounding the event and determines how the anticipated outcome of the event may affect the trading prices of the company’s securities. Based on this analysis, the Adviser attempts to purchase these securities at a discount to what it believes their value will be on the consummation of the proposed event and may structure investments to seek to maximize potential returns.

The Adviser’s long/short equities strategy involves investing in (i) long positions that the Adviser believes are undervalued by the market relative to their intrinsic or fundamental value and trade at a discount to such value and (ii) short positions that the Adviser believes to be fundamentally overvalued by the market and trade at a premium to fair value.

The Adviser’s convertible and volatility arbitrage strategy encompasses traditional convertible bond arbitrage, as well as opportunistic relative value volatility trades.

The Adviser’s long/short credit strategy invests in performing corporate high-yield and investment-grade bonds, credit default swaps and other debt. The Adviser uses a fundamental research process to analyze individual companies and sectors in the credit markets and then initiates long positions in companies that the Adviser believes are undervalued and have catalysts for credit improvement and initiates short positions in companies that the Adviser believes are overvalued and have catalysts for credit deterioration.

As part of its investment activities or to hedge against the risk of market fluctuation, the Adviser sells securities short and utilizes certain other hedging techniques when appropriate. Such techniques may include capital structure arbitrage to take advantage of inefficiencies in the pricing between securities of the same or affiliated issuers, short positions in debt or equity securities in the cash market and use of the credit derivatives market to establish short positions in securities. The Adviser may also use various indices to partially hedge the Client’s portfolio or certain positions during certain market cycles. The Adviser is not obligated to hedge a Client’s portfolio, and there is no guarantee that its hedges will be successful.

In making event driven investments, the Adviser may invest at any or all levels of an issuer's capital structure, including equity and debt securities and derivative products.

8.B. Certain Material Risks

Investing in securities involves risk of loss that clients should be prepared to bear. Because these risk factors are not a complete list or explanation of all of the risks to investors in the Private Funds, all such investors should read this brochure and any offering memorandum and/or other governing documents of the particular Private Fund before making an investment in that Private Fund.

Distressed Investing

The Adviser may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. There are risks associated with distressed investing. Specifically, it frequently may be difficult to obtain information as to the true condition of entities in troubled condition. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. In addition, troubled companies' ability to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. There is no minimum credit standard that is a prerequisite to the Adviser's investment in any instrument, and a significant portion of the obligations and securities in which the Adviser invests may be less than investment grade.

The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the value of the assets underlying the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Adviser invests, the Client may lose its entire investment, may be required to accept cash or securities with a value less than the Client's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Adviser's investments may not compensate the Client adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, 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 of the security in respect of which such distribution is made.

In certain transactions, the Adviser may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Some of the investments the Adviser make may require active monitoring and representation on official and unofficial creditors committees for the company. Accordingly, the Adviser may seek representation on such committees from time to time if the Adviser, in its discretion, determines that such representation is necessary or advisable to protect or further the Client's interests. Serving on an official or unofficial committee increases the possibility that the Adviser will be deemed an "insider" or a "fiduciary" of the company it has so assisted and may restrict the Adviser's trading of investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, the Bankruptcy Court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" with respect to any claim or equity interest in such company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company. Claims of equitable subordination may also arise outside of the context of the Adviser's managerial activities. In addition, if representation on a creditors committee of a company causes the Adviser to be deemed an affiliate of the company, the securities of such company may become restricted securities,

which are not freely tradable. As each Private Fund will indemnify the Adviser, its board of directors (if applicable) or any other person serving on a committee on its behalf for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on such Private Fund's investment in a reorganization company.

Risk Arbitrage

Mergers and acquisitions ("risk") arbitrage involves the purchase of securities of companies that are the subject of announced or anticipated acquisition attempts, exchange offers, cash tender offers or corporate reorganizations or restructurings such as mergers or liquidations. The arbitrageur derives its profit or loss by realizing the price differential between the market price of the securities purchased and the value ultimately realized from their disposition, plus any dividends and interest received, and less transaction costs such as brokerage commissions, interest expenses and dividends payable as a result of short sales.

The primary risk in merger and acquisitions arbitrage is the risk that the proposed merger or acquisition does not or appears that it will not materialize. In such a case, the market price of the securities will usually decline to a level comparable to or below that which existed prior to the announcement, causing the Client to suffer a loss with respect to any long positions that it has established in the underlying security. In addition, after the Adviser has established a short position in connection with a risk arbitrage related investment, if it appears that the transaction is proceeding contrary to expectations, the Adviser may experience losses by covering its short positions.

Long/Short Equities

The Adviser may invest in equity securities and equity derivative securities that the Adviser believes are undervalued by the market relative to their intrinsic or fundamental value and trade at a discount, or initiate short positions that it believes are fundamentally overvalued by the market. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Private Funds may suffer losses if the Adviser invests in equity instruments of issuers whose performance diverges from the Adviser's expectations or if equity markets generally move in a single direction and the Adviser has not sufficiently hedged against such a general move. The Private Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Convertible and Volatility Arbitrage

Convertible arbitrage strategies involve investing in convertible securities that appear incorrectly valued relative to their theoretical value. The strategy consists of the purchase (or short sale) of a convertible security coupled with the short sale (or purchase) of the underlying security for which the convertible security can be exchanged to exploit price differentials. The Adviser may seek to hedge out the risk inherent in the stock; the remaining risk may or may not be hedged. The Adviser may engage in volatility arbitrage by using strategies that take advantage of the difference between the forecasted future volatility of a security or index and the implied volatility of options based on that security.

Convertible and volatility arbitrage strategies generally involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the position will occur. Such positions, however, are subject to a substantial risk that the price differential could change unfavorably, causing a loss to the spread position. An unfavorable change to the price differential could arise as a result of various factors, including, without limitation, credit risk, equity performance risk, interest rate risk, option premium risk, dividend policy risk, corporate action risk, volatility risk, financing risk, short-stock facilities risk and counterparty credit risk. Substantial risks also are involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks.

Long/Short Credit

The long/short credit strategy involves investments in performing corporate high-yield and investment-grade bonds, credit default swaps and other debt. Debt instruments face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. High-yield and investment-grade debt instruments are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. The market values of certain high-yield debt instruments tend to reflect individual corporate developments to a greater extent than do investment-grade debt instruments which react primarily to fluctuations in the general level of interest rates, and high-yield debt instruments tend to be more sensitive to economic conditions than are investment-grade debt instruments. Companies that issue high-yield debt instruments are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for debt instruments and may have an adverse impact on the value of such instruments. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of debt instruments, particularly high-yield debt instruments, to repay principal and pay interest thereon and increase the incidence of default of such instruments.

Additionally, as investment-grade debt becomes lower-rated and approaches or becomes high-yield debt (or *vice versa*), there may be large fluctuations in the prices of these instruments because of changes in the ownership base of such assets. Certain market participants are prohibited from investing in high-yield debt, so they would be forced to sell any investment-grade debt that becomes high-yield debt, possibly at a depressed price. The purchasers of such assets often demand higher interest rates on debt once it is considered high-yield, which could also negatively affect the asset price.

Investments Outside of the United States

The Adviser's investments outside of the United States may involve certain additional risks. Many financial markets are not as developed or as efficient as those in the United States and certain Western European countries. Therefore, investments in less efficient markets may have less liquidity and more price volatility than investments in a more efficient market would have. In addition to business uncertainties, investments outside of the United States may be affected by political, social and economic uncertainty affecting a particular country or region. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting and reporting standards and practices may differ, and there may be less publicly available information in respect of such companies.

Special Investments

The Multi-Strategy Funds and the Distressed Funds may be invested in securities and instruments that the Adviser determines to be illiquid and lacking a readily assessable market value or that the Adviser determines should be held until the resolution of a special event or circumstance (each a "Special Investment"). Such Special Investments may be maintained in special investment accounts. Special Investments generally are subject to the Management Fee described in Item 5 and are carried at fair value (which may be cost) for purposes of determining the amount of the Management Fee. Gains and losses attributable to Special Investments are not considered in determining Performance Compensation until such gains and losses are realized.

Adviser Activities

In the course of operating its business, the Adviser or its affiliates may engage or enter into transactions with third party service providers and counterparties that provide services to or engage in transactions with the Private Funds, including prime brokers and other brokers, banks and other service providers. Such third-party service providers may provide services that are beneficial to the Adviser, but not necessarily beneficial to the Private Funds, such as capital introduction, banking services, consulting or advisory services. In particular, a financial institution which provides a significant amount of services to the Private Funds (such as prime brokerage, custodial, execution and other services) has provided a revolving line of credit to the Adviser secured by the Adviser's right to receive management fees from the Multi-Strategy Funds. In addition, some service providers may be global firms with affiliated banking or other financial advisory divisions, and may have various relationships with principals or

employees of the Adviser or its affiliates, including providing personal services such as lines of credit, personal loans, banking, advisory, tax or accounting services.

Because the Adviser uses service providers that also provide services to the Private Funds, the Adviser may be subject to conflicts of interest relating to the selection of third party service providers and counterparties on behalf of the Private Funds.

Item 9 Disciplinary Information

To the best of the Adviser's knowledge, there are no legal or disciplinary events that the Adviser believes would be material to the Clients' or prospective Clients' evaluation of the Adviser's advisory business or the integrity of its management.

Neither the Adviser nor its management personnel (i) are registered as broker-dealers or (ii) have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

Neither the Adviser nor its management personnel (i) are registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing or (ii) have any application pending to register with respect to any of the foregoing.

The Adviser does not recommend or select other investment advisers for its Clients.

10.C. Material Relationships

The Registrant and its Affiliates provide investment advice and investment management services to the Private Funds listed in Item 4 above. The Registrant or one or more of its Affiliates serves as the investment adviser, investment manager or general partner with full discretionary authority with respect to investment and trading decisions on behalf of the Clients' accounts.

DKEP and DK Asia are advisers to the Registrant.

The Registrant is the investment manager of DKIP, DKIL, DKIL BVI, DKP and Co., and subadviser to the Distressed Funds, the Long-Term Funds and the Special Opportunities Funds. The limited partners of the Registrant are Thomas L. Kempner, Jr., Timothy I. Levart, Robert J. Brivio, Jr., Eric P. Epstein, Anthony A. Yoseloff, Avram Z. Friedman, Conor Bastable, Morgan P. Blackwell, Shulamit Leviant, Patrick W. Dennis and Gabriel T. Schwartz (the "Managing Members"), with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

Davidson Kempner Advisers Inc., a New York corporation ("DKAI"), is the general partner of DKIP. The Managing Members are also the voting shareholders of DKAI and the members of the Board of Directors of DKAI and hold all of the offices of DKAI.

MHD Management Co., a New York limited partnership ("MHD"), is the general partner of DKP. MHD Management Co. GP, L.L.C., a Delaware limited liability company ("MHD GP"), is the general partner of MHD. The Managing Members are also the managing members of MHD GP, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

M.H. Davidson & Co. GP, L.L.C., a Delaware limited liability company ("MHD & Co. GP"), is the general partner of Co. Each of the Managing Members is a managing member of MHD & Co. GP, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

DKIL GP LLC, a Delaware limited liability company ("DKIL GP"), is a shareholder of DKIL and provides oversight of DKCM's investment of DKIL's assets. Each of the Managing Members is a managing member of DKIL GP, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

DK Management Partners LP, a Delaware limited partnership ("DKMP"), is the investment manager of each of the Distressed Funds. Each of the Managing Members is a limited partner of DKMP. The Registrant provides administrative and investment management services to DKMP.

DKDOI GP LLC, a Delaware limited liability company ("DKDOI GP"), is a shareholder of DKDOI and provides oversight of DKMP's investment of DKDOI's assets. Each of the Managing Members is a managing member of DKDOI GP, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

DK Group LLC, a Delaware limited liability company (“DKG”), is the general partner of DKDOF. Each of the Managing Members is a managing member of DKG, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

DK Long-Term Management LP, a Delaware limited partnership (“DKLTM”), is the investment manager of each of the Long-Term Funds and the Special Opportunities Funds. Each of the Managing Members is a limited partner of DKLTM. The Registrant provides administrative and investment management services to DKLTM.

Davidson Kempner Long-Term Distressed Opportunities GP LLC, a Delaware limited liability company (“DKLDO GP”), is the general partner of DKLDOF, DKLDOI Master, DKLDOI, DKSO, DKSOI and DKSO Master. Each of the Managing Members is a managing member of DKLDO GP, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

Davidson Kempner Long-Term Distressed Opportunities GP II LLC, a Delaware limited liability company (“DKLDO GP II”), is the general partner of DKLDOF II, DKLDOI Master II and DKLDOI II. Each of the Managing Members is a managing member of DKLDO GP II, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

Davidson Kempner Long-Term Distressed Opportunities GP III LLC, a Delaware limited liability company (“DKLDO GP III”), is the general partner of DKLDOF III, DKLDOI Master III and DKLDOI III. Each of the Managing Members is a managing member of DKLDO GP III, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

Davidson Kempner Special Opportunities GP II LLC (“DKSO GP II”), is the general partner of DKSOI II and DKSOI Master II. Each of the Managing Members is a managing member of DKSO GP II, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

Davidson Kempner Special Opportunities GP III LLC (“DKSO GP III”), is the general partner of DSKOI III, DKSO, DKSOI Master III and DKSOI Master III-A. Each of the Managing Members is a managing member of DKSO GP III, with Thomas L. Kempner, Jr. serving as Executive Managing Member and Anthony A. Yoseloff serving as Deputy Executive Managing Member.

The Registrant, DKAI, MHD, MHD GP, MHD & Co. GP, DKIL GP, DKMP, DKDOI GP, DKG, DKLTM, DKLDO GP, DKLDO GP II, DKLDO GP III, DKSO GP II, and DKSO GP III are affiliates (collectively, “Affiliates”), subject to the common control of the Managing Members. As noted in Item 6, through the Proprietary Fund, the Managing Members invest side-by-side with the Multi-Strategy Funds and invest indirectly in certain of the Multi-Strategy Funds, the Distressed Funds, the Long-Term Funds and the Special Opportunities Funds. In addition, the Registrant and the Affiliates and their personnel may also invest in eligible Private Funds of their choosing but are not required to invest in all Private Funds. It is expected that, if such investments are made, the size and nature of these investments will change over time.

The Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Adviser has adopted a Code of Ethics (the “Code”). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of Clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions at the firm; information concerning the identity of securities and financial circumstances of the Clients, including the Clients’ investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times.

With respect to restrictions on personal securities transactions, limited trading by employees is permitted. “Permitted” employee transactions include investments in ETFs, iShares, HOLDERS, SPDRs, QQQQs, closed-end mutual funds, options on ETFs and index options, physical commodities or currencies, non-defaulted government bonds of any sovereign government, variable and indexed annuities and private investments, such as investments in private investment funds, including funds of funds and real estate investments, which do not compete with the investment strategies of the Adviser. Employees are required to report to the Adviser any transactions in the foregoing securities and, in certain circumstances, transactions in such securities require pre-approval. Employees may also engage in “exempt” transactions which include investments in money-market funds, unaffiliated open-end mutual funds, unaffiliated unit investment trusts that are invested exclusively in one or more open-end mutual funds, certificates of deposit, bankers’ acceptances, high-quality short-term debt obligations and direct obligations of the U.S. government. Employees are not required to report to the Adviser any transactions in the foregoing securities. Except for extremely limited circumstances, e.g., liquidating legacy positions or receipt of such investments as an inheritance, gift or distribution, employees are prohibited from transacting in corporate debt, common and preferred stock, warrants, convertibles, options on securities, futures, interests in investment clubs, IPOs or limited offerings, municipal bonds and commercial paper. Employees must be granted approval for the disposition of legacy positions or investments held as a result of inheritances, gifts or distributions.

When liquidating such positions in prohibited investments, employees must submit a trade pre-approval request which requires the pre-approval of the Adviser’s Chief Compliance Officer, the employee’s manager and the Adviser’s Head Trader. Employees are generally prohibited from liquidating legacy positions if the Adviser holds a position in the issuer.

Employees are prohibited from short-term trading and, as a result, must maintain permitted investment positions in their personal accounts for a minimum of 30 days, calculated on a first-in/first-out basis.

Unless an exception is granted, employee personal accounts must be maintained at the broker-dealers designated by the Adviser. Duplicate confirmations for all transactions must be provided to the Adviser as well as duplicate monthly account statements, regardless of where the account is maintained.

Upon hire, employees are required to submit to Compliance a report disclosing all personal accounts over which they exercise influence, control or discretion, and any permitted or prohibited investments held in those accounts. On a quarterly and annual basis, all employees must submit reports disclosing all permitted and prohibited personal investment transactions.

The Adviser will provide a copy of the Code to any investor or prospective investor upon request. A copy of the Code may be requested by contacting the Adviser at the address or telephone number listed on the cover page of this document.

The Adviser also has a Material Non-Public Information Policy and Procedures (the “MNPI Policy”) that are designed to prevent the misuse of material, non-public information. The Adviser’s personnel are required to certify to their compliance with the Code, including the MNPI Policy, on a periodic basis.

As noted previously, the Adviser has full discretionary authority to manage the investments of the Clients, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Adviser's authority is limited by its own internal policies and procedures and each Client's investment guidelines. The Adviser does not permit directed brokerage arrangements.

Best Execution

In selecting an appropriate broker-dealer to effect a client trade, the Adviser seeks to obtain best execution, taking into consideration the price of a security offered by the broker-dealer, as well as a broker-dealer's full range and quality of services including, among other things, its facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to the Adviser, brokerage and research services provided to the Adviser (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services. If the Adviser decides, based on the factors set forth above, to execute transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another: the ease of use, the flexibility of the ECN compared to other ECNs, and the level of care and attention that will be given to smaller orders. The Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

Research and Other Soft Dollar Benefits

From time to time, the Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Client transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Adviser believes it is important to its investment decision-making processes to have access to independent research.

Generally, research provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with securities analysts. In addition, such research services may be provided in the form of access to various computer-generated data and meetings arranged with corporate and industry spokespersons, economists, academics, and government representatives. In some cases, the research services and products provided by the broker-dealer may be generated by third parties but are provided directly from the broker-dealer. Also, consistent with Section 28(e), research products or services obtained with soft dollars generated by one or more Clients may be used by the Adviser to service one or more other Clients. The Registrant has entered into commission sharing agreements whereby the Private Funds pay a broker-dealer for trade execution and the Registrant requests that the broker-dealer allocate a portion of the commissions to third-party providers of research or other products or services.

When the Adviser uses client brokerage commissions to obtain research or other products or services, it may receive a benefit because it does not have to produce or pay for the research, products or services. The receipt of research and other "soft-dollar" benefits from broker-dealers may provide an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the Client's interest in receiving the most favorable execution.

At least annually, the Adviser considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the

brokerage business of the Clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

In the last fiscal year, the Adviser acquired the following types of research and related products or services from brokers with whom it did business: written information and analysis concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research and industry personnel; and financial and industry publications.

Additional Brokerage Considerations

From time to time, the Private Funds may accept investments from full-service financial firms who are investing on their own behalf or on behalf of third parties. The financial service firms may have related entities that include broker-dealers and the Adviser may from time to time utilize these broker-dealers when the Adviser believes that a particular broker-dealer provides best execution for client transactions. The Adviser does not take these investments into consideration when determining which broker-dealers to use to execute client transactions.

The Adviser has entered into agreements on behalf of the Clients with certain brokers-dealers that act as prime brokers on behalf of the Clients. From time to time, the Adviser's personnel may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by those prime brokers. These conferences and programs may be a means by which the Adviser can be introduced to potential investors in the Private Funds. Currently, neither the Adviser nor the Private Funds compensate prime brokers for organizing such "capital introduction" events or for any investments ultimately made by prospective investors attending such events. While such events and other services provided by a prime broker (which otherwise meets all applicable best execution criteria) may influence the Adviser in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Private Funds, the Adviser will not commit to allocate a particular amount of brokerage to a broker-dealer in any such situation.

Aggregation of Orders

Please see Item 6 for a discussion of the Adviser's practice concerning the aggregation of Client orders.

Trade Errors

On occasion, trade errors may occur with respect to trades executed, directly or indirectly, on behalf of one or more Clients. It is the Adviser's policy to ensure that each trade error is corrected in an expeditious manner.

Trade errors occur when an order is not executed according to the Adviser's intent and instructions due to a mistake of fact, processing error or other similar reason. Trade errors occur in connection with: (i) the placement of orders (either purchases or sales) in excess of the amount of securities the Adviser 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; and (iv) the purchase or sale of the wrong security or instrument. Examples of trade errors include keystroke errors that occur when entering trades into an electronic trading system, failures of oral communication between traders and the Adviser's personnel involved in trading support, typographical or drafting errors related to contracts or agreements and mistakes made on the part of an executing broker.

If the trade error results in a net loss with respect to a Client, an amount equal to such net loss will be credited to the relevant Client. The Adviser will reimburse such Client, or cause such Client to be reimbursed, as soon as reasonably practicable, for any net loss so credited to the Client; provided that, to the extent of any losses due to a trade error caused by the mistake of a third party (such as a broker), the Adviser shall endeavor to recover such losses from such third party.

If the trade error results in a net gain with respect to a Client, such amount will be credited to the relevant Client. Soft dollars may not be used, either directly or indirectly, to correct trade errors.

Notwithstanding the foregoing, after the complete investigation and evaluation of the circumstances surrounding a trade error, the Adviser has the discretion to resolve a particular trade error in a manner other than specified above.

Item 13 Review of Accounts

Principal officers of the Adviser generally review accounts on a daily, weekly, monthly, quarterly and periodic basis. Such principal officers include Messrs. Thomas L. Kempner, Jr., Timothy I. Levart, Robert J. Brivio, Jr., Anthony A. Yoseloff, Avram Z. Friedman, Conor Bastable, Michael S. C. Herzog, Morgan P. Blackwell, Chris Krishanthan, Patrick W. Dennis and Gabriel T. Schwartz.

Investors in the Private Funds (other than the Proprietary Fund) receive quarterly letters from the Adviser describing the performance of the relevant Private Fund, along with a commentary by the Adviser. Information is also made available to the investors in the Private Funds through the Adviser's password protected website. In addition, the Adviser issues to investors tax reports and annual audited financial statements concerning the relevant Private Fund within 120 days of the end of the Private Fund's fiscal year.

Item 14 *Client* Referrals and Other Compensation

The Adviser does not receive any economic benefit from anyone, other than its Clients, for providing investment advice or advisory services to its Clients.

Item 15 *Custody*

With respect to the custody of funds and securities held by the Private Funds, the Adviser relies upon the exception under Rule 206(4)-2(b)(4) of the Advisers Act, pursuant to which the Adviser is exempted from, or deemed to be in compliance with, certain requirements under Rule 206(4)-2 relating to the custody of client funds or securities. In accordance with the conditions of that exception, the Adviser distributes audited financial statements for each Private Fund to the Private Fund's investors within 120 days of the end of the fiscal year of the Private Fund.

Item 16 Investment Discretion

As noted in Item 4 above, the Adviser has been appointed as the investment adviser, investment manager or general partner with full discretionary authority with respect to investment decisions on behalf of, and trading in, the Clients' accounts.

Investment guidelines and restrictions are set forth in writing in the respective offering memorandum and/or other governing documents for each Private Fund. When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the relevant Private Fund for which it advises.

Generally, the Adviser seeks to maintain on behalf of the Private Funds a diversified portfolio, subject to the following limitations:

- Distressed Funds: no more than 20% of net assets in the securities of a single issuer;
- Long-Term Funds: no more than 20% of net assets in the securities of a single issuer; and
- Multi-Strategy Funds: no more than 25% of net assets in the securities of a single issuer.

The Distressed Funds, the Long-Term Funds, the Multi-Strategy Funds and the Special Opportunities Funds are not subject to any geographic guidelines or restrictions.

Item 17 Voting *Client* Securities

The SEC adopted Rule 206(4)-6, which requires registered investment advisers that exercise voting authority over Client securities to implement proxy-voting policies. In compliance with such rule, the Adviser has adopted proxy voting policies and procedures (the “Policies”).

The general policy is to vote proxy proposals, amendments, consents or resolutions relating to securities, including interests in pooled investment vehicles, if any (collectively, “proxies”), in a manner that serves the best interests of the Clients, as determined by the Adviser in its discretion, taking into account the following factors: (i) the views of management; (ii) the impact on the value of the investments; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In addition, the Adviser may not vote proxies in certain situations where the associated costs outweigh the anticipated benefits to Clients.

If a material conflict of interest exists between the interests of the Adviser and those of the relevant Client with respect to any issue to be voted on, the Adviser will base its voting decision exclusively on the Adviser’s judgment of what will best serve the financial interests of the Client that beneficially owns the securities that are the subject of the vote.

Investors in a Private Fund may request a copy of the Policies and the proxy voting record relating to the relevant Private Fund by contacting the Adviser.

Item 18 Financial Information

The Adviser is not required to attach a balance sheet because it does not require or solicit the payment of fees six months or more in advance.

The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Clients.

The Adviser has not been the subject of a bankruptcy proceeding during the past ten years.