

The Depository Trust Company

IMPORTANT

B#: 0602

DATE: September 27, 2000

TO: All Participants
Managing Partner/Officer; Cashier and Operations

CATEGORY: Settlement/Underwriting

FROM: Denise Russo, Director, Underwriting Dept.

ATTENTION: Data Processing and Underwriting Managers

SUBJECT: Section 3(c)(7) Restrictions for Diamond Investment Grade
CDO, Ltd./Diamond Investment Grade Corp.
Class A, B-1, B-2 Notes Due 2014

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|-----|-----------------------|---|--------------------------|---------------------------|
| (A) | CUSIP Number: | Class A 252670AA2 | Class B-1 252670AC8 | Class B-2 252670AE4 |
| (B) | Security Description: | Diamond Investment Grade CDO, Ltd./Diamond Investment Grade Corp., Class A, B-1, B-2 Notes Due 2014 | | |
| (C) | Offer Amount: | Class A \$113,000,000 | Class B-1 \$5,000,000 | Class B-2 \$36,000,000 |
| (D) | Managing Underwriter: | J.P. Morgan Securities | | |
| (E) | Paying Agent: | Chase Manhattan Bank/Texas | | |
| (F) | Closing Date: | September 26, 2000 | | |

Special Instructions:

Refer to the attachments for important instructions from the issuer.

**DIAMOND INVESTMENT GRADE CDO, LTD.
DIAMOND INVESTMENT GRADE CDO CORP.
\$500,000,000 CLASS A, B-1, B-2 NOTES and PREFERENCE SHARES DUE 10/11/04**

The Issuer and the lead J.P. Morgan Securities Inc. are putting Participants on notice that they are required to follow these purchase and transfer restrictions with regard to the above-referenced security.

In order to qualify for the exemption provided by Section 3(c)(7) under the Investment Company Act of 1940, as amended (the "Investment Company Act"), and the exemption provided by Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), offers, sales and resales of the DIAMOND INVESTMENT GRADE CDO, LTD. / DIAMOND INVESTMENT GRADE CDO CORP. (the "Securities") within the United States or to U.S. Persons may only be made in minimum denominations of 1,000,000 and integral multiples of 1,000 in excess thereof to "qualified institutional buyers" ("QIBs") within the meaning of Rule 144A that are also "qualified purchasers" ("QPs") within the meaning of Section 2(a)(51)(A) of the Investment Company Act. Each purchaser of Securities (i) represents to and agrees with the Issuer and the J.P. Morgan Securities Inc. that (A) (i) the purchaser is a QIB who is a QP (a "QIB/QP"); (ii) the purchaser is not a broker-dealer which owns and invests on a discretionary basis less than \$25 million in securities of unaffiliated issuers; (iii) the purchaser is not a participant-directed employee plan, such as a 401(k) plan; (iv) the QIB/QP is acting for its own account, or the account of another QIB/QP; (v) the purchaser is not formed for the purpose of investing in the Issuer; (vi) if the purchaser is itself a 3(c)(1), 3(c)(7) or 7(d) private investment company and was formed before April 30, 1996, it has received the necessary consent from its beneficial owners; (vii) the purchaser, and each account for which it is purchasing, will hold at least the minimum denomination of securities; and (viii) the purchaser will provide notice of the transfer restrictions to any subsequent transferees; or (B) it is not a U.S. Person and is purchasing the Securities outside the United States and (ii) acknowledges that the Issuer has not been registered under the Investment Company Act and the Securities have not been registered under the Securities Act and represents to and agrees with the Issuer and the J.P. Morgan Securities Inc. that, for so long as the Securities are outstanding, it will not offer, resell, pledge or otherwise transfer the Securities in the United States or to a U.S. Person except to a QIB that is also a QP in a transaction meeting the requirements of Rule 144A. Each purchaser further understands that the Securities will bear a legend with respect to such transfer restrictions. See "Purchaser Representation" and "Transfer Restrictions" in the DIAMOND INVESTMENT GRADE CDO, LTD. / DIAMOND INVESTMENT GRADE CDO CORP.

The charter, bylaws, organizational documents or securities issuance documents of the Issuer provide that the Issuer will have the right to (i) require any holder of Securities that is a U.S. Person who is determined not to be both a QIB and a QP to sell the Securities to a QIB that is also a QP or (ii) redeem any Securities held by such a holder on specified terms. In addition, the Issuer has the right to refuse to register or otherwise honor a transfer of Securities to a proposed transferee that is a U.S. Person who is not both a QIB and a QP. As used herein, the terms "United States" and "U.S. Person" have the meanings given such terms in Regulation S under the Securities Act.

The restrictions on transfer required by the issuer (outlined above) will be reflected under the notation "3c7" in DTC's User Manuals and in upcoming editions of DTC's Reference Directory.

Any questions or comments regarding this subject may be directed to Peter Clark (212) 648-9651.