
PART 2A OF FORM ADV: FIRM BROCHURE
WJ INVESTMENTS LLC
D/B/A USDR INVESTMENT MANAGEMENT
MARCH 12, 2014



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Item 1: Cover Page

Disclaimers:

This brochure provides information about the qualifications and business practices of WJ Investments LLC (d/b/a USDR Investment Management) (the "Firm"). If you have any questions about the contents of this brochure, please contact us at (775) 737-9999 or wendy@usdrllc.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about the Firm is also available on the website of the SEC at www.adviserinfo.sec.gov.

The SEC or any state regulatory authority has not passed upon the merits or level of skill of the Firm as an investment adviser nor the adequacy or accuracy of this brochure.

Item 2: Material Changes

The Firm has added a California office to that set forth on the cover page of this brochure. In addition, the aggregate assets under management of the Firm have increased, and the Firm has established a new pooled investment vehicle.

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Item 4: Advisory Business

4.1 Introduction

WJ Investments LLC (d/b/a USDR Investment Management) (“the Firm”) manages pooled investment vehicles that invest in claims and debt securities of companies in the midst of bankruptcy proceedings or for which insolvency or bankruptcy is pending. The Firm was formed in 2008 in the State of Nevada. The managing members of the firm are Nathan E. Jones, Chief Executive Officer and Chief Investment Strategist, and Wendy J.V. Mueller, Chief Financial Officer and Compliance Officer (together, the “Principals”). At the direction of the Principals, the Firm’s senior management and staff manage day-to-day operations, including making all investment decisions and providing all services to the Funds (as defined below).

Both of the Principals are registered with the State of Nevada as investment adviser representatives of the Firm, and have successfully completed the Series 65 Examination of the Financial Industry Regulatory Authority, Inc. (“FINRA”) in connection therewith.

The Firm has two offices: one in Reno, Nevada, and the other in Newport Beach, California.

4.2 Description of Advisory Services

The Firm’s clients are limited to a series of pooled investment vehicles (the “Funds”). The Firm, as investment manager, provides investment advisory services to the Funds, which employ investment strategies that involve investing in distressed corporate obligations and other distressed assets. In its capacity as investment manager, the Firm has discretion to identify and execute investment in securities on behalf of the Funds. The Firm allocates the assets of each Fund in accordance with the Fund’s specific investment objective and strategy. Acting as investment manager, the Firm (i) identifies and negotiates investment opportunities for the Funds, and (ii) participates in the management, monitoring and disposal of the Funds’ investments. The Firm does not provide investment advisory services to any clients other than the Funds. Except for an initial determination of a person’s suitability to invest in a Fund, the Firm does not base its investment decisions on the individual needs of investors in the Funds. The Firm provides analyses of investments directly to the Funds and not the Funds’ individual investors.

4.3 Structure of Pooled Investment Vehicle Clients

Each Fund is organized as a limited partnership under the laws of the State of Delaware. The Firm is the General Partner of each Fund.

Limited partnership or membership interests in the Funds are offered privately to investors in reliance on the exemption provided by Regulation D of the Securities Act of 1933, as amended (the “Securities Act”), and similar provisions under state securities laws. In addition, the Funds are not registered with the SEC as investment companies under the Investment Company Act of 1940, as amended. Accordingly, interests in the Funds are sold exclusively to investors who satisfy applicable eligibility and suitability requirements.

Certain persons who assist the Firm with the offering of limited partnership or membership interests in the Funds may be paid sales charges and other compensation, which may, in the discretion of the Firm, be borne by specific investors in the Fund, by the Fund itself or by the Firm and its affiliates. Investors will be informed of any such compensation arrangements prior to their admission to a Fund. The Firm will only compensate financial professionals that are licensed as broker-dealers, broker-dealer representatives or licensed agents, or demonstrate some exemption from licensing. The Firm may offer interests in the Funds through third-party FINRA-licensed broker-dealers or broker-dealer representatives, or through licensed agents that are employees of the Firm (including the Principals).

The Firm has engaged KPMG, LLC, as an independent CPA firm regularly inspected by the Public Company Accounting Oversight Board, to audit each of the Funds except where the Fund is not a current advisory client.

4.4 Discretionary Authority

The Firm, in its capacity as General Partner, has discretionary authority over the investments made by each of the Funds. This discretionary authority allows the Firm to execute investment transactions on each Fund's behalf, determining which assets and the amount of assets to buy or sell.

The Firm also has the authorization to automatically deduct its management fee from the Funds' accounts, as well as to deduct amounts from the Funds' bank accounts to reimburse the Firm for expenses that were incurred by the Firm or its affiliates in the management of the Funds.

4.5 Wrap Fee Programs

As of the date of this brochure, the Firm does not participate in any "wrap programs" (i.e., programs that bundle brokerage and advisory services under a single comprehensive fee).

4.6 Assets under Management

As of February 28, 2014, the Firm had aggregate assets under management of approximately \$111.4 million, all of which was managed on a discretionary basis.

Item 5: Fees and Compensation

5.1 *Advisory Fees and Compensation*

In consideration for the Firm serving as the investment manager of the Funds and bearing certain overhead expenses, each Fund pays the Firm a management fee of up to 2.5% of the capital commitments or net assets of the Fund, which is paid at the beginning of each quarter. The Firm collects management fees by causing the applicable amount to be transferred from a Fund's bank account to the Firm's bank account. Some of the Funds have lifetime caps on the amount of management fees they may pay to the Firm, as described in their respective private placement memoranda and organizational documents. Fund management fees are generally non-negotiable.

5.2 *Reimbursement of Fund Expenses*

The Firm (or an entity designated by the Firm) is responsible for and pays or causes to be paid the following "overhead expenses" of the Funds: office rent; furniture and fixtures; secretarial/administrative services; salaries; and employee insurance and payroll taxes. These are not costs of the Funds, and are not reimbursable to the Firm.

All other expenses are paid by the Funds including, but not limited to: management fees and performance-based fees; legal, audit and accounting expenses; consulting, advisory, investment banking and other professional fees and expenses relating to particular investments or contemplated investments; costs of establishing Fund subsidiaries to make Fund investments; expenses of purchasing, holding, selling and otherwise dealing in investments, such as brokerage and other sales commissions, research fees and expenses and travel expenses; interest on margin accounts and other indebtedness; the costs of maintaining the Firm's registration as an investment adviser; borrowing charges on securities sold short; custodial fees; and any other expenses reasonably related to the purchase, sale or transmittal of Fund assets. The Firm is reimbursed by the Funds for any such expenses that are advanced by the Firm on behalf of the Funds. In cases where expenses are allocable to one or more Funds, the Firm seeks to apportion the expenses among the Funds in good faith based on the relative sizes of the Funds and other reasonable factors.

5.3 *Prepayment of Fees*

The Funds' management fees are generally paid in advance at the beginning of each quarter.

5.4 *General Information on Fees and Disclosures*

If an investor seeks to terminate its agreement to make capital contributions to a Fund that is paying fees to the Firm, the investor may be subject to penalty provisions described in the Fund's private placement memorandum and organizational documents. These penalties may be waived in the discretion of the Firm.

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

In addition to the management fees received by the Firm, the Principals and other persons, as special limited partners or residual members of the Funds, receive a share of profits (referred to as a “carried interest”) from the Funds of up to 30% of net profits, which is allocable and payable generally at the end of each fiscal year through a reallocation of the Funds’ net profits (which reflect the deduction of management fees and expenses) directly to the capital accounts of such persons. Such persons only receive performance-based fees directly from the Funds themselves, and not any investors in the Funds. Generally, performance-based fees are subject to a preferred return such that carried interest is not allocated until the Fund’s investors have received a fixed internal rate of return.

The Firm provides investment management services to several investment Funds. It may not always be possible or consistent with the investment objectives of the various other Funds for the same investment positions to be taken or liquidated at the same time or at the same price. In addition, certain Fund policies regarding the joint management of investment funds and other accounts may have the effect of limiting certain investment opportunities of a Fund. In certain cases, during the course of identifying investment opportunities for the Funds, the Firm may encounter what it considers an attractive investment with limited capacity available. If such an investment opportunity satisfies the investment criteria of more than one Fund, whether and how the Firm allocates the investment among such Funds may pose a conflict of interest, particularly where the investors in the Funds pay different fees.

Because the Principals may receive a carried interest from the Funds, the Firm, which is controlled by the Principals, may have an incentive to cause the Funds to invest in an asset which is riskier than might be the case in the absence of such an incentive. The Firm seeks to mitigate this risk by limiting the proportion of capital invested in a particular asset and by seeking to achieve broad diversification of assets. In addition, the Firm has an internal process of analysis, due diligence, and monitoring review prior to investment.

Item 7: Types of Clients

The Firm's clients are limited to the pooled investment vehicles that are managed by the Firm.

The Firm solicits investment into the Funds by qualified individuals, families and institutional investors, including corporations, pension plans, charitable foundations, trusts, other pooled investment vehicles and funds of funds, which seek to invest in the type of distressed assets which form the basis of the Funds' investment programs. All investors in the Funds are required to be "accredited investors" as that term is defined in Rule 501 of Regulation D under the Securities Act, and are required to make certain representations and warranties regarding their suitability in the Funds' respective subscription documents. Each Fund has a designated minimum investment amount, as detailed in its respective private placement memorandum; however, such minimums may be waived by the Firm.

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

8.1 *Methods of Analysis*

To implement the Funds' investment strategies, the Firm seeks to identify bankruptcy cases and other distressed opportunities that are likely to have substantial distributions. This is generally accomplished through contacts in the distressed debt business, review of major business publications, online court access programs, and contacting bankruptcy claims agents. Although much of the information is public, many years of bankruptcy expertise enable the Firm's management to sift through the vast amount of information and identify likely payout scenarios for various classes of creditors.

As part of the investment process, the Firm typically creates a database of potential investments. Based on its proprietary process for analyzing the likely outcome of positions, the Firm then sends offer letters to claimants in which the Firm gives them an opportunity to sell their accounts receivable to a Fund at a significant discount in exchange for cash. Often, as a bankruptcy case proceeds toward resolution, the Firm will make further offers on behalf of a Fund to creditors who have rejected initial offers.

In the case of the purchase by a Fund of debt securities of a distressed companies (as opposed to direct bankruptcy claims), the Firm performs an analysis of the likely outcome of a bankruptcy proceeding involving the distressed company. Based on this and the Principals' experience with bankruptcies involving multiple classes of noteholders, the Firm estimates the value of the debt securities. If the Firm believes the debt securities are undervalued, then it may cause the Fund to purchase the debt securities depending on available terms. In some cases, the Firm may cause a Fund to purchase other securities relating to the distressed company, such as options and futures.

After initial purchase, the Firm performs several types of periodic reviews of Funds' assets to determine whether the assets are fairly valued. This includes a monthly review and analysis of current positions using a bottom up approach to determine values of positions. It also utilizes its knowledge of bankruptcy proceedings as well as numerous professional, industry contacts and institutional contacts to help make determinations on whether to liquidate, hold or purchase more of the underlying positions. As a matter of course, this includes continuing to review the same sources of information, which underlie the initial decision to purchase an asset. Influential sources of information that may affect valuations of the Funds' positions include documents filed within bankruptcy cases, debtor operating reports filed with the courts, external brokerage services, and various paid subscription services. The Firm follows its waterfall analysis to help determine value of positions on a monthly basis. Additionally, the Firm follows motions of the court, liquidations involving the court, and recapitalizations of existing companies, which may include sale of assets or conversion of debt to equity of the company.

The Firm also performs a monthly analysis of the expected recoveries of investments. This analysis is preformed to monitor and estimate the overall expected performance of the Funds.

8.2 *Investment Strategies*

The Funds' primary objectives are to generate significant returns for investors by investing in a diversified portfolio of distressed debt consisting of trade claims, pension claims, bonds, bank debt, residential mortgage-backed securities (RMBS), lease rejection claims, and other assets relating to bankrupt and financially distressed companies and municipalities. In addition, the Funds expect to purchase other assets relating to such debtors, including asset-backed securities, credit default swaps, trade claims, bank loans, maritime liens, and potential bankruptcy litigation recoveries. Generally, the Funds' assets will relate to debtors in the midst of the bankruptcy process, including pursuant to the U.S. Bankruptcy Code Chapter 11 and 7 (for corporations and other private businesses) and Chapter 9 (for municipalities) and analogous bankruptcy provisions under other countries' laws.

The Funds may also target financially-distressed companies and municipalities whom the Firm believes to be on the verge of bankruptcy but who have not yet commenced bankruptcy proceedings. Fundamentally, the Funds' goals are to acquire distressed assets at a significant discount compared to the Firm's estimate of likely future proceeds from their resale, liquidation or settlement. The Firm expects typical claims to have a time to realization of 18 to 30 months whereas bonds may have shorter time frame of 12 to 18 months.

Each Fund's investment strategy, including targeted purchase price ranges and size of claims, is discussed in greater detail in its respective private placement memorandum.

8.3 *Risk of Loss*

Investments in any of the funds involve a certain degree of risk. There is no assurance that the Funds' investment objectives will be achieved and investment results may vary from year to year. All Fund investments risk the complete loss of capital. In addition to the risks discussed below, each Fund's private placement memorandum includes a discussion of the risk applicable to the specific Fund and its particular investment program.

Distressed Debt Asset Class

Distressed asset investing is a competitive business, and there can be no assurance that there will be a sufficient number of suitable investment opportunities to enable a Fund to invest all of its available capital in opportunities that satisfy the Fund's investment objectives, or that such investment opportunities will lead to completed investment by the Fund. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. While the Funds' investments will have varying degrees of liquidity, generally most assets will not be readily marketable.

The Firm's process for investigating the likely outcome of a bankruptcy proceeding is not perfect and may result in a Fund overpaying to purchase an asset. There can be no assurance that these due diligence processes will uncover all relevant facts or that any investment will be successful.

Certain of the securities invested in by the Funds may be unrated by a recognized credit-rating agency, or below investment grade, which are subject to greater risk of loss of principal and interest than higher-rated debt securities and obligations of the issuer. A Fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness, subjecting the Fund to credit and liquidity risks.

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Operational Risk

The Firm has developed systems and procedures to control operational risk. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Firm's operations may cause the Firm or a Fund to suffer financial loss; the disruption of its business; liability to clients or third parties; regulatory intervention; or reputational damage. The Firm relies heavily on its financial, accounting and other data processing systems. The ability of its systems to accommodate an increasing volume of transactions could also constrain the Firm's ability to properly manage a client's portfolio.

Accuracy of Public Information

The Firm selects investments, in part, on the basis of information and data filed by issuers with the bankruptcy courts, various government regulators, and publicly available information by the issuers or through sources other than the issuers. Although the Firm evaluates this information and data and ordinarily seeks independent corroboration as appropriate and reasonably available, the Firm is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases complete and accurate information is not available.

Private Placement Offerings

Private placement offerings (such as those conducted by the Funds) entail greater risk than publicly-registered securities offering because such offerings have limited regulatory oversight. Investments in private placements are often speculative and involve substantial risks of the loss of the entire investment. Private placements generally target specific areas of industry investment, are often illiquid and difficult to value, may lack a secondary market, and may or may not be appropriate for diversification purposes. Private placements may also carry additional business risks such as competition, uncertainty in the operational nature of the industry, difficulty in performing the activities of the business, changes in laws, litigation and other external factors. An investment in a private placement is suitable only for those persons who can bear the economic risk of the loss of their investment and who have limited need for liquidity in their investment. Specific additional risks of any private placement are included in each Fund's private placement memorandum.

Use of Pooled Investment Vehicles

Investors in a pooled investment vehicle that is structured as a partnership for U.S. federal income tax purposes (like the Funds) should be aware that their investment in such a partnership might create taxable income or tax liabilities (so-called "phantom income") in excess of cash distributions that are available from the partnership to pay such liabilities. Also, investors in one Fund may have divergent interests vis-à-vis investors in another Fund due to variations in terms among the Fund. For example, investors in one Fund may pay different fees and other charges, and may not have the same liquidity or redemption options as investors in other investment vehicles. Funds may also have different investment restrictions that make some investments available to one Fund when it is not available to another Fund. In addition, investors who hold their interests in investments via pooled investment vehicles may receive less information and have less favorable liquidity and termination rights compared to those who invest through direct, managed account arrangements.

Obsolescence

The Firm's strategies are unlikely to be successful unless the assumptions underlying the models used to implement those strategies are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If and to the extent that the models do not reflect certain factors, and the Firm does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. The Firm will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. There can be no assurance as to the effects (positive or negative) of any modification on a client's portfolio.

Dependence on Principals

The Firm is highly dependent on the skills and experience of the Principals and other members of the management team. To the extent a Principal departs from the Firm, or is otherwise unable to fulfill his or her duties, the Principal may not be able to be replaced. In such circumstances, the Funds' performances may be adversely affected.

Illiquid Investments

The Firm anticipates that it will invest in securities with relatively low liquidity and due to changes occurring after the initial investment, it may be impossible for the Firm to liquidate some or all of its investments when desired or to realize their fair value in the event of such liquidation. In addition, the Firm may not be able to quickly liquidate all of its positions due to trading volume and liquidity that can disappear in certain securities or more generally in the market.

Concentration and Lack of Diversification

Certain portfolios may be concentrated in only a few industries, countries or geographic regions, or may be concentrated in other ways. This investment strategy could expose investors to greater risk than if the portfolios were to diversify its investments.

Sector Focus

A portfolio may be more heavily invested in certain sectors, which may cause the value of the portfolio's shares to be especially sensitive to factors and economic risks that specifically affect those sectors. This may cause the value of the portfolio to fluctuate more widely than a comparative benchmark.

Market Risk

The market value of a security may fluctuate, sometimes rapidly and unpredictably. The prices of securities change in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

Programming and Modeling Error

The models used by the Firm in its strategies may rely on complex formulas, proprietary and third party data sources, and are based largely upon using the Firm's years of experience in individual asset selection to identify what the Firm believes to be the important characteristics of

valuation as well as other unidentified factors. As a result, any errors in the underlying formulas, data entry, database or the assumptions underlying the models may result in a portfolio acquiring or selling investments based on incorrect information. Additionally, data entry made by the Firm's internal team of financial analysts may contain errors, as may the database system used to store such data. When models and data prove to be incorrect, misleading, flawed or incomplete, any decisions made in reliance thereon expose clients to potential risks. For example, by relying on models and data, the Firm may be induced to recommend or buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty models and data may prove to be unsuccessful. As a result, the portfolio could incur losses on such investments before the errors are identified and corrected.

Item 9: Disciplinary Information

This Item requires disclosure regarding certain legal or disciplinary events. This Item is not applicable to the Firm.

Item 10: Other Financial Industry Activities and Affiliations

10.1 Broker-Dealer Registration

The Firm's and the Firm's management persons are not registered with the SEC as a broker-dealer or registered representatives, respectively. Wendy J.V. Mueller, one of the Principals, is a licensed agent of certain of the Funds.

10.2 Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration

The Firm is not registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator ("CPO"), a commodity trading adviser ("CTA") or a futures commission merchant ("FCM").

10.3 Other Material Relationships

Wendy J.V. Muller is a Principal of the Firm, and is also a principal of Mueller and Company, Inc., a public accounting firm in Incline Village, Nevada. The Firm routinely engages Mueller and Company, Inc., to perform tax services, including tax return preparation, for the Firm and some of the Funds under the Firm's management, but not to perform audit services. Mueller and Company, Inc., provides no other services, and does not possess signature authority over any account managed by the Firm. The Firm does not believe that the relationship between the Firm, certain of the Funds and Mueller and Company, Inc. has a material effect on the Firm's advisory business or any of the Funds.

10.4 Other Financial Industry Activities or Affiliations

The Firm does not recommend or select other investment advisers for the Funds. In addition, the Firm does not receive compensation directly or indirectly from other investment advisers and does not have other business relationships with other investment advisers.

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

11.1 Code of Ethics

The Firm has implemented a comprehensive Code of Ethics which is available to any client or investor in a Fund or prospective investor in a Fund upon request. The Code of Ethics sets forth the policies and procedures required pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and is used by the Firm and its personnel while performing the day-to-day operations of its investment advisory business. Interested parties may obtain a complete copy of the Firm’s Code of Ethics upon request.

11.2 Participation or Interest in Client Transactions

The Firm, as a matter of policy, does not participate in any client transactions. The Firm and its related persons do not recommend to clients, or buy or sell for client accounts, securities in which the Firm or its related persons have a material financial interest. Should this change the Firm will provide clients and Fund investors with disclosure discussing any perceived any conflict of interest.

11.3 Personal Transactions

As a matter of policy, the Firm and its related persons are prohibited from buying or selling securities for their own accounts that the Firm also recommends to its clients. Should this change, the Firm will endeavor to enter all client orders before entering an order for the same security on its own account or for a related person’s account. In such circumstances, to the extent possible, orders for the Firm’s or its related persons’ accounts would be included in a bulk order with client accounts ensuring an average fill price for all investment accounts.

11.4 Privacy Policy

The Firm is committed to protecting investors’ privacy and maintaining the confidentiality and security of Fund investors’ personal information. In accordance with its legal obligations, the Firm is required to inform investors how it treats certain information concerning investors to aid their understanding in how it handles investors’ personal information and how such information is used to service investors.

Protecting investors’ personal information is an important priority for the Firm. Accordingly, it uses the personal information collected about investors in order to provide better service. The Firm may collect nonpublic personal information about investors from the following sources: (i) Fund subscription materials (for example, name, address, Social Security number, birth date, assets and income, sources of income and assets); and (ii) other interactions within the Firm or the Firm and its affiliates.

The Firm only discloses nonpublic personal information about investors or former investors (including information regarding transactions or experiences with investors or former investors) to affiliates in the areas of financial, advisory and securities services and nonaffiliated third

parties who assist the Firm in providing services to clients (for example, administrators, prime brokers, accountants and attorneys), each as permitted by law or as otherwise required by law.

The Firm considers the protection of sensitive information to be a sound business practice and a foundation of client trust and protects investors' personal information by maintaining physical, electronic and procedural safeguards that meet or exceed applicable legal requirements. The Firm restricts inter-company access to investors' or former investors' nonpublic personal information to those employees who need to know that information to provide products or services.

Item 12: Brokerage Practices

12.1 Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

The Firm, in its capacity as the investment manager of the Funds, is authorized to determine the broker or dealer to be used for each securities transaction for the Fund. In placing orders, it is the Firm's policy to try to obtain the best price and execution for its transactions. However, the Firm need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

Accordingly, if the Firm determines in good faith that the amount of commissions charged by a broker are reasonable in relation to the value of the brokerage and products or services provided by such broker, a Fund may pay commissions to such broker in an amount greater than the amount another broker might charge. Where best price and execution may be obtained from more than one dealer, the Firm may purchase and sell securities through dealers who provide research, statistical and other information, although the Fund may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research services provided. Research furnished by brokers may include, but is not limited to, written information, verbal communication and other analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; statistical and pricing services, as well as discussions with research personnel, along with hardware, software, databases and other technical and telecommunication services, lines and equipment utilized in the investment management process.

Research services obtained by the use of commissions arising from the Fund's portfolio transactions may be used by the Firm in its other investment activities. All of the foregoing commission arrangements are expected to be within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which permits the use of commissions or "soft dollars" to obtain "research and execution" services. In negotiating commission rates, the Firm will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although the Fund may not, in any particular instance, be the direct or indirect beneficiary of the research services provided.

Currently, the Firm has engaged the services of Tejas Securities Group, Inc., Wells Fargo Investments, LLC, and U.S. Bank, N.A. to act as brokers and/or custodians of the securities of the Funds. The Firm may select or engage additional brokers and/or custodians on behalf of any of the Funds.

12.2 Order Aggregation

In general and in accordance with the Firms' Order Aggregation Policy, when two or more Funds need to engage in a transaction for the same security based on their investment objectives, the Firm aggregates the order where doing so provides for best execution and more favorable

commission rates or other brokerage costs than if the transaction were entered separately for each Fund.

Item 13: Review of Accounts

13.1 Review of Accounts

Fund investments are reviewed on a continuous basis by the Firm's investment team. These reviews are designed to monitor and analyze the transactions, positions, and investment levels. Particular attention is given to changes in the condition of a company, fundamentals, industry outlook, market outlook, and price levels. Generally, these reviews are performed by the Principals.

13.2 Factors Triggering a Review

The Firm also performs reviews of the Fund's investments as appropriate based on, among other things, changes in market conditions, changes in security positions or changes in a Fund's investment objectives or policies.

13.3 Client Reports

The Firm provides the Funds' investors with audited annual financial statements and unaudited interim financial information in accordance with the terms set forth in each Fund's private placement memorandum and organizational documents.

Item 14: Client Referrals and Other Compensation

14.1 Other Compensation

No person who is not a client of the Firm provides an economic benefit to the Firm for providing investment advice or other advisory services to the Firm's clients.

14.2 Compensation for Client Referrals

The Firm currently does not have an arrangement for receiving compensation for referring clients to other advisers or other investments not under the Firm's supervision.

Certain persons who assist the Firm with the offering of limited partnership or membership interests in the Funds may be paid sales charges and other compensation, which may, in the discretion of the Firm, be borne by specific investors in the Fund, by the Fund itself or by the Firm and its affiliates. Investors will be informed of any such compensation arrangements prior to their admission to the Fund. The Firm will only compensate financial professionals that are licensed as broker-dealers, broker-dealer representatives or licensed agents, or demonstrate some exemption from licensing. The Firm may offer interests in the Funds through other third-party FINRA-licensed broker-dealers or broker-dealer representatives, or through a licensed agent that is an employee of the Firm.

With some of the Funds, a significant number of the Funds' investors are also advised by a single federally-licensed investment adviser that receives advisory fees from the investors with respect to the amounts the investors invest in the Funds. This investment adviser is not related in any manner to the Firm. Such advisory fees are deducted directly by the investment adviser from its clients' accounts, and are not directly or indirectly borne by the Funds or shared with the Firm in any respect.

Item 15: Custody

The Funds are direct clients of the Firm, and the Firm generally has custody with respect to the Funds' assets for purposes of the Rule 206(4)-2 of the Advisers Act (the "Custody Rule"). Pursuant to paragraph (b)(4) of Rule 206(4)-2 of the Advisers Act (the "Audit Approach"), an investment adviser is not required to comply with paragraphs (a)(2) and (a)(3) of the Custody Rule, and is deemed to have complied with the Surprise Examination Requirement (including the aforementioned certificate submission requirement), with respect to a pooled investment vehicle that is subject to an audit:

- At least annually and distributes its audited financial statements prepared in accordance with U.S. generally accepted accounting principles to all limited partners (or members or other beneficial owners) within 120 days of the end of its fiscal year;
- By an independent public accountant that is registered with, and subject to regular inspection as of the commencement of the professional engagement period, and as of each calendar year-end, by, the Public Company Accounting Oversight Board in accordance with its rules; and
- Upon liquidation and distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other beneficial owners) promptly after the completion of such audit.

The Firm intends to comply with the Audit Approach with respect to the Funds. The Firm has engaged KPMG, LLC, as an independent CPA firm regularly inspected by the Public Company Accounting Oversight Board, to audit each of the Funds except where the Fund is not a current advisory client.

Item 16: Investment Discretion

By completing the subscription documents for a Fund, investors in the Fund grant the Firm and the general partner of such Fund (if not the Firm), if any, power of attorney and discretionary authority to act on behalf of their interest in the Fund. Fund investors do not have the ability to limit this authority, although through the use of side letter agreements, an investor may negotiate a restriction that further defines the investment program for a Fund.

Each Fund has granted the Firm with discretionary authority over its investments pursuant to its organizational documents and an investment management agreement between it and the Fund.

Item 17: Voting Client Securities

For any security that entails a voting right in the underlying company, the Firm will have authority to vote Fund securities. All voting issues, proxies, and solicitations will be decided by the Firm in its capacity as the Funds' investment manager. Because of the nature of the assets invested in by the Funds, these voting rights are generally limited to voting on specific bankruptcy plans as offered by the Bankruptcy Court and/or creditor's committees.

Item 18: Financial Information

The Firm is required to disclose certain financial information because it has custody of client funds. The Firm and its principals are not the subject of any financial condition that is reasonably likely to impair the Firm's ability to meet its contractual obligations to its clients.