

FIRM BROCHURE

PRECEPT MANAGEMENT, LLC

200 Crescent Court, Suite 1450

Dallas, Texas 75201

(214) 880.7444

(214) 880.0082

nroossien@preceptfund.com

www.preceptfund.com

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THIS BROCHURE DOES NOT CONSTITUTE AN OFFER, SOLICITATION OR RECOMMENDATION TO SELL OR AN OFFER TO BUY ANY SECURITIES, INVESTMENT PRODUCTS OR INVESTMENT ADVISORY SERVICES. SUCH AN OFFER MAY ONLY BE MADE TO ELIGIBLE PERSONS BY MEANS OF DELIVERY OF OFFERING DOCUMENTS AND/OR OTHER SIMILAR MATERIALS THAT CONTAIN A DESCRIPTION OF THE MATERIAL TERMS RELATING TO SUCH SECURITIES, PRODUCTS OR SERVICES.

ADDITIONAL INFORMATION ABOUT PRECEPT MANAGEMENT, LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

MARCH 25, 2015

Item 2: Material Changes

The date of the last annual update to our firm brochure was March 27, 2014. A summary of the material changes that have been made to our firm brochure since the date of our last annual updating amendment is set forth below:

- In March 2015, we began providing investment management and other services with respect to Precept Credit Opportunities Fund, L.P., a private pooled investment vehicle that invests primarily in certificates or other documentation that evidence ownership of liens for unpaid local taxes and related penalties and expenses thereon on parcels of real property. See Item 8.
- Throughout our firm brochure, we have added various disclosures regarding Precept Credit Opportunities Fund, L.P. and its activities and operations, including the engagements disclosed in Item 10 hereof. Certain of the other Funds, including Precept Capital Master Fund, invest a portion of their respective assets in Precept Credit Opportunities Fund, L.P.
- In Item 11, we added various disclosures regarding transactions and arrangements involving actual or potential conflicts of interest.

The information set forth in this brochure is qualified in its entirety by the applicable offering materials and governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and offering documents, the governing and offering documents shall control.

We encourage all investors to carefully review this brochure in its entirety.

Item 3: Table of Contents

Item 2: Material Changes.....	2
Item 3: Table of Contents	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation.....	5
Item 6: Performance-Based Fees and Side-By-Side Management	11
Item 7: Types of Clients	12
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	13
Item 9: Disciplinary Information	17
Item 10: Other Financial Industry Activities and Affiliations	18
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	19
Item 12: Brokerage Practices.....	21
Item 13: Review of Accounts	23
Item 14: Client Referrals and Other Compensation.....	24
Item 15: Custody	25
Item 16: Investment Discretion	26
Item 17: Voting Client Securities	27
Item 18: Financial Information.....	28
General Information	29

Item 4: Advisory Business

FIRM DESCRIPTION

Precept Management, LLC, a Texas limited liability company and private investment advisory firm, was formed in 1998. We provide investment management and other services to private pooled investment vehicles, interests of which are offered to investors on a private placement basis. We have full discretionary authority with respect to investment decisions, and our investment advice is made in accordance with the investment objectives and guidelines set forth in the applicable offering memoranda and governing documents.

Precept Capital Management, L.P., a Texas limited partnership and one of our affiliates, relies on our investment adviser registration instead of separately registering as an investment adviser with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). **See “Item 10: Other Financial Industry Activities and Affiliations.”** Except as the context otherwise requires, any reference to “we,” “us” or “our” in this document includes Precept Management, LLC and Precept Capital Management, L.P.

PRINCIPAL OWNERS

We are owned and controlled by D. Blair Baker, our managing member.

TYPES OF ADVISORY SERVICES

We and certain of our affiliates serve as general partner of and/or investment manager to various affiliated private pooled investment vehicles organized as Texas partnerships or limited partnerships, including The Precept Fund, L.P., The Precept Fund (QP), L.P., Precept Management Partners, L.P., Precept Eagle Fund, L.P., The Precept Fund II, L.P., Precept Special Situation Fund, L.P., Precept Credit Opportunities Fund, L.P. and Precept Capital Master Fund (collectively, the “U.S. Funds”). In addition, we also serve as investment manager to a private pooled investment vehicle organized as a Cayman Islands exempted company, The Precept International Fund, Ltd. (the “Offshore Fund,” and together with the U.S. Funds, the “Funds”). Our services consist of making, managing and disposing of investments held by the Funds. We provide investment advice directly to the Funds and not individually to any investor in the Funds.

We have caused and may from time to time in the future cause a Fund (an “investor fund”) to invest all or any portion of its assets in one or more other Funds (each, an “investee fund”). In such event, the investor fund generally is not subject to any additional administrative fees, management fees or incentive allocations in connection with its investment in an investee fund. **See Item 11.**

We serve as investment manager with respect to each of the Funds and are responsible for investing and re-investing the assets of each Fund in accordance with the investment objectives, policies and guidelines set forth in the applicable offering memoranda and governing documents. **See Item 8 below.**

INVESTMENT RESTRICTIONS

We generally provide investment advice to the Funds in accordance with the investment objectives, policies and guidelines set forth in the offering and governing documents, and not in accordance with the individual needs or objectives of any particular investor in the Funds. Investors generally are not permitted to impose restrictions or limitations on the management of the Funds.

ASSETS UNDER MANAGEMENT

As of December 31, 2014, we had approximately \$101.1 million in regulatory assets under management. All of these assets were managed on a discretionary basis.

Item 5: Fees and Compensation

DESCRIPTION OF COMPENSATION AND BASIC FEE SCHEDULE

In consideration of our advisory services, we and/or certain of our affiliates are entitled to receive administrative fees and/or performance-based compensation with respect to the Funds. While the applicable fees and compensation are described in detail in the applicable governing and/or offering documents, a summary of our basic fee schedule is set forth below.

The Precept Fund, L.P., The Precept Fund (QP), L.P. and Precept Eagle Fund, L.P.

We or an affiliate generally are entitled to receive an administrative fee, payable quarterly in arrears, equal to:

- (i) with respect to Class A Interests and Class D Interests, one quarter of one percent (1.0% per annum) of the aggregate capital account balance of each investor;
- (ii) with respect to Class B Interests and Class E Interests, one quarter of two percent (2.0% per annum) of the aggregate capital account balance of each investor; and
- (iii) with respect to Class C Interests, one quarter of one and one-half percent (1.5% per annum) of the aggregate capital account balance of each investor.

We or an affiliate generally are entitled to receive an incentive allocation equal to:

- (i) with respect to Class A Interests, Class B Interests, Class C Interests and Class E Interests, twenty percent (20%) of each investor's allocable share of net profits for the applicable performance period; and
- (ii) with respect to Class D Interests, seventeen and one-half percent (17.5%) of each investor's allocable share of net profits for the applicable performance period.

Incentive allocations are subject to a "high water mark" limitation. As a result, if an investor is allocated a net loss in any period, we are not entitled to receive an incentive allocation with respect to that investor until that net loss is recouped.

The Precept Fund II, L.P.

We or an affiliate generally are entitled to receive an administrative fee, payable quarterly in arrears, equal to:

- (i) with respect to Class A Interests, one quarter of two percent (2.0% per annum) of the aggregate capital account balance of each investor;
- (ii) with respect to Class B Interests, one quarter of one and one-half percent (1.5% per annum) of the aggregate capital account balance of each investor; and
- (iii) with respect to Class C Interests, one quarter of one percent (1.0% per annum) of the aggregate capital account balance of each investor.

We or an affiliate generally are entitled to receive an incentive allocation equal to:

- (i) with respect to Class A Interests and Class B Interests, twenty percent (20%) of each investor's allocable share of net profits for the applicable performance period; and
- (ii) with respect to Class C Interests, seventeen and one-half percent (17.5%) of each investor's allocable share of net profits for the applicable performance period.

Incentive allocations are subject to a "high water mark" limitation. As a result, if an investor is allocated a net loss in any period, we are not entitled to receive an incentive allocation with respect to that investor until that net loss is recouped.

The Precept International Fund, Ltd.

We or an affiliate generally are entitled to receive a management fee, payable quarterly in advance, equal to:

- (i) with respect to Class B Shares, one quarter of two percent (2.0% per annum) of the net asset value of the Class B Shares of each investor;

- (ii) with respect to Class C Shares, one quarter of one and one-half percent (1.5% per annum) of the net asset value of the Class C Shares of each investor; and
- (iii) with respect to Class D Shares, one quarter of one percent (1.0% per annum) of the net asset value of the Class D Shares of each investor.

We or an affiliate generally are entitled to receive a performance fee equal to:

- (i) with respect to Class B Shares, twenty percent (20%) of the amount by which the net asset value per Class B Share on the last day of each quarter exceeds the higher of: (a) the net asset value of such share as of the commencement of any prior quarter for which the performance fee is being calculated, or (b) the issue price of such share for which the performance fee is being calculated;
- (ii) with respect to Class C Shares, twenty percent (20%) of the amount by which the net asset value per Class C Share on the last day of the fiscal year exceeds the higher of: (a) the net asset value of such share as of the commencement of any prior fiscal year for which the performance fee is being calculated, or (b) the issue price of such share for which the performance fee is being calculated; and
- (iii) with respect to the Class D Shares, seventeen and one-half percent (17.5%) of the amount by which the net asset value per Class D Share on the last day of the fiscal year exceeds the higher of: (a) the net asset value for such share as of the commencement of any prior fiscal year for which the performance fee is being calculated, or (b) the issue price of such share for which the performance fee is being calculated.

Precept Management Partners, L.P.

We or an affiliate generally are entitled to receive a management fee, payable quarterly in arrears, equal to one quarter of one percent (1.0% per annum) of each investor's aggregate capital account balance. We or an affiliate generally are also entitled to receive an incentive allocation equal to twenty percent (20%) of each investor's allocable share of net profits for the applicable performance period.

Incentive allocations are subject to a "high water mark" limitation. As a result, if an investor is allocated a net loss in any period, we are not entitled to receive an incentive allocation with respect to that investor until that net loss is recouped.

Precept Special Situation Fund, L.P.

We generally are not entitled to receive an administrative fee with respect to Class A Interests. With respect to Class B Interests, we (or an affiliate) generally are entitled to receive an administrative fee, payable quarterly in arrears, equal to one quarter of two percent (2.0% per annum) of the aggregate capital account balance of each Class B investor. We generally are not entitled to receive an incentive allocation with respect to Class A Interests. With respect to Class B Interests, we or an affiliate generally are entitled to receive an incentive allocation equal to twenty percent (20%) of each Class B investor's allocable share of net profits for the applicable performance period.

Precept Credit Opportunities Fund, L.P.

We or an affiliate generally are entitled to receive a management fee, payable quarterly in advance, equal to one quarter of two percent (2.0% per annum) of the net asset value of each capital account of an investor as of the beginning of such calendar quarter (including for such purposes any portion of a capital account that is allocated to a special investment account).

We or an affiliate generally are entitled to receive an incentive allocation equal to twenty percent (20%) of each investor's allocable share of net profits for the applicable performance period (excluding any unrealized net profits with respect to special investments). Incentive allocations are subject to a "high water mark" limitation. As a result, if an investor's capital account is allocated a net realized loss in any period, we are not entitled to receive an incentive allocation with respect to that investor's capital account until that net realized loss is recouped. With respect to a special investment, an incentive allocation will only be allocable with respect to realized net profits.

General

Our advisory fees with respect to each investor generally are not negotiable. However, we may enter into side letters or similar arrangements with certain investors that grant different terms (including lower fees) to such investors than the terms generally applicable to other investors.

Each investor in the U.S. Funds generally must be, among other things, (a) an accredited investor as defined in Rule 501(a) of Regulation D under the U.S. Securities Act of 1933, as amended, and (b) a “qualified client” as defined in Rule 205-3 under the Advisers Act.

PAYMENT OF FEES

The Precept Fund, L.P. and The Precept Fund (QP), L.P.

Administrative fees are calculated quarterly, in arrears, as of the close of business on the last day of the most recently ended calendar quarter, and are payable by investors by the tenth day after the beginning of each calendar quarter. Investors who are admitted during a calendar quarter are required to pay a *pro rata* portion of the administrative fee. Administrative fees are deducted directly from the capital account of each investor.

Incentive allocations are calculated, in the case of Class B Interests, as of the last day of each calendar quarter, and in the case of Class A Interests, Class C Interests and Class D Interests, as of the end of each fiscal year (and such other times as set forth in the applicable partnership agreement). If any interests are withdrawn during a fiscal year, the incentive allocation generally will be allocable on the withdrawal date. Incentive allocations are allocated directly from the capital account of each applicable investor.

Precept Eagle Fund, L.P.

Administrative fees are calculated quarterly, in arrears, as of the close of business on the last day of the most recently ended calendar quarter, and are payable by investors by the tenth day after the beginning of each calendar quarter. Investors who are admitted during a calendar quarter are required to pay a *pro rata* portion of the administrative fee. Administrative fees are deducted directly from the capital account of each investor.

Incentive allocations are calculated as of the last day of each calendar quarter (and such other times as set forth in the partnership agreement). If any interests are withdrawn during a fiscal year, the incentive allocation generally will be allocable on the withdrawal date. Incentive allocations are allocated directly from the capital account of each applicable investor.

The Precept Fund II, L.P. and Precept Special Situation Fund, L.P.

Administrative fees are calculated quarterly, in arrears, as of the close of business on the last day of the most recently ended calendar quarter, and are payable by investors by the tenth day after the beginning of each calendar quarter. Investors who are admitted during a calendar quarter are required to pay a *pro rata* portion of the administrative fee. Administrative fees are deducted directly from the capital account of each applicable investor.

Incentive allocations are calculated as of the end of each calendar quarter (and such other times as set forth in the applicable partnership agreement). If any interests are withdrawn during a fiscal year, the incentive allocation generally will be allocable on the withdrawal date. Incentive allocations are allocated directly from the capital account of each applicable investor.

The Precept International Fund, Ltd.

Management fees are payable by investors quarterly, in advance, as of the commencement of each calendar quarter. Management fees are deducted directly from the capital account of each investor.

With respect to Class C Shares and Class D Shares, performance fees are payable as of the end of each fiscal year, and with respect to Class B Shares, as of the end of each calendar quarter (and such other times as set forth in the applicable partnership agreement). If any interests are redeemed during a fiscal year, the performance fee generally will be due on the redemption date. Performance fees are paid directly from the capital account of each applicable investor.

Management fees with respect to The Precept International Fund, Ltd. are refunded proportionately to any redeeming investor.

Precept Management Partners, L.P.

Management fees are calculated quarterly, in arrears, as of the close of business on the last day of the most recently ended calendar quarter, and are payable by investors by the tenth day after the beginning of each calendar quarter. Management fees are deducted directly from the capital account of each investor.

Incentive allocations are calculated as of the end of each fiscal year (and such other times as set forth in the

applicable partnership agreement). If any interests are withdrawn during a fiscal year, the incentive allocation generally will be allocable on the withdrawal date. Incentive allocations are allocated directly from the capital account of each applicable investor.

Precept Credit Opportunities Fund, L.P.

Management fees are payable by investors quarterly, in advance, as of the beginning of each calendar quarter. Management fees are deducted directly from the capital account(s) of each investor.

Incentive allocations generally are calculated as of the end of each fiscal year (and such other times as set forth in the applicable partnership agreement). If any interests are withdrawn during a fiscal year, the incentive allocation generally will be allocable on the withdrawal date. Incentive allocations are allocated directly from the capital account(s) of each applicable investor.

With respect to special investments, an incentive allocation is only payable, if at all, with respect to realized net profits promptly after the realization or deemed realization of such investment.

OTHER FEES AND EXPENSES

In addition to administrative fees, management fees, performance-based compensation, each Fund generally bears all costs and expenses relating to the Fund's activities, including, without limitation, (i) legal, accounting, and auditing expenses (including organizational costs and expenses), (ii) investment expenses such as brokerage commissions, research expenses, interest expenses, investment-related travel and other indebtedness, (iii) custodial expenses, (iv) taxes, and (v) administrator fees and expenses. In addition, each Fund generally pays all travel expenses and other costs incurred in connection with the business and investment activities of the Fund and the investment due diligence process (including, without limitation, transportation, meals, lodging, entertainment and incidentals). Each Fund generally is responsible for and pays all brokerage and custodial fees and expenses. **See "Item 12: Brokerage Practices."**

We generally bear all ordinary office overhead expenses, including, without limitation, rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures and compensation of security analysts and personnel. However, certain of such expenses may be paid for by our brokers in exchange for the brokerage commission business they receive from us, although we intend to use these payments only for research, related services, pricing and analytical data feeds, and subscription feed services benefiting the Funds (or one or more of such Funds).

WITHDRAWALS

Precept Management Partners, L.P.

As described more fully in the applicable offering memoranda, each investor in the Fund generally is permitted to make complete or partial withdrawals of amounts from its capital account balance as of the close of business on the last day of any month after the first anniversary of the date of its initial capital contribution. However, any withdrawal made prior to the first anniversary of the date upon which such investor acquired its interest is subject to a withdrawal fee of two percent (2%) of the amount of withdrawal. Notice of any withdrawal generally must be given in writing at least 45 days prior to the proposed withdrawal date. We use commercially reasonable efforts to cause at least 90% of any estimated withdrawal proceeds to be paid after the applicable withdrawal date. Any remaining balance generally will be settled within ten (10) days after the completion of the audit of the Fund's financial statements for the applicable fiscal year.

The Precept Fund, L.P. and The Precept Fund (QP), L.P.

As described more fully in the applicable offering memoranda, each investor in the Fund generally is permitted to make complete or partial withdrawals of amounts from its capital account balance as of the last business day of each month. However, any withdrawals made on dates other than a permitted withdrawal date may be subject to withdrawal fees of up to six percent (6%) of the withdrawal amount. With respect to each Class A investor and each Class B investor, a permitted withdrawal date is the last business day of any month after the first anniversary of the date upon which such investor made its initial capital contribution. With respect to each Class C investor, a permitted withdrawal date is any December 31 after the first anniversary of the date upon which such investor made its initial capital contribution. With respect to Class D investors, a permitted withdrawal date is December 31 of the year in which occurs the third anniversary of the date upon which such investor first acquired its Class D Interest, and December 31 of every third full calendar year thereafter. Notice of any withdrawal generally must be given in writing at least 45 days prior to the proposed withdrawal date. We use commercially reasonable efforts to cause at

least 90% of any estimated withdrawal proceeds to be paid after the applicable withdrawal date. Any remaining balance generally will be settled within ten (10) days after the completion of the audit of the Fund's financial statements for the applicable fiscal year.

Precept Eagle Fund, L.P.

As described more fully in the applicable offering memoranda, each investor in the Fund generally is permitted to make complete or partial withdrawals of amounts from its capital account balance as of the last business day of each calendar month that occurs after such investor's admission to the Fund. However, Class A interests, Class B interests, Class C interests and Class D interests will be subject to withdrawal fees of from two percent (2%) to six percent (6%) of the withdrawal amount with respect to any withdrawals made on dates other than a permitted withdrawal date. With respect to each Class A investor and each Class B investor, a permitted withdrawal date is the last business day of the calendar month in which occurs the anniversary of the date upon which such investor made its initial capital contribution, and any last business day of a calendar month thereafter. With respect to Class C investors, a permitted withdrawal date is any December 31 after the first anniversary of the date upon which such investor made its initial capital contribution. With respect to Class D investors, a permitted withdrawal date is December 31 of the year in which occurs the third anniversary of the date upon which such investor acquired its Class D Interest, and December 31 of every third full calendar year thereafter.

Notwithstanding the foregoing, no withdrawal fees apply with respect to Class E Interests.

Notice of any withdrawal generally must be given in writing at least 45 days prior to the proposed withdrawal date. We use commercially reasonable efforts to cause at least 90% of any estimated withdrawal proceeds to be paid after the applicable withdrawal date. Any remaining balance generally will be settled within ten (10) days after the completion of the audit of the Fund's financial statements for the applicable fiscal year.

The Precept International Fund, Ltd.

As described more fully in the applicable offering memoranda, each investor in the Fund generally is permitted to make a complete or partial redemption of its shares as of its permitted redemption date. However, any redemptions made on dates other than a permitted redemption date may be subject to redemption fees of up to six percent (6%) of the redemption amount. With respect to Class B Shares, a permitted redemption date is the last day of the calendar quarter in which occurs the anniversary of the date upon which such investor acquired its interest in the Fund, and each last day of a calendar quarter thereafter. With respect to Class C Shares, a permitted redemption date is any December 31 after the first anniversary of the date upon which such investor acquired its Class C Shares. With respect to Class D Shares, a permitted redemption date is December 31 of the year in which occurs the third anniversary of the date upon which such investor acquired its Class D Shares, and December 31 of every third full calendar year thereafter. Notice of any redemption generally must be given in writing at least 45 days prior to the proposed redemption date. We use commercially reasonable efforts to cause redemption proceeds to be paid within thirty (30) days after the applicable redemption date. In the case of redemptions of over ninety percent (90%) of an investor's shareholding, at least ninety percent (90%) of the estimated amount due is required to be paid within thirty (30) days after the redemption date, and any remaining balance generally will be settled within ten (10) days after the completion of the audit of the Fund's financial statements for the applicable fiscal year.

The Precept Fund II, L.P.

As described more fully in the applicable offering memoranda, each investor in the Fund generally is permitted to make complete or partial withdrawals of amounts from its capital account balance as of its permitted withdrawal date. However, any withdrawals made on dates other than a permitted withdrawal date may be subject to withdrawal fees of up to six percent (6%) of the withdrawal amount. With respect to each Class A investor, a permitted withdrawal date is the last business day of the calendar month in which occurs the anniversary of the date upon which such investor made its initial capital contribution, and any last business day of a calendar month thereafter. With respect to Class B investors, a permitted withdrawal date is any December 31 after the first anniversary of the date upon which such investor made its initial capital contribution. With respect to Class C investors, a permitted withdrawal date is December 31 of the year in which occurs the third anniversary of the date upon which such investor acquired its Class C Interest, and December 31 of every third full calendar year thereafter. Notice of any withdrawal generally must be given in writing at least 45 days prior to the proposed withdrawal date. We use commercially reasonable efforts to cause at least 90% of any estimated withdrawal proceeds to be paid after the applicable withdrawal date. Any remaining balance generally will be settled within ten (10) days after the

completion of the audit of the Fund's financial statements for the applicable fiscal year.

Precept Special Situation Fund, L.P.

As described more fully in the applicable governing documents, with respect to each Class A investor, such investor generally is permitted to make complete or partial withdrawals of amounts from its capital account balance as of the close of business on the last day of any calendar month. With respect to each Class B investor, such investor generally is permitted to make a complete or partial withdrawal of amounts from its capital account balance on December 31 of the year in which the third anniversary of the date upon which such investor made its initial capital contribution occurs, and December 31 of every third full calendar year thereafter. However, withdrawals of Class B Interests occurring on a date other than that which is specified in the previous sentence may be subject to a withdrawal fee of thirty percent (30%) of the amount of the withdrawal. Notice of any withdrawal generally must be given in writing at least ninety (90) days prior to the proposed withdrawal date. We use commercially reasonable efforts to cause withdrawal proceeds to be paid within thirty (30) days after the applicable withdrawal date. In the case of withdrawals of over ninety percent (90%) of an investor's interests, at least ninety percent (90%) of the estimated amount due shall be paid within thirty (30) days after the withdrawal date, and any remaining balance generally will be settled within ten (10) days after the completion of the audit of the Fund's financial statements for the applicable fiscal year.

Precept Capital Master Fund

As described more fully in the governing documents, each investor in the Fund generally is permitted to make complete or partial withdrawals of amounts from its capital account balance as of the close of business on the last business day of any calendar month. There generally are no withdrawal charges payable on the withdrawal of any investors in the fund in accordance with the terms of the agreement. Notice of any withdrawal generally must be given in writing at least 45 days prior to the proposed withdrawal date. We use commercially reasonable efforts to cause withdrawal proceeds to be paid within thirty (30) days after the applicable withdrawal date. In the case of withdrawals of over ninety percent (90%) of an investor's interests, at least ninety percent (90%) of the estimated amount due is required to be paid within thirty (30) days after the withdrawal date, and any remaining balance generally will be settled within ten (10) days after the completion of the audit of the fund's financial statements for the applicable fiscal year.

Precept Credit Opportunities Fund, L.P.

As described more fully in the applicable governing documents, each investor in the Fund generally is permitted to make complete or partial withdrawal of amounts from its capital account balance as of the close of business on the last day of any calendar year (other than the portion of such capital account allocated with respect to special investments). Notice of any withdrawal generally must be given in writing at least six months prior to the proposed withdrawal date. To the extent that sufficient liquid assets are available, withdrawal proceeds generally will be paid to a withdrawing investor as soon as reasonably practicable after the applicable withdrawal date. In the case of withdrawals of over ninety percent (90%) of an investor's aggregate capital account balance, at least ninety percent (90%) of the estimated amount due will be paid within thirty (30) days after the withdrawal date, and any remaining balance generally will be settled promptly after the completion of the audit of the Fund's financial statements for the applicable fiscal year.

An investor generally will not be permitted to withdraw any portion of its capital account that is allocated to a special investment until the realization or deemed realization of such special investment.

COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.

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

PERFORMANCE-BASED COMPENSATION

As noted under “**Item 5: Fees and Compensation—Description of Compensation and Fee Schedule**” above, we generally are entitled to receive performance-based fees or allocations with respect to each investor in the Funds. Performance-based allocations or fees could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. In addition, because performance-based allocations or fees with respect to the Funds may be calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by us, we face a conflict of interest in valuing those portfolios. Certain of our individual employees and affiliates who are compensated to some extent based upon investment profits for which they are responsible face the same potential conflict. We address this conflict through full and fair disclosure in the applicable governing and/or offering documents and/or this brochure.

SIDE-BY-SIDE MANAGEMENT

We do not manage accounts for which we are entitled to receive performance-based fees or allocations alongside accounts for which we are not entitled to receive any performance-based fees or allocations. We attempt to address this conflict through disclosure and by allocating investment opportunities among our clients in a fair and equitable manner under the circumstances (in accordance with the applicable offering documents).

Item 7: Types of Clients

DESCRIPTION

We currently provide investment advisory and supervisory services with respect to affiliated private pooled investment vehicles, our sole advisory clients. We may in the future provide investment advice to other types of clients including, but not limited to, other private pooled investment vehicles and separately managed accounts.

ACCOUNT REQUIREMENTS

The minimum initial capital contribution required for an investor in each of the Funds is \$500,000, although capital contributions of lesser amounts may be accepted in our discretion.

To invest in the Funds, each investor generally is required to certify that it is, among other things, an “accredited investor” (as such term is defined in Rule 501(a) of Regulation D under the Securities Act) and a “qualified client” (as such term is defined in Rule 205-3 under the Advisers Act). Each prospective investor generally is required to complete and return various subscription documents to the applicable Fund, which are designed to provide the applicable Fund, us and our affiliates and agents with important information about the investor. Subscriptions may be accepted or rejected, in whole or in part, in the sole discretion of the general partner or directors of a Fund.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Except with respect to Precept Credit Opportunities Fund, L.P., we select investments in individual security positions based on a disciplined, bottom-up approach. This approach may include, and is not limited to, conversations with management, analysis of financial statements and industry publications, conversations with competing companies, suppliers, independent marketing agents, customers, and Wall Street analysts and brokers. We attempt to more accurately and more efficiently assess appropriate valuations of potential investments through the techniques previously described. To achieve our investment objectives, we may, at any time, pursue opportunities to invest in a number of varied financial instruments and may hold, pledge, assign, sell, sell short, exchange, purchase or write options, or transfer such instruments from time to time. We may, among other things, (i) invest in publicly traded common stocks and other equity securities of U.S. corporations, (ii) purchase equity securities of foreign corporations, (iii) purchase bonds (including high-yield debt securities), notes and other debentures, (iv) engage in short sales (both speculatively and as a hedge of other investments), (v) purchase or write options of any and all types, including options on equity securities, stock market indices, over-the-counter options, debt securities and foreign currencies, (vi) hold cash equivalent investments under certain market conditions, (vii) invest in securities denominated in currencies other than U.S. Dollars, (viii) invest in securities located in other countries, and (ix) contract out a portion of the Funds' assets to third parties. We apply this underlying investment approach with respect to each of the Funds.

With respect to Precept Credit Opportunities Fund, L.P., we utilize a disciplined approach in selecting investments, focusing on making informed decisions and evaluations regarding investment opportunities in order to achieve long term capital appreciation commensurate with we determine to be reasonable risk. In selecting securities for investment, we generally rely on the following sources of information, among others: publicly available information including tax sale candidate lists, tax assessor information, MLS information, and third party sales and marketing website such as Zillow and Trulia, general economic data, forecasts prepared by government and private sources, industry trade publications, various statistical services, materials published by publicly owned corporations, and information provided by the research departments of brokerage firms or other research providers. A factor in the compensation paid to research providers will be investment ideas furnished by such providers.

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The investment strategies summarized above are not intended to be comprehensive and are qualified in their entirety by the information set forth in the applicable offering documents. For more information regarding the investment strategies and objectives applicable to a Fund, please see the offering and governing documents of such Fund.

CERTAIN RISK FACTORS

There can be no assurance that we will achieve our investment objectives or that investments will be successful. Our investment program involves a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that our investment program is low risk or risk free. Our investment program is appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors should consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with our investment strategies and processes and may not necessarily apply to each investor. Investors are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. The following risks are qualified in their entirety by the risks set forth in the offering document of each Fund.

Nature of Investments. Our business involves a high degree of financial risk. Markets in which we invest are subject to a high degree of volatility. There can be no assurance that our investment objective will be realized or that investors will receive any return of capital. Moreover, we do not have a significant limitation on the types of investments we may make. We, in our sole discretion, may employ such investment and trading strategies and methods as we determine to adopt. We may also invest in securities for which no active trading market exists, and the value of any such securities shall be determined by us, in our sole discretion.

General Market Developments. The profitability of our investment program may be affected by general market developments and by our ability to correctly assess future developments in relevant markets, an ability that is inherently limited and unreliable. As a result, we will be subject to many different types of market risk. From time to

time various markets have experienced extreme periods of volatility, illiquidity, correlation with other markets, negative performance and other disruptions and conditions that would previously have been viewed as extremely unlikely or even impossible. Such market developments have, in the past, led to large losses and insolvencies at numerous investment funds. There can be no assurance that general market developments in the future will not have a material adverse effect on us.

General Economic Conditions. General economic and business conditions may affect our activities. Interest rates, the price of securities and participation by other investors in the financial markets, among other factors, may affect the value of securities we purchase.

Short Selling, Options and Futures Trading. Our investment program may include short selling and trading in options and futures (upon the receipt of any necessary regulatory exemptions or approvals). Such investments can be extremely volatile and substantially increase the impact of adverse price movements upon the sale of the investment.

Distressed Securities. We may invest client assets in distressed securities. Investments in distressed securities involve acquiring securities of companies that are experiencing significant financial difficulties and of companies that are, or appear likely to become, bankrupt or involved in a debt restructuring or other major capital transaction. Consequently, there is a high degree of risk associated with these investments because such companies may never recover and the value of such investments may be lost.

Limited Diversification. Although we will seek to diversify investments as we deem appropriate and consistent with our investment objectives, the amount of investments that may be invested in a particular security is not subject to any restrictions. If the investments are concentrated in a small number of investments, they will be subject to a greater level of volatility.

PIPE Investments. We may invest client assets in PIPE transactions. A PIPE (Private Investment in Public Equity) is a private placement of restricted securities (common stock, convertible preferred stock, convertible debentures, warrants or other equity or equity-like securities) of a public company. Typically in such a transaction, the investor enters into a purchase agreement pursuant to which the investor commits to purchase the securities and the public company issuer commits to sell such securities and to file a resale registration statement within a specified period of time covering the resale of the securities that the investor purchased in the private placement. In connection with a PIPE investment, we may be obligated to pay all or part of the registration expenses, and, due to delays in the registration process, a considerable period may elapse between the time of our decision to sell and the time such security may be sold under an effective registration statement. If adverse market conditions were to develop during such a period, we might obtain a less favorable price than the price we could have obtained at the time of our decision to sell the security. Further, there is no assurance that the public company will satisfy its registration obligation, in which case, we may only be able to sell such securities under Rule 144. Any such developments may have a material adverse effect on us.

Illiquid Investments. In addition to PIPE investments, it is possible that some other investments may be illiquid for an extended period of time. Furthermore, because of the speculative and non-public nature of some investments, we may, from time to time, sell or otherwise dispose of investments that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions may prevent clients from realizing as great an overall return on investment as may have been realized if such sales or dispositions had been made at a later date, which may adversely affect investment results. Certain securities may be difficult or impossible to sell at the time and price that we desire. We may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on our performance. We also may purchase equity securities that are restricted as to resale and are issued by issuers that have outstanding, publicly-traded equity securities of the same class, including PIPE transactions.

Short Sales. We may effect short sales. Short selling is the practice of selling securities that are not owned by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes. To complete a short sale, we generally must borrow the securities from a third party in order to make delivery to the buyer. We generally will be required to pay a brokerage commission that will increase the cost to us of selling such securities. The proceeds of the short sale plus additional cash or securities must be deposited as collateral with the lender of the securities to the extent necessary to meet margin requirements. The amount of the required deposit will be adjusted periodically to reflect any change in the market price of the securities that we are required to return to the lender. We generally will be entitled to receive payments from the lender with respect to the short sale proceeds and additional cash on deposit with the lender at negotiated interest rates. We will be obligated to return securities

equivalent to those borrowed at any time on demand of the lender of the securities borrower by purchasing them at the market price at the time of replacement. Until the securities are replaced, we will be required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan of the securities. An increase in the value of any security that is the subject of short selling by us may, as a result of the foregoing, have a material adverse effect on client assets, and therefore the return on client investment.

Third-Party Contracts. We may from time to time contract out a portion of client assets to third parties. In doing so, we will rely on investment specialists with expertise in a particular market area or investment type. There can be no assurance that any such third-party contracts entered into by us will produce successful investment results.

Leverage and Borrowing Risks. We may use significant leverage in our investment program, including by purchasing securities on margin. When leverage is used to control positions worth more than our investment in those positions, the amount that we may lose in the event of adverse price movements is high in relation to the amount of our investment. In order to secure our financing arrangements, we generally will pledge all investments to the prime broker providing such financing. Our investors are equity holders, and their rights are therefore junior to and generally subject to the satisfaction of the prior claims of all creditors.

If the value of our securities falls below the margin or collateral levels required by the prime broker or other financing counterparty, additional margin or collateral deposits would be required. If we are unable to satisfy any margin call, then the prime broker could terminate transactions, liquidate our position in some or all of such securities and otherwise cause us to incur significant losses. In the event of a sudden drop in the value of our assets, we might not be able to liquidate assets quickly enough to satisfy our margin or collateral requirements or other contractual obligations. In that event, we may become subject to claims by the prime broker that exceed the value of our assets.

Counterparty Credit Risks. Our investments will generally be held in the name of the prime broker or its nominee, rather than in our name. We will assume credit risk to the prime broker in connection with clearing and settlement arrangements and custody arrangements. The practical effect of the applicable contracts, laws and regulations and their application to our investments are subject to substantial legal and practical limitations and uncertainties. Investors should assume that the insolvency of the prime broker or any executing broker would result in the loss of all or a substantial portion of the assets held by such person or owed by such person to us.

Terrorist Attacks and War. Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or its interests abroad may adversely affect the United States, its financial markets and global economies and could prevent us from meeting our investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, and other acts of war or hostility have created many economic and political uncertainties, that may adversely affect the United States and world financial markets and us for the short or long-term in ways that cannot presently be predicted.

Foreign exchange risk. Certain of our investments are subject to the risk of fluctuations in the U.S. dollar exchange rate against the local or reference currencies of investors.

Tax Certificate Risk. We invest and may in the future invest client assets in certificates or other documentation that evidence ownership of liens for unpaid local taxes and related penalties and expenses thereon on parcels of real property. If the redemptive value of a tax certificate is not paid before the expiration of the redemptive period, we will be able to realize upon such tax certificate only by obtaining title to the property or selling the tax certificate to a third party. We will obtain such title only if we believe that the net proceeds of the sale of the property will be sufficient to justify the costs and expenses obtaining such title. Although we will endeavor to invest in tax certificates which are likely to be redeemed, or if not redeemed, are secured by a property that has a market value exceeding the terminal value, there can be no assurance that redemption will take place or that we will realize profits upon the disposition of the tax certificates. In the event we foreclose on a property covered by a tax certificate, we may incur expenses, including, without limitation, legal fees and costs, which will be deducted from the amount recoverable, and will reduce the return on such tax certificates. We will rely on local authorities to perform statutory duties that are a precondition to the validity of tax certificates we acquire. If such authorities prejudice our rights through failure to perform their statutory duties, we may not have practical recourse for a return on the investment in the tax certificates. Municipalities have no obligation to disclose information concerning the underlying properties with respect to which tax certificates will be sold (other than information required to be disclosed in connection with statutory notices). Tax certificates may be subordinated to certain federal and state tax liens for unpaid income taxes. To the extent such government liens exist on a property related to a tax certificate, if the sale of that property does

not generate enough money to satisfy those liens, we may not receive any return on its initial investment. In addition, our failure to pay subsequent taxes on tax certificates will allow the holder of such subsequent lien to have priority over our lien, and accordingly, such loss of priority status may ultimately result in loss of investment. Because tax certificates may be redeemed at any time prior to the expiration of the redemptive period, it is possible that an early redemption will reduce our anticipated rate of return. A purchaser of a tax certificate is not entitled to any specific information concerning the condition of the related property nor can a purchaser inspect such property through the exercise of a right of entry. We plan to conduct extensive pre-bid due diligence on the properties underlying the tax certificates in order to reduce risk and gather more information about the physical condition of the properties. However, due to the limited right of inspection, we cannot guarantee that we will be able to discover all risks underlying the property prior to obtaining the tax certificate. If we obtain title to a property, we expect to obtain comprehensive insurance coverage for the property. However, there are certain types of losses (generally of a catastrophic nature, such as earthquakes, floods and wars) that are either uninsurable or not economically insurable. If a disaster should affect, or cause the destruction of, a property, we could lose our investment in such property. There can be no assurance that a property, if any, acquired by us is not taken for any public or quasi-public purpose by a power or authority by the exercise of the right of condemnation or eminent domain. In such event, the relevant authority may have the power and discretion to determine the value of the property, and such value may be less than the value ascribed to such property by us, in which case, we could lose some or all of its investment in such property.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT PROGRAM. PROSPECTIVE INVESTORS SHOULD CAREFULLY REVIEW THE APPLICABLE OFFERING MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

Item 9: Disciplinary Information

Neither we nor any of our employees have been involved in any legal or disciplinary events related to past or present investment clients or investors.

Item 10: Other Financial Industry Activities and Affiliations

RELYING ADVISER

Precept Capital Management, L.P., our affiliate (“Relying Adviser”), serves as general partner of the U.S. Funds and, in such capacity, may be deemed to be an “investment adviser” (as such term is defined in the Advisers Act). While we and the Relying Adviser have been organized as separate legal entities, we collectively conduct a single advisory business. Accordingly, the Relying Adviser relies on our investment adviser registration instead of separately registering as an investment adviser with the SEC under the Advisers Act. To rely on our registration, we have entered into an investment management supervisory agreement with the Relying Adviser, pursuant to which, among other things, (i) the Relying Adviser, its employees and persons acting on its behalf are “persons associated with” and “supervised persons” (as each term is defined in the Advisers Act) of Precept Management, LLC, (ii) the investment advisory services of the Relying Adviser, its employees and persons acting on its behalf are subject to our supervision and control, (iii) any investment advisory functions of the Relying Adviser are subject to the Advisers Act and the rules and regulations thereunder, and (iv) the activities and books and records of the Relying Adviser are subject to inspection and examination by the SEC. The Relying Adviser is subject to our compliance policies and procedures. We have disclosed in the Miscellaneous Section of Schedule D of Part 1A of our Form ADV that we and the Relying Adviser are together filing a single Form ADV in reliance upon guidance expressed in a recent SEC no-action letter.

COMMODITY POOL OPERATOR, COMMODITY TRADING ADVISOR, FUTURES COMMISSION MERCHANT REGISTRATION

Precept Capital Management, L.P. is currently not registered with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator with respect to each Fund pursuant to an exemption provided by CFTC Rule 4.13(a)(3).

TAX CERTIFICATE SERVICE PROVIDER

Precept Credit Opportunities Fund, L.P. has entered into engagement agreements (the “Engagement Agreements”) with each of Morel Yorsch, LLC (“Morel Yorsch”), and its service entity, MY Tax Resources, LLC (“MY Tax” and together with Morel Yorsch, “MY”), entities owned by Louisiana attorneys Stephen Morel and Frederick Yorsch. Pursuant to the Engagement Agreements, MY assists us with, among other things, due diligence on tax certificates, the management of tax certificates and any real property held by us and certain legal matters, mostly in connection with acquiring quiet title to the properties underlying the tax certificates.

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

CODE OF ETHICS

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information and address conflicts of interest that arise from personal trading by our employees. Among other things, we impose restrictions on all access persons relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. Our code of ethics generally requires preclearance of all personal trades in securities for our access persons to assure that there is no conflict with trades being conducted by or considered for the Funds. Investments by our access persons in initial public offerings or private placements must also be approved by our Chief Compliance Officer. Our access persons must also report all trades in which they had or acquired any direct or indirect beneficial ownership on a quarterly basis, and must report all securities holdings on an annual basis. Further, we maintain certain policies and procedures designed to prevent access persons from trading the same security ahead of our clients. We will furnish a copy of our code of ethics to investors and prospective investors upon request.

PERSONAL TRADING

Subject to various restrictions set forth in our code of ethics, our employees and principals may purchase for themselves securities purchased for, or recommended to, the Funds. Allowing employees and principals to purchase these securities may motivate those employees or principals to engage in “piggy backing,” which is the practice of conducting a personal securities transaction based on information they have received in the course of conducting a similar transaction on behalf of a client, or in the practice of “front running,” which is the practice of executing orders on an employee’s personal account while taking advantage of advance knowledge of pending orders from its clients. To prevent these practices, we closely monitor the investments made by our employees and principals and strictly prohibit “piggy backing” and “front running.”

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Some of our principals and employees also invest in the Funds as limited partners or shareholders and may, from time to time, allocate a portion of their compensation to capital contributions to these accounts.

We periodically engage in cross trades between Funds when price fluctuations of a particular Fund’s holdings cause target asset allocation ratios in one or more of its Funds to become imbalanced. A Fund could be a purchaser or a seller in a cross transaction. We also may seek to rebalance the portfolios of the Funds on a monthly or quarterly basis to reflect contributions and redemptions that are disproportionate among the Funds (“rebalancing transactions”). In rebalancing transactions, we may sell securities from one or more Funds and purchase the securities for one or more other Funds in a simultaneous transaction so that each Fund maintains the same *pro rata* ownership of each securities position. A Fund could be a purchaser or a seller in a “rebalancing” transaction. We generally do not receive compensation in connection with such rebalancing transactions.

As disclosed above in Item 4, we have caused and may from time to time in the future cause a Fund to invest all or any portion of its assets in one or more other Funds. Where we effect a transaction between one or more of the Funds, we may be deemed to engage in a principal transaction if our controlling person(s) (or affiliates thereof) owns (directly or indirectly) more than 25% of any one of such Funds. In such situation, we will endeavor to comply in all material respects with the requirements of Section 206(3) of the Advisers Act including, without limitation, by providing written disclosures to the applicable investors and obtaining the consent of at least a majority in interest of such applicable investors.

Our employees, principals and affiliates generally are permitted to co-invest alongside a Fund in an investment opportunity, subject to our Chief Compliance Officer’s prior approval. Allowing employees, principals and affiliates to invest for their personal accounts at the same time, or about the same time, as they invest for the Fund(s) may motivate such employees, principals and affiliates to favor their personal accounts. To prevent any conflict of interest, the Funds will have first priority to investment opportunities, and such employees, principals and affiliates must allow clients a reasonable time to act on such investment opportunities before personally acting on them. Additionally, any employee, principal or affiliate investment must be approved by our Chief Compliance Officer.

In addition to the foregoing, we may cause a Fund to engage or enter into transactions and arrangements involving actual or potential conflicts of interest. We will review any such transactions involving material conflicts of interest and take such actions as we deem necessary or appropriate under the circumstances in an attempt to ensure that the terms of such transactions are fair and reasonable (including, without limitation, obtaining the consent of a majority in interest of the applicable investors).

Item 12: Brokerage Practices

SELECTING BROKERAGE FIRMS

In general, we have authority to determine the brokers, futures commission merchants and other counterparties to be used for client transactions and negotiate commission rates and other monies paid by clients. We select broker-dealers on the basis of obtaining the best overall terms available (*i.e.*, best price and execution of transactions), which we evaluate based on a variety of factors, including among other things: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services and other services considered by us to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. Research and related services furnished by brokers include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; discussions with research personnel; and hardware, software, data bases and other news, technical and telecommunications services and equipment used in the investment management process. We may pay commissions in excess of that which another broker might charge for effecting the same or similar transactions, in recognition of the value of the brokerage and/or research services provided by brokers. Because commission rates in the United States as well as other jurisdictions are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. The investor accounts that ultimately bear the cost of such a commission for a particular trade will not necessarily be the sole beneficiary of such research. Subject to being satisfied that we are obtaining best execution, we may consider referrals of investors in selecting among brokers that otherwise satisfy our selection criteria.

BEST EXECUTION

In placing orders to purchase and sell securities, our policy is to seek the best net execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers, which we believe are responsible and provide effective execution of such orders under conditions most favorable to the accounts.

SOFT DOLLAR PRACTICES

We have the option to use "soft dollars" generated by the Funds to pay for the research and non-research related services provided by brokers. The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers (including research), without any cash payment by us, based on the volume of revenues generated from brokerage commissions for transactions executed for our clients. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

Using "soft dollars" to obtain investment research and/or related services creates a conflict of interest between us and our managed accounts, because the soft dollars may be used to acquire such products and services that are not exclusively for the benefit of the managed accounts which paid such commissions and that may primarily or exclusively benefit us. To the extent that we are able to acquire these products and services without expending our own resources (including management fees paid by managed accounts), our use of "soft dollars" would tend to increase our profitability. Furthermore, we may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits.

Soft dollar benefits generally are used to service all of our clients. We seek to allocate soft dollar benefits among client accounts in a fair and equitable manner under the circumstances, but there can be no assurance that we will be successful in this regard.

During the last fiscal year, we acquired research services, pricing services and news feeds as soft dollar items.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities.

We intend that any soft dollars that we receive in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

BROKERAGE FOR CLIENT REFERRALS

In selecting or recommending brokers, we do not consider whether we or our related persons receive client or investor referrals from such brokers.

DIRECTED BROKERAGE

We do not routinely recommend, request or require that a client direct us to execute transactions through a specified broker-dealer, nor do we allow our clients to direct brokerage for order execution purposes.

ORDER AGGREGATION

We may place aggregated orders or block trades for multiple clients when such action is in the clients' best interests to do so. For example, we may be able to reduce commission costs or market impact on a per-share basis. We endeavor to aggregate orders on a fair and equitable basis.

ALLOCATION OF INVESTMENT OPPORTUNITIES

We generally allocate investment opportunities among our clients in a fair and equitable manner based upon, among other things, the investment objectives, guidelines and restrictions, risk profiles, financial conditions and tax status of each client. If each participating client receives less than its full allocation, then each participating client generally receives its *pro rata* portion of the executed order. Under certain circumstances, we have discretion to utilize alternative allocation procedures, provided that all participating clients are treated fairly and equitably.

Item 13: Review of Accounts

PERIODIC REVIEWS

Except with respect to Precept Credit Opportunities Fund, L.P., D. Blair Baker, our President, Chief Executive Officer and Manager, generally conducts reviews of all client accounts on a daily basis. With respect to Precept Credit Opportunities Fund, L.P., Mr. Baker generally conducts reviews of its portfolio on at least a monthly or quarterly basis. With respect to accounting matters, we have engaged Spicer Jeffries LLP to conduct an annual audit of each Fund.

We invest client assets in securities and other financial instruments. In monitoring the performance of the investments, we perform various levels of review. Among other items, we consider short and long-term rates of return, investment diversification and risk allocations as part of our regular review.

ADDITIONAL REVIEWS

We may conduct additional or more frequent reviews upon the occurrence of major market movements, earnings announcements or other news events.

REPORTS TO INVESTORS/CLIENTS

We generally provide investors in each of the Funds with annual audited financial statements, quarterly portfolio reports, and annual U.S. income tax information. We also provide quarterly capital account statements to investors. All such statements and reports are written.

Item 14: Client Referrals and Other Compensation

THIRD PARTY COMPENSATION

Except as described in “**Item 12: Brokerage Practices**,” we currently do not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to our clients.

REFERRALS

We currently do not compensate any other professional for client or investor referrals.

Item 15: Custody

We have, or may be deemed to have, “custody” of each Fund’s cash and securities. In accordance with Rule 206(4)-2 under the Advisers Act, each Fund’s cash and securities (except for privately offered securities or as otherwise set forth in Rule 206(4)-2) are held with one or more qualified custodians. Goldman, Sachs & Co. currently serves as qualified custodian to Precept Capital Master Fund, The Precept Fund II, LP, Precept Eagle Fund, LP, The Precept International Fund, Ltd., and Precept Special Situation Fund, LP. In addition, U.S. Bank currently serves as qualified custodian to Precept Capital Master Fund and Precept Special Situation Fund, L.P., and Precept Capital Master Fund has a prime brokerage arrangement with Jefferies LLC. Precept Capital Master Fund and The Precept Fund II, L.P. each have a brokerage account with OptionHouse. Precept Credit Opportunities Fund, L.P. has a bank account with Texas Capital Bank, N.A. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged Spicer Jeffries LLP to conduct an annual audit of each Fund, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided annually to investors. We attempt to provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not send account statements directly to investors.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

We generally have discretionary power and authority to determine the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of our clients. We have authority to determine the broker-dealers, futures commission merchants or other counterparties used for client transactions and the negotiation of commission rates and other consideration to be paid by the Funds.

LIMITED POWER OF ATTORNEY

Each investor in the U.S. Funds generally grants to us or our affiliate a limited power of attorney to enable us to execute the applicable partnership agreement (and take various other limited actions) on their behalf. We have authority to conduct authorized trading on behalf of each of the Funds.

Item 17: Voting Client Securities

VOTING POLICIES

We have the authority to vote proxies on behalf of the Funds. Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies and procedures. In accordance with such rule, we have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions relating to Fund securities in a manner that serves the best interests of the Funds, as determined in our discretion, taking into account various factors. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation. Investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

CONFLICT OF INTEREST

Where a material conflict of interest has been identified and the matter is covered by our proxy voting policy, the Chief Compliance Officer will vote proxies in accordance with our proxy voting policy.

Where a material conflict of interest has been identified, the Chief Compliance Officer will disclose the conflict to D. Blair Baker. The Chief Compliance Officer will then determine the manner in which to vote the proxy proposal, considering, without limitation, the following: (i) whether adoption of the proposal would have a positive or negative impact on the issuer's short-term or long-term value; (ii) whether the proposal itself is well framed and reasonable; (iii) whether implementation of the proposal would achieve the objectives sought in the proposal; and (iv) whether the issues presented would best be handled through government or issuer-specific action. Our Chief Compliance Officer will determine the appropriate course of action, document the basis for the decision and will furnish the documentation to us.

If an appropriate course of action cannot be determined, we will, at our expense, engage the services of an outside proxy voting service or consultant, and we will vote in accordance with such voting service's or consultant's recommendation.

Item 18: Financial Information

We do not have any financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients, nor have we been the subject of any bankruptcy proceeding.

General Information

PRIVACY POLICY

We have adopted policies and procedures reasonably designed to protect various records and information of clients and investors. We will acquire and retain only personal information that is required for the effective operation of our business or that is required by law in the jurisdictions in which we operate. Access to such information will be restricted internally to those with a legitimate need to know. Except as set forth in the applicable offering materials and as otherwise authorized by each client and/or investor, private information about investors in the Funds is only disclosed as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation of the Funds.

TRADE ERRORS

We may on occasion experience errors with respect to trades executed on behalf of our clients. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, the correct security is purchased or sold but for the wrong account, or the wrong quantity is purchased or sold (*e.g.*, 1,000 shares instead of 10,000 shares are traded). Trade errors may result in losses or gains. We will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker, we will strive to recover any losses associated with such error from the counterparty. Except with respect to Precept Special Situation Fund, L.P., the applicable governing documents generally provide that each Fund will, to the fullest extent permitted by law, indemnify and hold harmless us, our employees and our affiliates from and against any and all losses, costs or expenses suffered or sustained by such party, and we will not be entitled to indemnification unless it is determined that we have acted in good faith and, in our case, reasonably believed that our conduct was in our official capacity and in the Fund's best interests, or, in the case of our employees and affiliates, not opposed to the Fund's best interest. As a result of these provisions, the applicable Fund (and not us or our affiliates) generally will be responsible for any losses resulting from trading errors and similar human errors, if we acted in good faith and reasonably believed that our conduct was in our official capacity and in the Fund's best interests, or, in the case of our employees or affiliates, not opposed to the Fund's best interests. With respect to Precept Special Situation Fund, L.P., the Fund will indemnify and hold harmless us, our employees and our affiliates to the fullest extent of the law. Given the large volume of transactions executed by us on behalf of the Funds, investors should assume that trading errors (and similar errors) will occur and that the applicable Fund will be responsible for any resulting losses, even if such losses result from the negligence of our employees. To the extent that we determine that we are responsible for a trade error, we will seek to resolve the error in a fair and equitable manner, taking into consideration whether the error resulted from gross negligence on our part, the materiality of the error relative to the overall size of the affected Fund's portfolio, and any recent gains or losses due to our errors.