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This brochure provides information about the qualifications and business practices of Regan Capital, LLC. If you have any questions about the contents of this brochure, please contact us at 214-890-4159. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Regan Capital, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

This is our annual update to our brochure. Since our last annual amendment to our brochure dated March 31, 2014, we have become SEC registered and have changed the auditor of Regan Distressed Credit Fund to KPMG. We encourage everyone to read this brochure in its entirety.

We will ensure that you receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Additional information about the Adviser is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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Item 4 - Advisory Business

A. Principal Owners and Background

Regan Capital, LLC (the “Adviser”) was founded in 2011. The Adviser currently provides investment advisory services to two hedge funds, Regan Distressed Credit Fund, LP (“Distressed Credit Fund”) and Regan Credit Opportunities Fund, LP (“Opportunities Fund” and collectively the “Funds”), and several separately managed accounts. The Adviser is owned and controlled by Skyler Weinand (the “Principal”). Currently the Opportunities Fund is only open to the Principal and his affiliates.

B. Types of Advisory Services

The Adviser currently provides portfolio management services to the Funds and separately managed accounts. The Funds’ principal focus will be on mortgage backed securities but will have the flexibility to invest in other debt securities. Separately managed accounts are generally managed using a similar strategy as the Funds; however, the investment strategy of each account is tailored to the objectives of the respective client.

C. Tailoring of Advisory Services

Pursuant to the Investment Management Agreement with the Funds, the Adviser has broad investment discretion and does not tailor its advisory services to the needs of the individual investors in the Funds, and investors may not impose restrictions on the securities or types of securities in which the Funds invest.

For separately managed accounts, the Adviser allows certain tailoring and restrictions for individual clients’ specific preferences and objectives, set at the opening of the account and updated annually.

D. Wrap Fee Programs

The Adviser does not participate in wrap fee programs.

E. Assets Under Management

As of March 1, 2015, the Adviser had approximately \$226,770,000 of discretionary assets under management. The Adviser does not manage assets on a non-discretionary basis.

Item 5 - Fees and Compensation

A. Our Compensation

The Distressed Credit Fund pays the Adviser an annual management fee (the “Management Fee”) of one percent (1%) of the capital account balance of each Limited Partner of the Fund (“the Limited Partners”). The Management Fee is calculated and payable quarterly in advance.

Currently, the Opportunities Fund does not pay a management fee or performance allocation.

Separately managed accounts also pay the Adviser a Management Fee, the amount of which is negotiable.

Additionally, our affiliate, the general partner of the Distressed Credit Fund (“the “General Partner”) or one or more of its affiliates will receive an annual performance-based allocation (the “Performance Allocation”) of twenty percent (20%) of each Limited Partner’s allocable share of net profits for the fiscal year. The Performance Allocation is subject to a high-water mark. The Performance Allocation may be waived or reduced by the General Partner in its sole discretion.

The Adviser or one or more of its affiliates may receive a performance-based fee from separately managed accounts. However, not all separately managed accounts are charged such a fee.

The Adviser may reduce the Management Fee or the Performance Allocation applicable to any Limited Partner in its sole discretion. Fees are negotiable.

B. How we collect fees

The Management Fee is payable by the Distressed Credit Fund quarterly in advance and will be debited against the capital account balance of each Limited Partner of the Distressed Credit Fund, and the Performance Allocation will be debited against the capital account of each Limited Partner and simultaneously credited to the capital account of the General Partner and/or one or more of the General Partner’s affiliates as of the close of each performance period.

For the majority of the separately managed accounts, we automatically deduct the management fee from the account in advance. For certain accounts, the management fee is paid in arrears. For separately managed accounts that are charged a performance-based fee, the fee will be deducted from the account after obtaining the client’s approval and paid to the Adviser as of the close of each performance period.

C. Other fees or expenses

Generally, the Funds will bear all Fund expenses as defined in the Fund’s private placement memorandum. For a more complete discussion of each Fund’s fees and expenses, please refer to the Fund’s private placement memoranda.

Each client bears all costs and expenses related to its investment program, including expenses related to proxies, underwriting and private placements, research expenses, surveys, subscriptions, studies, brokerage commissions, interest on debit balances or borrowings,

custody fees and any withholding or transfer taxes imposed on that client. See Item 12 of this brochure for more information on our brokerage practices.

D. Advance Payment

Management Fees are generally payable in advance. Some separately managed accounts may pay management fees in arrears.

E. Compensation for sales of Securities

Neither the Adviser nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

As referenced above in Item 5, our affiliate, the General Partner or one or more of its affiliates, will be entitled to a Performance Allocation from the Distressed Credit Fund. The use of performance-based compensation generally may create an incentive for us to choose an investment strategy that may carry a higher degree of risk to the Funds. In addition, we manage portfolios for clients that are not charged a performance based fee, therefore, we may have an incentive to favor client accounts which have a performance-based fee.

For a more complete discussion of the fees and compensation, please refer to each Fund's private placement memorandum.

Item 7 - Types of Clients

The Adviser provides portfolio management services for the Funds and individual high net worth and institutional clients through separately managed accounts.

The minimum initial investment in each Fund is one million dollars (\$1,000,000), though lesser amounts may be accepted at the sole discretion of the General Partner. Because each Fund charges a performance allocation, all clients must be "qualified clients" under the definition in Rule 205-3 of the Investment Advisers Act of 1940. Generally speaking, qualified clients include 1) a person or company with at least one million dollars (\$1,000,000) under management with the Adviser; 2) a person or company with a net worth of more than two million dollars (\$2,000,000), excluding the person's residence, or who is a qualified purchaser as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940; and 3) certain key employees of the Adviser.

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

A. Analysis and Strategies

The Adviser's focus is on mortgage backed securities but has flexibility to invest in other debt and debt related securities.

The Adviser seeks to achieve its investment objective primarily through capitalizing on out-of-favor, analysis-intensive securities. The Adviser seeks to earn between one and two times return

on investment for clients through the use of such securities. The Adviser will focus on investments that have large margins of safety as a function of price paid versus future expected cash-flows. Positive absolute returns will be generated via use of high current income and defined appreciation catalysts.

The Adviser employs industry-standard analytical and research tools, such as Bloomberg and Intex to analyze individual investments.

B. Material Risks

General Risks

Potential Loss of Investment. An investment in securities involves a high degree of risk. There can be no assurance that the Adviser's investment objectives will be achieved or that clients will not lose all or substantially all of their investment. The accounts managed by the Adviser are not a complete investment program and should represent only a portion of an investor's portfolio management strategy.

Limited Operating History for the Adviser. The Adviser has a limited operating history. In addition, past results are not necessarily indicative of future performance. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

Competition. The Adviser competes with numerous other private investment funds and financial institutions (both diversified and specialized funds), as well as other investors, many of which have substantially greater resources. The amount of capital committed to "alternative investment strategies" has increased dramatically during recent years. The profit potential of our clients may be materially reduced as a result of the increased competition within the alternative investment field.

Risks Relating to the Funds' Strategies

Investment Due Diligence and Research; Reliance on Corporate Management and Financial Reporting. In certain instances, due diligence information available to the Adviser at the time of an investment decision may be limited and the Adviser may have neither access to adequately granular information nor adequate time to analyze the information necessary for a complete evaluation of the investment opportunity. It is also possible that the due diligence and research conducted may not reveal all the relevant facts and information that may be necessary to evaluate such investment opportunity. In the worst-case scenario, information may be manipulated or fraudulent. Clients could incur material losses as a result of the misconduct or incompetence of such individuals and/or a substantial inaccuracy in such information.

Availability of Investment Opportunities. There can be no assurance that the Adviser will be able to find suitable opportunities consistent with its investment approach. Market conditions may limit the availability of investment opportunities. Such limitations may cause delays in deploying client's capital and may negatively impact client's returns.

Risks Relating to Portfolio Investments

Concentration. The risk that the performance of a client's account could be adversely affected by losses on the fixed-income investments may be increased to the extent that the client's

portfolio is concentrated in any one issuer, industry, region or country. A client account may also have disproportionate exposure to certain types of fixed-income investments. Investments in unrated fixed income instruments in which the Funds may invest, while generally providing greater opportunity for gain and income than investments in higher rated instruments, usually entail greater risk. The Adviser has no specified diversification policies as to the percentage of a client's assets that may be invested in any particular security. A client's portfolio may also consist of substantially fewer portfolio investments than anticipated if the Adviser is unable to identify or execute on appropriate opportunities.

Illiquid Investments. The Adviser expects to invest client accounts in and hold to maturity instruments that do not have a significant secondary market. Due to the illiquid nature of many of the positions, as well as the uncertainty of the success of their issuers, the Adviser is unable to predict with confidence what the exit strategy will ultimately be for any given portfolio investment, or that one will definitely be available.

Specific fixed-income security risks. Fixed-income securities are subject to certain risks, including:

- ***Issuer Risk.*** The value of fixed-income securities may decline for a number of reasons which directly relate to the issuer, such as management performance, leverage, and reduced demand for the issuer's goods and services.
- ***Interest Rate Risk.*** When market interest rates rise, the market value of fixed income securities generally will fall. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected prepayments. This may lock in a below-market yield, increase the security's duration and reduce the value of the security. Investments in debt securities with long-term maturities may experience significant price declines if long-term interest rates increase. Since the magnitude of fluctuations will generally be greater at times when a portfolio's average maturity is longer, under certain market conditions the Adviser may, for temporary defensive purposes, accept lower current income from short-term investments rather than investing in higher yielding long-term securities.
- ***Prepayment Risk.*** During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Adviser to reinvest the proceeds from such prepayment in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.
- ***Reinvestment Risk.*** Reinvestment risk is the risk that income from a portfolio will decline if the Adviser invests the proceeds from matured, traded or called bonds at market interest rates that are below the portfolio's current earnings rate.
- ***Valuation Risks.*** Unlike publicly traded common stock which trades on national exchanges, there is no central place or exchange for fixed-income securities trading.

Fixed-income securities generally trade on an "over-the-counter" market which may be anywhere in the world where buyer and seller can settle on a price. Due to the lack of centralized information and trading, the valuation of fixed-income securities may carry more risk than that of common stock. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes may lead to inaccurate asset pricing. As a result, a portfolio may be subject to the risk that when a security is sold in the market, the amount received by the client is less than the value of such security carried by the client.

Asset-backed securities. The fixed income securities in which the Adviser invests may include asset-backed securities, which represent direct or indirect participations in, or are secured by and payable from, pools of assets such as, among other things, debt securities, residential mortgages, commercial mortgages, corporate loans, motor vehicle installment sales contracts, installment loan contracts, leases of various types of real and personal property, and receivables from revolving credit (credit card) agreements or a combination of the foregoing. Payment of interest and repayment of principal on asset-backed securities may be largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds or other credit enhancements. Asset-backed security values may also be affected if the market for the securities becomes illiquid, there is difficulty valuing the underlying pool of assets or because of changes in the market's perception of the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables, or the entities providing the credit enhancement.

Non Investment Grade Securities. Certain of the fixed income securities in which the Adviser invests may be unrated by a recognized credit-rating agency or below investment grade, and as a result may be subject to greater risk of loss of principal and interest than higher-rated debt securities. The Adviser may invest client accounts in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Adviser may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Client portfolios will therefore be subject to credit and liquidity risks. In addition, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

Distressed and Bankrupt Companies. The Adviser may invest client accounts in securities, claims, and obligations of issuers which are experiencing (or may come to experience) significant financial or business difficulties. The Adviser is expected to invest in distressed securities and instruments (or securities and instruments that become distressed) of all kinds, none of which are publicly traded. In some cases, debt instruments purchased by the Adviser will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. Distressed securities and obligations are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the

general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to an investment in any instrument, and a significant portion of the obligations and securities in which the Adviser invests client portfolios are expected to be less than investment grade. The level of analytical skill, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing a portfolio's loans or the prospects for a successful reorganization or similar action.

Bank Loan Assignments and Participations. In addition to the risks associated with a default by the borrowers, risks associated with these obligations include, without limitation, the following: (i) there may be an inadequate perfection of a loan's security interest; (ii) the possible invalidation or compromise of an investment transaction as a fraudulent conveyance or preference under relevant creditors' rights laws; (iii) lender liability claims by the issuer of the bank loan obligations; (iv) the validity and seniority of bank claims and guarantees; (v) depreciation in value and environmental (or other) liabilities that may arise with respect to collateral securing the obligations; (vi) adverse consequences resulting from participating in such instruments through or with other institutions with lower credit quality; (vii) limitations on the ability of the Adviser to directly enforce a client's rights with respect to loans held via participation; (viii) increased counterparty risk due to uncertainty in the length of settlement periods; and (ix) conflicts of interest between and among clients, the Adviser, the agents on such loans and other lenders that may compromise a client's ultimate recovery.

Clients may acquire interests in loans either directly, by way of assignment or indirectly, for example, by way of participation. In the case of a participation, the client would have the right to receive payments of principal, interest, and any fees to which it is entitled under the participation only from the selling institution and only upon receipt by the selling institution of such payments from the obligor. The client may have to assume the credit risk of both the obligor and the selling institution. In addition, when the client holds a participation in a debt obligation, the client may not have the right to vote to waive enforcement of any default by an obligor. Selling institutions commonly reserve the right to administer the debt obligations sold by them as they see fit and to amend the documentation evidencing such debt obligations in all respects.

A selling institution voting in connection with a potential waiver of a default by an obligor may have interests different from those of the client, and the selling institution might not consider the interests of the Funds in connection with its vote.

Equitable Subordination. Under common law principles that sometimes form the basis for lender liability claims, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors. The Adviser does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine. However, the Funds may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the issuer should be equitably subordinated.

Private Debt. Private debt obligations are generally unrated or below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Private debt obligations are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Moreover,

private debt obligations may be unsecured and subordinate to other obligations of the obligor and are subject to many of the same risks as those associated with high-yield debt obligations. Adverse changes in the financial condition of the issuer of private debt obligations, or in general economic conditions, or both may impair the ability of the obligor to make payment of principal and interest. Issuers of private debt obligations may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.

Participation on Creditors' Committees May Expose Clients to Other Sources of Liability. The Adviser may participate in committees formed by creditors on behalf of clients to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Adviser may seek to negotiate directly with the debtors with respect to restructuring issues. By participating on such committees, the Adviser may be deemed to have duties to other creditors represented by the committees, which might thereby expose clients to liability to such other creditors who disagree with the Adviser's actions.

Limited Hedging. The Adviser does not, in general, attempt to hedge all of the risks of client positions, but may only hedge foreign exchange risks and interest risks, and may only hedge such risks partially. Various directional market risks in a client's portfolio will often remain entirely unhedged.

Currency Exchange Exposure and Currency Hedging. Although client accounts will be denominated in U.S. Dollars, a client's investments may be made in non U.S. currencies. The Adviser will generally seek to hedge (in whole or in part) investments denominated in non U.S. currencies to attempt to minimize the effect of fluctuations in the exchange rate with U.S. Dollars. As it is impossible to predict the future performance of the U.S. Dollar and any applicable non U.S. currency, it is likely that investments will always be over- or under-hedged against currency rate exchange risks. In addition, the Adviser may choose not to enter into hedging transactions with respect to some or all of its positions that are exposed to currency exchange risk.

Market-Related Risks

Market Risks in General. The Adviser's strategies are subject to some dimension of market risk, including, but not limited to, changes in the regulatory environment, "flights to quality," and "credit squeezes." The particular or general types of market conditions in which a client portfolio may incur losses or experience unexpected performance volatility cannot be predicted, and the portfolio may materially underperform other investment funds with substantially similar investment objectives and approaches.

Reliance on Key Personnel. The investment operations of the Adviser are substantially dependent upon the skill, judgment and expertise of Mr. Weinand. The death, disability or other unavailability of Mr. Weinand could be material and adverse to clients.

Certain Risks Related to the Funds' Structure

No Ability to Liquidate an Investment in the Interests. An investment in the Funds is illiquid. The interests the Funds offered have not been registered under the securities laws of any jurisdiction and are subject to restrictions on transfer. Interests are not transferable except with the prior written consent of the Adviser, which will not be withheld unreasonably. There is no market for the interests in the Funds and none is expected to develop.

Possible Indemnification Obligations. The Funds are generally obligated to indemnify the Adviser and its representatives and possibly other parties against any liability they or their respective affiliates may incur in connection with their relationship with the Fund.

For a more complete discussion of risks applicable to an investment in the Funds, please refer to the Funds' private placement memorandum.

Item 9 - Disciplinary Information

The Adviser has no legal or disciplinary events that are material to your evaluation of this advisory business or to the integrity of our management to disclose.

Item 10 - Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration

Neither the Adviser, nor its management persons, is registered as a broker-dealer or registered representative of a broker-dealer, nor do either have any pending application to register.

B. Futures and Commodities Registration

Neither the Adviser nor its management persons is registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated party of any of those, nor does either have any pending application to register as such.

C. Related Persons

Neither the Adviser nor its management persons has any relationships that are material to the Adviser's advisory business or to the Adviser's clients with any related person listed below:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker;
2. investment company or other pooled investment vehicle (including mutual funds, closed-end investment company, unit investment trust, private investment company or "hedge funds," and offshore funds);
3. other investment adviser or financial planner;
4. futures commission merchant, commodity pool operator, or commodity trading advisor;
5. banking or thrift institution;
6. accountant or accounting firm;
7. lawyer or law firm;
8. insurance company or agency;
9. pension consultant;
10. real estate broker or dealer; or
11. sponsor or syndicator of limited partnerships.

D. Conflicts of Interest

The Adviser is not compensated for recommending or selecting other investment advisers for its clients. The Adviser also has no other business relationships with any other adviser that could create any material conflict of interest.

The investment activities conducted by the Adviser on behalf of any of its client accounts may be directly or indirectly competitive with the interests of other client accounts, and conflicts may arise concerning the allocation of investment opportunities among client accounts. In such event, to ensure that investments are appropriately allocated in a manner consistent with the investment strategy of each client, the Adviser will allocate investment opportunities in a fair and equitable manner.

While advisory agreements between the Adviser and/or its affiliates and the clients also require the Adviser and its affiliates to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the client accounts, such advisory agreements do not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to each client account or any restrictions on the nature or timing of investments for the proprietary account of the Adviser, its affiliates or their respective principals or for other accounts which the Adviser or its affiliates may manage. For example, Adviser professionals are not obligated to devote any specific amount of time to the affairs of a client, and the Adviser and its affiliates are not required to accord exclusivity or priority to a client in the event of limited investment opportunities.

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

The Adviser has a fiduciary responsibility to treat clients fairly and avoid actual or potential conflicts of interest. The employees of the Adviser have an obligation to act solely in the best interests of clients, and to make full and fair disclosure of all material facts, particularly where the clients' interests may conflict with the interests of the Adviser or its employees.

A. Code of Ethics

We have adopted a code of ethics that complies with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. We will provide you with a copy of our Code of Ethics upon request.

The Code of Ethics contains a policy designed to prevent the misuse of nonpublic information.

B. Participation or Interest in Client Transactions

The Adviser may, to the extent permitted under applicable law, effect client cross- transactions where the Adviser causes a transaction to be effected between one client account and another account advised by it or any of its affiliates.

C. Personal Securities Investing

On some occasions, the Principal may invest alongside the Funds or other client accounts; however, the Principal will generally not invest in the same securities as the Funds or other clients.

D. Personal Securities Trading

The Adviser has adopted personal trading policies and procedures to prevent conflicts of interest with its clients. Also, the Principal will invest in the Funds to align our interest with the Funds' Limited Partners.

Item 12 - Brokerage Practices

A. Selecting and Recommending Broker-Dealers

The Adviser seeks to obtain best execution for its clients by taking into account the following factors: 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; client's risk in positioning a block of securities; the quality, comprehensiveness, and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the clients' other selection criteria.

1. Research and Other Soft Dollar Benefits

The Adviser does not currently use research from brokers. Nevertheless, the Adviser may pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if the Adviser determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial, and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. The Adviser is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by the Adviser, and the Adviser's fee is not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by the clients may be utilized by the Adviser or its affiliates in connection with its investment services for other accounts and, likewise, research services provided by broker-dealers used for transactions of other accounts may be utilized by the Adviser in performing its services for the clients. Since commission rates in the United States 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 Adviser does not currently use soft dollars. In the event that the Adviser decides to use soft dollars in the future, it intends to stay within the safe harbor afforded by Section 28(e) of the

Securities Exchange Act of 1934, as amended, or such services that are otherwise reasonably related to the investment decision-making process.

The availability of these benefits may influence the Adviser to select one broker rather than another to perform services for the Funds and other clients. In other words, soft dollars can create a conflict of interest. Nevertheless, the Adviser will attempt to assure either that the fees and costs for services provided to the clients by brokers offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers not offering such services or that the Adviser's clients also will benefit from the services.

2. Brokerage for Client Referrals

The Adviser may receive client referrals from broker-dealers; however, the Adviser does not consider whether it receives client referrals when selecting a broker-dealer.

3. Directed Brokerage

The Adviser does not allow its clients to direct brokerage.

B. Aggregation of Orders

The Adviser does not aggregate the purchase of securities due to the fact that clients generally do not invest in the same securities.

Item 13 - Review of Accounts

A. Review of Client Accounts

The Adviser periodically reviews the client portfolios for risk, performance, and suitability.

The Adviser recognizes the importance of appropriately valuing client investments as valuations will impact both management and performance fees. With respect to each client, the Adviser has established valuation policies and procedures designed to be consistent with the valuation methodologies set forth in each client's advisory agreement.

B. Frequency of Review

Such review will be done on at least a monthly basis.

C. Content and Frequency of Regular Reports

The Adviser provides the Funds Limited Partners with written, quarterly unaudited performance information and annual financial statements audited in accordance with generally accepted accounting principles as in effect on the date thereof, consistently applied under the accrual basis of accounting ("GAAP").

Item 14 - Client Referrals and Other Compensation

A. Other Compensation

No person, other than the clients, provides an economic benefit to the Adviser in exchange for providing investment advice or other advisory services to the Advisor's clients.

B. Client Referrals

The Adviser currently pays Emerson Equity, LLC, and Braymen, Lambert and Noel Securities, Ltd, each an outside party, for referring investors to the Funds. If a referred investor becomes a Client of the Adviser, the outside party will receive a finder's fee that is subject to future contingencies, including the performance of the amount invested by the Client.

Item 15 - Custody

Because the General Partner of each Fund is an affiliate, we may be deemed to have custody of the Funds' funds and securities. FirstSouthwest will serve as the qualified custodian of the Funds' assets. The Distressed Credit Fund's financial statements are audited by KPMG, and the audited financial statement will be distributed to the Limited Partners within 120 days of the end of the Fund's fiscal year. Limited Partners are urged to carefully review these statements. Currently the financial statements of the Opportunities Fund are not audited because its only investor is the Principal. If the Opportunities Fund or a new Fund were to be opened to outside investors, the financial statements of that Fund would be audited by a PCAOB registered accounting firm.

Item 16 - Investment Discretion

The Adviser has investment discretion to manage its clients' assets. The Adviser's management agreements typically provide the Adviser with the ability to select securities to be bought and sold and to determine the amount of the transactions. The Adviser exercises its discretion in a manner consistent with each client's investment goals and objectives.

Item 17 - Voting Client Securities

The Adviser does not generally invest Client Accounts in securities with voting rights. If the Adviser does invest Client Accounts in securities with voting rights, it is the Adviser's policy not to vote proxies with respect to proposals submitted for approval by shareholders of companies whose shares are held in Client accounts. Each Client will receive all proxy statements directly from the custodians and may contact the Adviser to discuss any such proxies or other corporate initiatives.

Item 18 - Financial Information

A. Prepayments

The Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

B. Potential Financial Impairment

There is currently no financial condition which is reasonably likely to impair the Adviser's ability to meet its contractual commitments to its clients.

C. Bankruptcy

The Adviser has never been the subject of a bankruptcy petition.

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