

C.G. Management Partners, LP

New Form ADV Part 2

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This brochure provides information about the qualifications and business practices of C. G. Management Partners, LP. If you have any questions about the contents of this brochure, please contact us at 650-854-4193. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about C. G. Management Partners, LP also is available on the SEC's website at www.adviserinfo.sec.gov

Item 2 – Material Changes

There have not been any material changes since the last annual update of our brochure.

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Item 4 - Advisory Business

C.G. Management Partners, LP has been in business since 1989 and as of December 31, 2010 has \$56,000,000 under management. The principle owners include Walter F. Baumgartner, a General Partner and the Chief Compliance Officer who owns 50% but less than 75% of the firm and Jay H. Friedrichs a General Partner that owns 25% but less than 50% of the firm.

We provide investment advice and management to investment limited partnerships. We are authorized to enter into any type of investment transaction that it deems appropriate for its clients, pursuant to the terms of the partnership agreement. Advisory services are tailored to the clients based on the managed account or limited partnerships Fund objective. Clients may not impose restrictions on investing in certain securities or types of securities. We hold a limited power of attorney to act on a discretionary basis with client funds. Client funds are deposited in either a brokerage firm or a bank custodian account. We do not participate in wrap fee programs.

We act as a general partner of investment limited partnerships formed to invest and trade in exchange-listed securities, securities traded over-the-counter, foreign issues, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, US government securities and on option contracts on securities.

We use fundamental methods of analysis, sources of information and investment strategies. The main sources of information used includes: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases. We also attend investment conferences and visit with management at such conferences and at their offices. There are no material conflicts of interest regarding the investment advisor, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

Investment strategies used to implement any investment advice given to clients include: long term purchases, short term purchases, trading, short sales and option writing, including covered options, uncovered options or spreading strategies.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

Item 5 – Fees and Compensation

Compensation is negotiable and varies, but typically consists of the following components. First we charge an annual fee of up to 2% of assets under management, which amount is payable in quarterly installments at the beginning of each calendar quarter based on the net market value of the client's account on the date the fee accrues and becomes payable. Second, we typically receive from each individually managed account a performance fee of up to 20% of net profits of the account (including both realized and unrealized gains and losses). In some cases, individual accounts are charged a performance fee only on net profits of the account (including both realized and unrealized gains and losses) that exceed a specified hurdle rate. We also are allocated from each limited partner in an investment limited partnership a performance allocation of up to 20% of net profits (including both realized and unrealized gains and losses) otherwise allocable to that limited partner. Performance fees and performance allocations are assessed in arrears on an annual basis and are only applied to profits that exceed the cumulative losses previously incurred by or allocated to the respective clients and if applicable, a specified hurdle rate. Performance based fees will only be charged in accordance with the provisions of CCR Section 260.234. Client accounts that invest in mutual funds will also pay, indirectly, investment advisory fees to the managers of those mutual funds. We believe that our fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees than those charged by C.G. Management.

We generally require a minimum of \$500,000 to open an individually managed account, but reserve the right to waive this minimum. Limited partners in our investment partnership clients are required to invest a minimum of \$500,000, but the general partner of such partnerships reserves the right to waive the minimum.

Except as may be negotiated otherwise in particular cases, a client may terminate an individually managed account by giving 90 days' notice. Relationships with the investment partnership clients are terminable on expiration of the term of the partnership or dissolution of the partnership pursuant to the terms of its partnership agreement or on the withdrawal as a general partner of that partnership, and each limited partner is able to withdraw from a partnership, on specified prior written notice, on any December 31 that occurs on or after the day preceding the first anniversary of that limited partner's admission to the partnership. In all cases, expenses, the pro rata portion of the annual fee and the performance fee or allocation through the date of termination are charged to the client. All prepaid but unearned advisory fees are refunded to the client on termination on an account.

Item 6 – Performance-Based Fees

We typically receive from each individually managed account a performance fee of up to 20% of net profits of the account (including both realized and unrealized gains and losses). In some cases, individual accounts are charged a performance fee only on net profits of the account (including both realized and unrealized gains and losses) that exceed a specified hurdle rate. We also are allocated from each limited partner in an investment limited partnership a performance allocation of up to 20% of net profits (including both realized and unrealized gains and losses) otherwise allocable to that limited partner. Performance fees and performance allocations are assessed in arrears on an annual basis and are only applied to profits that exceed the cumulative losses previously incurred by or allocated to the respective clients and if applicable, a specified hurdle rate.

Item 7 – Types of Clients

C.G. Management Partners generally requires a minimum of \$500,000 for limited partners investing in investment partnerships. We generally require a minimum investment of \$500,000 million to open an individually managed account. These minimum may be waived at our discretion. We generally require such limited partners and individually accounts either to have a net worth that exceeds \$1,500,000 or to invest at least \$750,000 in the investment partnership or individual account and to make representations concerning their sophistication as investors and their ability to bear the risk of loss of their entire investment under our management.

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

To invest in, hold, sell, trade, and otherwise deal in Securities consisting principally, but not solely, of stocks, bonds, notes, warrants, rights, derivatives and other Securities that are traded publicly and privately. The Partnership may also engage in short selling, trade in publicly traded or over the counter options, invest in debt instruments, and engage in hedging and other Securities investment strategies.

The investment philosophy of the General Partner is to deploy the Partnership's capital in companies that the General Partner believes are well positioned to provide long term growth. The Partnership will seek to achieve long term gains, rather than short term profits.

The General Partner's investment focus is on small growth companies and to a lesser degree on larger growth companies, and aims to identify the best of these companies and apply what it believes is a unique investment methodology to buying and selling these companies at an attractive point in their "risk/reward" spectrum. The General Partner seeks to identify waves of change that have created or will create large market opportunities. The General Partner then utilizes a very "hands on" approach to investigating the merits of companies in these fields. The General Partner relies heavily on doing its own investment research and establishing ties with the management of the companies in which it has investments. In doing its investigation, the General Partner relies on a wide variety of techniques including utilizing its contacts within the financial and corporate communities, meeting one on one with management, visiting companies' facilities, attending trade shows, reviewing research generated by Wall Street, and participating in investment conferences.

The Partnership seeks to invest in high quality companies favorably positioned to experience above average growth going forward. The Partnership intends to invest in companies throughout the United States, with an emphasis on local companies where closer ties with management can be established. Attributes that the General Partner looks for in companies include strong experienced management teams with an ownership position wherever possible, strong balance sheets protecting financial viability, strong internal controls, and companies with proprietary products positioned in unique, rapidly growing markets.

The Partnership seeks to build a diversified, yet focused portfolio of core investments. The primary areas of focus are technology, the medical and biotechnology areas and the service sector. Typically, no one company would represent more than 10% of the portfolio of the Partnership, nor would any one sector represent as much as one-third of the portfolio. The General Partner intends for the Partnership to remain fairly fully invested, increasing its cash position in times when it is unable to identify an adequate

number of investments with favorable risk/reward characteristics. The General Partner seeks to hold a balanced portfolio of companies with attractive risk/reward ratios for both the short and long terms. The General Partner does not intend for the Partnership to be a highly active trader of its securities.

The General Partner occasionally identifies a company whose fundamental strategy appears to be flawed or whose valuation appears to be incongruent with its peer group. At such times, the General Partner may choose to sell a stock “short”; although this is generally not a significant part of the Partnership’s investment strategy. Similarly, the General Partner may choose to invest in options as a means of hedging individual stocks or the portfolio against anticipated price changes; it is also unlikely that this will be a significant part of the Partnership’s investment strategy.

Notwithstanding these investment objectives and general policies, the Agreement imposes no limits on the types of Securities in which the Partnership may take positions, the types of positions it may take, the concentration of its investments, or the amount of leverage the Partnership may employ, including the extent of the Partnership’s margin trading and short positions. The General Partner has broad discretion to employ any Securities trading or investment techniques, whether or not comprehended by the expected investment strategies and criteria described above. There can be no assurance that the investment objectives of the Partnership will be achieved. Further, many of the investment techniques and activities described above are high-risk activities that could result in substantial losses under certain circumstances.

Risk Factors

Discussed below are some of the major risk factors that potential investors should consider carefully before investing in the Partnership.

The Partnership’s success depends on the skill and acumen of Walter F. Baumgartner and Jay H. Friedrichs, principals of the General Partner and the portfolio managers of the Partnership. Messrs. Baumgartner and Friedrichs may devote a significant amount of time to other investment activities, including managing the General Partner’s Other Accounts, and investing in transactions without presenting such opportunities to the Partnership or the Partners, even if such opportunities may otherwise be appropriate. See “Risk Factors -- Conflicts of Interest.” If either should cease to participate in the Partnership’s activities, the Partnership’s ability to select attractive investments and manage its portfolio could be severely impaired. See “Management.” There can be no assurance that: (a) the Partnership’s investment objectives will be realized; (b) the Partnership’s investment strategy will prove successful; or (c) investors will not lose all or a portion of their investment in the Partnership.

The General Partner has exclusive and absolute discretion and authority in managing and controlling the business and affairs of the Partnership, subject only to specific and express limitations in the Agreement or provided by the Act notwithstanding the Agreement. The General Partner may exercise this discretion and authority

conditionally or unconditionally, arbitrarily, or inconsistently in varying or similar circumstances, without accountability to the Partnership or any Limited Partner.

Business Risks. The Partnership invests substantially all of its available capital (other than capital the General Partner determines to retain in cash or cash equivalents) in Securities, engages in short sales of Securities and trades in publicly traded and over-the-counter options and other derivative instruments. While these instruments generally are traded in public markets, markets for such instruments in general are subject to fluctuations and the market value of any particular investment may be subject to substantial variation. In addition, such Securities may be issued by unseasoned companies and may be highly speculative. No assurance can be given that the Partnership's investment portfolio will generate any income or will appreciate in value. See "Risk Factors -- Limited Liquidity of Investments."

Investment Selection. The General Partner selects investments for the Partnership in part on the basis of information and data filed by the issuers of such Securities with various government regulators or made directly available to the General Partner by the issuers of Securities or through sources other than the issuers. Although the General Partner intends to evaluate all such information and data and seeks independent corroboration when the General Partner considers it appropriate and when it is reasonably available, the General Partner is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

The Partnership engages primarily in long purchases and short sales of Securities. The Partnership also may engage from time to time in hedging, option trading and other strategies. The Partnership may invest in Securities with relatively low prices, which may be subject to greater percentage price fluctuations than higher priced Securities. Hedging strategies in general are usually intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit. Any of such strategies that the Partnership employs should be expected to increase the Partnership's transaction costs, interest expense and other costs and expenses. No assurance can be given that short sales, hedging, and other techniques and strategies will not result in material losses for the Partnership.

The Limited Partners have no opportunity to select or evaluate any Partnership investments or strategies. All Partnership investments and strategies are selected by the General Partner. The likelihood that Limited Partners will realize income or gain depends on the skill and expertise of the General Partner and its principals, Walter F. Baumgartner and Jay H. Friedrichs. See "Investment Strategy" and "Management."

Short Sales. The Partnership may engage in selling Securities short. A short sale will result in a gain if the price of the Securities sold short declines between the date of the short sale and the date on which Securities are purchased to replace those borrowed. A short sale will result in a loss if the price of the Securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the Partnership may be required to pay with respect to the borrowed

Securities, offset (wholly or partly) by short interest credits. In a generally rising market, the Partnership's short positions may be more likely to result in losses because Securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

To make a short sale, the Partnership must borrow the Securities being sold short. Although the Partnership has established accounts at securities brokerage firms, it may be impossible for the Partnership to borrow Securities at the most desirable time to make a short sale, particularly in illiquid Securities markets. In addition, there are rules prohibiting short sales of Securities at prices below the last sale price, which may prevent the Partnership from executing short sales of Securities at the most desirable time. If the prices of Securities sold short increase, the Partnership may be required to provide additional funds or collateral to maintain the short positions. This could require the Partnership to liquidate other investments to provide additional margin, and such liquidations might not be at favorable prices. Further, the lender of Securities can request return of the borrowed Securities and the Partnership may not be able to borrow those Securities from other lenders. Consequently, this will cause a "buy-in" of the short position, which may be disadvantageous to the Partnership.

Options. From time to time the Partnership invests in options. The trading of options is highly speculative and may entail risks that are greater than those present when investing in other Securities. Prices of options are generally more volatile than prices of other Securities. The Partnership speculates on market fluctuations of Securities and securities exchange indices while investing only a small percentage of the value of the Securities underlying the option. A change in the market price of the underlying Securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that the Partnership purchases options that it does not sell or exercise, it will suffer the loss of the premium paid in such purchase. To the extent that the Partnership sells options and must deliver the underlying Securities at the option price, the Partnership has a theoretically unlimited risk of loss if the price of such underlying Securities increases. To the extent that the Partnership must buy the underlying Securities, the Partnership risks the loss of the difference between the market price of the underlying Securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

Stock or index options that may be purchased or sold by the Partnership include options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation; therefore, the risk of nonperformance by the obligor on such an option may be greater and the ease with which the Partnership can dispose of such an option may be less than in the case of an exchange traded option issued by the Options Clearing Corporation.

Securities Lending and Borrowing. The Partnership may lend Securities to securities brokers and other institutions as a means of earning additional income, or borrow Securities from securities brokers or other institutions to cover short positions. If the other party becomes insolvent or bankrupt, the Partnership could experience delays and costs in recovering payment or the Securities. To the extent that, in the meantime, the value of Securities changes, the Partnership could experience further losses. Security loans must be fully collateralized, and the General Partner must be satisfied with the creditworthiness of the other party to the transaction.

Repurchase Agreements. The Partnership may enter into repurchase agreements, by which it buys a Security and simultaneously agrees to sell it back later at a higher price, or in reverse repurchase agreements, by which the Partnership sells a Security and simultaneously agrees to buy it back later at a higher price. The repurchase date is usually within 7 days of the initiation of the agreement. If the other party to a repurchase or reverse repurchase agreement becomes insolvent or bankrupt, the Partnership may experience delays and incur costs in recovering payment or the Securities. To the extent that the value of the Security purchased changes in the meantime, the Partnership could experience further losses. Repurchase agreements to which the Partnership is a party must be fully collateralized by Partnership Securities. Repurchase and reverse repurchase agreements can have effects similar to margin trading and other leveraging strategies.

General Risks of Foreign Investments. The Partnership may invest in Securities of foreign companies, which may be denominated in U.S. or foreign currencies and involve unusual risk not typically associated with investing in United States companies. The Partnership may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Moreover, individual foreign economies may differ favorably or unfavorably from the United States economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects.

With respect to some foreign countries, there is the possibility of expropriation or confiscatory taxation, limitations on the removal of funds or other assets of the Partnership's accounts, political or social instability, or diplomatic developments that could materially and adversely affect the value and marketability of the Partnership's investments in those countries.

The Securities of non-U.S. issuers held by the Partnership are generally not registered under, nor are the issuers thereof subject to the reporting requirements of, the U.S. securities laws and regulations. Accordingly, there may be less publicly available information about the Securities and about the foreign company or government issuing them or the foreign board of trade clearing them than is available about a U.S. domestic company, government entity or board of trade. Foreign companies and foreign boards of trade are not generally subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S.

companies. Further, foreign government supervision of stock exchanges, boards of trades, securities brokers and issuers of Securities is generally less stringent than supervision in the U.S.

Economic Conditions. Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Partnership. None of these conditions is within the control of the General Partner. This should also be noted with respect to the Partnership's investment in fixed income Securities. For example, an increase in overall interest rates will depress the investment value and consequently the price of any bonds then held by the Partnership. The value of these Securities is also exposed to the potential impact of non-payment of interest due on any bonds then held by the Partnership, or liquidation or dissolution proceedings with respect to the issuers of those bonds. See "Investment Strategy."

No Control over Portfolio Issuers. The Partnership may from time to time acquire substantial positions in the Securities of particular companies. Nevertheless, the Partnership is not likely to obtain representation on the board of directors or any control over the management of any company in which the Partnership invests and the success of each investment depends on the ability and success of the management of the portfolio issuers in addition to economic and market factors.

Concentration of Investments. The Partnership's investment portfolio (on account of size, investment strategy and other considerations) may be confined to the Securities of relatively few issuers. Further, no minimum level of capital is required to be maintained by the Partnership. As a result of a failure to raise substantial initial capital or subsequent losses or withdrawals, the Partnership may not have sufficient funds to diversify its investments. There are no particular limits as to concentration in particular issuers or types of investments. Although market economists have expressed differing views as to the effectiveness of diversification in reducing investment risk, by concentrating investments in several, relatively large Security positions or industries relative to Partnership capital, a loss in any one position or a downturn in a sector in which the Partnership is invested could materially reduce the Partnership's performance. Thus, any investment by the Partnership in the Securities of a single issuer or the concentration of the Partnership's investments in a particular industry may increase the level of risk.

Limited Liquidity of Investments. Securities in which the Partnership invests may be thinly traded and relatively illiquid or may cease to be traded after the Partnership invests. The Partnership may also acquire significant positions in some Securities. In such cases and in the event of extreme market activity, the Partnership may not be able to liquidate its investments promptly if the need should arise. In addition, the Partnership's sales of thinly traded Securities could depress the market value of such Securities and thereby reduce the Partnership's profitability or increase its losses. Such circumstances or events could affect materially and adversely the amount of gain or

loss the Partnership may realize. The Partnership may also invest in restricted Securities that are subject to substantial holding periods or that are not traded in public markets. Restricted Securities generally are difficult or impossible to sell at prices comparable to the market prices of similar Securities that are publicly traded. No assurance can be given that any such restricted Securities will be eligible to be traded on a public market even if a public market for Securities of the same class were to develop. It is highly speculative as to whether and when an issuer will be able to register its Securities so that they become eligible for trading in public markets.

Limited Liquidity of Interests. No market for Interests can be expected to develop and it may be difficult or impossible to transfer any Interests, even in an emergency. The Agreement provides, however, that a Limited Partner, on at least 45 days' advance written notice to the General Partner and subject to certain restrictions, may withdraw all or part of the Capital Account of such Limited Partner as of any December 31 that occurs on or after the date immediately preceding the first anniversary of such Limited Partner's admission to the Partnership. See "Suitability Standards" and "Summary of Agreement -- Withdrawal of Capital."

Conflicts of Interest. The General Partner currently sponsors, manages and participates in other Securities investment activities and programs unrelated to the Partnership's business (some of which may compete with the Partnership's investment activities), and the General Partner intends in the future to be engaged in these and other investment activities. These other activities may include, among other things, investing for the General Partner's own account and providing investment advisory services to various Other Accounts.

The other activities of the General Partner create conflicts of interest with the Partnership over the time devoted to managing the Partnership. Further, the General Partner's judgment may be affected by additional conflicts of interest, such as, for example, the following:

(a) Because the General Partner has and will have fiduciary duties to the Partnership and the Other Accounts, the interests of the Partnership and the Other Accounts in the selection, negotiation and administration of investments may conflict in some circumstances.

(b) The General Partner, on behalf of the Partnership and in other capacities with other entities or for the General Partner's own account, has discretion in determining which investments are made by the Partnership, or the Other Accounts, sold to others or made by the General Partner or by its Affiliates, with or without the participation of others than the Partnership. In that the General Partner or its Affiliates may be able to obtain more favorable compensation, cost reimbursement or risk sharing arrangements in connection with some investments if the Partnership does not participate, the General Partner may be influenced to refrain from causing the Partnership to make such investments even though participation might benefit the Partnership. The Agreement also permits a Partner or such Partner's Affiliates to make any investment, whether or not in competition with the Partnership or in a manner that would limit or eliminate the

Partnership's opportunity to make the investment, without any accountability to the Partnership or any other Partner.

(c) Legal counsel for the General Partner does not and will not serve as counsel for the Partnership or represent the interests of the Limited Partners or the Partnership in connection with the organization or business of the Partnership or any offering of Interests, and such counsel disclaims any fiduciary or attorney-client relationship with the Limited Partners or the Partnership (even if such counsel represents 1 or more Partners in matters unrelated to the Partnership). Neither the Partnership nor potential investors in the Partnership as a group nor the Limited Partners as a group have been represented by separate counsel. The attorneys and certain other experts who perform services for the General Partner on behalf of the Partnership all perform services for it and do not represent or perform services for the Limited Partners. Prospective Limited Partners should obtain the advice of their own counsel regarding legal matters.

(d) The General Partner and its Affiliates are offered nonmonetary benefits or "soft dollars" by brokers that the General Partner and its Affiliates engage to execute Securities transactions on behalf of the Partnership and the Other Accounts. These soft dollars take the form of research and other services regarding Securities investments and are available for use by the General Partner or its Affiliates in connection with transactions in which the Partnership does not participate. Brokers may also solicit or refer investors to invest in the Partnership. The availability of these benefits influences the General Partner and its Affiliates to select one broker rather than another to perform services for the Partnership. Nevertheless, the General Partner uses its best efforts to assure that the fees and costs for services provided to the Partnership by such brokers are no greater than they would be if the services were performed by equally capable brokers not offering such services or that the Partnership also will benefit from the services.

To mitigate any such conflicts, the General Partner takes appropriate measures to assure that neither the General Partner nor any of its Affiliates unfairly profits from any transaction between any of them and the Partnership. The General Partner uses its best efforts to apportion or allocate business opportunities among persons or entities to or with which the General Partner and its Affiliates have fiduciary duties and other relationships on a basis that is fair and equitable to the maximum possible extent to each of such persons or entities, including the Partnership. The General Partner is not obligated, however, to acquire for the Partnership any Security that the General Partner or its officers, managers, members or employees may acquire for their own accounts or for any Other Account, if it is not practical or desirable to acquire a position in such Security for the Partnership.

Operating Deficits. The Partnership trades Securities actively and incurs significant brokerage, custody and other transaction costs and expenses. These and other expenses of operating the Partnership (including quarterly Administrative Fees payable to the General Partner) may exceed its income, thereby requiring that the difference be paid out of the Partnership's capital, reducing the Partnership's investments and potential for profitability. This is particularly true to the extent that the Partnership has

limited capital. See “Allocations and Distributions” and “Compensation of and Benefits to the General Partner.”

General Partner’s Right to Dissolve the Partnership. The Agreement provides that the General Partner may at any time dissolve the Partnership on notice to the Limited Partners. Accordingly, there is a risk that if the Partnership’s assets become depleted or the Unrecouped Losses become significant and, as a result, the Administrative Fee and Profit Allocation are reduced, the General Partner may elect to dissolve the Partnership at a time when dissolution may be disadvantageous to the Limited Partners and distribute its remaining assets.

Profit Sharing. In addition to receiving the Administrative Fee for its management services (1.5% per annum Administrative Fee with respect to each Capital Account, payable quarterly in advance) and a pro rata share of Profits and Losses based on its Capital Account, the General Partner also receives a Profit Allocation with respect to each Limited Partner of 10% of the amount by which Profits (including realized and unrealized gains and losses of the Partnership) otherwise allocable to that Limited Partner in a Fiscal Year exceed that Limited Partner’s Unrecouped Losses. The General Partner’s Profit Allocation is not affected by Losses in a subsequent Fiscal Year. Because the Profit Allocation is based on net changes in the Partnership’s asset values, to the extent that it is allocated to the General Partner, it increases with regard to unrealized appreciation, as well as realized gains, which Profit Allocation would otherwise inure to the Limited Partners.

As a result, the returns realized by the Limited Partners from the Partnership’s activities are substantially less than the returns the Limited Partners would realize from engaging in the same activities directly. The Profit Allocation provisions also may create an incentive for the General Partner to make Partnership investments that are riskier or more speculative than would be the case in the absence of special allocations to the General Partner based on performance of the Partnership. See “Allocations and Distributions” and “Compensation of and Benefits to the General Partner.”

No Distributions. The General Partner does not intend to make distributions to the Limited Partners, but intends to reinvest substantially all of the Partnership’s income and gain. Cash that might otherwise be available for distribution is also reduced by payment of Partnership obligations (including fees and expense reimbursements payable to the General Partner), payment of Partnership expenses and establishment of appropriate reserves. As a result, if the Partnership is profitable, Limited Partners in all likelihood will be credited with Partnership net income, and will incur the consequent income tax liability (to the extent that they are subject to income tax), even though Limited Partners receive little or no Partnership distributions.

Item 9 – Disciplinary Information

The partnership has not been involved in a criminal or civil action in a domestic, foreign or military court of competent jurisdiction since inception.

The partnership has not been involved in administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the firm or management person was found to have caused an investment-related business to lose its authorization to do business; or was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority denying, suspending or revoking the authorization of the firm or a management person to act in an investment-related business; barring or suspending the firm or a management person's association with an investment-related business; otherwise significantly limiting the firm's or a management person's investment-related activities; or imposing a civil money penalty of more than \$2,500 on the firm or management person. The partnership has not been involved in a self-regulatory organization proceeding in which the partnership or a management person was found to have caused an investment-related business to lose its authorization to do business; or was found to have been involved in a violation of the SRO's rules and was: barred or suspended from membership or from association with other members, or was expelled from membership; otherwise significantly limited from investment-related activities; or fined more than \$2,500.

Item 10 – Other Financial Industry Activities and Affiliations

The Partnership and its partners and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of issuers whose securities are subsequently purchased for clients. Except if an issue is purchased or sold for clients and any of The Partnership and its partners and employees on the same day, either the clients and The Partnership and its partners and employees pay or receive the same price, or the clients receive the more favorable price. The Partnership and its partners and employees also may buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which The Partnership does not deem appropriate to buy or sell for clients.

Item 11 – Code of Ethics

The Partnership has adopted a Code of Ethics which establishes standards of conduct for the partnerships supervised persons. The Code of Ethics includes general requirements that the partnerships supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to The Partnership's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to The Partnership's Compliance Officer. Each supervised person of the Partnership must certify that he or she complied with the Code of Ethics during that year. Clients and prospective clients may obtain a copy of the Partnerships Code of Ethics by contacting us at 650-854-4193.

Item 12 – Brokerage Practices

The Partnership also has complete discretion over the selection of the broker to be used and the commission rates to be paid. In selecting a broker for any transaction or series of transactions, the Partnership may consider a number of factors, including, for example, net price, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, offering to the Partnership on-line access to computerized data regarding clients' accounts, computer trading systems, the availability of stocks to borrow for short trades and other matters involved in the receipt of brokerage services generally. The Partnership also may purchase from a broker or allow a broker to pay for certain research services, economic and market information, portfolio strategy advice, proxy voting services, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire charges, quotation services, computer hardware and software, office rent, office equipment, supplies, salaries, secretarial, clerical and administrative services and assistance, telephone and utility charges, accounting fees, legal fees and the like (a "soft dollar" relationship). The Partnership may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms.

With respect to certain computer equipment and software used for both research and non-research purposes, the Partnership may allocate the costs of such products between their research and non-research uses, and use soft dollars to pay only for the portion allocated to research. Brokers providing soft dollar products or services include brokers that execute principal and agency transactions for the Partnership's clients.

Registrant may pay a brokerage commission in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships provided by that broker. Registrant determines in good faith, however, that such commission is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, viewed in terms of either the specific transaction or Registrant's overall responsibilities to the portfolios over which it exercises investment authority. An account may, however, pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. In addition, the research and other benefits resulting from the brokerage relationship benefit all accounts managed by Registrant or Registrant's operations as a whole, including clients that direct Registrant to use a broker that does not provide soft dollar benefits. Registrant's relationships with brokerage firms that provide soft dollar services influence Registrant's judgment and create conflicts of interest, both in allocating brokerage

business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. These conflicts of interest are particularly influential to the extent that the Partnership uses soft dollars to pay expenses it otherwise would be required to pay itself. The partnership may aggregate securities sale and purchase orders for a client with similar orders made contemporaneously for other accounts managed by the Partnership or with accounts of affiliates of the Partnership. In such event, the client may be charged or credited, as the case may be, the average transaction price of all securities purchased or sold in such transactions. As a result, the price may be less favorable to the client than it would be if similar transactions were not being executed concurrently for other accounts. The partnership also may cause a client to buy or sell securities directly from or to another client, if such a “cross-transaction” is in the interests of both clients.

If a client directs the partnership to use a specific broker, the Partnership has not negotiated the terms and conditions (including, but not limited to, commission rates) relating to the services provided by that broker and does not have any responsibility for obtaining for the client from that broker the best prices or particular commission rates. The client may not obtain rates as low as it might if the partnership had discretion to select brokers other than those chosen by the client. In addition, the client may not participate in aggregate securities transactions and may trade after such aggregate transactions and receive less favorable execution.

The Partnership may direct a certain amount of brokerage to a broker in return for the broker’s referral of prospective clients and investors. Directing brokerage to a broker in exchange for client and investor referrals creates a conflict of interest in that the partnership has an incentive to refer its clients’ brokerage business to brokers to which it otherwise might not direct brokerage transactions. The Partnership also may engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors.

Item 13 – Review of Accounts

All accounts are managed and reviewed weekly by Walter Baumgartner or Jay Friedrichs, the General Partners of C.G. Management Partners, LP. Asset allocation, cash management, market prospects and individual issue prospects are considered. Particular attention is given to changes in company earnings, industry outlook, market outlook and price levels.

Clients receive a quarterly report that includes performance, a review of the past quarter, the current investment outlook and a status of their holdings as of the end of the quarter.

Item 14 – Client Referrals and Other Compensation

The Partnership may suggest brokers to clients. The Partnership may have arrangements, oral or in writing , where it is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients and may directly or indirectly compensate any person for client referrals.

Item 15 – Custody

The Partnership has custody of cash, bank accounts and securities of its advisory clients. We send to investors annual audited financial statements.

Item – 16 Investment Discretion

The Partnership holds a limited power of attorney to act on a discretionary basis with client funds. The Partnership has discretionary authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of securities to be bought or sold, the broker or dealer to be used and the commission rated paid.

Item 17 – Voting Client Securities

Pursuant to SEC rule 206(4)-6 the Partnership has authority to vote client securities. After review of the company proxy and based on the firms objectives the votes are made. Clients cannot direct the vote through solicitation. Clients may obtain a copy of the vote by calling the office.

Item 18 – Financial Information

- A. C. G. Management does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance.
- B. There are no financial conditions that would reasonably impair our ability to meet contractual commitments to clients.
- C. We have not been subject of a bankruptcy petition at any time during the past ten years.

Item 19 – Requirements for State-Registered Advisers

A. Management

1. Walter F. Baumgartner

– Educational Background and Business Experience

Walter Friedrich Baumgartner, born 1948

Education

1972-1973 University of Southern California, Los Angeles, CA; B.S., Finance

1974 University of Southern California, Los Angeles, CA; M.B.A., International Finance

Business Background

1989-present C.G. Management Partners, L.P., Menlo Park, CA; Investment Adviser; General Partner

2. Jay H. Friedrichs

– Educational Background and Business Experience

Jay Henry Friedrichs, born 1946.

Education

1964-1968 Stanford University, Stanford, CA; A.B., Economics

1970-1972 Stanford University, Stanford, CA; M.B.A.

Business Background

1994-present C.G. Management Partners, L.P., Menlo Park, CA; Investment Adviser; General Partner

B. Other Business

Walter Baumgartner and Jay Friedrichs are not actively engaged in other business.

C. Walter Baumgartner and Jay Friedrichs are not compensated for advisory services with performance-based fees.

D. Involved Events by Management

	WFB*	JHF*
1. An award or otherwise being <i>found</i> liable in an arbitration claim alleging damages in excess of \$2,500, <i>involving</i> any of the following:	Y/N	Y/N
(a) an investment or an <i>investment-related</i> business or activity;	N	N
(b) fraud, false statement(s), or omissions;	N	N
(c) theft, embezzlement, or other wrongful taking of property;	N	N
(d) bribery, forgery, counterfeiting, or extortion; or	N	N
(e) dishonest, unfair, or unethical practices.	N	N
2. An award or otherwise being <i>found</i> liable in a civil, <i>self-regulatory organization</i> , or administrative <i>proceeding involving</i> any of the following:		
(a) an investment or an <i>investment-related</i> business or activity;	N	N
(b) fraud, false statement(s), or omissions;	N	N
(c) theft, embezzlement, or other wrongful taking of property;	N	N
(d) bribery, forgery, counterfeiting, or extortion; or	N	N
(e) dishonest, unfair, or unethical practices	N	N
* WFB – Walter Baumgartner; JHF – Jay Friedrichs		

E. Our management persons do not have any relationships or arrangements with any issuer of securities that is not listed in Item 10.C of Part 2A