

FIRM BROCHURE

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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 OTHER DOCUMENTS THAT CONTAIN A DESCRIPTION OF THE MATERIAL TERMS RELATING TO SUCH SECURITIES, INVESTMENTS OR SERVICES.

ADDITIONAL INFORMATION ABOUT CPMG, INC. ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

JANUARY 30, 2012

Item 2: Material Changes

The date of the last annual update to our firm brochure was March 30, 2011. The following material changes have been made to our firm brochure since the date of our last annual update:

- Effective as of December 21, 2011, Edward W. Rose, III withdrew his family's ownership interest in certain of the private pooled investment vehicles managed by us and withdrew from his ownership and management functions with us. As a result of this withdrawal, James W. Traweek, Jr. and R. Kent McGaughy, Jr. are now our sole shareholders.
- In connection with the withdrawal of Mr. Rose, each of Cardinal Partners, L.P., Cardinal Partners 2000, L.P., Verdin Fund, L.P. and Redbird Life Sciences Partners, L.P. made a special withdrawal offer to its limited partners. With respect to Cardinal Partners, L.P. and Cardinal Partners 2000, L.P., we established CP Liquidation Fund, L.P. and CP 2000 Liquidation Fund, L.P. to hold regular account assets of Mr. Rose and other withdrawing investors and to manage an orderly liquidation of these assets. With respect to the securities of a company owned by each of Cardinal Partners, L.P., Cardinal Partners 2000, L.P., Verdin Fund, L.P. and Redbird Life Sciences, L.P., Mr. Rose and his affiliates formed Redstart Partners, L.P. to manage a portion of Mr. Rose's continuing investment in such securities together with other investors who choose to withdraw from the funds.
- The SEC recently adopted amendments to Form ADV to redefine how an investment adviser's assets are calculated for certain purposes of the form. Among other things, the amendments now require us to calculate our assets under management on a gross basis. Accordingly, the amount of our assets under management reported in Item 4 of this brochure differs significantly from the amount disclosed in our last annual update.

The information set forth in this brochure is qualified in its entirety by the applicable offering materials and/or 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, such documents shall control.

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Item 4: Advisory Business

FIRM DESCRIPTION

CPMG, Inc., a Texas corporation and private investment advisory firm, was formed in 1972 and has operated under the name CPMG, Inc. since 2005. We have full discretionary authority with respect to investment decisions, and our investment advice is provided in accordance with the investment objectives and guidelines set forth in the applicable offering materials and/or governing documents. The information set forth in this brochure is qualified in its entirety by the applicable offering memoranda and/or governing documents.

PRINCIPAL OWNERS

R. Kent McGaughy, Jr. and James W. Traweek, Jr. are our sole shareholders.

TYPES OF ADVISORY SERVICES

We serve as investment manager to various private pooled investment vehicles organized as Texas limited partnerships, including Cardinal Partners, L.P. (“Cardinal”), Cardinal Partners 2000, L.P. (“Cardinal 2000,” and together with Cardinal, the “Cardinal Funds”), CP Liquidation Fund, L.P. (“CP Liquidation”), CP 2000 Liquidation Fund, L.P. (“CP 2000 Liquidation,” and together with CP Liquidation, the “Liquidation Funds”), Pintail Fund, L.P. (“Pintail”), Plover Fund, L.P. (“Plover”), Redbird Life Sciences Partners, L.P. (“Redbird”), Sunbird, L.P. (“Sunbird”), Tanager Fund, L.P. (“Tanager”), Verdin Fund, L.P. (“Verdin”), Warbler Technologies, L.P. (“Warbler”), and White Ibis, L.P. (“White Ibis”).

In addition, we serve as investment manager to various special purpose investment vehicles, including Aracos Fund, L.P. (“Aracos”), CD Fund, L.P. (“CD”), Crested Crane, L.P. (“Crested Crane”), Flamingo Fund, L.P. (“Flamingo”), Killdeer Fund, L.P. (“Killdeer”), Mallard Fund, L.P. (“Mallard”), Roadrunner Fund, L.P. (“Roadrunner”), Sandpiper Fund, L.P. (“Sandpiper”), and Yellow Warbler, L.P. (“Yellow Warbler,” and together with Aracos, CD, Crested Crane, Flamingo, Killdeer, Mallard, Roadrunner and Sandpiper, the “Institutional Funds,” and together with the Cardinal Funds, the Liquidation Funds, Pintail, Plover, Redbird, Sunbird, Tanager, Verdin, Warbler and White Ibis, the “Funds”). The Institutional Funds have been established as private investment vehicles primarily for the benefit of one or more institutional investors (and/or their affiliates).

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 securities, financial instruments and/or other assets in accordance with the investment objectives, policies and guidelines set forth in the applicable offering memoranda and/or governing documents. **See Item 8 below.**

We tailor our advisory services to the individual needs of the Funds, and investors in the Funds generally are not permitted to impose restrictions on investments in certain securities or types of securities. However, institutional investors in the Institutional Funds have significant influence on the investment strategies and investments thereof.

ASSETS UNDER MANAGEMENT

As of December 31, 2011, we had approximately \$1,043,900,000 in assets under management. All of these assets are managed on a discretionary basis.

Item 5: Fees and Compensation

DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our advisory services, we and/or certain of our affiliates may receive management fees and/or performance-based fees or allocations with respect to the Funds. While our fees are described in detail in the applicable governing and/or offering documents, a brief summary of our fees is set forth below.

Cardinal Funds

With respect to the Cardinal Funds, we generally are entitled to receive a management fee, payable quarterly in advance, equal to 0.2875 percent (1.15% per annum) of the capital account balance of each limited partner.

In addition, one of our affiliates generally is entitled to receive a performance allocation equal to 20% of each “qualified limited partner’s” allocable share of net profits for the applicable performance period. A “qualified limited partner” is any limited partner that is a “qualified client,” as that term is defined in Rule 205-3(d) under the Investment Advisers Act of 1940, as amended. Performance allocations are subject to a “high water mark” limitation. As a result, after the first year in which a performance allocation is earned, the performance allocation for later years applies only to the extent that the fund’s pro rata share of net profits, measured on a cumulative basis, for all years since admission exceeds the highest level of cumulative net profits achieved through the close of any prior year since admission.

Our advisory fees with respect to the Cardinal Funds and each investor generally are not negotiable.

Liquidation Funds

With respect to the Liquidation Funds, we generally are entitled to receive a management fee, payable quarterly in advance, equal to 0.2875 percent (1.15% per annum) of the capital account balance of each limited partner; *provided, however*, no management fees will be charged with respect to assets held by the Liquidation Fund after December 31, 2011.

In addition, one of our affiliates generally is entitled to receive a performance allocation equal to 20% of each qualified limited partner’s allocable share of net profits for the applicable performance period; *provided, however*, no performance allocation will be made with respect to any limited partner unless and until it has received from the Liquidation Fund aggregate distributions equal to the sum of: (a) the value of such limited partner’s regular account in the applicable Cardinal Fund as of January 1, 2011 (or such later date applicable to persons that subscribed to the Cardinal Fund after January 1, 2011), plus (b) the amount of any additional capital contributions made by such limited partner to the applicable Cardinal Fund after January 1, 2011, minus (c) the amount of any withdrawals made by such limited partner from the applicable Cardinal Fund after January 1, 2011, plus (d) the high water mark deficit applicable to that limited partner on January 1, 2011 (as adjusted for any withdrawals by that limited partner after January 1, 2011).

Our advisory fees with respect to the Liquidation Funds are not negotiable.

Pintail, Plover, Redbird, Sunbird, Tanager, Verdin, Warbler and White Ibis

With respect to Pintail, Plover, Redbird, Sunbird, Tanager, Verdin, Warbler and White Ibis, we are not entitled to receive any management fees or performance-based allocations or fees. However, we and/or certain of our affiliates are entitled to be reimbursed by the applicable fund for any and all reasonable out of pocket expenses, fees and costs incurred in connection with the organization, business and affairs of such fund.

Institutional Funds

With respect to the Institutional Funds, we may be entitled to receive management fees and/or performance allocations pursuant to the terms and conditions set forth in the applicable governing documents. We negotiate fees with each applicable investor on a case by case basis and such fees can be expected to vary.

Each investor in the Institutional Funds is required to represent that it is, among other things, a “qualified purchaser” as that term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

PAYMENT OF FEES

Cardinal Funds

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 of each investor. In the event that a Cardinal Fund is dissolved, an investor withdraws or our advisory services are terminated prior to the end of any calendar quarter, then a proportionate amount of such management fee will be refunded to the applicable investor(s).

Performance allocations generally are calculated and allocated as of the end of each fiscal year (and at such other times as set forth in the applicable partnership agreement). With respect to certain illiquid assets or securities (“Special Investments”), performance allocations are calculated and allocated as of the end of each fiscal period in which a “recognition event,” as such term is defined in the applicable partnership agreement, relating to that Special Investment occurs, as described in the applicable partnership agreement. Performance allocations are allocated directly from the capital account of each applicable investor.

Liquidation Funds

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 of each investor. In the event that a Liquidation Fund is dissolved or our advisory services are terminated prior to the end of any calendar quarter, then a proportionate amount of such management fee will be refunded to the applicable investor(s).

Performance allocations generally are calculated and allocated as on at least a monthly basis (and at such other times as set forth in the applicable partnership agreement). Performance allocations are allocated directly from the capital account of each applicable investor.

Institutional Funds

Management fees generally are payable by investors in the Institutional Funds quarterly, in advance, as of the beginning of each calendar quarter. Management fees are deducted directly from the capital account of each investor in an Institutional Fund. In the event that an Institutional Fund is dissolved, the investor withdraws or an Institutional Fund’s partnership agreement is terminated prior to the end of any calendar quarter, then a proportionate amount of such management fee will be refunded to the applicable investor.

Performance allocations generally are calculated and allocated as of the end of each fiscal year (and at such other times as set forth in the applicable governing document). Performance allocations are allocated directly from the capital account of each investor in an Institutional Fund.

OTHER FEES AND EXPENSES

In addition to management fees and/or performance allocations (as applicable), each Fund generally bears all costs and expenses relating to the Fund’s activities, including, but not limited to, (i) legal, auditing and accounting expenses (including the maintenance of books and records), (ii) costs for the preparation of the Fund’s financial statements, tax returns, and Schedule K-1s, (iii) expenses of the meetings of the limited partners, if any, (iv) interest expense, (v) research expenses, (vi) other expenses associated with the acquisition, holding and disposition of investments and (vii) extraordinary expenses, such as litigation. The Funds generally are responsible for and pay all brokerage and custodial fees and expenses. **See Item 12 below.**

WITHDRAWALS

Cardinal Funds

Subject to the terms and conditions disclosed in the applicable offering documents, each limited partner in the Cardinal Funds generally is permitted to make complete or partial withdrawals of amounts from its capital account (except with respect to Special Investments) as of the last business day of each fiscal year. Notice of any withdrawal generally must be given in writing at least 30 days prior to the proposed withdrawal date. We will use commercially reasonable efforts to settle, in cash or, in our sole discretion, wholly or partially with assets of the fund, whether or not readily marketable, as soon as reasonably practicable following the closing of the books of the fund for the relevant fiscal year.

Management fees with respect to the Cardinal Funds are refunded proportionately as of the date of withdrawal to any limited partner permitted or required to withdraw as of any time other than the beginning of a calendar quarter.

Performance allocations with respect to the Cardinal Funds are calculated and allocated as of the date of withdrawal

with respect to any limited partner permitted or required to withdraw as of any time other than the end of a performance period on the basis of a proportion of net profits allocated to such limited partners' capital account through the withdrawal date.

An investor may not withdraw any portion of its capital account that is allocated to a Special Investment. Generally, an investor will retain its interest in any Special Investment until a "recognition event" occurs with respect to that investment.

Liquidation Funds, Pintail, Plover, Redbird, Sunbird, Tanager, Verdin, Warbler and White Ibis

Subject to the terms and conditions set forth in the applicable governing documents, an investor in the Liquidation Funds, Pintail, Plover, Redbird, Sunbird, Tanager, Verdin, Warbler and White Ibis generally is not permitted to make withdrawals of amounts from its capital account.

Institutional Funds

With respect to the Institutional Funds, complete and partial withdrawals by limited partners generally are permitted in accordance to the terms and conditions set forth in the applicable governing documents.

COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

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

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

PERFORMANCE-BASED FEES

As noted under Item 5 above, certain of our affiliates are entitled to receive performance allocations from certain of the Funds. Performance allocations could motivate us, due to our affiliation with such persons, to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. The method of calculating the performance allocation may result in conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions. Our individual employees and affiliates who are compensated to some extent based upon trading profits for which they are responsible face the same potential conflict. Nevertheless, we do not believe that the performance-based fees or allocations present a material conflict due to the fact that we and our affiliates invest alongside outside investors in each of the Funds. We address this conflict through full and fair disclosure in applicable governing and/or offering documents and/or this brochure.

SIDE-BY-SIDE MANAGEMENT

We manage funds for which we are entitled to receive performance-based fees or allocations alongside funds for which we are not entitled to receive any performance-based fees or allocations. This side-by-side management could motivate us to favor accounts for which we and our employees or affiliates receive performance-based fees or allocations over other accounts for which such fees are not payable. We attempt to address this conflict primarily through disclosure in this brochure.

Item 7: Types of Clients

DESCRIPTION

We currently only provide investment advisory and supervisory services to the Funds, our sole advisory clients.

ACCOUNT REQUIREMENTS

The minimum initial capital contribution required for an investor in the Cardinal Funds is \$500,000, although capital contributions of lesser amounts may be accepted at our discretion. No minimum initial investment is required for an investor in the Liquidation Funds, Pintail, Plover, Redbird, Sunbird, Tanager, Verdin, Warbler, White Ibis or the Institutional Funds.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

We generally seek to earn the highest risk-adjusted rate of return through fundamental research and portfolio management. We seek to analyze and invest in securities, which may include derivative instruments, that are either over-valued, in which case we will sell short the securities, or undervalued, in which case we will purchase the securities. We select investments, and allocate positions in those investments based on an expected value analysis taking into account downside risk, upside potential and the probabilities of those outcomes.

We may purchase or sell short debt securities, derivative instruments and contracts and other investments. We may take positions in companies with various sized market capitalizations, depending upon our analysis of the particular investment opportunity. As a part of our strategy, we may also acquire substantial ownership positions in a company, whether private or publicly traded, and may establish short positions with respect to a substantial percentage of the outstanding shares of a company.

We may also invest in illiquid investments, which may include the purchase of securities of companies via private placements or via publicly announced corporate transactions such as spin-offs, tender offers, mergers, special dividends, restructuring and liquidations. Our decision to invest is based on the expected value and attractiveness of the investment relative to other investment opportunities.

While our primary focus is on publicly-traded securities, opportunities may arise that will provide attractive rates of return outside the public markets. We may also, from time to time, invest in non-publicly traded securities that we believe are appropriate investments in conjunction with the Funds' objectives.

Certain of the Funds employ specialized, limited or specific investment strategies and/or were organized for specific purposes or objectives, including each of the Institutional Funds. Accordingly, not all of the investment strategies and/or objectives set forth above apply to each Fund.

For a more detailed description of the investment strategies applicable to a Fund, please refer to its governing and/or offering documents.

CERTAIN RISK FACTORS

There can be no assurance that the Funds will achieve their investment objectives. The Funds' investment programs involve 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 the Funds' investment programs are low risk or risk free. These investment programs are 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 the Funds' investment strategies and processes and may not necessarily apply to each Fund. 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 applicable offering documents.

General Market Developments. Our success will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates and economic uncertainty. These and other factors may affect the level and volatility of securities prices and the liquidity of client investments. Volatility or illiquidity could impair our profitability or result in losses. We may maintain substantial trading positions that can be adversely affected by the level of or changes in volatility in the financial markets. Unpredictable or unstable market conditions may also result in reduced opportunities to find suitable investments to deploy capital or make it more difficult to exit and realize value from client investments. From time to time, including during 2008 and 2009, various markets around the world experienced extreme periods of volatility, illiquidity, correlation with other markets, negative (or positive) 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 not affiliated with us. The general economic situation, together with the limited availability of debt and equity capital, including through bank financing, will impact us and their investments. As a result, we could experience a reduction in attractive investment opportunities and client investments could be materially impaired in many ways that cannot be predicted. There can be no assurance that general market developments in the future will not have a material adverse effect on us. It is important to understand that we could incur material losses even if we

react quickly to difficult market conditions.

Potential for Fraud. Although we intend to conduct extensive due diligence investigations of all investments, there is a material risk that the performance of the Funds will be impacted by fraud. Recent discoveries of fraud in the banking and financial services industry highlight the seriousness of this issue. The scope and long-term nature of such recent examples of fraud is a testament to how difficult fraud is to detect and prevent. While we intend to institute policies and procedures to avoid falling victim to fraud, there is no assurance we will be able to prevent all types of fraud by parties with whom we transact business.

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 and the Funds from meeting our respective 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 U.S. and world financial markets and the Funds for the short- or long-term in ways that cannot presently be predicted.

Investment Risks in General. The profitability of the Funds depends substantially upon our ability to correctly assess the potential future price movements of securities and the potential for new investments. We cannot guarantee that we will be successful in accurately predicting the future value of potential investments.

In making investments, we may utilize highly speculative investment techniques, including leverage, highly concentrated portfolios, workouts, junior securities positions, control positions and illiquid investments. In addition, we may invest in derivative instruments. Such investments may expose the assets of the Funds to the risk of material financial loss, which may in turn adversely affect the financial results of the Funds.

Distressed Securities. We may invest in distressed securities. Direct investments in distressed securities generally 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.

Small and Mid-Capitalization Companies. We may invest in the securities of small and mid-capitalization companies, as well as securities traded only in the over-the-counter markets. Although investments in these companies have the potential to produce significant returns, such investments generally involve a higher degree of risk than investments in larger companies due to the issuer's lack of financial resources, management experience, product diversification and competitive strength. These and other factors may, from time to time, result in operating and financial setbacks that may have a material adverse effect on a particular investment, which may in turn adversely affect the assets of the Funds.

Regulated Industries. We may invest, directly or indirectly, in securities of companies in industries subject to extensive federal, state and local regulations. Changes in regulations, including restrictions on the manner that such companies carry out their businesses and determine the rates they will charge, may have an adverse impact on the degree to which such investments can fulfill the investment objectives of the Funds. In addition, governmental regulations may not be predictable and may be subject to political, economic, social, and/or market developments. If any of the above-mentioned regulatory issues occur, such an investment may result in performance that is lower than if the Funds had invested in companies in less-regulated industries.

Risks Inherent in International Investments. We may invest in international investments, including investments in emerging markets. International investments involve certain additional risks, including fluctuations in foreign exchange rates, different legal systems, the existence or possible imposition of exchange controls or other foreign or U.S. government laws or restrictions applicable to such investments, and policies of inter-country organizations and governing authorities. Investments in different countries are subject to different economic, financial, political and social factors. Because we may invest in securities denominated in currencies other than the U.S. dollar, changes in foreign currency exchange rates also may affect the value of such securities. These risks may be heightened in developing economies. Any of these issues relating to investments in foreign companies may reduce the overall return on investment realized by the Funds.

Interest-Rate Risk. The value of the fixed-rate securities in which we may invest will generally have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will generally decline, which may in turn adversely affect the profitability of the Funds.

Concentration. We intend to cause investments by the Funds' assets to be concentrated in a limited number of investments. If an investment performs poorly, this concentration could cause a proportionately greater loss than if a larger number of investments were held in the portfolio, and if such proportionately greater loss occurs, it may adversely impact the overall return on investment realized by the Funds and, ultimately, the limited partners.

Control Positions. We may invest in control positions in companies. The exercise of control over a company imposes additional risks of liability for environmental damages, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally associated with an investment position may be expanded or increased. If a greater degree of liability existed because the Funds held a control position in a company, the Funds, directly, and the limited partners, indirectly, could suffer losses on their investments.

Derivatives. We invest in derivative instruments, including (among others) convertible bonds, convertible preferred stock, options (including speculative positions such as buying and writing call options and put options on either a covered or an uncovered basis), futures, forward contracts, repurchase agreements, reverse repurchase agreements and many different types of swaps. In many cases, derivatives provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment in much the same way that incurring indebtedness would. Many derivatives provide exposure to potential gain or loss from a change in the market price of a financial instrument (or a basket or index) or other event or circumstance in a notional amount that greatly exceeds the amount of cash or assets required to establish or maintain the derivative contract. Accordingly, relatively small price movements in the underlying financial instruments or other events or circumstances may result in immediate losses. In some cases, exposure under a derivative contract is limited to the amount invested. In other cases, the derivative contract may create an open-ended obligation. Many derivatives, particularly those negotiated over-the-counter, are substantially illiquid or could become illiquid under certain market conditions. As a result, it may be difficult or impossible to determine the fair value of our interest in such contracts. Many derivative contracts involve exposure to the credit risk of the counterparty, because we acquire no direct interest in the underlying financial instrument, but instead depend on the counterparty's ability to perform under the contract. Further, if and when we take economic exposure through a derivative, we generally will not have any voting rights and may not be able to pursue legal remedies that would be available if we invested client assets directly in the underlying financial instrument.

PIPE Investments. We may invest 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 wherein 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, an investor 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 the investor's 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, the investor might obtain a less favorable price than the price it could have obtained at the time of its decision to sell the security. Further, there is no assurance that the public company will satisfy its registration obligation, in which case, the investor may only be able to sell such securities under Rule 144. Any such developments may have a material adverse effect on the assets of the Funds.

Short Sales. We may effect short sales. Short selling is the practice of selling securities that are borrowed by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes. An increase in the value of any security that is the subject of short selling by the Funds may, as a result of the foregoing, have a material adverse effect on the return on investment of the Funds. Our objective is to sell short securities whose prices we believe could drop within 12 to 24 months. The success of this strategy depends largely upon our ability to identify and sell short over-valued securities. There is no assurance that we will be able to accurately identify and sell short such over-valued securities. Furthermore, short sales involve the risk of unlimited losses, and may at any particular time be adversely affected by general market conditions. In a short period of time, the Funds may incur substantial unrealized losses on particular investment positions.

Short selling, or selling borrowed securities, has distinctive risks in contrast to conventional investing strategies. The following are some of the risks or disadvantages of short selling: (i) a security that is sold short can increase in price without limit and, therefore, in theory, losses incurred in covering a short sale at market prices can also be infinite; (ii) short positions which are closed typically result in short-term capital gains or losses for tax purposes regardless

of how long the short position was held open; (iii) if a security which is sold short pays dividends, the amount of the dividend must be paid by the short seller to the lender; (iv) short selling is limited to securities which can be borrowed and it may not be possible at times to borrow the securities we wish to sell short; and (v) it may be necessary to cover shorts at undesirable times or prices because securities which were sold short are no longer available to be borrowed. This “short-squeeze” can be caused by speculators purchasing securities and then refusing to lend them to short sellers. The foregoing list is not intended to set forth all of the risks relating to short selling.

Put and Call Options. We also may purchase exchange-listed and over-the-counter put and call options on specific securities. In addition, we may write and sell covered or uncovered call and put option contracts. Options written by an investor may be wholly or partially covered (meaning that the investor holds an offsetting position) or uncovered. Options on specific securities may be used by the investor to seek enhanced profits with respect to a particular security. Alternatively, we may use options for various defensive or hedging purposes. Use of put and call options may result in losses, force the sale or purchase of portfolio securities at inopportune times or for prices higher than or lower than current market values, limit the amount of appreciation realized on investments or cause us to hold a security we might otherwise sell. The use of uncovered option writing techniques may entail greater risks of potential loss to the investor than other forms of options transactions. For example, a rise in the market price of the underlying security will result in the investor realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying securities to the extent the call option position was uncovered.

Futures Contracts. We may engage in trading futures contracts or other commodities interests. Futures prices generally are extremely volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is common in a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses. Similar to other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested.

Index Contracts. We also may invest in customized instruments as an independent investment or to seek to hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of securities, foreign currencies or commodity prices. These hedging strategies may be executed by investors through the use of exchange-traded equity index options or futures contracts or options thereon, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts (collectively, “index contracts”) structured by investment banking institutions.

Index contracts generally have substantial risks associated with them, including possible default by the counterparty to the transaction, illiquidity and, to the extent an investor’s view as to certain market movements is incorrect, the risk that the use of such index contracts could result in losses greater than if they had not been used. Moreover, any lack of correlation between price movements of index contracts and price movements in the position of an investor may create the possibility that losses in the value of such investor’s position may be greater than the gain on the hedging instrument (or that a gain in such investor’s position may be less than the loss on the hedging instrument). In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter index contracts may have no markets. As a result, in certain markets, an investor might not be able to close a transaction without incurring substantial losses, if at all. To the extent applicable any such result may have a material adverse effect on the financial results of the Funds.

Swaps and Similar Contracts. In addition to index contracts and other exchange-traded option contracts, we may invest in over-the-counter contracts that involve dealing with counterparties and their ability to satisfy their obligations under such contracts. Specifically, we may engage in repurchase agreements, forward contracts or swap arrangements, each of which may expose the Funds to credit risks to the extent that any counterparties to such contracts default on their obligations to perform under the relevant contracts.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FUNDS’ INVESTMENT PROGRAMS. PROSPECTIVE INVESTORS SHOULD READ THIS BROCHURE AND THE APPLICABLE OFFERING MATERIALS AND GOVERNING DOCUMENTS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

Item 9: Disciplinary Information

Not applicable.

Item 10: Other Financial Industry Activities and Affiliations

With respect to Cardinal 2000, CD, Mallard, Sandpiper and Yellow Warbler, we currently are exempt from registration with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator pursuant to an exemption from registration provided by CFTC Rule 4.13(a)(3).

We also currently are exempt from registration with the CFTC as a commodity trading advisor pursuant to an exemption provided by CFTC Rule 4.14(a)(8).

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 and principals. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to the Funds, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by our employees. Among other things, we impose restrictions on all employees and principals relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. Our code of ethics requires pre-clearance and quarterly reporting of all personal securities transactions. In addition, our code of ethics requires that all employees submit an annual report of personal securities holdings, except for certain exempt securities. These quarterly and annual reports are reviewed on a regular basis by appropriate supervisory personnel. Further, we maintain certain policies and procedures designed to prevent employees and principals from misusing material non-public information, trading the same security ahead of the Funds and circulating rumors. A copy of our code of ethics is available upon request.

PERSONAL TRADING

In accordance with various restrictions set forth in our code of ethics, our employees and principals are restricted from purchasing for their personal account 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 “front-running,” which is the practice of attempting to benefit from the increase in price resulting from recommendations to the Funds. To prevent this practice, we closely monitor the investments made by our employees and principals.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Several of our principals and employees also invest in the Funds as limited partners and may, from time to time, allocate a portion of their compensation to capital contributions to such Funds.

ACTIVITIES OF PRINCIPALS

Our principals and employees may serve as directors, officers or committee members of public companies and their activities on behalf of those companies may present actual and/or potential conflicts of interest (including conflicting fiduciary duties) with the Funds.

Item 12: Brokerage Practices

SELECTING BROKERAGE FIRMS

In general, we have authority to determine the brokers and other counterparties to be used for Fund transactions and to negotiate commission rates and other monies paid by the Funds. We select broker-dealers on the basis of obtaining the best overall terms available, which we evaluate based on a variety of factors, including among other things: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research and related services considered 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, databases and other news, technical and telecommunications services and equipment utilized in the investment management process. We may pay a commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage or research services provided by the broker. 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.

BEST EXECUTION

In placing orders for the purchase and sale of securities, we seek best net execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers which we believe to be responsible and provide effective execution of Fund orders under conditions most favorable to the Funds.

SOFT DOLLAR PRACTICES

While we do not currently use soft dollars generated by the Funds to pay for certain research and/or related services provided by brokers described above, we generally are permitted to do so by the Funds. The term “soft dollars” refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, which is paid with brokerage commissions for transactions executed for clients of the investment manager. 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 market price quotation services).

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between us and the Funds. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of the Funds which paid the commissions and that may primarily or exclusively benefit us. If we are able to acquire these products and services without expending our own resources (including management fees paid by the Funds), 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 the Funds’ interest in receiving most favorable execution.

As noted above, we have no existing soft dollar arrangements in place and have no existing plans to enter into soft dollar arrangements in the future. However, we generally have the authority to participate in soft dollar arrangements of general availability through brokers that provide us with research and related services as described above. We will not, however, negotiate higher rates on fees and expenses to be paid by the Funds in exchange for lower rates on fees and expenses to be paid by us.

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 the Funds to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities.

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.

ORDER AGGREGATION

We aggregate Fund transactions when possible (*i.e.*, generally, buying or selling the same security on the same day), when advantageous to the Funds, when not favoring certain Funds over other Funds and when consistent with the duty of best execution. Our primary consideration is fair and equitable treatment of all the Funds (*i.e.*, average pricing, efficient and effective execution pricing), and not simply lowering commissions. Whenever possible, the discretionary purchase or sale (execution) price of a security bought or sold during the same day effected by the same broker-dealer will be equitably averaged and aggregate with similar discretionary purchases and sales for other Funds, including our related persons.

ALLOCATION OF INVESTMENT OPPORTUNITIES

We generally allocate investment opportunities among the Funds in a manner we believe to be fair and equitable under the circumstances. Each trade ordered by our authorized employees is for the aggregate number of shares for all applicable Funds. At the conclusion of trading each day, our accountant receives the trade record from both the online trading tools and executing brokers. Our accountant then allocates the number of shares to each applicable Fund using our trade allocation spreadsheet.

Profits and losses from “new issues,” as such term is defined under Financial Industry Regulatory Authority (“FINRA”) rules, are allocated only to investors who are eligible to participate in such new issues, as contemplated by applicable FINRA rules.

Item 13: Review of Accounts

PERIODIC REVIEWS

Our accounting staff and Chief Operating Officer conduct reviews of all Funds and their investments on at least a monthly basis. With respect to accounting matters, we have engaged a nationally-recognized, independent public accounting firm to conduct an annual audit of the Funds.

The Funds are reviewed monthly to verify total securities held in each brokerage account and confirmed with the totals on our in-house portfolio accounting system. Reviews are performed on asset allocations and performance on a regular basis, in order to maintain the consistency of our investment philosophy and strategy.

ADDITIONAL REVIEWS

While we generally conduct reviews of the Funds and their investments on at least a monthly basis, we may conduct additional or more frequent reviews in the event of certain material events or circumstances, such as market developments, additions or closings of significant positions in the portfolio and withdrawals or contributions of capital by an investor in the Funds.

REPORTS TO INVESTORS

We generally provide investors in the Funds annual audited financial statements, quarterly performance reports and annual U.S. income tax information. We may also provide other reports and information to investors. All such statements and reports are written.

Item 14: Client Referrals and Other Compensation

THIRD PARTY COMPENSATION

Except as otherwise described in this brochure, we currently do not receive any economic benefit from any non-client for providing investment advice or other advisory services to the Funds.

REFERRALS

We currently do not compensate any person for investor referrals.

Item 15: Custody

We have, or may be deemed to have, custody of the Funds' cash and securities. In accordance with Rule 206(4)-2 under the Advisers Act, the Funds' cash and securities (except for privately placed securities) are held with one or more qualified custodians. Morgan Stanley, JP Morgan, BNP Paribas, Citigroup and Fidelity Investments currently serve as custodians to one or more of the Funds. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged a nationally-recognized, independent public accounting firm to conduct an annual audit of the Funds, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided to investors on an annual basis. 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 provide statements directly to investors in the Funds.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

We have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of the Funds. We have authority to determine the broker-dealer, futures commission merchant or other counterparty to be used for Fund transactions and the negotiation of commission rates and other consideration to be paid by each of the Funds.

LIMITED POWER OF ATTORNEY

Each investor in the Funds generally grants us or our affiliate a limited power of attorney to enable us to execute the applicable partnership agreement and certain other documents relating to the Funds on its behalf.

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 in a manner that serves the best interests of each Fund, as determined in our discretion, and without regard to the interests of us or any other Fund. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation. We may determine not to vote proxies in respect of securities of an issuer if we determine that it would be in a Fund's overall best interest not to vote. Clients may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

CONFLICTS OF INTEREST

Where a material conflict of interest has been identified, we will take into account the interests of the applicable Funds, vote securities in a manner that serves the best interests of such Funds, as determined in our discretion, and document the basis for our decision.

Item 18: Financial Information

Not applicable.

General Information

PRIVACY POLICY

We have adopted policies and procedures reasonably designed to protect various records and information of investors. Except as set forth in the applicable offering materials and as otherwise authorized by each investor, private information about investors in the Funds is disclosed only 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. Notice of our privacy policy is provided on an annual basis to investors in the Funds and is available to investors upon request.

TRADE ERRORS

It is our general practice to require our personnel to make and implement investment management decisions with the utmost care. Nevertheless, if a trade error occurs, we endeavor to correct the error as soon as possible and in a manner that minimizes any loss to the Funds.