

**Item 1**  
**Cover Page**

PART 2A OF FORM ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Virgo Investment Group LLC (“VIG” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (650) 331-8858. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

From time to time in this and other documents VIG may refer to itself as a “registered investment adviser” by virtue of its registration with the SEC. This title does not imply any level of training or skill.

Additional information about VIG is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2**

### **Material Changes**

This brochure dated February 15, 2012 has been prepared by VIG in accordance with the SEC's new requirements and rules pertaining to Form ADV, Part 2A. Inasmuch as VIG is a new registered investment adviser, there are no material changes to discuss.

In the future, this Item will identify and summarize any material changes in this narrative brochure from one year to the next. It will also reference the date of the last annual update of the brochure.

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## **Item 4**

### **Advisory Business**

**A.** Virgo Investment Group LLC (“VIG” or the “Firm”), a Delaware limited liability company, is an investment adviser located in Palo Alto, California, founded in 2009. Jesse Watson is the principal owner of the Firm.

VIG provides non-discretionary investment advice and management services to private investment vehicles (collectively, the “Funds” or the “Clients”)<sup>1</sup> which are managed by Capricorn Investment Group LLC, a registered investment adviser (“Capricorn”)<sup>2</sup>. The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), pursuant to Section 3(c)(7) of the Investment Company Act or by virtue of accepting only foreign and U.S. tax-exempt investors. Interests in the Funds are privately offered only to qualified investors.

**B.** Services provided by VIG include: recommending, evaluating, structuring and negotiating investments that have been approved by Capricorn for the Funds, managing portfolio companies post-acquisition or post-investment and advising the Funds with respect to disposition opportunities. VIG invests primarily in private investments, targeting middle-market credit and asset-based investments. In general, investments consist of a diversified portfolio across securities, industry sectors and asset classes.

**C.** VIG utilizes the same strategy for all of the Funds and, by virtue of the non-discretionary nature of the advice it provides, tailors its advisory services to the specific needs of the Funds.

**D.** VIG does not participate in wrap fee programs.

**E.** As of December 31, 2011 VIG managed \$0 in assets on a discretionary basis and \$270 million on a non-discretionary basis.

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<sup>1</sup> “Fund” or “Client” means any account or fund for which VIG provides investment advice and/or places trades on a nondiscretionary basis. The HNW Client vehicles that invest in the VIG-sponsored investment vehicles are generally referred to herein as “investors.” Unless otherwise expressly stated herein, the terms “Fund” and “Client” do not include “investors.”

<sup>2</sup> Please see the disclosure relating to conflicts with Capricorn in Item 10 below.

## **Item 5**

### **Fees and Compensation**

**A.** The Funds were only offered to “qualified purchasers” as defined in the Investment Company Act. The specific terms of VIG’s fee arrangements with the Funds are set forth in each Fund’s limited partnership agreement.

**B.** VIG generally receives a management fee or budget and approved expenses (the “Management Fee”), as specified in each Fund’s limited partnership agreement. VIG makes capital calls, or deducts Management Fees directly from the Clients’ assets, as specified in each Fund’s limited partnership agreement. The Firm also may be entitled to a performance-based fee (the “Carried Interest Distribution”), based on realized gains from investments above a performance benchmark. Carried Interest Distributions, if applicable, are deducted directly from Clients’ assets as investments realize gains and not on a pre-determined schedule.

In addition to the Management Fee, in connection with the affairs of a Fund, the Firm may receive fees relating to the completion, termination, cancellation or abandonment of any consummated or proposed investment, including origination fees, or other related services in relation to investments (“Additional Fees”). Fifty percent of the portion of Additional Fees attributable to a Fund’s investment will generally be distributed to investors or applied as an offset to the Management Fee for current and future periods.

**C.** Each Fund will bear separately its own formation expense and operating costs, including but not limited to: costs and expenses incurred in the holding, purchase, sale or exchange of investments; organizational expenses; third-party deal sourcing fees; legal, audit, fund administration and accounting fees; interest on borrowed funds; brokerage fees; taxes applicable to each Fund on account of its operations; fees related to preparation of tax returns and annual filings with the State of Delaware; fees and expenses of any administrator, custodian and any other service providers; ongoing reporting and administration costs; and any extraordinary expenses.

Clients will incur brokerage and other transaction costs. Please see Item 12 “Brokerage Practices” for more information.

**D.** Management Fees are paid quarterly in advance. Upon termination of an advisory contract, any prepaid, unearned Management Fees will be promptly refunded, based on the actual number of days remaining in the quarter during which the advisory contract was terminated.

**E.** Neither VIG nor any of its supervised persons receive, directly or indirectly, any compensation from the sale of securities or other investment products.

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

As stated in Item 5 (“Fees and Compensation”) above, VIG may be entitled to receive a Carried Interest Distribution based upon realized gains from investments above a performance benchmark.

The Carried Interest Distributions are structured subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

The Carried Interest Distribution may create an incentive for the Firm to recommend to the Funds investments that are riskier or more speculative than those which would be made under a different fee arrangement. However, the non-discretionary nature of the services VIG provides to the Funds, along with internal controls implemented by the Firm, mitigate these risks.

The Firm does not manage any Clients that do not charge a Carried Interest Distribution.

**Item 7**  
**Types of Clients**

VIG provides investment advisory services to the Funds, which are private investment vehicles that are exempt from registration under the Investment Company Act. These funds are limited to “accredited investors,” “qualified clients,” and “qualified purchasers”.

VIG does not impose a minimum account size.

## Item 8

### Methods of Analysis, Investment Strategies and Risk of Loss

VIG's Funds are opportunistic, yet have a value investment philosophy, a bias toward the preservation of capital and an emphasis on generating a current yield on invested capital. The Funds seek to achieve risk-adjusted returns through a process of fundamental research and a probabilistic approach to portfolio construction. VIG targets market seams, including both cyclical market opportunities and thematic industry viewpoints, where investment returns are less correlated with market credit spreads and corporate valuation multiples. VIG identifies and capitalizes on these market seams with the belief that it is the best way to discover and deliver attractive returns on invested capital for its Clients. Furthermore, VIG believes distressed opportunities and other special situations within the middle-market investment universe offer the greatest chance for consistent value creation. The Firm targets credit risks that are inefficiently priced by the traditional capital markets, businesses or assets in transition where there is unlocked value pre-investment, and business transformations where there is an opportunity to create and build value post-investment.

Being an opportunistic investor requires a disciplined approach to theme development, sourcing and investment due diligence given the breadth of investment activity pursued. VIG recognizes the importance of a well-constructed and consistently applied investment strategy to achieving long-term results. VIG follows a disciplined investment approach to: (i) identify market seams or thematic investment theses; (ii) select specific investment opportunities; (iii) develop an information advantage or analytical edge in diligencing and assessing risks; and (iv) execute and exit investments efficiently to maximize returns for the Funds.

VIG believes that rigorous research, bottom-up due diligence and a fundamental understanding of companies or assets is critical to achieving long-term investment results and provides the best risk management. Investment ideas are generated internally through research and analysis. In connection with identifying, evaluating, analyzing and investigating investment opportunities for the Funds, investment professionals also generally draw upon their professional experience in relevant industries and contact with industry executives, established business relationships and independent consultants. VIG invests across the capital structure with an emphasis on (i) middle-market specialty finance, (ii) niche asset-based market segments, (iii) distressed investments, and (iv) structured private financings for middle-market companies.

VIG's investment program is speculative and involves significant risks, including the risk of total loss. Investments made by the Funds are very illiquid. There can be no assurance that VIG's investment objectives will be achieved, and actual investment results may vary substantially from the investment objective and prior performance. Investors should be prepared to bear these general risks as well as the more specific risks set forth below.

Other risks inherent to the strategies employed by VIG include, but are not limited to, the following:

*Concentrated Portfolio.* Generally, a VIG Fund will be formed as a limited partnership with the objective of acquiring one or more credit investments without regard to formal diversification policies. Although the Firm does adhere to certain allocation limits, as more fully described in each Fund's limited partnership agreement, concentration risks still exist. At any given time, a VIG Fund may be highly



concentrated in certain types of credit investments (as grouped by issuer, industry, geography, market and/or investment strategy). The aggregate returns of any VIG Fund may be adversely affected by the unfavorable performance of a single investment.

***Illiquid Investments.*** In general, there will be no active market or readily ascertainable values for certain credit investments. Investors must have the financial ability and willingness to remain invested for the long term. If a Fund is required to sell an illiquid credit investment, it may only be able to do so at disadvantageous prices.

***Competition.*** A large number of private investment funds have been formed to capitalize on the types of credit investments that VIG will seek. Many of these funds are already active in the marketplace. There can be no assurance that VIG will be able to compete successfully against competitors for opportunities in the marketplace.

***Interest Rate Risk.*** The value of any particular credit investments may be sensitive to changes in prevailing interest rates and other factors beyond VIG's control.

***Projections.*** Investments will be selected based upon VIG's analysis of specific credit investments and various projections regarding future performance and cash flow. Projections are inherently uncertain and subject to factors beyond VIG's control. The occurrence of unforeseen events could materially impair the performance of one or more credit investments.

***Distressed Investment Risk.*** The Funds may invest, directly or indirectly, in securities of U.S. and non-U.S. issuers which lack financial strength. Investments of this type may involve material financial and business risks that can result in substantial, or at times even total, loss of invested capital.

***Usury.*** Certain credit investments made by a Fund to a borrower may be subject to state usury laws. VIG intends to use reasonable best efforts to cause each VIG Fund to comply with applicable usury laws. If a VIG Fund fails to comply with applicable usury laws, a credit investment may suffer significant losses.

***Potentially Subjective Valuation.*** VIG has a valuation policy that provides for a particular methodology to be used in the valuation of investments. Under VIG's valuation policy, for a majority of investments, the Firm derives its own financial models in determining the fair market value of certain credit investments. VIG's judgment as to the fair market value of certain investments is predicated on a variety of assumptions and estimates that may prove to be incorrect. To compensate, the Firm generally utilizes the services of a 3<sup>rd</sup> party valuation agent to obtain an objective valuation of Fund investments on an annual basis.

***Lender Liability Considerations and Equitable Subordination.*** A number of jurisdictions have upheld the right of borrowers to sue lenders on a variety of legal theories (collectively termed "lender liability") including violations of implied or contractual duties owed by lenders to borrowers. Because of the nature of VIG's credit investments, a Fund may be subject to allegations that such duties were breached or that the claim of a VIG Fund to a borrowers' assets should be subordinated to claims of other creditors ("equitable subordination").

**Item 9**  
**Disciplinary Information**

In the past ten years, there have been no legal or disciplinary events involving either VIG or any of its management persons that are material to VIG's advisory business.

## **Item 10**

### **Other Financial Industry Activities and Affiliations**

**A.** Neither VIG nor any of its management persons are registered, or have an application pending to register, as broker-dealers or registered representatives of a broker-dealer.

**B.** Neither VIG nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

**C.** As discussed above in Item 4, VIG has a business relationship with Capricorn, whereby Capricorn manages the private investment vehicles that invest in the VIG Funds and approves the investments they make. VIG currently operates out of Capricorn's Palo Alto office, and Capricorn currently has an economic interest in certain of VIG's investment advisory activities. However, the Firm is in the process of dissolving Capricorn's economic interest in the Firm and expects Capricorn's interest to be reduced to zero in the coming months. Because of the non-discretionary nature of the advisory services VIG provides to Capricorn, and the fact that Capricorn and VIG pursue distinct investment strategies with minimal overlap, this relationship does not present any material conflicts.

#### **Societas**

VIG and Capricorn have a joint venture called Virgo Investment Societas LLC ("Societas"), which is also a registered investment adviser. Currently, Capricorn and VIG are each entitled to 50% of the fees paid to Societas by Societas' clients; however, as with Capricorn's interest in VIG, Capricorn's interest in Societas is currently being dissolved and is expected to be reduced to zero in the coming months.

VIG and Societas clients have similar investment strategies and will invest to a certain extent in the same securities. This overlap in investment approach poses the potential for conflicts of interest. However, both VIG and Societas are committed to fulfilling their fiduciary duty to their clients. To this end, VIG and Societas have implemented internal controls to address the potential conflicts. Specifically, when investment opportunities are suitable for both VIG and Societas clients, such investment opportunities will be allocated pro-rate among the applicable clients based on available capital.

#### **Senior Advisor**

Barry Uphoff ("Barry") is a co-founder of VIG. Barry currently serves in an active advisory capacity at VIG with a focus on sourcing and analysis of healthcare credit opportunities and also serves on the Firm's investment committee. Barry is also a principal of Capricorn Healthcare and Special Opportunities, LP ("CHSO"), a Capricorn affiliate.

Actual or potential conflicts of interest could result from Barry's position as a principal of CHSO and his role at VIG. The CHSO funds may be in competition with the VIG Funds for investment opportunities, thus some opportunities that might have been allocated to VIG could be allocated to CHSO. In addition, Barry may be restricted by CHSO's Code of Ethics from using confidential information he obtains in connection with his role at CHSO that could otherwise have been used for the benefit of VIG.

However, VIG believes these potential conflicts are mitigated by virtue of the fact that (i) VIG and CHSO pursue distinct investment strategies with minimal overlap; and (ii) Barry is subject to the provisions of VIG's Code of Ethics, which is designed to identify and mitigate conflicts of interest through various requirements and prohibitions, as described more fully in Item 11.

For more information on these conflicts and how VIG mitigates these conflicts, please contact VIG's Chief Compliance Officer.

**D.** VIG does not recommend or select other investment advisers for its Clients.

## **Item 11**

### **Code of Ethics, Participation or Interests in Client Transactions and Personal Trading**

**A.** VIG has adopted a Code of Ethics (the “Code”) to ensure that VIG fulfills its role as a fiduciary to the Funds. The interests of the Funds must always be recognized, respected, and have precedence over those of VIG employees and others as determined by the Firm’s Chief Compliance Officer. The Code requires that VIG employees and certain associated persons (“Covered Persons”) act in the best interests of the Funds to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Funds to the extent reasonably possible, and identify and manage conflicts of interest to the extent they arise. Covered Persons are also required to comply with applicable provisions of federal securities laws and make prompt reports of any actual or suspected violations of such laws by VIG or Covered Persons. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of Covered Persons. The Code requires that Covered Persons pre-clear all public and private personal securities transactions, report all personal securities transactions on at least a quarterly basis and submit reports to VIG regarding personal accounts and reportable securities holdings at least annually. The Code also addresses confidentiality, outside activities, conflicts of interest, policies and procedures concerning the prevention of insider trading, includes restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions. Covered Persons are required to provide a written certification to VIG as to their compliance with the Code upon hire, and on an annual basis thereafter. Copies of the Code will be provided to any existing or prospective investor upon request.

**B.** From time to time, consistent with a Fund’s investment objectives and subject to satisfaction of Firm policies and procedures, the Fund’s governing documents and applicable law, VIG may recommend that a Fund acquire or sell securities or interests in which VIG or an affiliate has a pre-existing direct or indirect interest. The Code is designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions, and to ensure that the Firm fulfills its role as a fiduciary to the Funds.

**C.** From time to time, subject to satisfaction of Firm policies and procedures, the Fund’s governing documents and applicable law, a Covered Person may acquire or sell securities that are recommended to a Fund or in which a Fund has a pre-existing direct or indirect interest. The Code is designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions, and to ensure that the Firm fulfills its role as a fiduciary to the Funds.

**D.** Neither VIG nor any related person recommends securities to Clients, or buys or sells securities for Client accounts, at or about the same time that they buy or sell the same securities for their own account.

**Item 12**  
**Brokerage Practices**

- A.**      VIG currently maintains one prime brokerage account with Credit Suisse. If necessary, VIG may trade with additional broker-dealers subject to thorough due diligence and negotiation of contractual rights to protect the interests of VIG and the Funds. However, the Firm is largely focused on private investment opportunities and therefore is generally not in a position to select a broker-dealer for Client transactions.
- B.**      VIG does not engage in soft dollar arrangements with broker-dealers.
- C.**      In the private equity context, client referrals are not relevant to VIG's selection or recommendation of broker-dealers.
- D.**      VIG does not engage in directed brokerage.
- E.**      Due to the nature of investments recommended to VIG's Clients, VIG does not engage in the aggregation of the purchase or sale of securities.

**Item 13**  
**Review of Accounts**

- A.** VIG's portfolio managers and analysts review the Funds' portfolio holdings on a quarterly basis. The goal of the reviews is to conduct a focused evaluation of current performance, "connect the dots" across investments and contribute to prospective investment thesis development for new investments. VIG is focused on mining completed investments to better understand the current economy and to generate new ideas. VIG's portfolio managers and analysts also review the Funds' portfolio holdings informally on a continual basis.
- B.** The Firm does not utilize any specific criteria to trigger a review of Client investments at this time.
- C.** Within 120 days after the Firm's fiscal year-end, audited financial statements are mailed to each investor in the Funds. The Firm delivers to investors unaudited performance information for the Funds on a quarterly basis.

**Item 14**  
**Client Referrals and Other Compensation**

- A.** Other than the Firm's ability to earn Additional Fees, as described in Item 5, no one other than the Clients provides an economic benefit to VIG for providing investment advice or other advisory services to the Clients.
- B.** Neither VIG nor any related person directly or indirectly compensates any person who is not a supervised person for Client referrals.



## **Item 15**

### **Custody**

The Funds' assets which the Firm is deemed to have custody of are generally maintained with a qualified custodian, as defined in Rule 206(4)-2 of the Advisers Act ("Qualified Custodian"). The Funds' privately-issued certificated securities are generally held by the Qualified Custodian by maintaining a copy of the stock certificates. The Funds' privately-issued securities or other assets that are recorded only on the books and records of the issuer (or its transfer agent) in the name of the Funds and that are only transferable with the prior consent of the issuer or other security holders are not required to be maintained by a Qualified Custodian. In accordance with Rule 206(4)-2 of the Advisers Act, each Fund will distribute independently audited financial statements of the Funds to its respective investors not later than 120 days after the end of each Fund's fiscal year.

**Item 16**  
**Investment Discretion**

As mentioned above in Item 4, VIG provides non-discretionary investment advice and management services to the Funds. The limited partner of each Fund, which is a private investment vehicle managed by Capricorn, retains the authority to approve or reject any investment recommendation provided by VIG.

**Item 17**  
**Voting Client Securities**

The Firm does not generally have the discretion to cast votes with respect to proxies of public companies or exercise any voting rights with respect to the Funds' investments. Each limited partnership agreement of a Fund contains a mechanism whereby the investor instructs VIG as to the exercise of such rights and, in the failure of such instruction, the Firm will vote in the best interests of the relevant Fund in accordance with the procedures outlined in the limited partnership agreement. To the extent the Firm does have the discretion to vote, it will vote in accordance with Rule 206(4)-6 of the Advisers Act.

**Item 18**  
**Financial Information**

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

VIG does not believe that there are any conditions that are reasonably likely to impair VIG's ability to meet contractual commitments to Clients.

VIG has never been the subject of a bankruptcy petition at any time during the past ten years.