

Item 1 – Cover Page

CBM Capital, Inc.

645 Madison Avenue, 6th Floor

New York, New York 10022

212-404-4646

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This Brochure provides information about the qualifications and business practices of CBM Capital, Inc. (“CBM Capital”) and CBM Management, L.P. (“CBM Management”). If you have any questions about the contents of this Brochure, please contact us at 212-404-4646. 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.

CBM Capital and CBM Management are registered investment advisers. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about CBM Capital and CBM Management also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

CBM Capital and CBM Management have not been previously registered.

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Item 4 – Advisory Business

CBM Capital and CBM Management are New York based investment management firms formed in October 1995 and June 2001, respectively, by Lawrence S. Pidgeon. Mr. Pidgeon is the principal owner and President of CBM Capital. CBM Capital serves as the general partner of CBM Management. Barbara Petrino serves as the Chief Compliance Officer (“CCO”) for both CBM Capital and CBM Management. For convenience, CBM Capital and CBM Management may be referred to throughout this brochure, individually, as a “Firm” or, together, as the “Firms.”

CBM Capital provide continuous portfolio management services to a U.S. based fund (the “Domestic Fund”) and CBM Management provides continuous portfolio management services to a non-U.S. based fund (the “Offshore Fund”). The Domestic Fund and the Offshore Fund are each exempted from registration as an investment company pursuant to Section 3(c)(1) of the Investment Company Act of 1940, as amended (the “1940 Act”). For convenience, the Domestic Fund and the Offshore Fund may be referred to throughout this brochure, individually, as the “Fund” and, together, as the “Funds.”

Each Firm’s investment activities primarily involve identifying and making long-term equity investments in undervalued businesses. Each Firm may also make certain additional investments as it deems appropriate. Each Firm’s investment strategies, objectives and restrictions are set forth in greater detail in the respective Fund’s offering documents.

The Firms do not participate in wrap fee programs.

As of December 31, 2011, CBM Capital and CBM Management together managed approximately \$463,682,345 in assets on a discretionary basis. The Firms do not manage assets on a non-discretionary basis.

This brochure and the material contained herein is not meant to be, nor shall it be construed as, an offer or solicitation of an offer for the purchase or sale of the Funds.

Item 5 – Fees and Compensation

For their services, CBM Capital and CBM Management each receive an annual management fee equal to 1% of the assets of the Fund they manage. The management fee is calculated and payable quarterly in advance within the first five days of each quarter.

In addition, CBM Management and Hanawalt Associates, LLC (“Hanawalt”), the general partner of the Domestic Fund, receive certain performance-based compensation. CBM Management and Hanawalt receive an allocation of net income, or “carried interest”, equal to between 15% and 18% of the net income in excess of certain hurdles as described in each Fund’s offering documents. The performance percentage applied is different for each investor in the Funds depending on how long the investor has been invested in the particular Fund. The performance compensation is generally charged at the end of each calendar year or at the time an investor withdraws/redeems from or transfers its interest

in a Fund. The above fees are generally not negotiable, however, CBM Capital, CBM Management and/or Hanawalt may reduce or waive its management fee and/or performance compensation, as applicable, with respect to any investor of a Fund designated by CBM Capital, CBM Management and/or Hanawalt, as applicable. CBM Capital, CBM Management and Hanawalt intend to waive their respective management fees and performance compensation, as applicable, with respect to any account opened by employees of CBM Capital and their spouses and their children.

Any “monitoring”, directors’ or other fees received by the Firms, Hanawalt, or the members, shareholders or employees of the Firms, Hanawalt, or their affiliates from companies in which a Fund has investments in securities are credited against and reduce the management fee payable to a Firm by such Fund in respect of such securities.

The fees and performance compensation described in this Item 5 are deducted from Fund assets.

In addition, each Fund bears certain operating and offering expenses, including, but not limited to, fees and expenses of attorneys, administrators, accountants, directors, experts and custodians as well as administrative expenses, the costs of maintaining a registered office, insurance premiums, taxes, governmental fees, commitment fees, interest and all expenses relating to investments and to the acquisition, holding and sale or other disposition of investments. These operating and offering expenses are charged to the Funds on a quarterly basis at quarter end. See Item 12 for further information on the Firm’s brokerage practices.

As stated above, management fees are payable in advance. If an investor in a Fund withdraws/redeems capital prior the end of a quarter, the investor will be refunded their *pro rata* portion of the management fee which they paid in advance of the quarter.

CBM Capital, CBM Management and their supervised persons do not accept compensation for the sale of securities or other investment products.

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

As described in response to Item 5 above, CBM Management and Hanawalt (general partner of the Domestic Fund) receive performance-based compensation from the Funds. The performance compensation will be made in conformity with Section 205 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and Rule 205-3 promulgated thereunder. The performance-based compensation may create an incentive for CBM Capital and CBM Management to make investments for a Fund that are riskier or more speculative than would be the case in the absence of performance-based compensation.

Item 7 – Types of Clients

As described in response to Item 4, the Firms provide investment advisory services to a U.S. based fund and a non-U.S. based fund, each exempted from registration as an investment company pursuant to Section 3(c)(1) of the 1940 Act.

The investors in the Funds generally include individuals, trusts, partnerships and corporations. In order to invest in the Domestic Fund, investors are required to represent that they are “accredited investors” within the meaning of Regulation D under the Securities Act of 1933, as amended, and any new investors following registration will be required to represent that they are “qualified clients” as defined by Section 205 of the Advisers Act and Rule 205-3 promulgated thereunder. The Offshore Fund is offered to non-U.S. persons and certain U.S. tax-exempt investors. Tax-exempt investors in the Offshore Fund are required to represent that they are “accredited investors,” and any new investors following registration will be required to represent that they are “qualified clients.” The minimum initial investment in the Funds is \$10,000,000, subject to the discretion of Hanawalt or the Fund’s directors, as applicable, to accept a lower minimum investment.

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

INVESTMENT STRATEGIES

The Firms’ activities primarily involve identifying and making long-term investments in undervalued businesses. The Firms do this by reviewing and analyzing current and historical information going back many years. Competitors are analyzed in a similar manner to gauge relative performance. As they collect more and more information, the Firms seek to make their own best estimate of a company’s intrinsic value. Such an analysis has little to do with what tends to impact stock market prices over the short-term. A company’s ability to generate predictable quarterly earnings, while noteworthy, is not overemphasized in the calculation of long-term intrinsic value. Moreover, the Firms spend almost no time trying to anticipate stock market price movements, macroeconomic events, or interest rate changes (though they obviously consider what impact some of those developments might have on the earning power and intrinsic value of the underlying businesses they are evaluating). The Firms may also make other investments or sell short investments when they determine that such investments would be appropriate.

The Firms’ investments consist principally of equity and/or equity-linked securities, including but not limited to, common stock, securities convertible into common stock, preferred stock, and warrants, rights, options or other contracts to buy or sell common stock. However, the Firms may also make investments in other types of securities, such as senior or subordinated debt. The Firms expect that their investments will be in the form of publicly traded securities, but it is possible that the Firms will invest in some private securities and other similarly illiquid securities, although the Firms have not done so in the past.

The calculation of price compared to estimated future discounted cash flows (intrinsic value) is at the heart of the Firms' investment analysis. To make a reasonably good estimate of a company's future cash flows, the Firms look at the quality of the business and its earning power. Equally important, they also examine the ability of current management to achieve and continue to achieve high returns on capital in the business and channel such returns to benefit the owners of the business.

The Firms analyze the quality of the business and its earning power both quantitatively and qualitatively. They analyze the company's demonstrated profitability relative to capital employed, historic company and industry growth, the organization's cost structure, and the amount of free cash flow produced by the business. The Firms also talk to customers, competitors, suppliers, and current and past employees (scuttlebutt) to better understand what has happened to the company and the industry over time and what may happen in the future.

The Firm researches the quality of management in a similar manner. The paper trail (annual reports, 10-Ks and 10-Qs, proxy statements, advertising spending, market shares over time, etc.) frequently reveals very valuable information, especially when analyzed over a period of time. In addition, the Firms talk with some of the same sources described in the preceding paragraph as well as with ex-employees, supervisors, and associates who may have worked with various members of the management team in previous jobs. While on occasion the Partnership may meet with the management, any such meeting usually is just an adjunct. The paper trail and scuttlebutt are where the Firms place their primary emphasis.

After evaluating the paper trail and scuttlebutt, the Firms will consider making an investment if they believe the business is selling at a discount to the Firms' estimate of intrinsic value. The best situation, of course, is when the Firms feel positive about all three important variables: the quality of the business and its earning power, the quality of the management, and the size of the discount relative to the Firms' estimate of intrinsic value. The Firms make significant, concentrated commitments when they find such opportunities. The higher the concentration, though, the more confident the Firms must be of the outcome. Such opportunities will be very rare. More commonly, good investment decision making require the Firms to be resourceful and make rational tradeoffs. In some cases, the Firms may like the management and the price more than the business, the business and the price more than the management, or the business and management more than the price. In certain situations, the Firms may primarily like just one of the variables of business quality, management, or price and find other variables to be less than great. The size of the Firms' investments in these situations, of course, will be smaller.

There is obviously a threshold level of business quality and management skill that the Firms are not willing to go below, primarily because such levels usually make calculations of intrinsic value too imprecise. There are also price levels relative to the Firms' estimate of intrinsic value where the Firms will not risk the Funds' capital, even if they like both the management and the business. The Firms require some form of discount when making an investment because estimates of the future are imprecise and frequently wrong. The

Firms' estimates, despite the hard work and best efforts of everyone involved, are no exception.

The Firms may, on occasion, sell short investment securities. These activities will normally be confined to securities that either sell for very high multiples of their normalized annual earning power and/or where the underlying businesses may be encountering some operational challenges. Such activities may also serve as an important, albeit imperfect, hedge to the Firms' large equity investments.

As part of the Firms' investment strategy for the Funds, the Funds may also incur debt financing to fund all or part of the cost of the Funds' investments and/or engage in other hedging transactions. Techniques used to accomplish the Firms' hedging activities may include, but not be limited to, short sales of stock, transactions in currencies and transactions in "derivative" products.

The Firms will not make any new or additional investment in the securities of any issuer to the extent that such investment would cause the current market value of a Fund's total investment in the securities of such issuer to exceed 50% of the sum of the current market value of the Fund's aggregate net assets (based upon the value of the investment and such assets at the time such investment is agreed to in principle).

INVESTMENT RISKS

Investing in securities and other financial instruments involves risk of loss which clients should be prepared to bear, including the loss of their entire investment. The investment strategy employed by the Firms involves a significant degree of risk, arising both from the risks associated with equity and debt investments as well as the Firms' ability to achieve the Funds' investment objectives. Set out below is a description of the material risks of the Firms' investment strategy. The below discussion does not purport to be a complete explanation of all of the risks and considerations involved in the purchase of interests in the Funds. For a more complete discussion of risks applicable to a client that is a private fund, please see the respective Fund's offering documents.

Investment Risk of Equity, Debt, and Equity-Linked and Debt-Linked Securities

The Funds invest in equity and equity-linked securities, as well as debt and debt-linked securities. These securities involve a high degree of financial risk. The financial performance of individual equity and debt investments is impacted by a number of fundamental factors, such as the skill with which a portfolio company executes its business plan, as well as a number of external factors which are beyond the control of the Funds, the portfolio company, or its management. Such external factors may include, among other things, changing economic, regulatory and market conditions. There can be no assurance that a Fund's rate of return objectives will be realized or that there will be any return of capital on any equity or debt investment.

Limited Number of Investments

The Funds invest in the equity securities and debt of a relatively limited number of companies, and, as a consequence, the return realized by investors with respect to their investment in the Funds may be substantially adversely affected by the unfavorable performance of a small number of such investments.

Availability of Suitable Investments

While the Firms believe that some investments of the type in which it seeks to invest for the Funds are currently available, the business of making such equity and debt investments has from time to time been highly competitive. The identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. There are no assurances that suitable investment opportunities will be identified which satisfy the Funds' investment objectives.

Competition

The securities industry is extremely competitive. The Firms compete with firms, including many of the larger investment banking firms, and other funds, which have substantially more securities traders than do the Firms.

General Risks of Foreign Investments

Investing in securities of companies in countries with less developed markets (which are generally denominated in local currencies) involves unusual risk not typically associated with investing in companies in more developed markets. Moreover, individual foreign economies may differ favorably or unfavorably from the economies of countries with more developed markets in growth of gross national product, rate of inflation, interest rates, rate of savings and capital reinvestment, resource self-sufficiency and balance of payment positions, and in other respects. The Funds may invest in securities of local governments (or agencies or subdivisions thereof), and some or all of the foregoing considerations may apply to such investments as well. Fluctuations in the values of local currencies, revaluations of currencies, or the imposition of currency exchange blockages could adversely affect the value of a Fund's investment portfolio. In addition, the fees of sub-custodians holding assets in emerging market countries and broker commissions on transactions are generally higher than those charged for assets held or traded in the developed markets.

Political Risks

Many of the companies in which the Funds invest may be particularly exposed to the risk of political change and government action. With respect to some emerging market countries, there is the possibility of expropriation, nationalization, additional taxes or tax withholding exchange control regulations or confiscatory taxation, limitations on the removal of funds or other assets of the Funds, political, economic or social instability, or diplomatic

developments that could materially and adversely affect the value and marketability of a Fund's investments in those countries. Governments of certain emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In certain cases, the government owns or controls many companies, often including the largest in the country. Accordingly, government actions could have a significant effect on economic conditions in such countries, which could affect private sector companies and the Funds, as well as the value of securities in a Fund's portfolio.

Economic Conditions

Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Funds. None of these conditions will be within the control of the Funds, the Firms or their affiliates.

Reliance on Certain Information

The Firms may elect to invest in securities on the basis of information and data filed by the issuers of such securities with the SEC or made directly available to the Firms by the issuers of the securities and other instruments or through sources other than the issuers. Although the Firms evaluate all such information and data and seek independent corroboration when they consider it appropriate and when it is reasonably available, the Firms are not in a position to confirm the completeness, genuineness or accuracy of such information and data.

Volatility of Issuers

There is no limitation on the size or operating experience of the companies in which the Funds may invest. Some small companies in which the Funds may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Leverage

The Funds expect to use leverage in their investment programs when deemed appropriate by the respective Firms and subject to applicable regulations. At times, the amount of such leverage may be substantial, but generally will not exceed an amount equal to the amount of the respective Fund's equity capital. Leverage creates an opportunity for greater yield and total return, but at the same time increases exposure to capital risk and higher current expenses. If a Fund purchases securities on margin and the value of those securities falls,

the Fund may be obligated to pay down the margin loans to avoid liquidation of the securities. Margin calls could necessitate the disposition of a Fund's investments at a time when market conditions are unfavorable. If loans to a Fund are collateralized with portfolio securities that decrease in value, the Fund may be obligated to purchase additional collateral from the lender in the form of cash or securities to avoid liquidation of the pledged securities. Any such liquidation could result in substantial losses.

Possible Illiquidity of the Funds' Investments

Certain securities held by the Funds may be illiquid and might have little or no marketable value. It might be difficult to liquidate these securities in the short term. In the event of substantial withdrawals/redemptions, such securities could remain in the Funds' portfolios to the detriment of the remaining investors.

Achievement of the Investment Objective

No guarantee or representation is made that a Fund's investment strategy will be successful or that investors will not suffer losses as a result of an investment in a Fund. A Fund's investment program may include such investment techniques as short sales, illiquid investments, and limited diversification which practices can, in certain circumstances, maximize the adverse impact to which a Fund's investments may be subject. No assurance can be given that a Fund will achieve its investment objective or that the ultimate achievement of a Fund's investment objective will be profitable for the Fund.

Market Risk

Securities of the kind proposed to be invested in by the Funds and their issuers are affected by, among other things: changing supply and demand, governmental laws, regulations and enforcement activities, trade, fiscal and monetary programs and policies; and national and international political and economic developments. The effect of such factors on the prices of securities in general, or a particular security, is difficult to predict.

Compliance; Regulatory Risks for Hedge Funds

The Firms, Hanawalt and the Funds must comply with various legal requirements, including requirements imposed by the securities laws, tax laws and pension laws in various jurisdictions. Should any of those laws change over the scheduled term of the Funds, the legal requirements to which the Firms, Hanawalt, the Funds and the investors may be subject could differ materially from current requirements. Regulatory changes could adversely affect the Funds by restricting their trading activities and/or increasing the costs or taxes to which the Funds and/or their investors are subject.

Short-Selling

The Funds may sell short securities of an issuer in the expectation of covering the short sale with securities purchased in the open market at a price lower than that received in the short sale. If the price of the issuer's securities declines, the Funds may then cover the short position with securities purchased in the market. The profit realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. The possible losses from selling short a security differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities are also subject to restrictions imposed by the federal securities laws and the various international, national and regional securities exchanges, which restrictions could limit the Funds' investment activities. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Recent Market Events; Restrictions on Short Selling

Market movements with respect to securities and other investments may significantly affect the value of the Funds' investments. Legislative bodies globally have introduced forms of legislation that could potentially impact the Funds' operations, investing activities and risk profiles. In addition, certain regulators and self-regulatory organizations and exchanges are authorized to intervene, directly and by regulation, in certain markets, and may restrict or prohibit market practices, such as the short-selling of certain stocks. The length of such prohibitions and types of securities prohibited vary from country to country and may significantly affect the value of the Funds' holdings. The restrictions and reporting requirements that are currently in place and any regulation that may be enacted with respect to short selling may prevent the Funds from successfully implementing their investment strategies and provide transparency to the Funds' competitors as to their positions, thereby having a detrimental impact on the Funds' returns. The Funds are also subject to the risk of the failure of any exchanges on which their positions trade or of the exchanges' clearinghouses. Due to recent market events, there is a greater likelihood that financial regulators will increase regulation in the near future. The effect of any regulatory change on the Funds could be substantial and adverse, and such regulation may impair the Funds' ability to successfully execute their investment strategies and may increase the costs of their operations.

In addition, over the past several years, declines in the market value of asset-backed securities, especially securities backed by subprime mortgages, have been associated with significant market events. Increasing credit and valuation problems in the asset-backed securities market generated extreme volatility and illiquidity in the markets for securities directly or indirectly exposed to subprime mortgage loans and other types of asset-backed securities. This volatility and illiquidity extended to the global credit and equity markets generally, and, in particular, to the high-yield bond and loan markets, exacerbated by, among other things, growing uncertainty regarding the extent of the problems in the mortgage industry and the degree of exposure of financial institutions and others, decreased risk tolerance by investors and significantly tightened availability of credit. The

duration and ultimate effect of such market conditions cannot be predicted, nor is it known whether or the degree to which such conditions may worsen. Prolonged uncertainty or further deterioration of market conditions could result in further declines in the market values of investments. Such declines could lead to diminished investment opportunities for the Funds, prevent the Funds from successfully executing their investment strategies or require the Funds to dispose of investments at a loss while such adverse market conditions prevail. The markets continue to experience periods of extreme volatility.

Exchange Rules

Each securities exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension would render it impossible for the Funds to liquidate positions and, accordingly, could expose the Funds to losses.

Derivatives

A Fund may utilize both exchange traded and over-the-counter futures, options and contracts for differences as part of its investment strategy, provided, that prior to engaging in futures trading, a Firm has made appropriate filings with the Commodity Futures Trading Commission. These instruments are highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk, including, but not limited to, counterparty credit risks.

Options Trading

In seeking to enhance performance or hedge capital, the Funds may purchase and sell call and put options on both securities and stock indices. A stock index measures the movement of a certain group of stocks by assigning relative values to the common stocks included in the index. Both the purchasing and the selling of call and put options contain risks. Although an option buyer's risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying securities. In theory, the exposure to loss is potentially unlimited in the case of an uncovered call writer (*i.e.* a call writer who does not have and maintain during the term of the call an equivalent long position in the stock or other security underlying the call), but in practice the loss is limited by the term of existence of the call. The risk for a writer of an uncovered put option (*i.e.*, a put option written by a writer that does not have and maintain an offsetting short position in the underlying stock or other security) is that the price of the underlying security may fall below the exercise price. The effectiveness of purchasing or selling stock index options as a hedging technique may depend upon the extent to which price movements in investments that are hedged to correlate with price

movements of the stock index selected. Because the value of an index option depends upon movement in the level of the index rather than the price of a particular stock, whether a gain or loss will be realized from the purchase or writing of options on an index depends upon movements in the level of stock prices in the stock market generally, rather than movements in the price of a particular stock. Successful use of options on stock indexes generally (but not always) depends upon the ability to predict correctly movements in the direction of the stock market generally. This ability requires skills and techniques different from those used in predicting changes in the price of individual stocks.

Arbitrage

The trading operations of the Funds may involve arbitrating between a security and its announced buy-out price or two securities in the equity and equity options markets. This means, for example, that the Funds may purchase (or sell) securities interests (*i.e.*, on a current basis) and take offsetting positions in the options market in the same or related securities interests. To the extent that the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail the risk that the price differential could change unfavorably causing a loss to the position.

Counterparty Risk

The Funds are subject to the risk of the failure or default of any counterparty to the Funds' transactions. If there is a failure or default by the counterparty to such a transaction, the Funds will have contractual remedies pursuant to the agreements related to the transaction (which may or may not be meaningful depending on the financial position of the defaulting counterparty). The Funds seek to minimize their counterparty risk through the selection of financial institutions and types of transactions employed. However, the Funds' operational mechanisms may involve counterparty and other risk elements that may create unforeseen exposures.

Currency Risk to the U.S. Dollar

The Funds' functional currency is the U.S. Dollar. Accordingly, the financial strength of the Funds may depend in part on the strength of the U.S. Dollar relative to the currency of other countries. Forces of supply and demand in U.S. exchange markets determine the rate of exchange between the U.S. Dollar and the currency of other countries. These rates are affected by the international balance of payments, inflation and other economic and financial conditions, government intervention, speculation and other factors, including, without limitation, the level of short-term interest rates, differences in relative values of similar assets in the different currencies, long-term opportunities for investment and capital appreciation and political developments. In an effort to balance the currency risk to the U.S. Dollar, the Funds may invest in foreign currencies or forward foreign currency exchange contracts, but there can be no assurance that such strategies will be effective.

Initial Public Offerings

The Funds may purchase securities of companies in initial public offerings of an equity security (“new issues”) or shortly thereafter. Special risk associated with these securities may include a limited number of interests available for trading, unseasoned trading, lack of investor knowledge of the company, and limited operating history. These factors may contribute to substantial price volatility for the interests of these companies and, thus, the Funds’ interests. The limited number of interests available for trading in some initial public offerings may make it more difficult for the Funds to buy or sell significant amounts of interests without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

Institutional Risk

The Funds will be subject to the risk of failure of the brokerage firms that custody its assets or execute its trades, the clearing firms that such brokers use, or the clearing houses of which such clearing firms are members. The Funds will be dependent upon third-party brokerage firms to clear trades, maintain custody of securities and loan common shares for short sales. Securities and cash held in customers’ accounts at prime brokers that are U.S. registered broker-dealers will not be available to the non-customer creditors of the prime broker. Nonetheless, if the prime broker becomes insolvent and there were not sufficient customer assets to pay all customers in full, then the securities and cash held in customers’ accounts at the prime broker would be distributed *pro rata* among customers. Different results may occur in the event that a U.S. prime broker sub-custodies its assets with a foreign sub-custodian outside the United States. Different results, including loss of U.S. regulatory protections, also may occur in the event that the customer of a U.S. prime broker permitted the prime broker to (i) rehypothecate or lend its assets, or (ii) transfer its assets to a prime broker or other entity that is not a U.S. registered broker-dealer. If assets are held by a prime broker that is not a U.S. registered broker-dealer, the U.S. regulatory protections do not apply. In certain jurisdictions, with authority from the customer, such assets may be borrowed, lent or otherwise used by the prime broker for its own purposes. In the event of the insolvency of the prime broker, customers may rank as unsecured creditors and may not be able to recover equivalent assets in full.

Reserves

Under certain circumstances, the Funds may find it necessary to establish a reserve for contingent liabilities or withhold a portion of an investor’s settlement proceeds at the time of withdrawal/redemption, in which case the reserved portion would be isolated from fluctuations in the profits and losses of the Funds but remain subject to the claims of the Funds’ creditors.

Valuation Risk

In certain circumstances, there may be judgment and discretion employed by the Firms or their affiliates or agents in valuing the Funds' assets. The valuation given to the securities and other instruments of the Funds might not be obtained if the Funds were required to liquidate those positions. To the extent that the value assigned to any such investment differs from the actual value, the net asset value of the Funds may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that an investor who withdraws capital from, or redeems all or part of its investment in, a Fund while the Fund holds such investments will be paid an amount less than it would otherwise be paid if the actual value of such investments is higher than the value designated by the Fund. This underpayment would increase the value of the non-withdrawing/non-redeeming investor's interest in the Fund. Similarly, there is a risk that an investor might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the Fund. This overpayment would reduce the value of the non-withdrawing/non-redeeming investors' interest in the Fund. In addition, there is risk that an investment in the Fund by a new investor (or an additional investment by an existing investor) could dilute the value of such investments for the other investors if the designated value of such investments is higher than the value designated by the Fund. Further, there is risk that a new investor (or an existing investor that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the Fund. In general, the Funds do not intend to adjust their net asset value retroactively.

Item 9 – Disciplinary Information

There have been no legal or disciplinary events to report.

Item 10 – Other Financial Industry Activities and Affiliations

Neither of the Firms nor any of their management persons are registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer or as a futures commission merchant, a commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

Mr. Pidgeon is the sole shareholder of CBM Capital and the sole member of Hanawalt, the Domestic Fund's general partner. Mr. Pidgeon also indirectly controls, through CBM Capital, CBM Management. The Firms and/or Hanawalt may direct, sponsor or manage other funds and accounts in the future.

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

The Firms have adopted a Code of Ethics (the "Code") which sets forth standards of business conduct for the Firms and their Supervised Persons (as defined below), which include all employees, access persons, other persons providing investment advice on behalf of the Firms and others designated by the CCO. The Code is based on the principle that the

Firms and their Supervised Persons have a fiduciary duty to act in the best interest of the Firms' clients. The Code of Ethics is in compliance with Rule 204A-1 promulgated under the Advisers Act. The duties of Supervised Persons under the Code are summarized below:

- Supervised Persons are required to submit to the CCO an annual report listing their securities holdings and submit duplicate copies of trade confirmations and brokerage statements (unless a specific exemption applies). The reports of the CCO are submitted to the President.
- The Code sets forth recordkeeping requirements and the responsibilities of the CCO and President with respect to review of personal holdings and trading reports, preclearance of transactions and monitoring compliance with the Code. The Code also outlines policies for sanctioning Supervised Persons who violate the Code.
- The Firm may maintain one or more restricted lists which will be composed of companies whose securities are subject to certain trading prohibitions (without the prior approval of the CCO) due to the fact that the Firm or a Supervised Person are privy to inside information relating to the security.
- Supervised Persons may only trade in certain permitted investments as defined in the Code of Ethics and are prohibited from (1) "front-running", (2) short-selling a security when they have access to confidential information that a client account is about to sell a particular security, (3) "intermarket front-running", (4) entering a "stop loss" order in any personal account in any security which is also purchased, sold or held in client accounts and (4) short selling a security in a personal account which at the time is held long in any client account.
- Supervised Persons must comply with the federal securities laws, certify they have read and understand the Code and the Firms' Compliance Manual and report any violations of the Code to the Firms.
- The Code sets forth limitations on Supervised Persons receiving gifts from third parties and prohibits Supervised Persons from soliciting gifts from third parties with which the Firms conduct or could conduct business.
- Supervised Persons are prohibited from trading either in their personal accounts or client accounts on the basis of material non-public information.

The term "Supervised Person" means any officer, director, Member of the Firms, (or person performing a similar function or having a similar status) or any employee of the Firms, or other person providing investment advice on behalf of the Firms and subject to the supervision and control of the Firms. The term "Supervised Person" also includes persons working for or with Supervised Persons in the Firms' offices, and all other persons (such as independent contractors) determined by the CCO to be subject to the Code of Ethics and the Compliance Policies and Procedures Manual.

Clients and prospective clients may request a copy of the Code by writing to CBM Capital, Inc., 645 Madison Avenue, 6th Floor, New York, New York 10022.

Item 12 – Brokerage Practices

The Firms utilize various brokers to execute, settle and clear securities transactions. In selecting brokers to effect portfolio transactions, the Firms consider such factors, among others, as the broker's ability to keep the investment strategies and ideas of the Firms confidential, price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and any research or brokerage services provided by such brokers, provided such research and brokerage services are to be used in connection with the investment management process. Accordingly, if the Firms determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the research and brokerage services provided by such broker, the Funds may pay commissions to such broker in an amount greater than the amount another broker might charge.

The Firms currently do not, and did not in the prior fiscal year, receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.

The Firms may in the future, however, select broker-dealers in recognition of the value of various services or products, beyond transaction execution, that they provide to the Funds or the Firms or any of their affiliates' other accounts. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with "soft" or "client commission" dollars. If the Firms use client brokerage commissions to obtain research or other products or services in the future, the Firms will receive a benefit by not having to produce or pay for the research, products or services they otherwise would be obligated to provide to, or acquire at their own expense for, the Funds. The use of soft dollars, therefore, creates an incentive for the Firms to select or recommend a broker-dealer based on their interest in receiving the research or other products or services rather than on the Funds' interest in receiving the lowest execution price. Nonetheless, the Firms believe that soft dollar items (defined below) could provide the Funds with benefits by supplementing the research and services otherwise available to the Funds.

Research and brokerage services provided by broker dealers for the Funds could include, but would not be limited to the following: written information and analyses concerning specific security interests, issuers or sectors; market, financial or economic data, studies or forecasts; financial publications that are not mass-marketed; statistics or pricing services, as well as discussions with research personnel; software; clearance, settlement and short-term custody services; communication services related to the execution, clearing and settlement of securities transactions; and consulting services utilized in connection with investment strategy (collectively, "soft dollar items").

Soft dollar items may be provided directly by brokers, by third parties at the direction of brokers or purchased by the Funds or the Firms with credits or rebates provided by brokers. A broker will not be excluded from executing transactions for the Funds because it has not been identified as providing soft dollar items.

Section 28(e) of the United States Securities Exchange Act of 1934, as amended (the "1934 Act"), permits the use of soft dollar items in certain circumstances, provided that the Firms determine in good faith that the amount of the commission charged by the broker is reasonable in relation to the value of the research and brokerage services provided by such broker.

The Firms would use soft dollars for items which are within the Section 28(e) "safe harbor."

Soft dollar items within the Section 28(e) safe harbor, whether provided directly or indirectly, may be utilized for the benefit of the Firms and any of their affiliates' other accounts. The Firms would not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

The Firms currently do not select or recommend broker-dealers based upon client referrals from a broker-dealer or third party.

The Firms' clients do not direct brokerage.

The Firms may combine orders on behalf of the Funds, however, they are under no obligation to do so. In certain circumstances, not aggregating the Funds' orders may result in additional costs, including one Fund having a less favorable execution than the other Fund. When the Firms aggregate orders, they will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the Funds.

Subject to requirements of applicable law, the Firms may cross-trade securities between the Funds. In most instances, such transactions will be effected to rebalance the positions held by the Funds with a view towards achieving uniform results between the Funds in light of differing cash flows due to subscriptions, withdrawals and redemptions. Such transactions will be effected at the last bid or ask or sale price at the end or the first sales price at the beginning of the trading day through one or more broker-dealers. On these occasions, the Firms will consider whether such transactions are consistent with the investment objectives, policies and restrictions of the Funds and are appropriate for the Funds.

CBM Capital, CBM Management, Hanawalt and/or their affiliates and/or their officers or employees may from time to time have an interest, direct or indirect, in a security, the purchase or sale of which by the Funds is recommended, or which in fact is purchased or sold by or otherwise traded for the Funds. Such recommendation, purchase, sale or trading may occur in connection with a transaction involving another fund or account managed by the Firms and/or an affiliate. Accordingly, the Firms and/or an affiliate may sell or

recommend the sale of a particular security for certain accounts, including accounts in which they have an interest, and they or others may buy or recommend the purchase of such security for other accounts, including accounts in which they have an interest, and, thus, transactions in particular accounts may not be consistent with transactions in other accounts or with the Firms' investment recommendations.

When there is a limited supply of investments, the Firms will use their reasonable effort to fairly allocate the investment opportunities. The Firms generally allocate investment opportunities on a *pro rata* basis among eligible client accounts based on the current equity of each account. Certain investment opportunities will be allocated using certain other factors such as risk factors, investment restrictions or current portfolio holdings.

Item 13 – Review of Accounts

The Firms' principal owner, Lawrence S. Pidgeon, is responsible for monitoring the performance of the Funds' investments and recommending purchases and sales of securities to be undertaken by the Funds. Mr. Pidgeon and/or his designee review trading in the Funds' brokerage accounts on a regular basis. Investors in the Funds generally receive a quarterly report regarding the performance of Funds as well as an annual report including audited financial statements.

See Item 15 for additional information with respect to custody of assets.

Item 14 – Client Referrals and Other Compensation

The Firms do not receive an economic benefit from a person who is not a client for providing advice or other advisory services to clients of the Firm.

The Firms or their affiliates may retain affiliated and/or non-affiliated marketing consultants and agents at no additional cost to the Funds, although no relationships currently exist. Such marketing consultants or agents would be compensated for their services either by receiving a portion of the fees or allocations of the Firms or their affiliates or by receiving a portion of the capital contributed by the investors of a Fund that they introduce to such Fund. The agreements that govern such relationships may provide for the indemnification, under certain circumstances, of such consultants and agents for losses arising out of their provision of services for a Fund. Any solicitation arrangements entered into by the Firms will generally follow the requirements of Rule 206(4)-3 promulgated under the Advisers Act, including the requirement that the solicitor provide a disclosure document stating the specifics of the arrangement to the potential client.

Item 15 – Custody

Based on the Firms' control over the flow of the assets of the respective Funds, the Firms are deemed to have custody of the assets of the respective Funds. Pursuant to Rule 206(4)-2 promulgated under the Advisers Act, the Firms will maintain compliance by ensuring that:

- the Funds' cash and securities are maintained with a qualified custodian.
- the Funds are audited on an annual basis by an independent accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules.
- audited financial statements prepared in accordance with generally accepted accounting principles are distributed to all investors in a Fund within 120 days of the end of its fiscal year.

Beneficial owners should carefully review those financial statements.

Item 16 – Investment Discretion

The Firms have discretionary authority to manage the securities portfolios of the Funds pursuant to investment management agreements with the Funds, which generally do not place limitations on the Firms' authority to manage the Funds' portfolio. The Firms' discretionary authority is generally subject to such restrictions as set forth in the Funds' offering documents and/or the rules and regulations of any exchange or market on which the Firms trade securities on behalf of the Funds.

Item 17 – Voting Client Securities

The Firms are ultimately responsible for ensuring that all proxies received with respect to a client's account are voted in a timely manner and in a manner consistent with the client's best interest and consistent with the Firms' adopted Policies and Procedures on a case-by-case basis. The Firms seek to ensure that all votes are consistent with the best interests of their clients and are free from unwarranted and inappropriate influences. The Firms are not required to vote a proxy if the cost of voting a particular proxy due to special translation, delivery or other costs would outweigh the benefit of voting for the particular Fund.

It is the policy of the Firms in voting proxies to consider and vote each proposal with the objective of maximizing long-term investment returns for their clients. The Firms do not take positions outside of the Funds they manage and therefore do not anticipate a situation where there would be a conflict between maximizing long-term investment returns for clients and the Firms' interests. If such a situation should arise, the President of CBM Capital (investment adviser to the Domestic Fund and general partner of the investment adviser of the Offshore Fund) will independently review and evaluate the proxy proposal and the circumstances surrounding the conflict to determine the vote, which will be in the best interest of the client. He may also determine whether the conflict of interest will be disclosed to clients and whether to obtain their consent prior to voting. In addition, the Firms will maintain copies of (i) their proxy voting policies and procedures and all amendments thereto; (ii) proxy statements received regarding client securities; (iii) records of votes they cast on behalf of clients; (iv) records of client requests for proxy voting information; and (v) any documents prepared by the Firm that were material to

making a decision on how to vote; and (vi) records relating to requests by investors or clients for proxy policies or voting information or for consent concerning situations with material conflicts of interest. The Firms' Proxy Voting Policy will be reviewed and, as necessary, updated periodically to address new or revised proxy voting issues.

Clients may obtain a copy of the Firms' Proxy Procedures and information about how the Firms voted client proxies by contacting the Firms' Chief Compliance Officer at 212-404-4646.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about the adviser's financial condition. The Firms do not solicit prepayment of fees from their clients, have no financial commitment that impair their ability to meet contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding.