

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

PART 2A OF FORM ADV: FIRM BROCHURE

**Virgo Investment Group LLC**

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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) 486-1953. 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 March 27, 2014, is VIG's annual updating amendment to its last brochure, which was filed on April 1, 2013. This brochure has been updated to reflect the launch of VIG's private fund vehicles.

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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 Redwood Shores, 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, which are managed by Capricorn Investment Group, LLC, a registered investment adviser (“Capricorn”), and discretionary investment advice to private funds (collectively, the “Clients”)<sup>1</sup>. The Clients 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. VIG’s Client investors are all qualified investors.

**B.** Services provided by VIG on a non-discretionary basis include: managing portfolio companies post-acquisition or post-investment and advising the Clients with respect to disposition opportunities. Services provided by VIG on a discretionary basis include: recommending, evaluating, structuring and negotiating investments selected by VIG’s investment committee, as well as managing portfolio companies post-acquisition or post-investment and advising with respect to disposition opportunities. VIG’s Clients invest 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 Clients and may tailor its advisory services to the specific needs of the Clients.

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

**E.** As of December 31, 2013 VIG managed \$134,902,150 in assets on a discretionary basis and \$117,642,611 million on a non-discretionary basis.

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<sup>1</sup> “Client” means any investment vehicle for which VIG provides investment advice and/or places trades on a discretionary or non-discretionary 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 term “Client” does not include “investors.”

## **Item 5**

### **Fees and Compensation**

**A.** VIG's Client investors are all "qualified purchasers" as defined in the Investment Company Act. The specific terms of VIG's fee arrangements with the Clients are set forth in each Client's limited partnership agreement.

**B.** VIG generally receives a management fee (the "Management Fee"), as specified in each Client's limited partnership agreement. VIG makes capital calls, or deducts Management Fees directly from the Clients' assets, as specified in each Client'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 scheduled.

In addition to the Management Fee, in connection with the affairs of a Client, 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 Client's investment will generally be distributed to investors or applied as an offset to the Management Fee for current and future periods.

**C.** Each Client will bear separately its own formation expense and operating costs, including but not limited to: investment-related fees and expenses; organizational expenses; third-party deal sourcing fees; legal, audit, fund administration and accounting fees; interest on borrowed funds; brokerage fees and regulatory fees; taxes applicable to each Client on account of its operations; fees related to preparation of tax returns and registration filings; 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 Clients investments that are riskier or more speculative than those which would be made under a different fee arrangement.

The Carried Interest Distribution charged by the Firm may vary among investors. Some investors, such as the Firm’s operating partners’ (the “Operating Partners”), pay no Carried Interest Distribution. The Operating Partners invest through VIG’s private funds and agree to the same redemption terms as other investors, and as such, this arrangement does not present a conflict of interest. However, the Firm has implemented internal controls to address the potential for any conflicts associated with performance-based fees and varying fee structures.

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

VIG provides investment advisory services to the Clients, which are private investment vehicles and private funds that are exempt from registration under the Investment Company Act. The Clients are limited to “qualified purchasers,” as defined in the Investment Company Act.

VIG generally has a \$2mm minimum investment but may make exceptions at its discretion.

## Item 8

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

VIG's Clients 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 Clients 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 Clients.

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 Clients, 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 Clients 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 Client 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 Client's limited



partnership agreement, concentration risks still exist. At any given time, a VIG Client 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 Client 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 Client 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 Clients 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 Client to a borrower may be subject to state usury laws. VIG intends to use reasonable best efforts to cause each VIG Client to comply with applicable usury laws. If a VIG Client 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 third party valuation agent to obtain an objective valuation of Client 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 Client may be subject to allegations that such duties were breached or that the claim of a VIG Client 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 Clients and approves the investments they make. 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 entitled to 75% and 25%, respectively, of the fees paid to Societas by Societas’ clients.

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-rata among the applicable clients based on available capital, per the allocation policies and procedures adopted by both VIG and Societas.

#### **Senior Advisor**

Barry Uphoff (“Barry”) serves as an adviser to VIG on an ad hoc basis. Barry is a principal of Capricorn Healthcare and Special Opportunities, LP (“CHSO”), a Capricorn affiliate. VIG believes there are few if any actual or potential conflicts of interest that could result from Barry’s position as a principal of CHSO and his role of adviser to VIG. Barry’s role as an adviser to VIG is limited solely to a non-voting advisory function where relevant. For more information on conflicts and how VIG mitigates them, 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 Clients. The interests of the Clients 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 Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Clients 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 Client’s investment objectives and subject to satisfaction of Firm policies and procedures, the Client’s governing documents and applicable law, VIG may recommend that a Client 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 Clients.
- C.** From time to time, subject to satisfaction of Firm policies and procedures, the Client’s governing documents and applicable law, a Covered Person may acquire or sell securities that are recommended to a Client or in which a Client 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 Clients.
- 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.** 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 Clients' 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 Clients' 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 emailed to each investor in the Clients. The Firm delivers to investors unaudited performance information for the Clients 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. However, from time to time VIG may use an unaffiliated third party for investor referrals.

## **Item 15**

### **Custody**

The Clients' assets, of which the Firm is deemed to have custody, are generally maintained with a qualified custodian, as defined in Rule 206(4)-2 of the Advisers Act ("Qualified Custodian"). The Clients' privately-issued certificated securities are generally held by the Qualified Custodian by maintaining a copy of the stock certificates. The Clients' 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 Clients 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 Client will distribute independently audited financial statements of the Clients to its respective investors not later than 120 days after the end of each Client's fiscal year.



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

As mentioned above in Item 4, VIG provides both discretionary and non-discretionary investment advice and management services to the Clients. The limited partner of the private investment vehicles managed by Capricorn retains the authority to approve or reject any investment recommendation provided by VIG. VIG does have discretionary investment authority over the private fund Clients. Generally, this discretionary authority is provided in the Clients' respective investment management agreement or limited partnership agreement.

**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 Clients' investments. Each limited partnership agreement of a Client 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 Client 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.

Information regarding how Clients' proxies have been voted in the past and a copy of the Firm's Proxy Voting Policies and Procedures will be provided by VIG to its investors upon request. The Firm's compliance team may be contacted at (650) 486-1953.

**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.