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This brochure provides information about the qualifications and business practices of The Circumference Group LLC, CRD # 159012. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Holly Larkin, at 501-492-8411. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Circumference Group LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser with the SEC or by any state securities authority does not imply a certain level of skill or training.

**Item 2. Material Changes**

Not applicable. This filing is the 2024 annual filing for The Circumference Group LLC.

**Item 3. Table of Contents**

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#### **Item 4.           Advisory Business**

A. The Circumference Group LLC (“CG” or “Circumference”) is a Delaware limited liability company founded by Jeffrey H. Fox in 2009 as an investing and consulting firm. CG is indirectly owned by Mr. Fox through Circumference Group Holdings, LLC (“CG Parent”).

B. Circumference currently provides investment advice and management services to private investment funds (“private funds”) which may be organized as domestic or foreign entities, such as limited partnerships, corporations, and limited liability companies. (These private funds are sometimes referred to as “hedge funds”.) These investments may be in the form of publicly-traded securities, private funds, and privately-held business ventures (majority and minority positions).

Circumference currently manages two private funds, CG Core Value Fund LP (the “Core Value Fund”) and CG SPV I LP (the “SPV Fund”). Both private funds are U.S. limited partnerships. Circumference affiliates serve as the general partner of the private funds. Each private fund is managed in accordance with its own investment objectives, strategies, restrictions, and guidelines, and the investors in the funds (“underlying investors”) do not have any opportunity to select or evaluate any fund investments or strategies. Both private funds are actively managed by CG.

In the Core Value Fund, CG employs a value-based strategy focused predominantly on equity and equity-related securities of business-to-business services and technology companies. Information about the private fund’s investment objectives, strategies, restrictions and guidelines is more fully described in the offering documents for the fund. CG Parent is an investor in the Core Value Fund.

In the SPV Fund, CG seeks to generate capital appreciation through investments in a concentrated portfolio of companies whose securities became publicly traded in recent years, including without limitation by way of IPOs, direct listings, spin-offs and/or De-SPAC transactions. Information about the private fund’s investment objectives, strategies, restrictions and guidelines is more fully described in the offering documents for the fund. The SPV Fund has a term of three years, subject to the general partner’s discretion to extend for a limited period. The SPV Fund is closed to new investors.

In addition to advising private funds, CG provides investment advice and management services to Circumference Group Ventures, LLC (“CG Ventures”) and CG Special Situations LLC (“CG Special Situations”). CG Ventures invests in early stage companies through special purpose investment vehicles, primarily focuses on seed and pre-seed stage opportunities in the mobility, enterprise and work and digital life/commerce industries. CG Special Situations

opportunistically invests in privately-held business ventures, including control transactions, through special purpose investment vehicles. CG Special Situations is focused primarily on lower middle market companies in the business to business and tech-enabled services and telecommunications industries.

CG also provides investment advisory services to Mr. Fox and affiliated entities from time to time. These services include the evaluation of specific investment opportunities for Mr. Fox, which opportunities may be in the form of publicly-traded securities, private funds, and privately-held business ventures (majority and minority positions). CG does not manage a discretionary pool of capital for Mr. Fox.

C. Circumference does not provide individualized advice to the underlying investors in the private funds. Each investor in a private fund should consider whether the private fund meets such investor's investment objectives and risk tolerance prior to investing in the fund.

D. Circumference does not participate in wrap fee programs.

E. Circumference has discretionary authority over a significant majority of the assets it manages. As of February 29, 2024, Circumference managed approximately \$187.3 million in assets.

## **Item 5. Fees and Compensation**

Circumference's fees differ depending on the nature of the services Circumference provides. Following is a summary of Circumference's fees. Information about a private fund's fee structure is more fully described in the governing documents for that fund.

### *Core Value Fund*

The Core Value Fund advised by Circumference generally charges fees consisting of an annual management fee based upon the assets under management in the underlying investor's capital account with the private fund. An affiliate of Circumference, CG Core Value GP, LLC, which serves as the general partner to the Core Value Fund (the "CVF General Partner"), is also entitled to receive an annual performance-based allocation that is calculated based upon a percentage of the net capital appreciation (if any) of the underlying investor's capital account with the private fund at the end of each fiscal year.

CG's current fee schedule is generally as follows:

Management Fee:	1.5% annually
Performance Allocation:	10%, as described below

Compensation may be negotiable, and some underlying investors may pay more or less than others for the same services depending, for example, on total assets under management by Circumference.

Management fees typically are payable quarterly in advance based on the assets in the underlying investor's capital account at the beginning of the quarter. In the case of an underlying investor withdrawing funds from his or her capital account other than as of the last day of a quarter, Circumference will refund to the underlying investor a pro rata portion of the management fee charged for that quarter (based on the actual number of days remaining in the quarter and the ratio of the amount withdrawn to such investor's capital account immediately prior to the withdrawal).

Performance based compensation (if any) typically is allocated from each underlying investor's capital account to the General Partner's capital account in arrears at the end of each fiscal year. In the case of an underlying investor who was admitted into a fund after January 1, performance based compensation (if any) is allocated for the period from the date of investment through the end of the fiscal year in which the underlying investor was admitted to the fund. In the case of an underlying investor withdrawing funds other than as of the end of a fiscal year, a performance allocation (if any) is allocated on the period from the first day of the fiscal year through the date of withdrawal. Any loss in an account is carried forward so that no performance allocation is charged to an account unless the cumulative prior losses have been recouped (commonly referred to as a "high water mark provision"). Performance based compensation may create an incentive for Circumference, an affiliate of the General Partner, to make investments that are riskier or more speculative than it would otherwise make.

Circumference charges the capital accounts of the underlying investors in the fund for the management fees. The General Partner reallocates from the capital accounts of the underlying investors in the fund any performance based allocation. The General Partner, in its discretion, may distribute or invest any performance allocation allocated to its capital account.

The underlying investors in the private fund bear the costs and expenses of the fund, including without limitation trading costs and expenses (such as brokerage commissions, interest on margin accounts, expenses related to short sales, clearing and settlement charges), research tools, ongoing legal, accounting and bookkeeping fees and expenses, and fund administrator fees. Circumference bears its own operating, general, administrative and overhead costs and expenses. The Core Value Fund offering documents discuss the fund expenses in detail. Also, please see the response to Item 12 below for further information about brokerage expenses.

### SPV Fund

The SPV Fund advised by Circumference generally charges fees consisting of a one-time upfront management fee based upon the underlying investor's capital contribution to the private fund. An affiliate of Circumference, CG SPV I GP, LLC, which serves as the general partner to the SPV Fund (the "SPV General Partner"), is also entitled to receive an annual performance-based allocation that is calculated based upon a percentage of the net capital appreciation (if any) of the underlying investor's capital account with the private fund over the life of the fund.

CG's current fee schedule is generally as follows:

Management Fee: 2.0% one-time fee payable on the initial closing  
Performance Allocation: 20%, as described below

Compensation may be negotiable, and some underlying investors may pay more or less than others for the same services depending, for example, on total assets under management by Circumference.

Circumference charges the capital accounts of the underlying investors in the fund for the management fees. SPV Fund management fees were payable in advance, on the initial closing of the SPV Fund, based on the underlying investor's capital contribution. Management fees are nonrefundable, as underlying investors generally may not withdraw funds from his or her capital account. The SPV Fund is closed to new investors.

The SPV General Partner reallocates from the capital accounts of the underlying investors in the fund any performance based allocation. Performance based compensation (if any) typically will be allocated from each underlying investor's capital account to the General Partner's capital account in arrears after the investor has received cumulative distributions equaling the return of his or her capital contribution. Performance based compensation may create an incentive for Circumference, an affiliate of the General Partner, to make investments that are riskier or more speculative than it would otherwise make.

The underlying investors in the private fund bear the costs and expenses of the fund, including without limitation trading costs and expenses (such as brokerage commissions, interest on margin accounts, expenses related to short sales, clearing and settlement charges), research tools, ongoing legal, accounting and bookkeeping fees and expenses, and fund administrator fees. Circumference bears its own operating, general, administrative and overhead costs and expenses. The SPV Fund offering documents discuss the fund expenses in detail. Also, please see the response to Item 12 below for further information about brokerage expenses.

### CG Ventures and CG Special Situations

Circumference may receive finder's fees, annual management fees, performance fees and other advisory or services fees with respect to investments in privately-held business ventures that CG arranges, executes and manages for CG Ventures or CG Special Situations.

### Mr. Fox

Mr. Fox does not currently pay any management fees or performance based compensation to Circumference for management of his or his affiliate's capital outside of the private funds. However, Circumference could in the future receive finder's fees, advisory fees, annual management fees, and performance compensation with respect to investments in privately-held business ventures that CG arranges, executes and manages for Mr. Fox or other investors.

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

The private funds that Circumference advises are subject to management and performance-based fees. The General Partner's rights to receive performance-based compensation may create an incentive for Circumference (their affiliate) to cause a fund to make investments that are riskier or more speculative than would be the case if the General Partner did not receive such compensation. Notwithstanding the foregoing, Circumference always acts in the best interest of its clients.

None of CG Ventures, CG Special Situations or Mr. Fox related parties currently pays advisory fees. Because Circumference manages multiple client accounts with their own investment strategies and/or different fee levels on a side-by side basis, Circumference may have a conflict of interest between its responsibility to manage the various private fund investment portfolios, CG Ventures, CG Special Situations, and Mr. Fox and Circumference's interest in maximizing the performance compensation. For example, Circumference may have conflicts of interest in: (i) allocating time and activity among the multiple clients; (ii) allocating investments among the multiple clients; and (iii) effecting transactions among the multiple clients, including ones in which Circumference, its principal(s), and/or affiliate(s) may have a greater financial interest. These conflicts of interest may create an incentive for Circumference to favor one client in which Circumference and its affiliates have a greater financial interest with respect to allocation of time and activity, limited investment opportunities, or investments that Circumference regards as more attractive or better performing investments. To address these conflicts of interest, Circumference has implemented policies and procedures to ensure all clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities, based on

all relevant factors (e.g., capital commitments, available cash, investment appetite, strategy, strategy portfolio limitations, concentration, etc.).

#### **Item 7. Types of Clients**

Circumference provides advisory services to the private funds, as well as CG Ventures, CG Special Situations and Mr. Fox and related parties. See response to Item 4 for additional information regarding services provided to Circumference clients.

#### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

Circumference advises each of its private funds based on the particular investment objectives, policies and strategies described in the fund's governing documents and offering documents. Circumference actively manages each private fund's investment portfolio.

With respect to the Core Value Fund, Circumference's principal investment strategy focuses predominantly on investing in equity and equity-related securities of business-to-business services and technology companies. Circumference attempts to avoid permanent capital loss and produce attractive returns disproportionate to the risk taken by using the industry knowledge and operations experience of its personnel, as well as its downside focused analytical models, to find companies that are fundamentally undervalued and have good prospects for being properly valued within a 6 to 36 month timeframe. CG may utilize derivatives and trading strategies in an effort to both maximize returns and reduce risk.

With respect to the SPV Fund, CG seeks to generate capital appreciation through investments in a concentrated portfolio of companies whose securities became publicly traded in recent years, including without limitation by way of IPOs, direct listings, spin-offs and/or De-SPAC transactions. Circumference has used its experience and analysis of corporate strategy and investor behavior to focus on opportunities with overly dislocated stock prices that represent skewed risk/reward over an intermediate to long-term horizon. The SPV Fund has a term of three years, subject to the general partner's discretion to extend for a limited period.

The foregoing summary of Circumference's private fund investment strategies and methods of analysis is general in nature and not exhaustive. There are few limits on the types of securities in which CG may take positions on behalf of the private funds, the types of positions it may take, the concentration of its investments, or the amount of leverage that it may use.

Investing in securities involves risk of loss that an investor should be prepared to bear, including the risk of loss of all the investor's capital. Following is a brief summary of some of the risks



inherent to the strategies employed by Circumference in the Core Value Fund and the SPV Fund. Each private fund's offering documents discuss the risks relevant to that fund in detail.

Core Value Fund and SPV Fund:

- ***Force Majeure Risks.*** Force majeure is the term generally used to refer to an event beyond the control of the party claiming that the event has occurred, including acts of God, fire, flood, weather, earthquakes, war, terrorism, labor strikes, outbreaks of disease and potentially other events or occurrences. Force majeure events in the United States and elsewhere in the world may adversely affect the ability of the Investment Manager, its affiliates or agents or the parties with whom they do business to perform their respective obligations, under a contract or otherwise. In addition, dealing with any force majeure event will divert the Investment time and effort, and the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. In some cases, project agreements can be terminated if the force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre-agreed time period. Force majeure events that are impossible or costly to cure may also have a permanent adverse effect on the Fund or its investments, and the Fund's potential returns would be diminished as a result. In particular, the outbreak of hostilities between Russia and Ukraine, and the sanctions imposed or announced by the United States and various other countries in response to such hostilities, could adversely affect the worldwide economy and the investment activities of the Fund.
- ***Counterparty Risks.*** The Fund expects to establish relationships to obtain brokerage and other related services; however, there can be no assurance that the Fund will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Fund's trading activities and could create losses, preclude the Fund from engaging in certain transactions and brokerage services and prevent the Fund from trading at optimal rates and terms. Moreover, a disruption in the brokerage services provided by any such relationships before the Fund establishes additional relationships could have a significant impact on the Fund's business due to the Fund's reliance on such counterparties.

Some of the markets in which the Fund may effect its transactions are "over-the-counter" or "inter dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Fund to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the Fund to suffer a loss. In addition, in the case of a default, the Fund could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where the Fund has concentrated its transactions with a single counterparty or small group of counterparties.

Furthermore, there is a risk that any of the Fund's counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Fund's counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of the Fund's securities and other assets from the Fund's brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such broker or broker-dealer.

The Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Investment Manager's internal credit function which evaluates the creditworthiness of its counterparties may prove insufficient. The ability of the Fund to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of the Fund's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

- ***Privacy and Data Protection Risks.*** The General Partner, the Investment Manager and the Fund will process, hold and maintain, as applicable, personal information, including by storing and maintaining personal data related to their respective members, affiliates, employees and representatives, natural person investors, service provider representatives, customers and others. Such processing of personal information, which may also include the use of third-party processors and cloud-based services, will impose legal, operational and regulatory risks on the Investment Manager, the General Partner and the Fund. In recent years, there has been an increase in legal requirements relating to the collection, storage, use and transfer of personal information, and the legal framework around such matters is expected to continue to develop at both the international and state level.

- ***Cyber Security Breaches and Identity Theft.*** The Fund, the Investment Manager and the General Partner and their respective service providers depend on information technology systems and, notwithstanding the diligence that the General Partner and the Investment Manager may perform on its or the Fund's service providers, it may not be in a position to verify the risks or reliability of such information technology systems. The Fund, the Investment Manager and the General Partner and their service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. The General Partner's, the Investment Manager's and the Fund's information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the General Partner, the Investment Manager and their affiliates have implemented various measures to manage

risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the General Partner, the Investment Manager and/or the Fund may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the General Partner's, the Investment Manager's and the Fund's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the General Partner's, the Investment Manager's or the Fund's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Fund or individual Investors by interfering with the operations of the General Partner, the Investment Manager, their affiliates and/or their affiliated funds (if applicable). The Fund may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Fund, the Investment Manager and/or the General Partner to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Fund may be required to indemnify the General Partner and/or the Investment Manager against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

- ***Risks Related to Electronic Communication and Disclosures.*** In particular, the Fund or the General Partner or the Investment Manager (or any of its agents or representatives or service providers) will or may provide or furnish to each Investor (i) statements, reports, and other communications relating to the Fund, annual and other periodic updates to the Investment Manager's privacy policies or procedures, (ii) all notices and communications required or contemplated to be delivered to such Investor by the Fund, the General Partner, the Investment Manager or any of their respective affiliates, (iii) all notices and communications relating to the Investment Manager (including, when applicable, Part 2A of the Investment Manager's Form ADV, the Investment Manager's privacy policy and any other communication, notice or report required under the Advisers Act or any other applicable laws) and (iv) other requests, demands or other communications and any financial statements, reports, schedules, certificates or opinions required to be provided or furnished to such Investor under the Partnership Agreement or any applicable side letter with such Investor, in electronic form, such as email or posting on the Investment Manager's web-based reporting site or other internet service, in lieu of or in addition to sending such communications as hard copies via fax or mail.

There are certain costs (e.g., on-line time) and possible risks (e.g., slow downloading time and system outages) associated with electronic delivery. Moreover, the General Partner and the Investment Manager cannot provide any assurance that these communication methods are or will be secure and will not be responsible for any

computer viruses, problems or malfunctions resulting from any computer viruses or related problems that may be associated with the use of an internet-based system. Email messages are not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted, corrupted or interfered with without the knowledge of the sender or the intended recipient. In addition, reliance on electronic communications will involve the risk of inaccessibility, power outages or slowdowns for a variety of reasons. The General Partner, the Investment Manager and their affiliates make no assurances, representations or warranties in relation to these matters. The General Partner and its affiliates reserve the right to intercept, monitor and retain email messages to and from their systems as permitted by applicable law.

- ***Inflation.*** Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets, particularly in emerging economies. For example, if an Investment is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Portfolio companies may have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, an Investment may earn more revenue but may incur higher expenses. As inflation declines, an Investment may not be able to reduce expenses commensurate with any resulting reduction in revenue. Furthermore, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. In an attempt to stabilize inflation, countries may impose wage and price controls or otherwise intervene in the economy. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Past governmental efforts to curb inflation have also involved more drastic economic measures that have had a materially adverse effect on the level of economic activity in the countries where such measures were employed. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on the returns generated by Investors.

#### Core Value Fund:

- ***Concentration of Investments:*** The Core Value Fund's focus on equity and equity-related securities of business to business services and technology companies inherently limits diversification within the fund and subjects the underlying investors to greater risk of loss than would a more broad-based equity approach. Further, the fund may take significant positions in securities of a specific issuer which could subject the underlying investors to greater risk of loss. The fund can invest up to 15% of its gross assets in the securities of any one issuer (measured at the time of investment). As a result, the fund's investment portfolio may be volatile and may be affected substantially by the performance of only a few investments. This concentration risk may be exacerbated by the illiquidity of small- and mid-cap companies in which the fund often invests.
- ***Investments in Undervalued Securities:*** One of the objectives of the Core Value Fund is to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task and there is no assurance that such opportunities

will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the fund's investments may not adequately compensate for the business and financial risks assumed.

The fund may make certain speculative investments in securities which the General Partner believes to be undervalued; however, there are no assurances that the securities purchased will be, in fact, undervalued. In addition, the fund may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the fund's capital would be committed to the securities purchased, thus possibly preventing the fund from investing in other opportunities. In addition, the fund may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Certain of the investment strategies employed by the fund are based on historical relationships between prices. There can be no assurance that such historical relationships will continue, and no representation is made by the General Partner or the fund as to what results the fund will achieve or is likely to achieve based on such trends and relationships.

- ***“Widening” Risk:*** For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Core Value Fund invests may decline substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even more "undervalued" levels at a later time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk, which could adversely affect the fund's performance.
- ***Small- and Mid-Capitalization Companies:*** The Core Value Fund may invest a portion of its assets in the stocks of companies with small-or mid-sized market capitalizations. While the General Partner believes these investments often provide significant potential for appreciation, those stocks involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to low trading volume in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.
- ***Options:*** Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered callwriter's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted. Options also

generally are subject to additional risks including, but not limited to, the risk of non-performance of the counterparty on the trade.

- **Short Sales:** The investment strategies employed by the General Partner may involve making short sales of securities. In a short sale, the seller sells a security (or other instrument) that it does not own – typically it is borrowed from a broker-dealer. Because the seller remains liable to return the underlying investment instrument that it has borrowed, the seller must purchase the borrowed investment instrument prior to the date on which delivery to the broker-dealer is required. Thus, a short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security that could result in an inability to cover the short position or theoretically unlimited loss. In addition, there can be no assurance that the investment instruments necessary to cover a short position will be available for purchase. As a result of the foregoing, short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the fund's investments.

- **Country Risks:** The Core Value Fund may make investments in securities of issuers organized and/or conducting business in foreign countries. As with any investment related to a foreign country, there exists the risk of adverse political developments, including, but not limited to, nationalization, confiscation without fair compensation, and war. Furthermore, any fluctuation in currency exchange rates will affect the value of investments in foreign securities and any restrictions imposed to prevent capital flight may make it difficult or impossible to exchange or repatriate foreign currency.

In addition, laws and regulations of foreign countries may impose restrictions or approvals that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. Foreign countries also may impose taxes on the fund or its underlying investors. The General Partner will analyze risks in the applicable foreign countries before making such investments, but no assurance can be given that a political or economic climate, or particular legal or regulatory risks, might not adversely affect an investment by the fund.

- **Distressed Securities:** The Core Value Fund may invest in “distressed” securities of domestic and foreign entities which are experiencing significant financial or business difficulties. Distressed securities may result in significant returns to the fund, but also involve a substantial degree of risk. The fund may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than the fund's investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities,

litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

- ***Leverage:*** While the use of borrowed funds can improve substantially the return on invested capital, such use also may increase significantly the adverse impact to which the Core Value Fund's investment portfolio may be subject. In addition, money borrowed for leveraging will be subject to interest costs or other costs incurred in connection with such borrowing, which may or may not be recovered by the return on the securities purchased with borrowed funds. Borrowing and the use of leverage create an opportunity for greater appreciation, but also for greater loss, in the value of the fund's assets. They also increase the volatility of the value of the fund's assets by magnifying both increases and declines in the value of such assets. The General Partner intends to limit the use of leverage to amounts that the General Partner determines to be reasonable and appropriate and in no event will the fund incur indebtedness in excess of 25% of the value of its assets (measured at the time of investment).

#### SPV Fund:

- ***Investment and Trading Risks Generally.*** All investments risk the loss of capital. No guarantee or representation is made that the Fund's program will be successful. The Fund's investment program involves, without limitation, risks associated with limited diversification, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Fund's activities. Certain investment techniques of the Fund may, in certain circumstances, substantially increase the impact of adverse market movements to which the Fund may be subject. In addition, the Fund's investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally or in markets where the Fund invests its assets.

The Investment Manager's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

- ***Equity Risks.*** The Fund will invest in equity securities. The market price of securities owned by the Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Fund is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or the sectors in which the Fund will invest. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates,

exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Investment Manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Investment Manager anticipates. As a result, the Fund may lose all or substantially all of its investment in any particular instance.

- ***Investment in Small- and Medium-Capitalization Companies.*** The Fund will invest in equity securities of small- and mid-cap issuers. Smaller capitalization stocks involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be highly illiquid. Some small companies have limited distribution channels and financial and managerial resources. Such companies may also be dependent on personnel (including key personnel) with limited experience.

- ***Concentration of Investments.*** The Fund is not limited in the amount of capital that it may commit to any one investment and, in fact, the Fund will have concentrated positions within its portfolio. Allocation of a large portion of the Fund’s capital to one or a small number of investments could increase the risk of investing in the Fund because of the lack of diversification in its portfolio. The concentration of the Fund’s portfolio in a limited number of issuers, industries or strategies will subject the Fund to a greater degree of risk with respect to the failure of one or a few issuers or with respect to economic downturns in relation to such industry. The Fund may face similar risks with respect to concentration of investments in a particular country.

- ***Technology and Related Risks.*** Certain of the companies in which the Fund invests may allocate greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which the Fund invests could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may have inexperienced management, face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many technology companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements, to establish and protect their proprietary rights, which are frequently essential to the growth and profitability of a technology company. There can be no assurance that a particular company will be able to



protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies that are substantially equivalent or superior to the technology of a company in which the Fund invests. Conversely, other companies may make infringement claims against a company in which the Fund invests, which could have a material adverse effect on such company.

The markets in which many technology companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that companies in which the Fund invests will successfully penetrate their markets or establish or maintain competitive advantages.

- ***Reliance on Fundamental Analysis.*** The Investment Manager may base its trading decisions, in whole or in part, on fundamental analysis. Fundamental trading systems consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, the fundamental trading systems may not be able to detect and/or accurately predict price trends. There can be no guarantee that the Investment Manager's fundamental trading systems will enable the Investment Manager to accurately value the securities in which the Fund invests or that any anticipated price trends will materialize with respect to such investments.
- ***Cash and Cash Equivalent Investments.*** The Fund may invest a portion of their assets in cash or cash equivalent items for investment purposes, pending other investments, as collateral or as provision of margin for derivative instruments. These cash items generally are of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Investment Manager. While these investments generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses.
- ***Accuracy of Public Information.*** The Investment Manager selects investments for the Fund, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Investment Manager by the issuers or through sources other than the issuers. Although the Investment Manager evaluates all such information and data and ordinarily seeks independent corroboration when the Investment Manager considers it appropriate, the Investment Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

- ***Broad Investment and Trading Mandate.*** The Partnership Agreement does not impose significant restrictions on the Investment Manager's investing and trading for the Fund and permits the Fund to invest and trade in a broad range of financial instruments. The Investment Manager may engage in any strategies from time to time (either in lieu of or in addition to the strategies described herein) to take advantage of changing market conditions and investment opportunities, without notice to the Investors. This could involve changes in the types of financial instruments in which the Fund trades and invests, as well as changes in the markets in which such instruments trade. There can be no assurance that pursuing additional strategies, either in lieu of or in addition to the three principal strategies described herein, would be successful or not result in losses. The General Partner will, however, notify the Investors of any material changes to the Fund or its business.

In addition to its private funds, Circumference evaluates specific investment opportunities for CG Ventures, CG Special Situations and Mr. Fox from time to time. These investment opportunities may be in the form of publicly-traded securities, private funds, and early stage and mature privately-held business ventures (majority and minority positions). Investing in securities involves risk of loss that an investor should be prepared to bear, including the risk of loss of all the investor's capital. In addition to industry risk, these types of investments could involve illiquidity and governance risks.

#### **Item 9. Disciplinary Information**

Not applicable. There are no legal or disciplinary events that would be material to any investor's or prospective investor's evaluation of Circumference's advisory business or the integrity of CG's management.

#### **Item 10. Other Financial Industry Activities and Affiliations**

A. Neither Circumference nor any of Circumference's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Neither Circumference nor any of Circumference's management persons is registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing.

C. Affiliates of Circumference serve as the Core Value Fund and SPV Fund general partners. These relationships create an incentive for Circumference to make investment allocations that are riskier or more speculative than would be the case if the General Partners did not receive incentive compensation from the fund for serving as the general partner to such fund.

Circumference contracts with Horrell Capital Management to execute public equity trades on behalf of Circumference clients for which we manage capital. Horrell Capital Management charges each Circumference client executing such trades a quarterly fee for these services. CG negotiates the fee on behalf of each client based on the expected trading activity applicable to that client. In selecting a trader, Circumference considers a number of factors, including but not limited to, the following:

- Efficiency of trade execution and error resolution
- Special execution capabilities
- Cost-effectiveness relative to anticipated trading activity

A Circumference affiliate also contracts with Horrell Capital Management to execute securities trades. Additionally, Horrell Capital Management has engaged Circumference to provide re-balancing calculations for Horrell Capital Management in connection with a Horrell Capital client account. Horrell Capital Management pays Circumference a quarterly fee for these services. These fees, and the affiliate relationship, may create an incentive for Circumference to continue to contract with Horrell Capital Management for Circumference client trading services.

D. Not applicable

#### **Item 11. Code of Ethics, Participation or Interests in Client Transactions and Personal Trading**

Circumference has adopted a code of ethics pursuant to SEC Rule 204A-1 to govern the conduct of Circumference employees. The code of ethics includes general requirements that Circumference employees comply with their client obligations and applicable laws, as well as specific requirements relating to personal trading, insider trading, conflicts of interest and confidentiality of client information. A copy of Circumference's Code of Ethics is available to clients and prospective clients upon request.

Circumference's employee personal trading policies prohibit employees from trading for their personal accounts in any equity or equity-related securities of fund portfolio companies, or of companies that Circumference is actively researching for fund investment.

Circumference acts as an investment adviser to multiple clients, including the private funds. The existence of multiple clients may create conflicts of interest over Circumference time devoted to any one client and allocating investment opportunities among all clients. Circumference devotes such time and services to each client as CG, in its sole discretion, considers necessary for the performance of its obligations to the client. CG may give advice and take action with respect to one client (including the private fund) that may differ from action taken by Circumference on behalf of another client. CG may purchase or sell for a client securities of an issuer in which a

CG affiliate, employee or client also has a position or interest. Circumference may refrain from recommending, buying or selling any security that CG or its employees may buy or sell for its or their own accounts or for any other Circumference client. In such events, CG seeks to fulfill its obligations to each client on an equitable basis in accordance with the terms of the agreements governing the relationship.

## **Item 12. Brokerage Practices**

CG has complete discretion in selecting the broker(s) that it uses for client transactions, and the commission rates that the clients pay such brokers. In selecting a broker, Circumference may consider a number of factors, including but not limited to, the following:

- Net price, clearance, settlement and reputation
- Financial strength and stability
- Efficiency of execution and error resolution
- Special execution capabilities
- Access to and responsiveness of personnel
- On-line access to computerized data regarding fund accounts

Circumference does not obtain research or other services in return for brokerage commissions. However, Circumference, may from time to time, receive research reports, performance measurement data, and basic fund portfolio and measurement reports from brokers and other third parties that assist CG in carrying out its investment decision making responsibilities and with back-office functions and record keeping. Circumference takes into account the provision of such items when assessing the reasonableness of the compensation Circumference pays such third parties on behalf of its clients. When Circumference receives such products or services, it receives a benefit because it does not have to produce or pay for such research, products or services. As such, Circumference may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interests in receiving most favorable execution.

From time to time, Circumference may aggregate securities sale and purchase orders for a client with a similar order being placed contemporaneously for another client. In such event, Circumference seeks to allocate the position to its participating clients on a fair basis.

## **Item 13. Review of Accounts**

Circumference's Chief Investment Officer conducts a portfolio review of the private funds at least weekly, and more often if issuer, industry or market conditions warrant. The price movements of individual securities in the portfolio are monitored on a daily basis. All portfolio reviews take into account such matters as asset allocation, cash management, the prospects of

individual securities, changes in issuer earnings, industry outlook, market outlook and price levels.

Circumference provides the underlying investors in the private funds those reports as described in the applicable governing documents and offering documents. Typically, these reports include a monthly or quarterly report (depending on the applicable private fund) summarizing fund performance for the period, a Form K-1 for tax purposes, and an annual audit report within 120 days' following the private fund's fiscal year end. Reports to underlying investors may be sent by a third party on CG's behalf. A private fund may offer certain underlying investors, upon request, additional information and reporting that other underlying investors may not receive, and such information may affect an investor's investment decisions.

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

Not applicable.

#### **Item 15. Custody**

The CVF General Partner and the SPV General Partner serve as the general partners of the Core Value Fund and SPV Fund, respectively, and as such each is deemed to have custody of the applicable funds' money and securities. Investors in the fund will receive audited financial statements prepared in accordance with US generally accepted accounting principles within 120 days of a Fund's fiscal year-end. From time to time, Mr. Fox may grant Circumference Group access to certain accounts to execute transactions he has authorized.

Qualified custodians hold Circumference clients' funds and securities. These qualified custodians send account statements directly to Circumference. The underlying investors in a private fund will receive only those statements and reports referenced in Item 13 above.

#### **Item 16. Investment Discretion**

Circumference has discretionary authority to manage securities accounts on behalf of the private fund in accordance with the grant of authority in the limited partnership agreements and management agreements.

#### **Item 17. Voting Client Securities**

Circumference votes proxies on behalf of Circumference clients consistent with the interests of its clients. If a material conflict of interest between Circumference and a client exists, Circumference will determine whether voting in accordance with the guidelines set forth in its

proxy voting policies and procedures is in the best interests of a client or will take some other appropriate action. A copy of CG's proxy voting policy is available to clients and prospective clients upon request.

**Item 18. Financial Information**

Not applicable. Circumference is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.