

FIRM BROCHURE

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

REGISTRATION WITH THE SEC OR ANY STATE SECURITIES AUTHORITY DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

JANUARY 4, 2021

Item 2: Material Changes

On March 30, 2020, we filed the previous version of this brochure. As of January 1, 2021, Condire Investors, LLC will no longer be affiliated with CPMG and will transition to become a registered investment adviser independently operated from CPMG (the “Transition”). Since the last filed update, we have made the following material changes to the brochure, all of which are related to the Transition:

- Item 4: Updated the list of funds that CPMG advises. As of January 1, 2021, CPMG will no longer provide investment advice to: Condire Resource Master Partnership, L.P., Condire Resource Partners, L.P., Condire Resource Offshore Partners, Ltd. (together with Condire Resource Master Partnership, L.P. and Condire Resource Partners, L.P., “Condire Partners”), and Silver Teal, L.P. (“Silver Teal,” and together with Condire Partners, the “Condire Funds”).
- Item 5: Removed references to Condire Partners. We also updated our reported regulatory assets under management to remove amounts attributable to the Condire Funds as of December 31, 2019.
- Item 8: Removed references to the Condire Funds’ strategy and risk factors related to the Condire Funds’ strategy.
- Item 10: Removed references to Condire Partners and Condire Funds.
- Item 14: Removed references to Old City Securities LLC. CPMG no longer retains Old City Securities LLC which acted as a solicitor on behalf of the Condire Funds.

In addition to the material changes described above, non-material changes were made to this brochure which are not discussed in this Item 2. Consequently, we encourage you to read the brochure in its entirety.

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Item 4: Advisory Business

CPMG, Inc., a Texas corporation and private investment advisory firm (“we,” “us,” “our” or “CPMG”), was formed in 1972. Beginning in 1998, CPMG was known as Cardinal Investment Company, Inc., and has operated under the name CPMG, Inc. since 2005. We provide investment management and other services to various private pooled investment vehicles and separately managed accounts with respect to investments in securities and other financial instruments. We have full discretionary authority with respect to investment decisions, and our investment advice is provided in accordance with the investment objectives and guidelines set forth in the applicable offering, governing and/or account documents. The information set forth in this brochure is qualified in its entirety by the applicable offering, governing and/or account documents.

R. Kent McGaughy, Jr. is our sole shareholder.

Funds

We serve as investment manager to various private pooled investment vehicles organized as Texas limited partnerships, including Bullfinch, LP (“Bullfinch”), Cerulean Warbler, LP (“Cerulean Warbler”), Petrel Fund, L.P. (“Petrel”), White Tailed Ptarmigan, LP (“Ptarmigan”), Kestrel Fund, L.P. (“Kestrel”), Garganey, LP (“Garganey”), Plover Fund, L.P. (“Plover”), Redbird Life Sciences Partners, L.P. (“Redbird”), Tanager Fund, L.P. (“Tanager”), Willet Fund, L.P. (“Willet”), Bearded Reedling, LP (“Bearded Reedling”), Curlew Fund, LP (“Curlew”), CD Fund, LP (“CD”), and Whimbrel Partners, LP (“Whimbrel”).

In addition, we serve as investment manager to various private investment vehicles, including Barred Owl Partners, L.P. (“Barred Owl”), Crested Crane, L.P. (“Crested Crane”), Elepaio Partners, LP (“Elepaio”), Flamingo Fund, L.P. (“Flamingo”), Gallopavo, LP (“Gallopavo”), Killdeer Fund, L.P. (“Killdeer”), Mallard Fund, L.P. (“Mallard”), Nighthawk Partners, LP (“Nighthawk”), Roadrunner Fund, L.P. (“Roadrunner”), Sandpiper Fund, L.P. (“Sandpiper”) and Yellow Warbler, L.P. (“Yellow Warbler,” and together with Barred Owl, Crested Crane, Elepaio, Flamingo, Gallopavo, Killdeer, Mallard, Nighthawk, Roadrunner and Sandpiper, the “Institutional Funds,” and the Institutional Funds together with Bullfinch, Cerulean Warbler, Petrel, Ptarmigan, Kestrel, Garganey, Plover, Redbird, Tanager, Willet, Bearded Reedling, Curlew, CD, and Whimbrel, the “Funds”). The Institutional Funds have been established as private investment vehicles primarily for the benefit of one or more institutional investors and their affiliates.

We serve as investment manager with respect to each of the Funds and are responsible for investing and re-investing the assets of each Fund in securities, financial instruments and/or other assets in accordance with the investment objectives, policies and guidelines set forth in the applicable offering memoranda and/or governing documents. **See Item 8 below.**

We have caused and may from time to time in the future cause a Fund (an “investor fund”) to invest all or any portion of its assets in one or more other Funds (each, an “investee fund”). In such event, the investor fund generally is not subject to any additional management fees or incentive allocations in connection with its investment in an investee fund. **See Item 11 below.**

We tailor our advisory services to the individual needs of the Funds, and investors in the Funds generally are not permitted to impose restrictions on investments in certain securities or types of securities.

Advisory Accounts

We also provide investment advisory services to separately managed accounts (“Advisory Accounts”) of various clients with respect to investments in one or more securities, financial instruments and/or other assets. Advisory Accounts are managed in accordance with the terms, conditions, guidelines and limitations set forth in the investment advisory agreement with each Advisory Account client. **See Item 8 below.**

We provide and tailor our investment advice based on the investment guidelines, objectives, restrictions, financial circumstances and risk tolerance of each Advisory Account client. Advisory Account clients generally may impose reasonable restrictions and limitations on the management of their Advisory Accounts.

ASSETS UNDER MANAGEMENT

As of December 31, 2019, we had approximately \$3,226,043,000 regulatory assets under management. All of these assets were managed on a discretionary basis.

Item 5: Fees and Compensation

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

Funds

CPMG's fee schedule is omitted because this brochure is only being delivered to qualified purchasers as defined in the Investment Company Act of 1940, as amended.

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

In addition, one of our affiliates generally is entitled to receive a performance allocation of each qualified limited partner's allocable share of net profits for the applicable performance period. Performance allocations are subject to a high water mark limitation.

Our advisory fees are generally not negotiable.

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

Performance allocations generally are calculated and accrued on a monthly basis. Performance allocations are crystallized and allocated generally as of the end of each fiscal year (and at such other times as set forth in the applicable partnership agreement). With respect to certain illiquid assets or securities ("Special Investments"), such allocations are not crystallized until the occurrence of a Special Investment "recognition event," as such term is defined in the applicable partnership agreement. Performance allocations are allocated directly from the capital account of each applicable investor.

CPMG and/or its affiliates have the right to not charge fees to an investor in a Fund, at our sole discretion.

Advisory Accounts

We generally receive a management fee, payable quarterly in either arrears or advance, equal to a percentage of the net asset value or the agreed upon targeted invested capital of each Advisory Account as of the applicable date of determination.

Management fees generally are payable by Advisory Account clients quarterly, in arrears, as of end of each calendar quarter. Management fees may also be payable by Advisory Account clients quarterly, in arrears, as of the beginning of each calendar quarter. Management fees due and payable by an Advisory Account client may be paid by calling capital contributions for such purpose.

In addition, we or one of our affiliates may also be entitled to receive performance-based compensation equal to a percentage profits on distributions derived from the disposition of investments (following the return of contributed capital to the applicable Advisory Account client).

Management fees and performance-based allocations or fees applicable with respect to each Advisory Account generally are expected to be negotiable on a case by case basis with clients.

Performance-based fees or allocations generally will be due and payable to us promptly following the earlier of: (i) termination of the investment advisory agreement in accordance with its terms, (ii) a sale, exchange or other disposition that represents a complete divestiture of the securities position(s) in the Advisory Account or (iii) as the parties may otherwise mutually agree in writing.

OTHER FEES AND EXPENSES

Funds

In addition to management fees, asset-based fees and/or performance allocations (as applicable), each Fund generally bears all costs and expenses relating to the Fund's activities, including, but not limited to, (i) legal, auditing and accounting expenses (including the maintenance of books and records), (ii) costs for the preparation of the Fund's financial statements, tax returns, and Schedule K-1s, (iii) expenses of the meetings of the limited partners, if any, (iv) interest expense, (v) research expenses, (vi) other expenses associated with the acquisition, holding and disposition of investments and (vii) extraordinary expenses, such as litigation. For the avoidance of doubt, certain Funds will, as applicable, bear the forgoing expenses incurred with respect to prospective investments (whether or not consummated), including "broken deal expenses" relating to an investment proposed to be allocated to the applicable Fund or Funds. Broken deal expenses will be allocated by CPMG on what we believe to be a fair and equitable basis to the applicable Fund or Funds. The Funds generally are responsible for and pay all brokerage and custodial fees and expenses. **See Item 12 below.**

Advisory Accounts

Advisory Accounts bear and/or otherwise share in various fees and expenses incurred by us and/or our affiliates in connection with the management of such accounts. Specifically, Advisory Account clients typically bear and are responsible for all costs and expenses directly related to the purchase, holding or sale of any portfolio investment(s) and any legal fees and costs that may be paid by the Advisory Account client in connection with any litigation or regulatory investigation. The specific fees and expenses borne by an Advisory Account typically are subject to negotiation and will vary from client to client. Advisory Account clients generally are responsible for and pay all brokerage and custodial fees and expenses. **See Item 12 below.**

WITHDRAWALS

Kestrel

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

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

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

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

Bullfinch, Cerulean Warbler, Petrel, Ptarmigan, Garganey, Plover, Redbird, Tanager, Willet, Bearded Reedling, Curlew, CD, and Whimbrel

Subject to the terms and conditions set forth in the applicable governing documents, an investor in Bullfinch, Cerulean Warbler, Petrel, Ptarmigan, Garganey, Plover, Redbird, Tanager, Willet, Bearded Reedling, Curlew, CD, and Whimbrel generally is not, or will not be, permitted to make withdrawals of amounts from its capital account.

Institutional Funds

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

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

PERFORMANCE-BASED FEES

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

SIDE-BY-SIDE MANAGEMENT

We manage client accounts for which we are entitled to receive performance-based fees or allocations alongside client accounts for which we are not entitled to receive any performance-based fees or allocations. This side-by-side management could motivate us to favor accounts for which we and our employees or affiliates receive performance-based fees or allocations over other accounts for which such fees are not payable.

Item 7: Types of Clients

We currently only provide investment advisory and supervisory services to private pooled investment vehicles and limited partnerships and managed accounts. We may provide advisory services to other types of clients in the future.

Funds

The minimum initial capital contribution required for an investor in each of the Funds is set forth in the applicable offering and/or governing documents.

To invest in the Funds, investors generally must be, among other things, “accredited investors” as defined in Rule 501(a) of Regulation D under the U.S. Securities Act of 1933, as amended, and either “qualified clients” as such term is defined in Rule 205-3 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), or “qualified purchasers” as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “Company Act”).

Advisory Accounts

Advisory Account clients are required to sign investment management agreements that, among other things, set forth the nature and scope of our investment management authority and the investment objectives, guidelines and restrictions applicable to the management of the Advisory Accounts. In addition, Advisory Account clients generally must meet certain net worth, net asset and/or other eligibility requirements imposed by various securities and commodities laws. In general, each Advisory Account client is required to be a “qualified client” as such term is defined in Rule 205-3 under the Advisers Act.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

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

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

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

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

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

The investment strategies summarized above are not intended to be comprehensive. For a more detailed description of the investment strategies applicable to a Fund, please refer to its governing and/or offering documents.

CERTAIN RISK FACTORS

There can be no assurance that clients or investors will achieve their investment objectives or that investments will be successful. Our investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that our investment strategies are low risk or risk free. Our investment strategies are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors should consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with our investment strategies and processes and may not necessarily apply to each client or investor. Investors are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. With respect to the Funds, the following risks are qualified in their entirety by the risks set forth in the applicable offering documents.

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

adverse effect on us. It is important to understand that we could incur material losses even if we react quickly to difficult market conditions.

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

Terrorist Attacks and War. Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or its interests abroad may adversely affect the United States, its financial markets and global economies and could prevent us and our clients from meeting our respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, and other acts of war or hostility have created many economic and political uncertainties that may adversely affect the U.S. and world financial markets and our clients for the short- or long-term in ways that cannot presently be predicted.

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

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

Distressed Securities. We may invest in distressed securities. Direct investments in distressed securities generally involve acquiring securities of companies that are experiencing significant financial difficulties and of companies that are, or appear likely to become, bankrupt or involved in a debt restructuring or other major capital transaction. Consequently, there is a high degree of risk associated with these investments because such companies may never recover and the value of such investments may be lost.

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

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

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

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

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

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

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

PIPE Investments. We may invest in PIPE transactions. A PIPE (Private Investment in Public Equity) is a private placement of restricted securities (common stock, convertible preferred stock, convertible debentures, warrants or other equity or equity-like securities) of a public company. Typically in such a transaction, the investor enters into a purchase agreement wherein the investor commits to purchase the securities and the public company issuer commits to sell such securities and to file a resale registration statement within a specified period of time covering the resale of the securities that the investor purchased in the private placement. In connection with a PIPE investment, an investor may be obligated to pay all or part of the registration expenses, and, due to delays in the registration process, a considerable period may elapse between the time of the investor's decision to sell and the time such security may be sold under an effective registration statement. If adverse market conditions were to develop during such a period, the investor might obtain a less favorable price than the price it could have obtained at the time of its decision to sell the security. Further, there is no assurance that the public company will satisfy its registration obligation, in which case, the investor may only be able to sell such securities under Rule 144. Any such developments may have a material adverse effect on client assets.

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

Short selling, or selling borrowed securities, has distinctive risks in contrast to conventional investing strategies. The following are some of the risks or disadvantages of short selling: (i) a security that is sold short can increase in price without limit and, therefore, in theory, losses incurred in covering a short sale at market prices can also be infinite; (ii) short positions which are closed typically result in short-term capital gains or losses for tax purposes regardless of how long the short position was held open; (iii) if a security which is sold short pays dividends, the amount of the dividend must be paid by the short seller to the lender; (iv) short selling is limited to securities which can be borrowed and it may not be possible at times to borrow the securities we wish to sell short; and (v) it may be necessary to cover shorts at undesirable times or prices because securities which were sold short are no longer available to be borrowed. This “short-squeeze” can be caused by speculators purchasing securities and then refusing to lend them to short sellers. The foregoing list is not intended to set forth all of the risks relating to short selling.

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

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

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

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

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

Foreign Operation Risks. A portfolio company’s operations may be affected in varying degrees by foreign government regulations (both state and federal), including those with respect to restrictions on foreign investment, production, price controls, export controls, income taxes and expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is frequently in a state of change and new laws, regulations and requirements may be retroactive in their effect and implementation. A portfolio company’s operations may also be affected in varying degrees by political and economic instability, economic and

other sanctions imposed by other countries, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

Principals and Employees Affiliated with Public Companies. Our principals and employees may serve as directors, officers or committee members of public companies and in that role may come into possession of material, non-public information. If this occurs, this may limit our ability to enter into or exit a position held by our Funds, which could have a material adverse effect on the Fund's performance.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT STRATEGIES. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND ALL OTHER APPLICABLE DISCLOSURE MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

Item 9: Disciplinary Information

Not applicable.

Item 10: Other Financial Industry Activities and Affiliations

COMMODITY POOL OPERATOR AND COMMODITY TRADING ADVISOR REGISTRATION

With respect to CD, Crested Crane, Flamingo, Gallopavo, Kestrel, Killdeer, Mallard, Nighthawk, Roadrunner, Sandpiper, Willet and Yellow Warbler, we currently are exempt from registration with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator pursuant to an exemption provided by CFTC Rule 4.13(a)(3).

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

AFFILIATED GENERAL PARTNERS

While the Adviser generally serves as the sole general partner of each private pooled investment vehicle to which we provide investment advisory services, certain of our affiliates (the “Affiliated General Partners”) serve as the general partner of Bearded Reedling, Redbird, Garganey, and Tanager. Pursuant to investment management agreements, the Affiliated General Partners have or will delegate exclusive discretionary investment management authority with respect to the applicable Funds to us and we are or will be solely responsible for any and all investment advisory services provided with respect to the Funds. Accordingly, each of the Affiliated General Partners relies or will rely on our registration instead of separately registering as an investment adviser with the SEC under the Advisers Act.

ACTIVITIES OF PRINCIPALS

Certain principals and employees serve as directors, officers or committee members of public companies and their activities on behalf of those companies present certain conflicts of interest (including conflicting fiduciary duties) with respect to clients.

In addition, certain employees serve on the boards of companies in which CPMG clients invest. Related board fees and stock received pursuant to such board service will be for the benefit of the relevant clients in accordance with applicable regulations.

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

CODE OF ETHICS

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees and principals. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to our clients, require employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse, and address certain conflicts of interest that could arise from, among other things, personal trading by our employees. In our code of ethics, we impose certain restrictions on all employees and principals relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. Our code of ethics requires pre-clearance and quarterly reporting of most personal securities transactions. In addition, our code of ethics requires that all employees submit an annual report of personal securities holdings, except for certain exempt securities. These quarterly and annual reports are reviewed on a regular basis by the Chief Compliance Officer or his delegate. Further, we maintain certain policies and procedures designed to prevent employees and principals from misusing material non-public information, trading the same security ahead of clients and circulating rumors. A copy of our code of ethics is available upon request.

PERSONAL TRADING

In accordance with our code of ethics, our employees, principals and access persons are allowed to hold and trade securities that are also held by the funds and accounts managed by CPMG, but any personal trades of such securities must be approved by the Portfolio Manager and the CCO. Such personal trades may be denied if the Portfolio Manager and CCO determine that those trades could have any detrimental effect on the value of the managed fund or account or could be perceived as “front-running,” which is the practice of attempting to benefit from recommendations to clients. To prevent this practice, we require pre-approval of, and closely monitor, the investments made by our employees, principals and other access persons.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

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

As disclosed above in Item 4, we have caused and may from time to time in the future cause a Fund to invest any portion of its assets in one or more other Funds. We do not currently engage in any principal transactions. Any future principal transactions will be conducted in accordance with Rule 206(3) under the Advisers Acts.

Item 12: Brokerage Practices

SELECTING BROKERAGE FIRMS

In general, we have authority to determine the brokers and other counterparties to be used for client transactions and to negotiate commission rates and other monies paid by clients. We select broker-dealers on the basis of obtaining the best overall terms available, which we evaluate based on a variety of factors, including among other things: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research and related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. Research and related services furnished by brokers include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; discussions with research personnel; and software, databases and other news, technical and telecommunications services utilized in the investment management process. We may pay a commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage or research services provided by the broker. Selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

BEST EXECUTION

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

SOFT DOLLAR PRACTICES

While we do not currently use soft dollars generated by client accounts to pay for certain research and/or related services provided by brokers described above, we generally are permitted to do so by our clients. The term “soft dollars” refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, which is paid with brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as market price quotation services).

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between us and our clients. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of clients which paid the commissions and that may primarily or exclusively benefit us. If we are able to acquire these products and services without expending our own resources (including management fees and asset-based fees paid by clients), our use of soft dollars would tend to increase our profitability. Furthermore, we may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on our clients’ interest in receiving most favorable execution.

As noted above, we have no existing soft dollar arrangements in place and have no existing plans to enter into soft dollar arrangements in the future. However, we generally have the authority to participate in soft dollar arrangements of general availability through brokers that provide us with research and related services as described above. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits. We will not, however, negotiate higher rates on fees and expenses to be paid by client accounts in exchange for lower rates on fees and expenses to be paid by us.

Any soft dollar benefits generally will be used to service all of our clients. We will seek to allocate soft dollar benefits among clients in a fair and equitable manner under the circumstances, but there can be no assurance that we will be successful in this regard.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making

responsibilities. We intend that any soft dollars that we receive in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

BROKERAGE FOR CLIENT REFERRALS

In selecting or recommending brokers, we generally do not consider whether we or our related persons receive client or investor referrals from such brokers.

ORDER AGGREGATION

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

ALLOCATION OF INVESTMENT OPPORTUNITIES

We generally allocate investment opportunities among clients with a goal of being fair and equitable over time. Each trade ordered by our authorized employees is for the aggregate number of shares for all applicable clients. At the conclusion of trading each day, our accountant receives the trade record from both the online trading tools and executing brokers. Our accountant then allocates the number of shares to each applicable client using our trade allocation spreadsheet.

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

In allocating investment and trading opportunities among clients, we will make a determination, exercising our judgment in good faith, as to whether an opportunity is appropriate for each client. Factors in making such a determination may include a client’s liquidity, overall investment strategy and objectives, the regulatory constraints of the client, the composition of the client’s existing portfolio, the size or amount of the available opportunity, the characteristics of the securities involved, the liquidity of the markets in which the securities trade, the risks involved, and other factors relating to the relevant client and investment opportunity.

CO-INVESTMENT POLICY FOR SPECIAL INVESTMENTS

We have adopted a co-investment policy for Special Investments that we believe is reasonably designed to allocate Special Investment opportunities among clients in a manner we believe to be fair and equitable under the circumstances. We have the authority to allocate excess allocations of Special Investments to consenting investors or to offer any third party or any investor in a Fund the opportunity to co-invest in any transaction. In general, our policy is to determine the investors to whom we offer Special Investment co-investment opportunities, and the relative amounts offered to each such investor, exercising our judgment in good faith and taking into account such factors as we determine appropriate based on the relevant facts and circumstances of a potential investment, including, but not limited to, capacity, portfolio and risk management and tax, legal and regulatory considerations. Clients may obtain a copy of our co-investment policy for Special Investments upon request.

TRADE ERRORS

We may from time to time make trade errors in the course of managing the Funds’ investments. Trade errors are not errors in judgement, strategy, market analysis, economic outlook or the like, but rather errors in implementing specific trades which we have determined to make. Examples of trade errors include ordering the wrong quantity of shares to be traded, ordering that securities be traded long rather than short, clerical errors, or a miscommunication with the executing broker.

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

We will determine whether the costs arising from trade errors will be borne either by us or by the respective Fund by applying the standard of liability set forth in each Fund's respective partnership agreement. In general, however, a Fund will bear the cost of any trade errors.

Item 13: Review of Accounts

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

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

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

We generally will provide reports and/or other information to Advisory Account clients upon request. We generally provide investors in the Funds annual audited financial statements, quarterly performance reports and annual U.S. income tax information. We may also provide other reports and information to investors or Advisory Account clients.

Item 14: Client Referrals and Other Compensation

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

We currently do not compensate any person for investor or client referrals.

Item 15: Custody

Funds

We have, or may be deemed to have, custody of the Funds' cash and securities. In accordance with Rule 206(4)-2 under the Advisers Act, the Funds' cash and securities (except for privately placed securities) are held with one or more qualified custodians. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged a nationally-recognized, independent public accounting firm to conduct an annual audit of the Funds, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided to investors on an annual basis. Qualified custodians do not provide statements directly to investors in the Funds.

Advisory Accounts

We generally do not have, and do not intend to have, custody of any Advisory Account client's cash or securities.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

With respect to assets for which we have discretionary authority, we generally have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of our clients. We generally have authority to determine the broker-dealer, futures commission merchant or other counterparty to be used for client transactions and the negotiation of commission rates and other consideration to be paid by each of our clients.

LIMITED POWER OF ATTORNEY

Each investor in the Funds generally grants us or our affiliate a limited power of attorney to enable us to execute the applicable partnership agreement and certain other documents relating to the Funds on its behalf. In addition, each Advisory Account client generally grants us a limited power of attorney to enable us to conduct authorized trading on its behalf.

Item 17: Voting Client Securities

VOTING POLICIES

We generally have the authority to vote proxies on behalf of our clients. Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies and procedures. In accordance with such rule, we have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of our advisory clients, as determined in our discretion, and without regard to our own interests. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation. We may determine not to vote proxies in respect of securities of an issuer if we determine that it would be in the client's overall best interest not to vote. Clients may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

CONFLICTS OF INTEREST

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

Item 18: Financial Information

Not applicable.

General Information

PRIVACY POLICY

We have adopted policies and procedures that we believe are reasonably designed to protect various records and information of clients and investors. Except as set forth in the applicable offering materials and/or account documents and as otherwise authorized by each client and/or investor, private information about clients and investors is disclosed only as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation of the Funds or Advisory Accounts. Notice of our privacy policy is provided to clients and investors and is available to clients and investors upon request.