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**Item 1 – Cover Page**

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**March 30, 2021**

This brochure provides information about the qualifications and business practices of 1207 Capital Group, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 690-6201. 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.

1207 Capital Group, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about 1207 Capital Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 2 – Material Changes**

This brochure is filed in connection with an annual update to the registration of 1207 Capital Group, LLC. 1207 Capital Group, LLC is required to identify and discuss any material changes made to its brochure between the previous annual update filed with the SEC on March 12, 2020 and the current annual update filed with the SEC on March 30, 2021. Items 4, 5, 7, 8 and 13 have been updated to include discussion of Cimarron Venture Opportunities, LP, a Private Fund that began investing in October 2020, for which 1207 Capital Group, LLC serves as the General Partner.

Several updates to this brochure have been made because certain of the Private Funds to which 1207 Capital Group, LLC serves as General Partner now have direct holdings in publicly traded securities, albeit to a limited extent. Accordingly, Item 11 has been updated to reflect updates to 1207 Capital Group LLC's Code of Ethics. Item 12 has been updated to reflect updates to the brokerage practices of 1207 Capital Group, LLC.

Finally, Item 4 has been updated to reflect the firm's assets under management.

We intend to provide investors and advisory clients with a summary of the changes incorporated in the annual updates to the brochure. Pursuant to SEC Rules, we will undertake to provide you with a summary of any material changes to this and subsequent brochures within 120 days of the close of our business's fiscal year. We will further provide you with a revised brochure as appropriate based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting us at (312) 690-6201. Our brochure is also available on our web site [www.cimarrongrp.com](http://www.cimarrongrp.com) free of charge.

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#### **Item 4 – Advisory Business**

1207 Capital Group, LLC, an Illinois limited liability company, is an investment adviser and is the Manager of and General Partner to Cimarron Partners, LP, Cimarron Healthcare Opportunities, LP, Cimarron Energy Spectrum, LP, and Cimarron Venture Opportunities, LP (each a “Client,” and collectively, the “Clients”). 1207 Capital Group, LLC is sometimes referred to as the “Manager” or “firm” in this brochure. Cimarron Partners, LP, Cimarron Healthcare Opportunities, LP, Cimarron Energy Spectrum, LP, and Cimarron Venture Opportunities, LP are sometimes referred to together as the Private Funds, and collectively with the Manager are sometimes referred to as Cimarron. All allocation, direct investment and day-to-day operating decisions for the Private Funds are made by the Manager, which is controlled by R. Mark Jernigan and owned personally or through affiliates by R. Mark Jernigan, R. Clayton Jernigan and William F. Swee. The firm’s growth and success is the result of an investment philosophy informed by our principal’s substantial financial sector experience, a commitment to comprehensive due diligence, and a considered investment process. The firm does not currently manage separate accounts or non-U.S. funds.

Cimarron Partners, LP is a hedge fund of funds established on January 1, 2002. Cimarron Healthcare Opportunities, LP is a hedge fund of funds established on March 1, 2013. Cimarron Energy Spectrum, LP is a hedge fund of funds established on April 1, 2015. Cimarron Venture Opportunities, LP is a venture capital fund of funds established on October 1, 2020.

Cimarron Partners, LP is a diverse-strategy, multiple-manager partnership with a preference for relative value funds. It attempts to mitigate losses in difficult markets and to achieve equity-like returns over the market cycle, but with lower volatility than the broad equity markets experience. Cimarron Partners invests in multi-sector long/short funds, specialized equity long/short funds concentrating in healthcare, energy, and materials and mining, fixed income arbitrage, merger arbitrage, and event-driven funds and various other strategies, which may include convertible bond arbitrage, capital structure arbitrage, global macro, and distressed debt. Other strategies have been included in the portfolio in the past, and additional strategies not listed here may be included in the future.

Cimarron Healthcare Opportunities, LP is an equity long/short multiple-manager partnership with a focus on providing returns in excess of equity markets over a market cycle. Cimarron Healthcare Opportunities invests in specialized equity long/short sector funds in healthcare and life sciences. Cimarron Healthcare Opportunities may also, to a limited extent, make direct investments in public companies in the healthcare and life-sciences sectors.

Cimarron Energy Spectrum, LP is a multiple-manager partnership with a focus on providing attractive returns over a market cycle. Cimarron Energy Spectrum invests in funds concentrating in the energy and utilities sectors, which currently include funds that pursue long/short equity strategies and relative value strategies focused on niche

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commodity options markets. Other strategies, such as hedged strategies that focus on high yield debt instruments, including distressed debt, may be included in the future. In addition to the above, one of the share classes in Cimarron Energy Spectrum also participates in a direct investment in a privately held operating company and may participate in future private offerings by this company or other privately held companies that the General Partner identifies as attractive investment targets.

Cimarron Venture Opportunities, LP is a multiple-manager venture capital partnership that seeks to provide investors with long-term capital appreciation. Cimarron Venture Opportunities invests in venture capital funds that specialize in the healthcare and life sciences sectors and invest in private companies.

1207 Capital Group's investment professionals include an Investment Committee composed of four investment professionals. R. Mark Jernigan, founder of the firm, is the Chair of the Investment Committee. R. Clayton Jernigan, Ronald Schutz, and William Swee are Investment Committee members.

Given the nature of investing in a private fund, an investor may not impose investment restrictions. Terms of the Cimarron partnerships are outlined in the Limited Partnership Agreement and Offering Memorandum provided to all prospective investors.

As of December 31, 2020, Cimarron managed on a discretionary basis approximately \$144,500,000. Cimarron does not currently manage any non-discretionary assets.

## **Item 5 – Fees and Compensation**

The fees and expenses for each Private Fund are described in detail in the associated Private Offering Memorandum. In general, each Private Fund pays the Manager an advisory fee (also referred to as a "Management Fee") and an incentive allocation based on fund performance (which, in the case of Cimarron Venture Opportunities, LP, is referred to as "carried interest"). Different investors in the Private Funds may pay different fees. The advisory fee for Cimarron Partners, LP, Cimarron Healthcare Opportunities, LP, and Cimarron Energy Spectrum, LP (also known as the management or administrative fee) is generally 1% per annum. The advisory fee for Cimarron Venture Opportunities, LP is generally 0.75% per annum. Management Fees for Cimarron Partners, LP and Cimarron Energy Spectrum, LP are payable in advance on the first day of each month and are based on the capital account balances of the partners as of the beginning of each such month. Management Fees for Cimarron Venture Opportunities, LP are payable in advance on the first day of each calendar quarter and are based on each partner's aggregate capital contributions as of the start of such quarter. Management Fees for Cimarron Healthcare Opportunities, LP are payable in arrears on the last day of each month and are based on the capital account balances of the partners as of the end of such month.

If earned due to performance of Cimarron Partners, Cimarron Healthcare Opportunities, Cimarron Energy Spectrum, and Cimarron Venture Opportunities, performance-based

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fees in the form of incentive allocations or carried interest are charged to most partners at 10% of net new profits. The incentive allocations for Cimarron Partners, Cimarron Healthcare Opportunities, and Cimarron Energy Spectrum are subject to a customary high-water mark, and are assessed annually and at the time of redemption. The carried interest for Cimarron Venture Opportunities, if earned, is disbursed upon distribution of the partnership's profits. For purposes of computing the Management Fee, Net Assets will be determined before any accrued but unpaid Incentive Allocation. Incentive allocations are subject to high water mark provisions described in detail in the Private Offering Memorandum for each fund. The incentive allocation for Cimarron Healthcare Opportunities, LP is also subject to a 6% annualized threshold rate of return as described in detail in the Private Offering Memorandum for the fund. The calculations of incentive allocations and carried interest are complex, and Private Fund investors and prospective investors should carefully review the more detailed terms set forth in the Private Funds' offering and governing documents.

In addition to these fees, the partners' capital accounts are subject to various expenses including but not limited to: audit, legal, administrative accounting, and formation costs. The Manager has made, and may make in the future, exceptions to its general fee schedule in its sole discretion based on various circumstances. All fees are deducted from a partner's share of the Partnership by the fund administrator.

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

### **Performance-Based Fees**

As described in Item 5, 1207 Capital Group, LLC receives a performance allocation from each of the Private Funds. As a result, 1207 Capital Group and its affiliates do not face the conflicts of interest that may arise when an investment adviser accepts performance-based compensation from some clients, but not from other clients. Performance-based fee arrangements may create an incentive for the Manager to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement such as advisory fee only.

### **Side-By-Side Management**

Investors in the Private Funds are subject to significant potential and actual conflicts of interest with respect to side-by-side management. Side-by-side management is the simultaneous management of multiple accounts that follow the same or similar investment strategies. For the Private Funds, the conflicts with respect to side-by-side management present themselves both at the Investor level and at the fund level.

Cimarron's Investment Committee makes the investment decisions for the Private Funds. In managing multiple funds, Cimarron may determine that an investment opportunity is appropriate for one or more fund(s), but not all of the funds. To the extent that a certain fund (and indirectly, its investors) invests in a limited investment opportunity, such as where an underlying hedge fund or venture fund manager has

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limited capacity or is closing to new or additional investments, the ability of other current or future funds (and by extension, their investors) to invest in that same investment opportunity may be adversely affected. In allocating such limited investment opportunities, not all funds (and by extension, their investors) may participate in an opportunity. In addition, the participation of any current fund (and by extension its investors) may be diluted.

#### **Item 7 – Types of *Investors***

1207 Capital Group, LLC currently provides investment advice solely to the Private Funds. In order to invest in any of the Private Funds, investors must have a certain level of financial sophistication and investment experience. Investors in the Private Funds may include high net worth individuals, family offices, endowments, trusts, estates, charitable organizations, foundations, sovereign wealth funds, pension and profit-sharing plans, municipalities, corporations, limited partnerships, limited liability companies and similar entities.

In general, and at the discretion of the General Partner, the minimum investment from a new limited partner in Cimarron Partners, LP is \$500,000. In general, and at the discretion of the General Partner, the minimum investment from a new limited partner in Cimarron Energy Spectrum, LP is \$250,000. In general, and at the discretion of the General Partner, the minimum investment from a new limited partner in Cimarron Healthcare Opportunities, LP is \$200,000. New subscriptions are accepted monthly. After a one-year investment in any of these three Private Funds, quarterly redemptions are allowed given a 95-day notice period. For an investment in Cimarron Healthcare Opportunities, LP, quarterly redemptions are allowed within the first year following the investment, given a 95-day notice period and subject to a 3% penalty, payable to the partnership, on the amount withdrawn. For an investment in Cimarron Energy Spectrum, LP, quarterly redemptions are allowed within the first year following the investment, given a 95-day notice period and subject to a 4% penalty, payable to the partnership, on the amount withdrawn.

In general, and at the discretion of the General Partner, the minimum investment from a new limited partner in Cimarron Venture Opportunities, LP is \$200,000. The fund's initial closing occurred October 1, 2020, and subsequent closings may occur on a quarterly basis, with the final closing for the fund to occur no later than April 1, 2022. Limited partners will not have a right to withdraw any portion of their capital accounts. The general partner will have complete discretion in the timing and amounts of any distributions to the limited partners.

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

Hedge Fund Managers that hold both long and short positions in their portfolios are expected to help Cimarron Partners, Cimarron Healthcare Opportunities, and Cimarron Energy Spectrum avoid the higher level of volatility and market risk associated with a



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long only strategy. There is no assurance that the Private Funds will achieve their investment objectives, and investment results may vary substantially on a monthly, quarterly and annual basis. Investing in securities involves a risk of loss that investors should be prepared to bear. For additional information regarding risk factors, investors should refer to the offering memoranda for the Private Funds and may contact the firm with any additional questions.

Capital market history shows that no particular investment strategy, and few investment managers, can provide consistent and/or above-average total return results, either on an absolute or relative basis, over all phases of a cycle in the equity, fixed income and “non-traditional” markets. While a particular investment strategy or investment manager may not achieve above-average performance over any given period within a cycle, the blending of investment strategies and investment managers (i.e., diversification) is designed to obtain more consistent returns with a reduction of risk and volatility.

In general, the Manager attempts to seek out, evaluate and select independent investment managers who have demonstrated superior investment success or who show potential for doing so, in the manager’s determination. The Manager analyzes and evaluates the strategies employed by such managers in an attempt to ensure a level of diversification that is appropriate to the Private Funds’ respective mandates and investment objectives. By diversifying among a number of managers, the Manager believes the Private Funds can more effectively manage their risk exposure relating to individual managers, strategies, or markets.

After initial allocations are made to particular managers and strategies, the Manager monitors and may periodically adjust the Private Funds’ allocations to managers and strategies. Although the Manager reserves the right to allocate assets to virtually any investment strategy and recognizes that new strategies may occur, the following are examples of investment strategies utilized by the managers which may be retained by the Private Funds.

***Long/Short***

This strategy is based on building a portfolio consisting of long positions in the stocks of companies the fund manager thinks are the strongest and short positions in those companies demonstrating weakness. This strategy may result in significant net long or short exposure, depending on the expectations of the manager. It may also be pursued in a “market neutral” framework by managers who maintain relatively low net long or short exposure. This strategy may be pursued by managers with a concentrated focus on a particular sector or industry.

***Fixed-Income Arbitrage***

Fixed income arbitrage attempts to capture mispricings which develop between related classes of fixed income securities — mispricings which may be exploited, on a leveraged basis, for significant returns, but also with the risks associated with leverage. This



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general strategy type includes basis (e.g., cash vs. futures), yield-curve and credit spread trading, volatility arbitrage, legal arbitrage, as well as the arbitrage of price variations caused by forced selling. An unusually high degree of leverage is often available, and often emphasized, in fixed income arbitrage.

### ***Event Driven***

Event driven strategies seek to identify trading opportunities that occur as a result of a potential or actual significant event such as a merger or acquisition, corporate spin-off, bankruptcy reorganization, share buyback, tender offer, or a capital structure adjustment through security issuance or other means, introduction of a new product, or a change in management. The ability of the manager to assess each transaction for its profit potential and time the decision to enter and exit positions will heavily influence each outcome. The effect of any one transaction on the portfolio is mitigated when there is a diversified portfolio.

### ***Convertible Bond Arbitrage***

This strategy typically involves buying a convertible bond and then hedging out the risks to which the manager does not want to be exposed, most notably by going short the underlying equity.

Convertible bonds are convertible into a certain number of shares of the issuing entity's equity shares at a specified strike price. A convertible bond thus has properties typical of both a bond and stock. As such, it often trades along a bond floor when the underlying equity is relatively cheap and with a higher delta to the underlying equity when its conversion value rises above the bond floor. In addition, if a convertible trades around the point between these two values, it may create an opportunity for the manager to engage in volatility trading of the bond. Theoretically, around this region, as the price of the underlying equity moves up or down, its delta to the convertible changes and the convertible proves under or over-hedged, which leads to potential gains before the manager re-hedges the positions. Various implementation options exist for this strategy.

### ***Global Macro***

Global macro funds invest in those markets and instruments which the manager believes provide the best opportunity. At any given time, the manager may take positions in currencies, debt, equities or commodities. The manager may elect to take outright directional positions, or, depending on the risk-return profile of the markets in which it is trading, it may also elect to take relative value positions, where a long position or set of positions is dynamically paired off against a short position or set of positions.

### ***Quantitative Trading***

Quantitative Trading is the systematic implementation of technical trading strategies through an automated approach which does not involve discretionary trading decisions by the Manager of the general partners of the funds.

### ***High Yield Debt***

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High yield strategies typically involve going long a high yield bond and, depending on the risk tolerance of the manager at any particular point in time, possibly hedging out risks to which the manager wants to limit exposure. This hedging can include a short position in the equity of the issuing firm, long Credit Default Swaps, as well as interest rate hedging. The purpose of this trade can vary, including a desire to clip coupon with lower risk than an outright position or an expectation that the market will re-rate the credit's quality for such reasons as fundamental company performance or a beneficial adjustment to the firm's capital structure.

### ***Capital Structure Arbitrage***

Capital structure arbitrage involves taking long and short positions in various parts of a firm's capital structure, generally with the expectation that small deviations from rational valuation will correct and that significant gains could be had. The manager may employ leverage to increase returns potential, although with the risks that ensue when leverage is employed. Such deviations can occur for a variety of reasons, including the prospects of bankruptcy or, conversely, recovery, differences in debt covenants, forced selling or covering, and long-biased investors reaching for yield. Through taking both long and short positions, risk should be mitigated, and the manager may also apply macro hedges, such as on interest rates, if deemed appropriate.

### ***Venture Capital***

Venture capital funds invest in private companies through equity or debt. This strategy is pursued by managers with a concentrated focus on the healthcare and life sciences sectors, in the United States and other countries, focused on the development of drugs, diagnostics, devices or other products. Venture capital funds may invest a substantial portion of their assets in securities for which there is no ready market. Venture capital funds may, from time to time, acquire equity securities in initial public offerings (IPOs) and other publicly-traded securities issued by the portfolio companies in which the funds have previously invested (including through secondary offerings, follow-on offerings, private placements, convertible debt offerings, debt offerings, and PIPE transactions, and use short transactions for hedging). When a venture capital fund's portfolio company goes public through an IPO or reverse merger, the fund may decide to retain all or some of their investment in such portfolio company. Depending on market conditions and the availability of appropriate investment opportunities, a venture fund may invest in portfolio companies listed on a public stock exchange. A venture fund may, from time to time, take a controlling or majority position with active involvement in a portfolio company to assist and influence its management.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of its management. 1207 Capital Group, LLC and its management have no legal or disciplinary events to report.

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

At this time, no member of 1207 Capital Group’s management team is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer, futures commission merchant, commodity pool operator or a commodity trading advisor.

## **Item 11 – Code of Ethics**

1207 Capital Group, LLC has adopted a Code of Ethics that applies to all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of investor information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, and personal securities trading procedures, among other things. All supervised persons at 1207 Capital Group, LLC must acknowledge the terms of the Code of Ethics annually, or as amended. For a copy of the Code of Ethics, please contact our office.

The Code of Ethics includes certain reporting and pre-clearance requirements that apply to 1207 Capital Group LLC’s “Access Persons,” which include any partner, officer, or director of 1207 Capital Group, LLC and any employee or other supervised person of the firm who has access to non-public information regarding any purchase or sale of securities by the Private Fund Clients, or non-public information regarding securities holdings, or is involved in making securities recommendations for the Firm’s Private Fund Clients, or has access to such recommendations that are non-public. Access Persons must provide the Chief Compliance Officer with a list of their personal accounts, a report of their personal holdings, and must promptly disclose any subsequently established accounts. Any trading in initial public offerings or private placements, and any trading in individual publicly traded securities held by, or under consideration for purchase by one or more of the Private Funds must be pre-cleared in writing by the Chief Compliance Officer. Access Persons must provide regular transactions reports related to any trading in individual publicly traded securities held by, or under consideration for purchase by one or more of the Private Funds, and must also provide updated holdings reports upon request by the Chief Compliance Officer.

1207 Capital Group, LLC invests predominantly in private partnership hedge funds and venture capital funds on behalf of the Private Funds (and may, to a limited extent, invest in other private placements on behalf of Cimarron Energy Spectrum Class B Interests). 1207 Capital Group, LLC has made limited investments in individual publicly traded securities on behalf of the Private Funds. Its employees and their families may trade securities and other financial instruments for their own personal investment accounts provided such activity does not give rise to a conflict of interest with the Private Funds’ investment activity. The firm’s Code of Ethics is designed to ensure that such personal investments are purchased or liquidated in a manner that does not conflict with a Client’s investment. 1207 Capital Group, LLC intends to treat each Client fairly in accordance with its fiduciary duty.

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1207 Capital Group, LLC may, in its discretion, allow certain investors, including related persons of 1207 Capital Group, LLC, to withdraw all or a portion of their investment at a time other than as described in a Private Funds' offering materials or upon shorter notice. Such early withdrawals may have an adverse impact on the composition and liquidity of the Private Fund's investments and limit the Private Fund's ability to satisfy all withdrawal requests as of a given date.

1207 Capital Group, LLC anticipates that, in appropriate circumstances, consistent with a Client's investment objectives, it will cause accounts over which it has management authority to effect, and will recommend to investment advisory Clients or prospective Clients, the purchase or sale of securities in which 1207 Capital Group, existing Clients, and/or investors, directly or indirectly, has a position or interest. 1207 Capital Group's employees and persons associated with 1207 Capital Group are required to follow 1207 Capital Group's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of 1207 Capital Group may trade for their own accounts in securities which are recommended to and/or purchased for 1207 Capital Group's Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of 1207 Capital Group will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of 1207 Capital Group's Clients. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee.

It is 1207 Capital Group's policy that the firm will not affect any principal or agency cross securities transactions for Client accounts. 1207 Capital Group will also not cross trades between Client accounts.

## **Item 12 – Brokerage Practices**

Cimarron Partners, Cimarron Healthcare Opportunities, Cimarron Energy Spectrum and Cimarron Venture Opportunities invest primarily (and in some cases, exclusively) in private funds and, in the case of Cimarron Energy Spectrum Class B Interests, other private placements. The Private Funds have invested, and may in the future invest, to a limited extent directly in a small number of publicly traded securities.

1207 Capital Group, LLC is authorized by its Clients to select the broker-dealers used to execute trades and to negotiate any commissions paid on such transactions.

When transacting in publicly traded companies, 1207 Capital Group pays and allocates brokerage commissions and fees to registered securities broker-dealers for executing

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and clearing transactions. 1207 Capital Group has complete discretion to determine the broker-dealers with and through whom a Fund's security transactions are effected, the prices at which transactions are effected and the commission rates and other fees paid by a Fund.

1207 Capital Group's primary responsibility regarding Fund transactions is to seek the best combination of price and quality of execution under the circumstances at the time of execution, based on the factors 1207 Capital Group considers when selecting brokers to place clients' order for execution, commonly referred to as "best execution." When placing orders with sell-side brokers for executing transactions, 1207 Capital Group considers all factors it deems relevant to best execution, including breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, confidentiality, speed of execution, ability to commit capital, brokerage research and other services and reasonableness of the commission.

In selecting brokers or dealers to execute Fund transactions and in evaluating the best net price and execution available, 1207 Capital Group from time to time may receive proprietary research in the form of specific reports on securities covered by the broker and other information, in accordance with Section 28(e) of the Securities and Exchange Act of 1934. Where more than one broker is believed to be capable of providing the best combination of price and execution, 1207 Capital Group can select a broker that provides it with research reports and other products or services ("soft dollar benefits").

When using brokerage commissions to obtain research or other products or services, 1207 Capital Group receives a benefit because it does not have to produce or pay for the research, products or services. 1207 Capital Group has an incentive to select a broker-dealer based on its interest in receiving the research, rather than its clients' interest in receiving most favorable execution. Due to this arrangement, there are times 1207 Capital Group causes clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits, as outlined above, and in seeking best execution in high touch orders.

1207 Capital Group conducts periodic reviews of its brokerage relationships to assess the reasonableness of the cost and quality of products and services provided by the broker in relation to the value of such products and services. In particular, 1207 Capital Group evaluates the quality, ease of use, comprehensiveness and accessibility provided by the broker's trading software, fund accounting platform, portfolio management software (including data for tracking tax lots), and software for tracking Fund performance.

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Directed Brokerage is not a factor given a fund investor cannot direct 1207 Capital Group to use a specific broker or dealer. Additionally, brokers are not compensated for referring clients to the Funds.

If 1207 Capital Group transacts in publicly traded securities, it will purchase or sell securities by Fund and will not aggregate or allocate trades in the course of business.

### **Item 13 – Review of Accounts**

1207 Capital Group, LLC, as the General Partner of the Private Funds, provides continuous advisory services for the Private Funds. The firm's Investment Committee, which currently includes the principals of the firm, regularly reviews the portfolio investments of each Private Fund.

Investors in the funds generally receive monthly statements. In the case of Cimarron Venture Opportunities, investors receive quarterly statements. The statements are issued by the Private Funds' administrative accounting firm. Typically, statements are finalized approximately 30 days after month-end.

While there is no formal review process, investors are encouraged to contact/visit 1207 Capital Group at any time.

Cimarron issues a monthly letter within approximately one month after month-end. Cimarron also issues a quarterly letter and/or other quarterly communications to investors in Cimarron Healthcare Opportunities, Cimarron Energy Spectrum and Cimarron Venture Opportunities. Monthly and quarterly letters are archived on the website. Additionally, within approximately one week of month-end, investors receive an email flash estimate of performance, provided their email address has been furnished.

A special communication may be issued to update investors on the status of tax returns and/or the audit. From time to time Cimarron may email investors when markets are extremely turbulent to provide a degree of clarity on how the funds are performing.

### **Item 14 – *Investor Referrals and Other Compensation***

1207 Capital Group, LLC does not currently compensate any person for investor or client referrals. 1207 Capital Group, LLC may enter into placement agent agreements in the future. Any placement agent fees in connection with any such agreement would generally be paid by 1207 Capital Group, LLC.

### **Item 15 – Custody**

1207 Capital Group may be deemed to have constructive custody of the Private Funds' assets and securities by virtue of its status as the General Partner to the Private Funds.



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Each Private Fund's marketable assets are held in a separate account with one or more qualified custodians designated by 1207 Capital Group.

1207 Capital Group is subject to rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Private Fund because it complies with the provisions of the "Pooled Investment Vehicle Audit" exception. Accordingly, each Private Fund is subject to audit at least annually by an independent accounting firm. 1207 Capital Group has engaged an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and all investors in a Private Fund will be provided with audited financial statements for such Private Fund prepared in accordance with U.S. generally accepted accounting principles within the prescribed timeline (subject to reasonable delays in the event of delays by the auditor of the Private Fund). Investors in a Private Fund should carefully review the audited financial statements of such fund. The investors in the Private Funds do not receive account statements directly from the qualified custodian(s).

1207 Capital Group periodically reviews the effectiveness of its custody controls.

#### **Item 16 – Investment Discretion**

1207 Capital Group, LLC has discretionary authority over its Private Funds. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client. The Manager has full discretionary authority from the investor to select the underlying managers for the funds, their weightings in the funds and subsequent transaction. When selecting underlying managers, the Manager observes the investment objectives, guidelines and restrictions for the private partnerships. Details of the relationship between the Manager, Private Funds, and investors as well as investment objectives, guidelines and restrictions, are outlined in each Private Fund's offering materials and subscription documentation.

#### **Item 17 – Voting Client Securities**

Cimarron has established procedures for exercising proxy voting rights. The Investment Committee implements the proxy voting procedures. Because Cimarron's investment activities relate to creating portfolios of hedge funds or venture funds, and do not generally involve direct investing or trading in equities, the exercise of proxy voting rights typically involves limited partner or shareholder votes with regard to hedge fund organizational and governance issues. These entities typically are privately-held limited partnerships or offshore corporations. Cimarron's proxy voting procedures are designed to ensure that proxies are voted in the best interests of our investors.

The portfolio managers or portfolio companies submit proxy proposals seeking investor approval on a variety of matters. Some types of proposals have little or no impact on investors, including proposals by issuers (1) to obtain authority to issue new classes of securities and (2) to amend documents to stay current with legal developments — for



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example, with respect to the FINRA new issues of equity securities rule, anti-money laundering laws and tax laws. Potentially more meaningful to an investor are proposals in the following categories: (1) proposals to increase the management fee (*e.g.*, from 1.0% to 1.5%), (2) proposals to increase or otherwise change the incentive fee (*e.g.*, to make it possible for the manager to earn a reduced incentive fee (10% rather than 20%) while operating below the previous high water mark in exchange for charging a lower incentive fee until the loss carryforward is eliminated or exceeded by a multiple (for example, 200% of the loss carryforward), and (3) proposals to place greater limits on the investors' ability to redeem (*i.e.*, impose gates or increase lock-ups). Proposals to increase or otherwise change fees and to increase lock-ups typically are combined with an offer to the investor to redeem without penalty before the new, higher fee or longer lock-up applies.

In considering how to vote on a proposal that has a potential adverse impact on investors, the Investment Committee looks at the proposal as an opportunity to reexamine whether a Private Fund should remain invested in the portfolio fund with the new terms. If the Investment Committee concludes that remaining invested in the hedge fund with the new terms is in the best interest of the Private Fund, the Investment Committee typically will recommend a vote in favor of the proposal. The Investment Committee makes these decisions in light of the fact that capacity at the highly skilled underlying hedge funds often is scarce, and the portfolio fund has the ability to push through its proposals by mandatorily redeeming investors that do not consent to the changes. The Investment Committee's most effective "no" vote is often to redeem from the portfolio fund before the new proposals go into effect.

For information on proxy votes, please contact our office.

### **Item 18 – Financial Information**

Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. 1207 Capital Group, LLC has no financial commitment that we believe impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.