

Form ADV Part 2 Brochure

Continental Advisors LLC

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This brochure provides information about the qualifications and business practices of Continental Advisors LLC (“Adviser”). If you have any questions about the contents of this Brochure, please contact us at (312) 377-3777. 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.

Continental Advisors LLC is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Continental Advisors LLC also is available on the SEC’s website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Continental Advisors LLC is 109788.

Item 2 – Material Changes

This Brochure, dated March 30, 2012, contains no material changes from the previous version, dated March 31, 2011.

In the past we have offered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you are offered a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may be requested by contacting Paul Purcell, Chief Compliance Officer, at (312) 377-3777 or compliance@contadv.com.

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Item 4 – Advisory Business

Continental Advisors LLC (the “Adviser”, “we”, “us” or “our”) was established in 1999. The Adviser provides investment management services to the following collective investment vehicles (the “Funds”), each of which is offered to qualified investors exclusively on a “private placement” basis:

- Continental Partners, L.P.
 - Continental Partners, L.P. is an Illinois limited partnership that seeks to preserve and grow capital by investing primarily in equity and equity-like instruments. It can be characterized as a financial services sector fund in that it invests primarily in instruments issued by companies involved in the various aspects of the financial services industry. The inception date of the fund was November 1999. As of March 1, 2012, the assets under management in the fund were \$96,000,000.
- Continental Healthcare Fund (QP), L.P.
 - Continental Healthcare Fund (QP), L.P. is an Illinois limited partnership that seeks to preserve and grow capital by investing primarily in equity and equity-like instruments. It can be characterized as a healthcare sector fund in that it invests primarily in instruments issued by companies involved in the various aspects of the healthcare industry. The inception date of the fund was January 2003. As of March 1, 2012, the assets under management in the fund were \$60,000,000.
- Continental Opportunities Fund, L.P.
 - Continental Opportunities Fund, L.P. is an Illinois limited partnership that is organized for the purpose of preserving and growing capital by utilizing a fundamental investment strategy. It can be characterized as a generalist fund that invests in various types of securities. The inception date of the fund was November 2008. As of March 1, 2012, the assets under management in the fund were \$23,000,000.

The Adviser is the General Partner of all of the above investment vehicles. Its principal owners are:

- David P. Purcell, Managing Member
- David G. O’Neill, Principal
- Paul M. Purcell, Principal, Chief Compliance Officer

Currently, the Adviser provides investment management services to the Funds, and for a managed account, but reserves the right to provide investment advisory or management services to clients other than the Funds, including other private collective investment vehicles, individuals, banks, thrift institutions, registered investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other entities of whatever type. The Adviser may adopt restrictions on the types of investments that the Adviser may make on behalf of a particular Fund, which are set forth in the Confidential Private Placement Memorandum relating to the relevant Fund. In the absence of such restrictions in such Confidential Private Placement Memorandum, the Adviser is free to invest the Funds’ assets in any type of securities, instruments or other assets. The investment advice we provide to the

Funds is dependent on the investment objectives of the respective Fund as set forth in the Fund's governing documents. Such investment advice is not based upon the individual needs of the investors in the Funds.

Item 5 – Fees and Compensation

The above three Funds pay the Adviser at the end of each calendar quarter a management fee equal to 0.25% of its average monthly net asset value during such quarter, which are charged to the investors' capital accounts in the respective Funds. The Funds also pay their ongoing operating and transactional expenses. Operating expenses include, but are not limited to, accounting, audit, tax and legal fees, regulatory and government filing fees, and software and other technology related expenses. Transactional expenses include, but are not limited to, brokerage commissions, interest expense and any other expenses related to the Funds' investment activities. See Item 12 for a discussion of the Adviser's brokerage practices. Clients in the Funds incur these fees through their investment in the Fund(s). The Funds also pay the Adviser a performance based fee as described in Item 6.

The specific manner in which fees are charged by the Adviser is established in a client's written agreement with the Adviser. The Adviser may waive all or part of any of these fees in respect to any investor's capital account by rebate or otherwise and all Fees are subject to negotiation.

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

The Funds allocate 20% of any “Net New Profits” in each Limited Partner’s capital account to the Adviser as of the end of each calendar year. Net New Profits are any amount by which an investor’s capital account at year-end exceeds its “High Water Mark.” This is generally the value of the account immediately after the assessment of the most recent incentive allocation (deducting the amount of any withdrawals or distributions since such assessment) or, if the account has never been assessed an incentive allocation, the value of the account when it was established (deducting the amount of any withdrawals or distributions since it was established). All fees are deducted from the assets of the Funds. The Adviser may waive all or part of any of these fees in respect to any investor’s capital account by rebate or otherwise and all fees are subject to negotiation.

Item 7 – Types of Clients

The Adviser currently provides investment management services to the Funds, and for a managed account. Each Fund is available for investment by investors, whether individual or institutional, that meet such Fund’s investment criteria, which are as follows:

- Continental Partners, L.P. – available only to “accredited investors” and “qualified clients”
- Continental Healthcare Fund (QP), L.P. – available only to “accredited investors” and “qualified clients”
- Continental Opportunities Fund, L.P. – available only to “accredited investors” and “qualified clients”

An “accredited investor” is generally: 1) an individual with either a net worth, individually or jointly with a spouse, in excess of \$1,000,000, excluding the value of such person’s primary residence, or an annual income in the two most recent calendar years and a reasonable expectation in the current year in excess of \$200,000, individually or \$300,000 jointly with a spouse; or 2) an entity with total assets in excess of \$5,000,000.

A “qualified client” is generally an individual or entity with a net worth in excess of \$2,000,000, excluding the value of the individual’s primary residence, or that invests at least \$1,000,000 with the Adviser.

The minimum initial investment in the Funds, which may be waived by the General Partner, is \$500,000. The subscription agreements for the Funds contain more complete definitions of these terms.

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

The Adviser seeks to preserve and grow capital by combining attractive attributes of traditional hedged equity portfolios with modern risk management tools and practices. The Adviser has developed and adheres to a consistent research and investment process across all Funds.

The Adviser begins its analysis by developing knowledge of target industries, sectors, sub-sectors and themes. Core research focuses on financial services, healthcare and technology; thematic and catalyst driven research is also done for the Continental Opportunities Fund. Macro investment themes are identified, developed and refined. A large internal database tracks companies of interest, the companies are then prioritized for follow up and research. Extensive fundamental research is done and proprietary operating models are developed and continually refined for target companies. This proprietary information is then incorporated with outside perspectives, gained through frequent meetings with research analysts, company management and an established network of industry contacts. The companies that appear to offer the greatest ability to fulfill the Adviser's priority of preserving and growing capital are then chosen for the portfolios.

An investment in any of the Funds involves risk; an investment may be lost in whole or in part. Prospective investors are expected to be aware of the substantial risks of investing, and any person considering an investment in the Funds should have the financial sophistication and expertise to evaluate the risks and merits of doing so. Among the risks investors should be aware of are: general investment risks, market risks, strategy risks, investment instrument risks, structural risks and tax risks. General risks include, but are not limited to, risk of loss of most or all of an investment in the Fund(s); market volatility; portfolio illiquidity; trading suspensions by regulatory authorities; financial difficulties of the Funds' banks and/or brokerage firms; competition; and general market conditions. Market risks include, but are not limited to, general market risk, such as directional price movements, changes in regulatory environment and changes in market volatility; illiquidity; and market disruptions. Strategic risks include, but are not limited to, lack of material restrictions on investment instruments; directional trading; securities lending; short sales; hedging; use of leverage; concentrated Fund strategies; and implementation of new investment strategies. Investment instrument risks include, but are not limited to, equities; options trading; foreign investments derivatives; and illiquid investments. Structural risks include, but are not limited to, the ability of the General Partner to manage the Funds' investments; handling of confidential information; risk of litigation; and potential increases in government or market regulations. Any of these risks can result in a material and adverse impact on the Funds, and partial or total loss of an investment in the Funds.

This list does not contain all of risks involved in investing, and the Funds' Private Placement Memoranda should be thoroughly reviewed before a decision to invest is made.

The Adviser actively partakes in risk management, as it reflects its core investment management principal and objective, "to preserve and grow capital." The investment team is constantly involved in risk management and utilizes several tools to optimize, monitor, evaluate and adjust

the level of risk in the portfolios. Risk is optimized through fundamental analysis, security selection, position capital at risk and portfolio diversification. Net and gross exposures are consistently monitored, as well as portfolio shocks and execution and trading. Risk is evaluated by tracking liquidity, leverage and borrowing and through monthly, quarterly and annual performance attributions. Based on these combined results, adjustments are made as well as adjustments in response to on-going market news and events.

Item 9 – Disciplinary Information

The Adviser does not believe that there have been any legal or disciplinary events that are material to the Adviser, nor to the integrity of the Adviser's management personnel.

Item 10 – Other Financial Industry Activities and Affiliations

Not Applicable

Item 11 – Code of Ethics

To avoid any potential conflicts of interest involving trading, the Adviser has adopted a Code of Ethics (the “Code”), which includes a formal code of ethics and insider trading policies and procedures. The Adviser’s Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession and other participants in the global capital markets;
- Place the integrity of the investment profession, the interest of clients, and the interests of the Adviser above their own personal interests;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Conduct all personal securities transactions in a manner consistent with the policy; and
- Comply with applicable provisions of the federal securities laws.

The Adviser’s Code also requires employees to: 1) pre-clear personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Adviser with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest. Additionally, the Code prohibits employees from engaging in a securities transaction that is also subject to transaction in the Funds, or is being considered for transaction in the Funds.

A copy of the Adviser’s Code is available to any client or prospective client upon request.

Item 12 – Brokerage Practices

The Adviser has full discretion in selecting brokers and dealers to execute transactions for the Funds, and in determining the commissions to be paid to such brokers and dealers. The Adviser will generally select brokers and dealers based on a variety of factors including, but not limited to, the competitiveness of commissions, the ability to promptly and reliably execute the Funds' transactions at favorable prices, operational efficiency and financial strength, integrity and stability. The Adviser has established a "Best Execution Policy" in conjunction with its Compliance and Procedures Manual in order to ensure that it minimizes overall transaction costs while retaining access to crucial services and maximizing the value of the Funds' portfolios.

The Adviser has an agreement with the prime broker used by its Funds for the majority of its trading activity to pay select brokers and research vendors through soft-dollar benefits generated from the prime broker's electronic trading platform. The commissions are intended for services which are advisory and/or trading related. The Adviser will accept these soft-dollar products and services only when it believes they are within the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934. These soft-dollar arrangements are overseen by the Chief Compliance Officer and are reviewed and approved by the Adviser's Managing Member. All employees of the Adviser must obtain the approval of the Chief Compliance Officer before accepting anything of benefit or value from the Funds' broker. In addition, all employees must annually review, and sign a compliance statement assuring their understanding of the soft-dollar arrangements and policies to ensure that they do not inadvertently accept benefits that may qualify as soft dollars.

When the Adviser seeks to purchase or sell the same security at (or around) the same time in multiple Funds, the transaction is done in aggregate.

Item 13 – Review of Accounts

Portfolio reviews are conducted by David P. Purcell, David G. O'Neill and Paul M. Purcell, the Adviser's Managing Member, Principal and Principal/Chief Compliance Officer, respectively. The portfolios are monitored by these same individuals throughout the day when the market is open through a licensed risk system.

The Chief Financial Officer reviews the accounts daily to ensure that the balances and transactions from the previous day have been accurately reflected.

Performance attribution is reviewed on a monthly, quarterly and annual basis by all trading, analytical and portfolio management staff.

In general, written quantitative reports are compiled and available for review for investors in the Funds on a monthly basis. These reports are supplemented by periodic reports that generally include a qualitative discussion of the major factors impacting the performance of the Funds during the most recent quarter. The monthly reports and balances will generally reflect the aggregate equity in each investor's investment in the relevant Fund as well as estimations and accruals for applicable management fees, incentive fees/allocations and operating expenses. In addition, audited financial statements and tax reporting information are provided to investors generally within 90 days following the close of the fiscal year.

Item 14 – Client Referrals and Other Compensation

Although the Adviser does not compensate any person for client referrals, the Adviser has entered into arrangements with two parties where it compensates the party for referrals of investors into the Funds. These parties receive a portion of the fees associated with the investment amount referred to the Adviser. There is no additional fee paid by the investor as a result of this arrangement. The prime broker may also introduce potential investors to the Adviser. The prime broker does not receive compensation for any such investor introductions.

Item 15 – Custody

The Adviser is deemed to be maintaining custody of the Funds' cash, bank accounts and securities to the extent that it acts as both investment adviser and general partner or managing member of the Funds. The Adviser maintains accounts with qualified custodians who generate account reports and statements for the Funds. These reports are monitored daily, monthly, quarterly and annually to ensure accuracy and consistency with the reports generated by the Adviser. In addition, the Funds are audited annually and the audited financial statements are then distributed to all of the Funds' investors.

Item 16 – Investment Discretion

The Adviser has full discretionary authority over the trading and investing activities of the Funds, subject only to any restrictions (if any) presented in the relevant Confidential Private Placement memorandum relating to the relevant fund.

Item 17 – Voting Client Securities

The Adviser has determined that it is in the best interests of the Funds to vote proxies in a manner that furthers the economic interests of its clients with the objective of maximizing the ultimate economic value of the investment. The Adviser has adopted Proxy Voting Policies and Procedures (“Policies and Procedures”) requiring that the firm vote proxies on behalf of all of its discretionary clients in a prudent manner considering the prevailing circumstances. The Policies and Procedures that have been adopted by the Adviser address specific proxy voting guidelines, material conflicts of interest, if any, record keeping and disclosure requirements.

The Adviser will generally vote proxies in accordance with the following guidelines: (i) when the Adviser’s view of the issuers management is favorable and on most routine matters, they will support current management initiatives with the exceptions as noted below and (ii) for non-recurring extraordinary matters, the Adviser will vote on a case-by-case basis in the manner that it believes will be consistent with efforts to maximize shareholder values.

- Where there is a clear conflict between management and shareholder interest, the Adviser may elect to vote against management.
- In general, the Adviser opposes proposals, which in its view, act to entrench management.
- In some instances, even though the Adviser may support management, there are some corporate governance issues that, in spite of management objections, the Adviser believes should be subject to shareholder approval.

The Adviser provides upon request a copy of their Policies and Procedures and the relevant proxy voting record.

Item 18 – Financial Information

The Adviser does not require or solicit any prepayment in fees. The Adviser is under no financial condition that is reasonably likely to impair its contractual commitment to its clients, and has not been the subject of a bankruptcy proceeding.