

# T2 PARTNERS MANAGEMENT, LP

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This Brochure provides information about the qualifications and business practices of T2 Partners Management, LP. If you have any questions about the contents of this Brochure, please contact us at (212) 386-7160. 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.

T2 Partners Management, LP 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 Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about T2 Partners Management, LP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure, dated 12/17/2012, includes the following updates from our annual amendment dated 3/30/2012.

The following item has been updated:

Cover Page and Part B Supplement: Change in Address.

Item 4: Update in Advisory Firm description.

Item 8: Objective of Deerhaven Fund (formerly T2 SPAC, LP).

Item 17: Update language to include agreement with Broadridge and use of Proxy Edge.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may provide other ongoing disclosure information about material changes, as necessary.

We will further provide you with a new Brochure, as needed, based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Kelli Alires at 212-386-7160 or [kalires@t2partnersllc.com](mailto:kalires@t2partnersllc.com). Our Brochure is also available on our web site [www.t2partnersllc.com](http://www.t2partnersllc.com), at no charge.

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## **Item 4 – Advisory Business**

### **Advisory Services**

#### **4.A. Advisory Firm Description**

T2 Partners Management, LP (“T2”) was formed in 2004 by Whitney Tilson and Glenn Tongue. T2 serves as a discretionary investment adviser to private investment funds and investment companies. Whitney Tilson is responsible for the portfolio management of the T2 Accredited Fund, T2 Qualified Fund and the Tilson Offshore Fund. Glenn Tongue is responsible for the portfolio management of the Deerhaven Fund (formerly T2 SPAC Fund) and the Tilson Focus Fund.

Principal Owners: Whitney Tilson and Glenn Tongue

#### **4.B. Types of Advisory Services**

T2 serves as a discretionary investment adviser to private investment funds and also to investment companies registered under the Investment Company Act of 1940 (the “1940 Act”).

T2 or an affiliate will generally serve as general partner or managing member to each domestic Private Fund. Services provided to Private Funds by T2 and/or an affiliate of T2 also may include organizing and managing their business affairs; acting as general partner; executing and reconciling trades; coordinating the preparation of financial statements, audit, and tax-related schedules; and drafting, printing and distributing correspondence to Investors.

T2 manages two mutual funds: The Tilson Focus Fund (“Focus Fund”) and The Tilson Dividend Fund (“Dividend Fund”). T2 utilizes Centaur Capital Partners (“Centaur”) as sub-advisor to the Dividend Fund. Centaur, with oversight from the Advisor, makes day-to-day investment decisions and selects broker-dealers for executing portfolio transactions, subject to the brokerage policies established by the Trustees.

#### **4.C. Client Investment Objectives/Restrictions**

Investments for the private funds are managed in accordance with each private fund’s offering documents and are not tailored to the individualized needs of any particular investor in any of the private funds. Investments for mutual funds are managed in accordance with each mutual fund’s investment objective, strategies and restrictions and are not tailored to the individualized needs of any particular investor in the mutual funds.

T2 is authorized to enter into any type of investment transaction that it deems appropriate for the Private Funds and Mutual Funds, pursuant to the Private Funds' offering documents and to the Mutual Funds' prospectus. No restrictions are imposed by clients other than what is stated in the Mutual Funds' prospectus or the Private Funds' offering documents.

#### **4.D. Wrap-Fee Programs**

T2 does not participate in, nor is it a sponsor of, any wrap fee programs.

#### **4.E. Assets Under Management as of 2/29/2012:**

Discretionary basis: \$333,396,061; 6 accounts

Non-Discretionary basis: \$0

### **Item 5 – Fees and Compensation**

#### **5.A. Adviser Compensation**

T2's fees are described generally below and detailed in each client's advisory agreement, prospectus or offering documents. Management Fees may be waived or reduced with respect to certain investors in the Private Funds.

#### **Fee Schedule**

**The Private Funds:** Private Funds refers to one or more of the four value-driven private investment funds (T2 Accredited, T2 Qualified, Tilson Offshore and Deerhaven Fund (formerly T2 SPAC)). In consideration for the provision of investment management services, T2 generally receives a management or advisory fee equal to 1.5% annually. T2, in its discretion, may waive or reduce the management Fee with respect to certain investors.

An affiliate of T2 shall receive an annual incentive allocation (the "Incentive Allocation") at the close of each year equal to twenty percent (20%) of the portion of the Private Fund's annual net income (including realized and unrealized gains and net of the management Fee) attributable to each investor as of the close of such fiscal year in excess of the total Management Fees charged to such investor for such year. The Incentive Allocation shall be subject to a high water mark or loss carry forward provision. Investors in the Private Funds who reside in the United States and whose assets in the Private Funds are subject to performance fees are required to meet the definition of a "qualified client."

**The Mutual Funds:** T2 is entitled to receive fees from each Mutual Fund pursuant to its management agreement with the Trust. With respect to the Focus Fund, T2 receives a monthly variable performance incentive fee comprised of an annual rate fee of 1.50% of average daily net assets (fulcrum fee), which is subject to a monthly performance incentive adjustment (this can result in positive or negative performance adjustments of 45 bps). With respect to the Dividend Fund, T2 will receive a monthly management fee equal to an annual rate of 1.50% of the Dividend Fund's net assets. In addition, T2 and the Mutual Funds have entered into an Expense Limitation Agreement under which T2 has agreed to reduce the amount of the investment advisory fees to be paid to T2 by the Mutual Funds for certain months and to assume other expenses of the Mutual Funds, if necessary, in an amount that limits annual operating expenses (exclusive of interest, taxes, brokerage fees and commissions, investment advisory and/or variable performance incentive fees paid to T2, extraordinary expenses and payments, if any, under the Rule 12b-1 Plan) to not more than 0.45% of the average daily net assets of each of the Mutual Funds for the fiscal year ending, October 31.

T2 pays the sub-advisor, Centaur, compensation for its sub-advisory services to the Dividend Fund. Centaur receives from T2 quarterly compensation based on the Dividend Fund's average daily net assets at the rate of 0.75% less certain of T2's marketing and operating expenses. Centaur has also agreed to allow T2 to withhold from that compensation up to one-half of T2's expenses under the Expense Limitation Agreement as it relates to the Dividend Fund. The Dividend Fund does not pay a direct fee to Centaur. The management fee for the Dividend Fund is 1.50% per annum. The Fund charges no loads or other marketing expenses. The Fund does have an early redemption penalty of 2% of the account value for redemptions within the first year, which is paid to the Fund and not to T2 or Centaur. The Adviser caps all other Dividend Fund expenses at 0.45% per annum, with any excess fees above the stated threshold paid by T2 Partners and CCP on a pro-rata basis as provided for in the sub-advisory agreement.

### **Other Advisory Fee Arrangements**

T2 reserves the right, in its sole discretion, to negotiate and to charge different advisory fees for certain accounts based on the client's particular needs as well as overall financial condition, goals, risk tolerance, and other factors unique to the client's particular circumstances.

## **5.B. Direct Billing of Advisory Fees**

Management fees are debited from each client custodial account on a quarterly basis for private funds and on a monthly basis for mutual funds.

## **5.C. Other Non-Advisory Fees**

T2's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to T2's fee, and T2 shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that T2 considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

## **5.D. Advance Payment of Fees**

As a general matter, estimated advisory fees for the Private Funds are payable quarterly in advance and equal to 0.375% (approximately 1.5% annually) of the net asset value of the fund. At the end of the quarter, the actual advisory fee due for the quarter is calculated based on each of the month end net asset values for that quarter, adjusted for investor contributions and withdrawals. The estimated fee for the subsequent quarter is adjusted for the over or underpayment from the prior quarter.

## **5.E. No Compensation of Sale of Securities or Other Investment Products**

T2's supervised persons do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

T2 is entitled to receive fees from each Mutual Fund pursuant to its management agreement with the Tilson Investment Trust (“Trust”). With respect to the Tilson Focus Fund, T2 receives a monthly variable performance incentive fee comprised of an annual rate fee of 1.50% of average daily net assets (fulcrum fee), which is subject to a monthly performance incentive adjustment (performance adjustment).

Performance-based fee arrangements may create an incentive for T2 to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. T2 has procedures, such as blocking trades and allocating at average price, which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

T2 manages both types of accounts within their respective strategies, given account restrictions and/or constraints. We perform periodic reviews of the performance fee accounts to assure consistency with the separate account fees.

## **Item 7 – Types of Clients**

T2 serves as a discretionary investment adviser to private investment funds and registered investment companies, also known as mutual funds.

### ***Registered Investment Companies***

The minimum initial investment is \$1,500 (\$1,000 under an automatic investment plan) and the minimum subsequent investment is \$100 (\$50 under an automatic investment plan). Each of the Funds may, in the Advisor’s or Sub-Advisor’s (in the case of the Dividend Fund) sole discretion, accept certain accounts with less than the minimum investment.

### ***Private Funds***

Each Private Fund managed by T2 will be organized as a limited partnership or limited liability company under the laws of the State of Delaware or another appropriate jurisdiction or as an offshore entity. T2 expects each Private Fund to qualify for exemption from the definition of “investment company” under the Investment Company Act of 1940 (“1940 Act”) under either Section 3(c)(1) or Section 3(c)(7) and to offer interests to Investors pursuant to Regulation D under the Securities Act of 1933, as amended (“1933 Act”) and/or Regulation S under the 1933 Act. As a result, this disclosure brochure



("Brochure") may discuss information relevant to such Investors, as necessary or appropriate. The minimum investment amounts for the private funds range from \$100,000 to \$1,000,000. **Nonetheless, this Brochure is designed solely to provide information about T2 and should not be considered to be an offer of interests in any Private Fund advised by T2.**

Private Fund Investors are expected to include high net worth individuals and institutional investors (meeting the qualifications of those exceptions and exemptions under which the Private Fund operates) or non-U.S. Persons within the meaning of Regulation S, wishing to invest in accordance with the Private Fund's investment objective. Investors may be required to meet the requirements for "accredited investors" under the 1933 Act and "qualified clients" under the Advisers Act and in some cases will also be required to be "qualified purchasers" under the 1940 Act and/or "qualified eligible persons" under regulations of the Commodity Futures Trading Commission. Specific procedures and restrictions apply to withdrawals from, and terminations of, an Investor's position in a Private Fund, as described in each Private Fund's PPM. Minimum redemption amounts and minimum capital account size may apply in the event of a partial withdrawal. An Investor also may be required to redeem all or part of its interest in a Private Fund upon provision of reasonable notice, or without such notice if necessary to ensure that the Private Fund remains in compliance with applicable law. Private Funds may impose additional eligibility restrictions on potential Investors.

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

### **8.A. Methods of Analysis and Investment Strategies**

The Private Funds' and Mutual Funds' investment objectives are to achieve long-term after-tax capital appreciation commensurate with moderate risk, primarily by investing with a long-term perspective in a concentrated portfolio of U.S. stocks.

In carrying out the Private Funds' and Mutual Funds' investment objectives, T2 Partners seeks to buy stocks at what they believe is a steep discount to intrinsic value such that risk of capital loss mitigated and there could be upside potential. Although the strategy and asset allocation utilized by the Private Funds' and Mutual Funds' are primarily centered on domestic publicly traded equities, the Adviser intends to follow a flexible approach in order to place the Private Funds and the Mutual Funds in the best position to capitalize on opportunities in the financial markets. T2 may take advantage of opportunities in other asset classes if it meets the Adviser's standard of investment merit.

The following is a brief description of each Private Fund and Mutual Fund:

**T2 ACCREDITED FUND, LP:** The objective is to buy and hold a concentrated portfolio of securities for an extended period of time in order to achieve long-term capital appreciation while minimizing risk. Currently, the fund accepts investments from “accredited investors,” as defined in Rule 501 of Regulation D under the Securities Act of 1933, and “qualified clients,” as defined in Rule 205-3 under the Investment Advisers Act of 1940.

**T2 QUALIFIED FUND, LP:** The primary objective is to achieve long-term after-tax capital appreciation commensurate with moderate risk, primarily by investing with a long-term perspective in a concentrated portfolio of U.S. stocks. Currently, the fund only accepts investments from those meeting certain minimum suitability requirements, including qualifying as a “qualified purchaser,” as defined in Section 2(a)(51)(A) of the 1940 Act, an accredited investor, and a qualified client.

**TILSON OFFSHORE FUND, LTD:** The fund is an exempted company incorporated under the laws of the Cayman Islands. The fund’s investment objective is to achieve long-term capital appreciation commensurate with moderate risk primarily by investing with a long-term perspective in a concentrated portfolio of U.S. stocks. It also offers shares to persons and entities outside of the United States that are not U.S. Persons and to a limited number of Permitted U.S. Persons who are also accredited investors and qualified clients.

**DEERHAVEN FUND, LP (formerly T2 SPAC FUND, LP):** The objective is to achieve long-term after-tax capital appreciation commensurate with moderate risk, primarily by investing with a long-term perspective in a concentrated portfolio of U.S. stocks. Currently, the fund accepts investments from “accredited investors”, as defined in Rule 501 of Regulation D under the Securities Act of 1933, and “qualified clients”, as defined in Rule 205-3 under the Investment Advisers Act of 1940.

**TILSON FOCUS FUND:** The fund is an open-ended mutual fund that follows a long-term, value-based investment strategy, seeking to identify stocks that are trading at a substantial discount to their intrinsic value while attempting to maximize capital appreciation.

**TILSON DIVIDEND FUND:** The fund is an open-ended mutual fund that follows a long-term, value-based investment strategy, seeking to identify stocks that are trading at a substantial discount to their intrinsic value. While both the Focus Fund and Dividend Fund seek to maximize capital appreciation, the Dividend Fund also seeks to generate current income from dividends and selling covered calls.

## 8.B. Material Risks of Investment Strategies

There can be no guarantee of success of the strategies offered by T2. Investment portfolios may be adversely affected by general economic and market conditions such as interest rates, currency fluctuations, availability of credit, inflation rates, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of security pricing and the liquidity of an investment. These Private Fund strategies may involve short selling and do not employ limitations on any particular sectors, industries, countries, regions or securities. Trading in the portfolios may affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Generally, investment portfolios may be adversely affected by general economic and market conditions such as interest rates, currency fluctuations, availability of credit, inflation rates, changes in laws, and national and international political circumstances. Also, regardless of any one company's particular prospects, a declining stock market may produce a decline in prices for all equity securities, which could also result in losses. The typical risks of the investment strategies offered by T2 include, but are not limited to:

Management Style Risk. The performance of portfolio may be better or worse than the performance of stock funds that focus on other types of stocks or have a broader investment style.

Sector Focus Risk. The portfolios may be heavily invested in certain sectors, which may cause the value of its shares to be especially sensitive to factors and economic risks that specifically affect those sectors and may cause the value of the portfolio to fluctuate more widely than a comparative benchmark.

Non-diversified Fund Risk. Because the portfolio may invest a greater portion of its assets in securities of a single issuer or a limited number of issuers than a portfolio with diversification limitations, it may be more susceptible to a single adverse economic or political occurrence affecting one or more of these issuers.

Portfolio Turnover. There also could be risk related to portfolio turnover. High rates of portfolio turnover could lower performance of the portfolio through increased brokerage and other transaction costs and taxes.

Short Sales. The Funds may sell securities short. Short selling involves the sale of the security that the Fund does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. Securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed.

Options and Other Derivative Instruments. The prices of many derivative instruments are highly volatile. The value of options and swap agreements depend

primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Also at risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties.

These factors may affect the level and volatility of security pricing and the liquidity of an investment.

### **8.C. Material Risks of Securities Used in Investment Strategies**

The strategies may include investments in exchange-listed domestic and foreign securities, securities traded over-the-counter, warrants, corporate debt, commercial paper, mutual fund shares and option contracts on securities. The Private Fund strategies may engage in short-selling as part of its investment strategy.

Equity Investments. Regardless of any one company's particular prospects, a declining stock market may produce a decline in prices for all equity securities, which could also result in losses. Other investment strategy risk factors include:

Market Risk. The prices of and the income generated securities may decline in response to, among other things, investor sentiment, general economic and market conditions, regional or global instability, and currency and interest rate fluctuations.

Credit Risk. Credit risk is the risk that the issuer or guarantor of a debt security or counterparty to the portfolio's transactions will be unable or unwilling to make timely principal and/or interest payments, or otherwise will be unable or unwilling to honor its financial obligations. If the issuer, guarantor, or counterparty fails to pay interest, the portfolio's income may be reduced. If the issuer, guarantor, or counterparty fails to repay principal, the value of that security and value of portfolio may be reduced.

Valuation Risks for Non-Exchange Traded Options. The purchase of non-exchange traded put and call options may result in reduced liquidity and possibly value for the portfolio's investments.

Risks related to Other Equity Securities. In addition to common stocks, the equity securities in a portfolio may include preferred stocks, convertible preferred stocks, convertible bonds, and warrants. Like common stocks, the value of these equity securities may fluctuate in response to many factors, including the activities of the issuer, general market and economic conditions, interest rates, and specific industry changes. Convertible securities entitle the holder to receive interest payments or a dividend preference until the security matures, is redeemed, or the conversion feature is exercised. As a result of the conversion feature, the interest rate or dividend preference is generally less than if the securities were non-convertible. Warrants entitle the holder to purchase equity securities at specific prices for a certain period of time. The prices do not necessarily move parallel to the prices of

the underlying securities and the warrants have no voting rights, receive no dividends, and have no rights with respect to the assets of the issuer.

Before purchasing an interest in the Private Funds managed by T2, investors should carefully consider various risk factors and conflicts of interest, as well as suitability requirements, restrictions on transfer and withdrawal of Interests and various legal, tax and other considerations, all of which are discussed each Private Fund's Confidential Private Placement Memorandum.

Investment in these types of securities involves risk and the loss of capital. These strategies may not be suitable for all investors. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not indicative of future results.

### **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 T2 or the integrity of T2's management. T2 has no information applicable to this Item.

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

#### **10.A. No Registered Representatives**

T2's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

#### **10.B. No Other Registrations**

T2's management persons are not registered, nor do any management persons have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

#### **10.C. Material Relationships or Arrangements**

An affiliate, T2 Partners Management I, LLC, a Delaware limited liability company, is the General Partner, and is responsible for the management of the Private Funds. T2 serves as the investment manager to four private investment funds and has discretionary authority to invest the Private Funds' assets. The same principals also control the General Partner and T2.

T2 may have a conflict of interest related to performance fees charged to investors in the Private Fund. Please refer to Item 6 of this document which provides details on the conflict and how T2 addresses the conflict.

T2 serves as the investment manager to the Tilson Investment Trust, an open-end investment company registered with SEC, which is controlled by the same principals.

Accordingly, T2 may have a conflict of interest to the extent that it recommends for investments or invests in one of the Mutual Funds (rather than in unaffiliated mutual funds or other securities) because T2 receives investment advisory fees from the Mutual Funds but not from unaffiliated mutual funds or other investments. Generally, T2 makes the Mutual Funds available to investors who wish to participate in T2's strategies, but are not able to meet the suitability requirements to invest in the Private Funds.

#### **10.D. Recommendations of Other Investment Advisers**

T2 currently utilizes Centaur as sub-advisor to the Dividend Fund. Centaur makes day-to-day investment decisions for the Dividend Fund and selects broker-dealers for executing portfolio transactions, subject to the brokerage policies established by the Trustees.

### **Item 11 – Code of Ethics**

#### **11.A. Code of Ethics Document**

T2 has adopted a Code of Ethics pursuant to SEC rule 204A-1. A basic tenet of T2's Code of Ethics is that the interests of clients are always placed first. The Code of Ethics includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. T2 will provide a copy of its Code of Ethics to any client or prospective client upon request by calling (212) 386-7160 or emailing [kalires@t2partnersllc.com](mailto:kalires@t2partnersllc.com).

#### **11.B. Recommendations of Securities and Material Financial Interests**

As a matter of policy, T2 does not engage in principal transactions, cross trading or agency cross transactions. Any exceptions to this policy must be approved in advance by the Chief Compliance Officer or his designee. An affiliate of T2 serves as General Partner to Private Funds managed by Adviser.

In addition to acting as the investment manager to the Private Funds, T2 also may serve in the capacity of general partner. T2 may also have a conflict of interest related to performance fees charged to investors in the Private Funds. Please refer to Item 6 of this document which provides details on the conflict and how T2 addresses the conflict.

In the event, T2 determines that a cross transaction would be in the best interest of its clients, T2 will do so in compliance with applicable regulations.

Investments by clients of T2, in securities of issuers for which a principal of T2 serves as a director, may be subject to certain restrictions on purchase or sale, including restricted list or “black-out” periods imposed by federal or state securities laws or by the policies of such issuers or T2. In general, such securities will not be purchased or sold for client accounts unless and until principal (other than the principal serving as a director) determines that no material, nonpublic information is in the possession of the principal serving as a director. As a result, such securities may, from time to time, be considered illiquid.

T2 may, from time to time, cause the Private Funds and/or the Mutual Funds to invest in a security in which T2 or a related person has an ownership position. T2 or its related person may also purchase a security of the same class of securities held in the Private Funds. Additionally, because the T2’s clients are the Mutual Funds and the Private Funds of which the T2 or an affiliate is the general partner, investment manager and/or significant owner, the T2 may be considered to participate indirectly in the transactions effected for the Mutual Funds and/or the Private Funds.

Employees of T2 may have access to information regarding publicly-traded companies as a result of their involvement with Value Investor Media and the Value Investing Congress (VIC). In order to avoid the perception of potential conflicts of interest, T2 will maintain restricted lists which will identify companies that neither T2 nor its employees will be allowed to trade, and the time period for which the restrictions will stay in place.

### **11.C. Personal Trading**

T2 has adopted a Code of Ethics intended, among other things, to ensure that personal investing activities by T2’s employees are consistent with T2’s fiduciary duty to its clients. The Code of Ethics includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. For purposes of its Code of Ethics, T2 has determined that all employees are Access Persons.

All access persons are required to notify T2’s Chief Compliance Officer (“CCO”) or his designee in order to pre-clear personal securities transactions in equity securities, private placements and IPOs All pre-clearance requests must be submitted to the CCO.

Access persons must provide quarterly reports of their personal transactions within 30 days of the end of each calendar quarter, which may consist of monthly brokerage statements for all accounts in which they have a beneficial interest, to the CCO. Alternately, access persons may direct their brokers to send copies of all brokerage confirmations relating to all personal securities transactions in which they have a beneficial ownership interest. Access persons must also submit, to T2’s CCO, statements of their personal holdings in reportable securities as well as information about any brokerage accounts in

which securities may be held within 10 days after becoming subject to the Code of Ethics and on an annual basis thereafter.

The Code also requires that all covered persons comply with ethical restraints relating to clients and their accounts, including restrictions on gifts and provisions intended to prevent violations of laws prohibiting insider trading.

In all cases, if the possibility of a conflict of interest occurs, the Mutual Funds' and the Private Funds' interest will prevail. It is the policy of the T2 that equal or higher priority will always be given to the Mutual Funds' and the Private Funds' orders over the orders of an employee of the T2.

T2 and its respective officers and employees may act and continue to act as investment advisors and managers for others, and may choose to act as investors on their own behalf, notwithstanding that T2 has direct or indirect material interests or relationships which may involve conflicts or potential conflicts with T2's duty to clients. T2 is required to treat its clients fairly in relation to such conflicts of interest or material interests. T2 has adequate policies and procedures to protect its client interests and disclosing to clients the possibility of such conflicts. Such policies and procedures include, but are not limited to, T2's Code of Ethics, personal trading policies, trade aggregation and allocation policies, policies governing outside business activities and gifts and entertainment.

If requested, T2 will provide, at no cost, a copy of the Code of Ethics.

#### **11.D. Timing of Personal Trading**

Since T2 access persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that T2 or a related person recommends to clients, no access person shall buy or sell a Reportable Security within (1) day before or after any trades in the security are made for Client accounts. The price paid or received by a Client account for any security should not be affected by a buying or selling interest on the part of an Access Person, or otherwise result in an inappropriate advantage to the Access Person.

### **Item 12 – Brokerage Practices**

#### **12.A. Selection of Broker/Dealers**

T2's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. Securities transactions for all clients are executed through brokers selected by T2 in its sole discretion and without the consent of the clients. In placing portfolio transactions, T2 will seek to obtain the best execution for the clients, taking into account certain factors when applicable. In applying these factors, T2 recognizes that



different broker-dealers may have different execution capabilities with respect to different types of securities. The factors include, but are not limited to:

- overall quality of service; speed of execution;
- ability of the broker/dealer to provide quality service during volatile or unusual market conditions;
- willingness/ability to commit capital by taking positions in order to complete trades;
- ability to handle large trades in securities with limited liquidity;
- reliability in executing trades and keeping records;
- ability to handle high-volume transactions without undue market impact;
- familiarity and knowledge of primary markets;
- ability to engage in after-hours and cross-border trading when required;
- clearance and settlement history;
- ability to accurately prepare confirmations;
- reliability in accounting for and correcting trade errors;
- access to primary markets and quotation sources;
- ability to minimize costs;
- ratio of completed trades to incomplete trades;
- ability to maintain confidentiality/anonymity of client;
- quality of communication between T2 and the broker/dealer;
- ability to handle unique strategies/difficult trades; research capabilities;
- financial standing of broker-dealer; and
- reputation of broker-dealer.

In addition, T2 will consider the competitiveness of commission rates in comparison with other brokers satisfying T2's other selection criteria.

Portfolio securities normally are purchased through brokers on securities' exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the price. T2 will not commit to provide any level of brokerage business to any broker. T2 may utilize the services of one or more introducing brokers who will execute the Private Funds' brokerage transactions through the prime broker and custodian who will clear the Private Funds' transactions.

#### Research and Other Soft Dollar Benefits

T2 does not trade using "soft dollar" commissions or rebates by brokerage firms of commissions generated by the Private Funds or Mutual Fund securities transactions executed through those firms to pay expenses of the General Partner or T2.

### Brokerage for Client Referrals

T2 may utilize the capital introduction services of its prime broker(s). T2 benefits from such programs in that it is introduced to prospective investors. T2 does not directly compensate its prime brokers for participation in the capital introduction program or for the investor referrals. However, the prime broker generally receives compensation from T2 resulting from: custodian of assets managed by T2; securities transactions executed on behalf of T2; and lending funds and/or securities to T2, as part of a margin/short sale program.

### Directed Brokerage

T2 does not accept directed brokerage from its clients. T2 selects brokers on behalf of the Private Funds and Mutual Funds they manage.

## **12.B. Aggregation of Orders**

T2 may, at times, determine that certain securities will be suitable for acquisition by the Private Funds and by other clients managed by T2 possibly including T2's own accounts or accounts of an affiliate. If that occurs, and T2 is not able to acquire the desired aggregate amount of such securities on terms and conditions which T2 deems advisable, T2 will endeavor in good faith to allocate the limited amount of such securities acquired among the various clients for which T2 considers them to be suitable. T2 may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative client size, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various clients involved.

Client accounts that are managed in similar styles often have similar or identical portfolio compositions and weightings. For this reason, T2 may seek to acquire or dispose of the same securities for multiple accounts contemporaneously and may aggregate into a single trade order several individual contemporaneous client trade orders for a single security using an order management systems provided by an unaffiliated service provider which could potentially reduce brokerage commissions as a result volume discounts based on the size of the aggregated order.

T2 may aggregate purchase and sale orders of securities held by the Private Funds with similar orders being made simultaneously for the Mutual Funds, in T2's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Private Funds and the Mutual Funds based on an evaluation that the Private Funds and the Mutual Funds will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the Private Funds will be affected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the

volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at T2's sole discretion, and the Private Funds and the Mutual Funds may be charged or credited, as the case may be, with the average transaction price.

### Trade Errors

It is the policy of T2 that the utmost care is taken in making and implementing investment decisions of behalf of client accounts. However, on those occasions when such an error does occur, T2 will reasonably determine how to correct the error. In general, if the trade error results in losses, such losses will not be reimbursed for the Private Funds.

## **Item 13 – Review of Accounts**

### **13.A. Frequency and Nature of Review**

**The Private Funds:** The Private Funds managed by T2 are reviewed, generally on a daily basis, by the respective portfolio manager.

**The Mutual Funds:** Portfolio reviews for the Mutual Funds are generally performed on a daily basis.. Glenn Tongue is responsible for the Focus Fund and in the case of the Dividend Fund, the sub-adviser, Centaur, is primarily responsible for daily portfolio review. Additionally, the Mutual Funds will be subject to an overall review by the Board of Trustees on a quarterly basis. These reviews are designed to monitor and analyze transactions, holdings, and investment levels. Actual performance is evaluated relative to expectations and targeted levels. The reviews are to assure conformity with client objectives and guidelines. In addition, all clients are reviewed in light of emerging trends and developments as well as market volatility.

### **13.B. Factors That May Trigger an Account Review Outside of Regular Review**

Generally, client accounts are reviewed as needed depending on factors such as cash flows in or out the account, changes in client objectives or restrictions or changing market conditions. T2 reviews the Private Funds and Mutual Funds on a daily basis in light of emerging trends and developments as well as market volatility.

### **13.C. Content and Frequency of Reports**

#### **The Private Funds**

The T2 generally will furnish each investor with the following written reports:

- Quarterly market commentary letters

- Monthly statements that include the unaudited net asset value or capital account balance of the investor's interest in the Private Fund, any investor activity and the monthly year-to-date performance, as applicable, and;
- Annual audited financial statements of the respective Private Funds.
- Additional reports to certain investors upon request.

## **The Mutual Funds**

The T2 provides each mutual fund shareholder with the following:

- Semi-annual report that includes the unaudited schedule of investments, statement of asset and liabilities, statement of operations, and the statement of changes in net assets.
- Annual Report that includes audited financial information such as, schedule of investments, statement of assets and liabilities, statement of operations, and the statement of changes in net assets.

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

T2 may sell interests in its private funds through solicitors or other persons and pay a marketing fee or commission in connection with such activities, including ongoing payments, at T2's own expense (except in circumstances involving directed brokerage).

## **Item 15 – Custody**

T2 has custody according to Advisers Act Rule 206(4)-2 ("Custody Rule") because an affiliate serves as General Partner to the Private Funds. However, T2 maintains client assets and securities at independent, qualified custodians. Additionally, it provides audited financial statements to the Private Funds' investors within 120 following the fund's fiscal year end.

T2 will not take or maintain physical custody of any client assets and will conduct all business operations in such a way that all client cash and investments will be preserved in the safekeeping of independent qualified custodians. Clients' custodians will generally be banks, trust companies or broker-dealers unaffiliated with T2. T2 has entered into an agreement with an independent public accountant to provide audited financial statements to the fund's investors within 120 following the fund's fiscal year end.

T2 takes steps to assure itself that the Private Funds' and Mutual Funds' qualified custodian provides periodic account statements, no less frequently than quarterly, showing all transactions in the account, including fees paid to T2.

## **Item 16 – Investment Discretion**

Through its investment advisory agreements with each fund, T2 is granted discretionary authority and is responsible for the placement of the portfolio transactions of all clients and the negotiation of any commissions paid on such transactions and is authorized to make the following determinations in accordance with the client's specified investment objectives without client consultation or consent before a transaction is effected:

- Which securities to buy or sell.
- The total amount of securities to buy or sell.
- The broker or dealer through whom securities are bought or sold.
- The commission rates at which securities transactions for client accounts are affected.
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Investments for Private Funds and Mutual Funds are managed in accordance with the each fund's investment objectives, strategies and restrictions and are not tailored to the individualized needs of any particular investor in any of the funds (each an "Investor"). Therefore, Investors should consider whether the fund meets their investment objectives and risk tolerance prior to investing. Information about each private fund can be found in its offering documents, which will be available to current and qualified prospective investors only through T2 or another authorized party. Information about the mutual funds is found in each of the mutual fund's prospectus and statement of additional information.

T2 assumes discretion over the account upon execution of the advisory agreement.

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

### **17.A. Voting Policies and Procedures**

T2 is responsible for voting client proxies and has developed a written policy and procedures governing its activities in this area. In general, the policy requires T2 to vote client proxies in the interest of maximizing investor/shareholder value. In addition, T2 maintains a record of proxy votes cast on behalf of clients.

T2 has contracted with Broadridge Financial Solutions and will use their Proxy Edge® platform ("PE"). PE will provide proxy voting support with regard to casting votes and keeping voting records. Under the terms of its arrangement with Broadridge, T2 will generally follow the Glass Lewis recommendations. T2 can instruct PE to vote either for or against a particular type of proposal or T2 can instruct PE to seek instruction with respect to that particular type of proposal from T2 on a case-by-case basis ("Voting Instructions"). PE receives all proxy statements where T2 is authorized to vote and sorts the proposals according to T2's Voting Instructions. Proposals for which a voting decision has been pre-

determined are automatically voted by PE pursuant to the Voting Instructions. Case-by-case decisions are generally made by the PMs. All voting records where T2 retains proxy voting authority are maintained by PE, except that T2 will maintain copies of any document created by T2 that was material in making a determination of how to vote a “case-by-case” proxy or that memorializes the basis for that decision.

Circumstances may arise wherein T2 may have a conflict of interest in voting proxies on behalf of its clients. These circumstances may include but are not limited to instances in which T2 or one or more affiliates (including the directors, officers or employees) has or is seeking to have the issuer of the securities being voted become a client of T2. T2 informs its Employees that they are under an obligation to be aware of potential conflicts of interest (both as a result the Employee’s personal relationships and T2’s business), and that such conflicts of interest should be brought to the attention of the Compliance Officer. Votes shall be cast in the best interests of T2’s clients, regardless of the effect of any such vote on T2. With respect to the Mutual Funds, in the event of a conflict, T2 shall call upon the Proxy Voting Committee to determine how the Mutual Funds should cast their vote.

T2 shall make its proxy voting policy and records available to its investors and shareholders upon request by contacting Kelli Alires at [kalires@t2partnersllc.com](mailto:kalires@t2partnersllc.com) or calling (212) 386-7160.

## **Item 18 – Financial Information**

### **18.A. Advance Payment of Fees**

T2 does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

### **18.B. Financial Condition**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. T2 has no financial commitments that impair its ability to meet contractual commitments and fiduciary commitments to clients.

### **18.C. No Bankruptcy Proceedings**

T2 has not been the subject of a bankruptcy proceeding.

## **Form ADV 2B Supplement**

#### Item 1- Cover Page

**WHITNEY R. TILSON**  
**T2 Partners Management, LP**  
Carnegie Hall Tower  
152 West 57<sup>th</sup> Street, 46<sup>th</sup> Floor  
New York, New York 10019

(212) 386-7160

12/17/2012

**This Brochure Supplement provides information about WHITNEY R. TILSON that supplements the T2 Partners Management, LP Brochure. You should have received a copy of that Brochure. Please contact Kelli Alires at [kalires@t2partnersllc.com](mailto:kalires@t2partnersllc.com) or call (212) 386-7160 if you did not receive T2 Partners Management, LP's Brochure or if you have any questions about the contents of this supplement.**

#### Item 2- Educational Background and Business Experience

**Whitney R. Tilson, Founder, Managing Director, General Partner and Co-Manager**

Year of Birth: 1966

##### Education:

BBA and MBA from Harvard College in 1989 and 1994 respectively.

##### Business Background:

T2 Partners Management, LP	New York, NY
Founder, Managing Director, General Partner and Co-Manager	1998 to Present

##### Key Prior Experience:

Prior to starting Tilson Capital Partners, Mr. Tilson spent five years working with Harvard Business School Professor Michael E. Porter studying the competitiveness of inner cities and inner-city-based companies nationwide. Mr. Tilson and Professor Porter founded the Initiative for a Competitive Inner City ([www.icic.org](http://www.icic.org)), of which Mr. Tilson was Executive Director. Mr. Tilson also led the effort to create ICV Partners, a national for-profit private equity fund aimed at minority-owned and inner-city businesses that raised \$130,500,000. Before business school, Mr. Tilson was a founding member of Teach for America ([www.teachforamerica.org](http://www.teachforamerica.org)), the national teacher corps, and later spent two years as a consultant at The Boston Consulting Group, with a focus on pharmaceuticals and health



care. Mr. Tilson was one of the authors of *Poor Charlie's Almanack*, the definitive book on Berkshire Hathaway Vice Chairman Charlie Munger, and teaches financial statement analysis and business valuation for the Dickie Group. He has also written for the *Motley Fool* and *TheStreet.com*. He was one of five investors included in *SmartMoney's* Power 30, was named by *Institutional Investor* as one of 20 Rising Stars, has appeared many times on CNBC, Bloomberg TV, Fox Business Network, *Lou Dobbs Moneyline* and *Wall Street Week*, was on the cover of the July 2007 *Kiplinger's*, has been profiled by the *Wall Street Journal* and the *Washington Post*, and has spoken widely on value investing and behavioral finance. He served on the Board of Directors of Cutter & Buck, a public company that designs and markets upscale sportswear for two years until the company was sold in early 2007.

Mr. Tilson received an MBA with High Distinction in 1994 from the Harvard Business School, where he was elected a Baker Scholar (top 5% of class), and graduated from Harvard College, with a bachelor's degree in Government magna cum laude.

### **Item 3- 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 each supervised person providing investment advice. No information is applicable to Mr. Tilson.

### **Item 4- Other Business Activities**

Mr. Tilson is co-owner of Value Investor Media which produces the value investing newsletters, *Value Investor Insight* and *Super Investor Insight*.

Mr. Tilson is co-founder of the sponsoring organization of the Value Investing Congress (VIC), a semi-annual conference that includes presentations of ideas from a variety of investment professionals.

Mr. Tilson is Vice Chairman of the Board of Directors of the KIPP Academy ([www.kippny.org](http://www.kippny.org)), a charter school in the Bronx, and serves on the Board of the U.S. arm of the Addis Ababa (Ethiopia) Fistula Hospital ([www.fistulahospital.org](http://www.fistulahospital.org)).

### **Item 5- Additional Compensation**

Value Investing Congress (STI, Inc.) – John Schwartz and Whitney Tilson split 50/50.

Value Investor Media, Inc. – John Heins receives first \$300,000 as salary draw. Additional amount is split 50/50 between Mr. Heins and Mr. Tilson.

## **Item 6 - Supervision**

Mr. Tilson is a principal of T2 Partners Management, LP. He can be reached at (212)386-7160.

**Item 1- Cover Page**

**GLENN H. TONGUE**

**T2 Partners Management, LP**

Carnegie Hall Tower  
152 West 57<sup>th</sup> Street, 46<sup>th</sup> Floor  
New York, New York 10019

(212) 386-7160

12/17/2012

**This Brochure Supplement provides information about WHITNEY R. TILSON that supplements the T2 Partners Management, LP Brochure. You should have received a copy of that Brochure. Please contact Kelli Alires at [kalires@t2partnersllc.com](mailto:kalires@t2partnersllc.com) or call (212) 386-7160 if you did not receive T2 Partners Management, LP's Brochure or if you have any questions about the contents of this supplement.**

**Item 2- Educational Background and Business Experience**

**Glenn H. Tongue, Managing Director, General Partner, Co-Manager, Co-Owner and Chief Compliance Officer**

Year of Birth: 1959

**Education:**

BBS, Princeton University, 1981

MBA, Wharton Business School, University of Pennsylvania 1984

**Business Background:**

T2 Partners Management, LP	New York, NY
Managing Director, General Partner, Co-Manager	2004 to Present
Co-Owner	2004 to Present
Chief Compliance Officer	2005 to Present

**Key Prior Experience:** Prior to joining the T2, Mr. Tongue spent 17 years on Wall Street, most recently as an investment banker at UBS, where he was a Managing Director and Head of Acquisition Finance. Before UBS, Mr. Tongue was at Donaldson, Lufkin and Jenrette for 13 years, the last three of which he served as the President of DLJdirect, the consistently top-rated on-line brokerage firm. During his tenure, he oversaw both DLJdirect's IPO and

ultimate sale. Prior to DLJdirect, Mr. Tongue was a Managing Director in the Investment Bank at DLJ, where he worked on over 100 transactions aggregating more than \$40 billion. Prior to working on Wall Street, Mr. Tongue managed sales, marketing and certain operations at Blonder-Tongue, Inc., a manufacturer of pay television and cable television distribution equipment.

Mr. Tongue received an MBA with Distinction from the Wharton School of Business and received a Bachelor of Science in Electrical Engineering and Computer Science from Princeton University.

### **Item 3- 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 each supervised person providing investment advice. No information is applicable to Mr. Tongue.

### **Item 4- Other Business Activities**

Since August 7, 2007, Mr. Tongue has served on the Board of Directors of JMP Group, Inc., a full-service investment banking and asset management company. Since October 20, 2011, Mr. Tongue has served on the Board of Directors of Spencer Capital Holdings, LTD., an insurance company based in Bermuda. Also, since January 2012, Mr. Tongue has served on the Board of Directors for MRV Communications, Inc., a communications company. Additionally, he serves as a presenter at the Value Investing Congress, which hosts two investment conferences each year.

### **Item 5- Additional Compensation**

JMP Group, Inc. – receives restricted stock.

### **Item 6 - Supervision**

Mr. Tongue is a principal of T2 Partners Management, LP. He can be reached at (212)386-7160.