

**Prescott General Partners LLC**

**March 7, 2013**

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**This Brochure provides information about the qualifications and business practices of Prescott General Partners LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (561) 314-0800. This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Prescott General Partners LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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**TABLE OF CONTENTS**

Item 4.	Advisory Business.....	3
Item 5.	Fees and Compensation.....	3
Item 6.	Performance-Based Fees and Side-by-Side Management.....	4
Item 7.	Types of Clients .....	4
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss.....	4
Item 9.	Disciplinary Information.....	5
Item 10.	Other Financial Industry Activities and Affiliations.....	5
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	5
Item 12.	Brokerage Practices.....	6
Item 13.	Review of Accounts .....	7
Item 14.	Client Referrals and Other Compensation.....	7
Item 15.	Custody .....	8
Item 16.	Investment Discretion .....	8
Item 17.	Voting Client Securities.....	9
Item 18.	Financial Information.....	9

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

The Adviser is an investment adviser with its principal place of business in Boca Raton, Florida. The Adviser commenced operations as an investment adviser in May 1973 and registered with the SEC as of March 29, 2012. Thomas Smith is the principal owner of the Adviser.

The Adviser has full discretion over all investment decisions and provides investment advice to pooled investment vehicles (the "Funds"). The Adviser primarily invests in a concentrated group (15-20) of public companies. The Adviser uses fundamental analysis, including both qualitative (management and competitive analysis) and quantitative (financial analysis), to choose the securities in which the Funds will invest.

The Adviser does not tailor advisory services to the individual needs of investors in the Funds, and investors in the Funds may not impose restrictions on investing in certain securities and other financial instruments or certain types of securities and other financial instruments.

As of December 31, 2012, the Adviser had approximately \$1,302,734,000 in regulatory assets under management, all of which are managed on a discretionary basis.

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

##### **Asset-Based Compensation**

The Adviser charges an investment management fee based on the value of a Fund's assets, which ranges from 1.0% to 1.5% per annum.

Investment management fees are charged at the end of each quarter in arrears based on net assets of the Fund (based on an average of the month-end fair market value of such assets) for the quarter. Investment management fees are prorated for periods less than a full quarter.

These fees are not negotiable.

##### **Performance-Based Compensation**

The Adviser will also be paid performance-based compensation, which is compensation that is based on a share of capital gains of the assets of a client. This compensation is allocated to the Adviser and is equal to 20% of the net realized capital gains and in the event of a withdrawal by an investor, 20% of net unrealized capital gains withdrawn from the account. This allocation is subject to adjustment which enables a client to recover 20% of the client's prior net realized losses, with the sum of such amounts to be offset against the 20% allocation to the adviser in any subsequent year in which the account has a net realized gain.

These fees are not negotiable.

The Adviser deducts from client accounts the investment management fees on a quarterly basis.

In addition to paying investment management fees and performance-based fees, client accounts will also be subject to other expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts. While it is not a material part of the Adviser's

strategy, client assets may be invested in pooled investment vehicles and will bear the expenses of such entities.

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

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple clients. The Adviser is entitled to be paid performance-based compensation by the Funds. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component.

In general, when the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser bases its allocation among Funds on a variety of factors including risk tolerance, available cash and securities valuations at the time withdrawals are made from a Fund. The Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Managing Members.

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

The Adviser's clients consist of pooled investment vehicles.

The Adviser requires that an investor in a pooled investment vehicle invest a minimum of \$1,000,000 to subscribe for interests, although the Adviser may waive the minimum investment amount for certain investors.

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

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research including both qualitative (management and competitive analysis) and quantitative (financial analysis) to choose the securities in which it will invest. The Adviser endeavors to hold investments for the long-term. The Adviser, on a limited basis, may invest in private companies and may also invest in other financial products such as options or derivatives, if deemed appropriate in the Adviser's discretion.

The Adviser employs the following investment strategy:

*Buy and Hold.* The Adviser engages in a buy and hold investment strategy wherein the Adviser buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

This method involves risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

*Lack of Diversification.* Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than

would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long-term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Small Cap.* At any given time, the Adviser's investment program may include significant investments in smaller sized companies of a less seasoned nature whose securities are traded in the over-the-counter market. The stocks of such companies may be more volatile in price and have lower trading volumes than the larger capitalization stocks included in the S&P 500 Index. The investments by the Funds in such companies may represent significant amounts in relation to the actively traded shares of the respective issuers. Accordingly, aggregate market value may not be representative of the actual proceeds that would accrue to the Funds in the event of sale.

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**Item 9. Disciplinary Information**

This Item is not applicable.

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

This Item is not applicable.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser to put the interests of the Adviser's clients before its own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Steven Fischer (Chief Compliance Officer) by email at [steve@prescottinvestors.com](mailto:steve@prescottinvestors.com), or by telephone at (561) 314-0800.

The Adviser or its related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser invests in for the Funds. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related persons are in a position to trade in a manner that could adversely affect the Funds (e.g., place their own trades before or after a Fund trade is executed in order to benefit from any price movements due to such trade). In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the Funds' trades are executed. The Adviser's Code requires its related persons/access persons to pre-clear with the Compliance Officer or Chief Financial Officer before executing any personal securities transactions. Generally, any security that the Advisor is trading in on the current business day on behalf of a client will not be approved for personal trading. However, the Compliance Officer or the Chief Financial Officer may approve any trade of a security if he or she determines that such trade would not result in an adverse effect on a client account and documents the reasons for reaching such determination.

In addition, all of the Adviser's related persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis to the Compliance Officer and Chief Financial Officer to be compared with transactions for client accounts.

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**Item 12. Brokerage Practices**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include quality of execution, net price, reputation, financial strength and stability, efficiency of execution and error resolution, back office, offering to the Adviser on-line access to computerized data regarding a client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The portfolio managers periodically evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the portfolio managers and the Chief Compliance Officer meet periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions will only be used by the Adviser for the benefit of that client's accounts.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports, expert networking consultations, market data software, and other tools.

In determining whether to use a particular broker for executing securities transactions, the Adviser's Chief Compliance Officer reviews and evaluates the soft dollar practices of the Adviser and determines in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

The Adviser may participate in "client commission arrangements" pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

The Adviser often purchases or sells the same security for the Funds contemporaneously, or at or near the same time and using the same executing broker. It is the Adviser's practice, when possible, to aggregate such orders for the purchase or sale of the same security contemporaneously, or at or near the same time or execution using the same executing broker. Because of the differences in the Funds' objectives and strategies, risk tolerances, tax status, available cash and liquidity, securities valuations at the time of withdrawals by investors and other criteria, there may be differences among the Funds in invested positions and securities held. The Advisor generally allocates the securities purchased or proceeds of a sale based on these different Fund profiles. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating Funds will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to the Funds.

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

The entire portfolio of each Fund is reviewed by the portfolio managers of the Adviser, on an ongoing basis to determine whether securities should be maintained in view of alternative investments to be made.

Investors in the Funds receive reports as specified in the limited partnership agreement of the Fund.

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

The Adviser receives certain research or other products or services from broker-dealers through "soft-dollar" arrangements. These "soft-dollar" arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser's "soft-dollar" practices, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

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## **Item 15. Custody**

This Item is not applicable.

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## **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to clients.

Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion. The Adviser has the authority to determine (i) the securities to be purchased and sold for the Funds (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the Funds. Because of the differences in the Funds' objectives and strategies, risk tolerances, tax status, available cash and liquidity, securities valuations at the time of withdrawals by investors and other criteria, there may be differences among the Funds in invested positions and securities held.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliates will act.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

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

Since the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. For all proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.



If a material conflict of interest between the Adviser and a client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or take some other appropriate action.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Steve Fischer (Chief Compliance Officer) by email at [steve@prescottinvestors.com](mailto:steve@prescottinvestors.com) or by telephone at (561) 314-0800.

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**Item 18. Financial Information**

This Item is not applicable.

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