

## **FIRM BROCHURE**

### **CENTAUR CAPITAL PARTNERS, L.P.**

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ADDITIONAL INFORMATION ABOUT CENTAUR CAPITAL PARTNERS, L.P. ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).

MARCH 26, 2013

## **Item 2: Material Changes**

The date of the last annual update to our firm brochure was March 30, 2012. The material changes that have been made to our firm brochure since the date of our last annual update are as follows:

- To provide Centaur Value Fund, LP with the flexibility to invest in commodity interests in the future, we recently claimed an exemption from registration with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator pursuant to CFTC Rule 4.13(a)(3).

The information set forth in this brochure is qualified in its entirety by the applicable offering materials and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and offering documents, such documents shall control.

We encourage all clients and investors to carefully review this brochure in its entirety.

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## Item 4: Advisory Business

### **FIRM DESCRIPTION**

Centaur Capital Partners, L.P., a Delaware limited partnership and private investment advisory firm, was formed in 2002. We generally have full discretionary authority with respect to investment decisions, and our investment advice is provided in accordance with the investment objectives and guidelines set forth in the applicable offering materials and/or governing documents. The information set forth herein with respect to Centaur Value Fund (as defined below) is qualified in its entirety by its offering memorandum and partnership agreement.

### **PRINCIPAL OWNERS**

Our general partner is Ashton Enterprises, LLC, a Delaware limited liability company, which is owned and controlled by Malcolm Ezekial “Zeke” Ashton. Mr. Ashton also is a limited partner of Centaur Capital Partners, L.P.

### **TYPES OF ADVISORY SERVICES**

#### Centaur Value Fund

We serve as general partner of and investment manager to Centaur Value Fund, LP, a Delaware limited partnership (“Centaur Value Fund”). We manage the fund’s portfolio and are responsible for sourcing, selecting, determining investments in, and monitoring investments by Centaur Value Fund. We invest the assets of Centaur Value Fund in securities and other financial instruments.

Information about Centaur Value Fund is set forth in its offering materials and governing documents. Investment in Centaur Value Fund does not, in and of itself, create an advisory relationship between an investor in Centaur Value Fund and us.

#### Tilson Dividend Fund

We serve as sub-adviser to the Tilson Dividend Fund, a registered investment company, pursuant to an investment sub-advisory contract with T2 Partners Management LP (“T2 Partners”), which serves as investment adviser to the Tilson Dividend Fund. We, with oversight from T2 Partners, make day to day investment decisions for the Tilson Dividend Fund and select broker-dealers for executing portfolio transactions, subject to the brokerage policies established by the Tilson Dividend Fund’s trustees.

#### Separately Managed Accounts and other Pooled Investment Vehicles

We may in the future provide investment advisory services to clients with respect to assets held in separately managed accounts and other pooled investment vehicles. We will manage these accounts and pooled investment vehicles in accordance with each client’s individual investment objectives, instructions and limitations. Our advisory fees with respect to these accounts and vehicles are expected to be negotiable and will vary depending upon the size and complexity of the account and the specific type of investment program requested by the client.

We tailor our advisory services to the individual goals and objectives of each of our advisory clients. With respect to Centaur Value Fund, investors generally are not permitted to impose restrictions on investments in certain securities or types of securities.

### **ASSETS UNDER MANAGEMENT**

As of December 31, 2012, we had approximately \$161.7 million in regulatory assets under management. All of these assets were managed on a discretionary basis.

## **Item 5: Fees and Compensation**

### **DESCRIPTION OF COMPENSATION AND FEE SCHEDULE**

In consideration of our advisory services, we generally are entitled to receive management fees and performance allocations with respect to Centaur Value Fund and management fees with respect to the Tilson Dividend Fund. The fees applicable to each client are described in detail in the applicable governing and/or offering documents. Nevertheless, a general overview of our basic fee schedule is set forth below.

#### Centaur Value Fund

We generally are entitled to receive a management fee, payable quarterly in arrears, equal to one quarter of one percent (1% per annum) of the capital account balance of each limited partner in Centaur Value Fund.

Subject to the terms and conditions set forth in the partnership agreement, we generally are also entitled to receive an annual performance allocation equal to fifteen percent (15%) of each limited partner's share of net profits for the applicable performance period. Performance allocations are subject to a "high water mark" limitation. As a result, after the first year in which a performance allocation is earned, the performance allocation for later years applies only to the extent that an investor's pro rata share of net profits, measured on a cumulative basis, for all years since admission exceeds the highest level of cumulative net profits achieved through the close of any prior year since admission.

Only investors who are "qualified clients," as such term is defined in Rule 205-3(d) under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), are subject to performance allocations. The definition of "qualified client" in Rule 205-3(d) under the Advisers Act has changed since the inception of Centaur Value Fund. In accordance with Rule 205-3 under the Advisers Act, it is our policy to determine whether an investor is a "qualified client," using the applicable standard, at the time of the investor's original investment or additional investment in Centaur Value Fund. Nevertheless, we will alter an investor's status if and when such investor notifies us of a change in its status.

Our fees with respect to Centaur Value Fund and each investor therein generally are not negotiable. However, we have entered into, and may enter into in the future, side letters or similar arrangements with certain investors that grant different terms (including lower fees) to such investors than the terms generally applicable to other investors. Such side letters typically involve commitments on the part of the investor to extend the applicable lock-up period well beyond the standard liquidity terms offered to other investors.

#### Tilson Dividend Fund

For our sub-advisory services to the Tilson Dividend Fund, we receive from T2 Partners quarterly compensation based on the Tilson Dividend Fund's average daily net assets at the rate of 0.75% less certain of T2 Partners' marketing and operating expenses, as agreed to between T2 Partners and us. We do not receive a fee directly from the Tilson Dividend Fund. We are not entitled to receive any performance-based fees or allocations with respect to the Tilson Dividend Fund.

### **PAYMENT OF FEES**

#### Centaur Value Fund

Management fees are payable by investors quarterly, in arrears, as of the last business day of each calendar quarter. Investors who are admitted during a calendar quarter are charged a pro rata portion of the management fee. Management fees are deducted directly from the capital account of each investor on the last business day of each calendar quarter.

Performance allocations are calculated and allocated as of the last business day of each fiscal year (and at such other times as set forth in the partnership agreement). Performance allocations are allocated directly from the capital account of each applicable investor on the last business day of each fiscal year (and as set forth in the partnership agreement).

#### Tilson Dividend Fund

Investment advisory fees are payable by T2 Partners quarterly, in arrears, as of the last business day of each calendar

quarter, pursuant to the terms of the sub-advisory agreement with T2 Partners.

## **OTHER FEES AND EXPENSES**

In addition to management fees and performance allocations, each of Centaur Value Fund and the Tilson Dividend Fund generally bear all costs and expenses relating to its activities, including the legal, auditing and accounting expenses (including the maintenance of books and records), costs for the preparation of financial statements, tax returns, and Internal Revenue Service Schedule K-1, expenses of the meetings of the limited partners, if any, and other expenses associated with the acquisition, holding and disposition of investments, as well as extraordinary expenses, such as litigation. With respect to the Tilson Dividend Fund, we have agreed to allow T2 Partners to withhold from our compensation up to one-half of T2 Partners' expenses under the "expense limitation agreement" as it relates to the Tilson Dividend Fund. Clients generally are responsible for and pay all brokerage fees. **See Item 12 below.**

## **TERMINATION OF ADVISORY SERVICES**

### Centaur Value Fund

Centaur Value Fund generally may terminate its investment advisory contract upon 30 days' prior written notice to us and may withdraw all funds that are invested at our direction at the time of such termination.

### Tilson Dividend Fund

We generally may terminate the sub-advisory agreement with T2 Partners at any time upon 60 days' prior written notice to T2 Partners and the Tilson Investment Trust. T2 Partners generally may terminate the sub-advisory agreement at any time upon 60 days' prior written notice to us. In addition the sub-advisory agreement may be terminated at any time by (i) a vote of the board of trustees of the Tilson Dividend Fund or (ii) a vote of a majority of the outstanding voting securities of the Tilson Dividend Fund upon 60 days' prior written notice to us.

## **WITHDRAWALS**

As described more fully in Centaur Value Fund's offering memorandum, each investor in Centaur Value Fund that has held its limited partner interest for at least three complete months generally is permitted to make complete or partial withdrawals of amounts from its capital account balance as of the close of business on the last day of each calendar quarter. Notice of any withdrawal generally must be given to us in writing at least 30 days prior to the proposed withdrawal date. We may, in our sole discretion, waive such notice requirements. We use commercially reasonable efforts to cause at least 95% of any estimated withdrawal proceeds to be paid within 10 days of the applicable withdrawal date. Any remaining balance generally is settled promptly following the completion of the audit of the fund's financial statements for the applicable fiscal year.

Management fees with respect to Centaur Value Fund are payable as of the date of withdrawal with respect to respect to any limited partner permitted or required to withdraw as of any time other than the last business day of a calendar quarter on a pro rata basis.

Performance allocations with respect to Centaur Value Fund are calculated and allocated as of the date of withdrawal with respect to any limited partner permitted or required to withdraw as of any time other than the last business day of a fiscal year on the basis of a proportion of net profits allocated to such limited partner's capital account through the withdrawal date.

## **COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.

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

### **PERFORMANCE-BASED FEES**

As noted under Item 5 above, we generally are entitled to receive performance-based allocations with respect to investors in Centaur Value Fund. Performance-based allocations could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. In addition, because many performance-based allocations are calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by us, we face a conflict of interest in valuing those portfolios. We address this conflict through full and fair disclosure in Centaur Value Fund's offering document and/or this brochure.

### **SIDE-BY-SIDE MANAGEMENT**

We manage accounts for which we are entitled to receive performance-based allocations alongside accounts for which we are not entitled to receive any performance-based fees or allocations. Such side-by-side management could motivate us to favor accounts for which we receive performance-based fees or allocations over other accounts for which such fees or allocations are not allocable. We attempt to address this conflict by, among other things, adhering to objective allocation policies and procedures, routinely reviewing such allocation policies and procedures and analyzing any performance disparities between applicable accounts using the same strategy. We currently do not have any side-by-side accounts utilizing the same strategy. **See Item 12 below.**

## **Item 7: Types of Clients**

### **DESCRIPTION**

We currently provide investment advisory and supervisory services with respect to Centaur Value Fund and the Tilson Dividend Fund. We may in the future provide investment advice to other clients including, but not limited to, other pooled investment vehicles and separately managed accounts.

### **ACCOUNT REQUIREMENTS**

The minimum initial capital contribution required from an investor in Centaur Value Fund is \$500,000, although capital contributions of lesser amounts may be accepted in our discretion.



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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

#### Centaur Value Fund

With respect to Centaur Value Fund, we seek to achieve capital appreciation through investments in securities that can be purchased at what we believe are attractive prices relative to the underlying cash flow, potential cash flow, or asset value of the issuers of such securities. We generally invest the fund's assets in a concentrated portfolio of between 15 and 40 securities that we believe offer the potential for positive returns over a three-to-five year period based upon business fundamentals, stock price and various other factors. While we generally maintain a long-bias (in which the fund has a positive net market exposure and positive correlation to the general stock market), we also regularly utilize short positions in certain securities that we believe are overvalued in relation to the value of the underlying business or which we believe do not have a valid or workable business model. We may utilize exchange traded equity options in lieu of taking a direct long or short position in a specific stock or index.

#### Tilson Dividend Fund

With respect to the Tilson Dividend Fund, we seek to achieve a combination of capital appreciation and income generation through investments in equity securities that we believe are appropriate to the strategy. We typically invest in common stocks that we believe are undervalued, with a preference for those that also offer attractive dividend yields. We also expect to generate income from selling covered call option on securities in the fund. The use of covered call options in combination with the purchase of equity securities also allows for the inclusion of undervalued, non-dividend paying stocks in the portfolio while still satisfying our goal of generating investment income. Not every investment security is required to produce income.

The investment strategies summarized above are not intended to be comprehensive. For more information regarding our methods of analysis and investment strategies, please carefully review the applicable governing and/or offering documents.

### CERTAIN RISK FACTORS

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

**Economic Conditions.** Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, may affect substantially and adversely our business and prospects. None of these conditions are within our control. The impairment of the companies in which we invest as a result of negative economic conditions, could have a material adverse effect on our financial performance and results of operations.

**Market Conditions.** Our investments may be negatively affected by the broad investment environment in the securities markets. That investment environment is influenced by, among other things, investor sentiment, interest rates, inflation, politics, fiscal policy, current events, competition, productivity and technological and regulatory change. A prolonged economic or stock market downturn could have a material adverse effect on us and, consequently, our clients, and there can be no assurance that we will be profitable or that our investment objective will be successful.

**Market Volatility.** Volatility risk refers to the risk related to investments in securities in general and the price fluctuations in the securities markets. Our performance will change daily based on market price changes, and is likely to experience significant fluctuations in value in response to those changes. Stock prices may experience

greater volatility during periods of challenging market conditions.

*Potential for Fraud.* There can be no assurance that we will not be affected by fraud. While we have instituted policies and procedures to avoid falling victim to fraud, there can be no assurance that we will be able to prevent all types of fraud by parties with whom we do business.

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

*Investment Risks in General.* Our investments, by their nature, involve a high degree of financial risk. In making investments, we may utilize highly speculative investment techniques, including high leverage, highly concentrated portfolios, junior securities positions and illiquid investments. In addition, some client assets may be invested in derivative instruments. Such investments may expose client assets to the risks of material financial loss, which may in turn adversely affect our financial results.

The performance of any particular investment is subject to numerous factors which are neither within the control of, nor predictable by, us. Such factors include a wide range of economic, political, competitive and other conditions that may affect investments in general or specific industries or companies. As a result of the nature of our investment activities, it is possible that our financial performance (including the net asset value) may fluctuate substantially from period to period.

*Active Trading Risk.* We engage in frequent trading of securities as a principal investment strategy. Frequent trading will result in a higher-than-average portfolio turnover ratio, which may cause investors to realize significant taxable capital gains and to incur increased transaction costs in connection with buying and selling securities. Tax and transaction costs lower the effective return for investors.

*Investment Strategy Risks.* Since long/short equity, long-biased and short-selling strategies generally involve identifying securities that are undervalued (and, in the case of short positions, overvalued) by the marketplace, the success of the strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur, or may occur over extended time frames that limit profitability. Positions may undergo significant short-term declines and experience considerable price volatility during these periods. In addition, long and short positions may or may not be correlated to each other. If the long and short positions are not correlated, it is possible to have investment losses in both the long and short sides of our portfolio.

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

*Concentration of Investments.* We may invest client assets in a concentrated portfolio of securities. If an investment performs poorly, this concentration could cause a proportionately greater loss than if a larger number of investments were made, and if such proportionately greater loss occurs, it may adversely impact the overall return on investment realized by us and, ultimately, our clients.

*Illiquid Investments.* It is possible that some investments may not be able to be sold except pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Securities Act"), or in accordance with Rule 144 or another exemption under the Securities Act. Furthermore, because of the speculative and non-public nature of some investments, we may, from time to time, sell or otherwise dispose of investments that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions may prevent us from realizing as great an overall return on investment as may have been realized if such sales or dispositions had been made at a later date, which may adversely affect investment results of investors.

Certain securities may be difficult or impossible to sell at the time and price that we desire. We may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on client performance. In addition, there may be severe limitations on our ability to sell certain securities at any

price during a period of reduced credit market liquidity.

*Use of Leverage.* Certain of the companies in which we invest may utilize a significant amount of leverage. We may, from time to time, also utilize leverage (particularly in connection with short-selling activities). The use of leverage, which exposes the borrower to changes in price at a ratio higher than 1:1 in reference to the amount invested, magnifies both the favorable and the unfavorable effects of price movement in investments. The leveraged capital structures of us and companies in which we make investments also will increase exposure to adverse economic factors such as rising interest rates, downturns in the economy and/or deterioration in the condition of the company or its industry. Such increased exposure to adverse economic factors may decrease the overall return on investment realized by us, and ultimately our clients, from the overall return on investment that may have been realized if leveraged capital structures had not been used by us or the companies in which we invest.

*Short Sales.* While we generally maintain a long-biased portfolio, we do engage in short selling and other hedging activities when we believe certain securities to be overvalued. Short selling is the practice of selling securities that are not owned by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes. To complete a short sale, we generally must borrow the securities from a third party (i.e. a broker) in order to make delivery to the buyer. We generally are required to pay a brokerage commission that increases the cost of selling such securities. The proceeds of the short sale plus additional cash or securities must be deposited as collateral with the lender of the securities to the extent necessary to meet margin requirements. The amount of the required deposit is adjusted periodically to reflect any change in the market price of the securities that we are required to return to the lender. We generally are entitled to receive payments from the lender with respect to the short sale proceeds and additional cash on deposit with the lender at negotiated interest rates. We are obligated to return securities equivalent to those borrowed at any time on demand of the lender of the securities borrower by purchasing them at the market price at the time of replacement. Until the securities are replaced, we are required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan of the securities. An increase in the value of any security that is the subject of short selling by us may, as a result of the foregoing, have a material adverse effect on client assets, and therefore our client's return on investment.

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

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

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

*Distributions in Kind.* If we receive distributions of securities from any of our investments, we may incur additional costs and risks in connection with the disposition of such securities. In addition, although we generally dispose of any freely tradable securities we receive as soon as practicable, subject to such sale being carried out in an orderly manner, there can be no assurance that we will be able to do so. As a consequence, pending any such disposition, we are subject to market risks inherent in holding such securities.

We also may distribute to investors securities (or other assets) in kind. These securities or assets may be illiquid, and there is no assurance that investors will be able to dispose of such investments or that the value of such investments

as determined by us for the purpose of the calculations of distributions ultimately will be realized. Occasionally, our ability to receive distributions in kind may be limited or prohibited by the Employee Retirement Income Security Act of 1974, as amended. In such a case, we attempt to arrange for a substitute distribution or seek an acceptable alternative. Any assets or securities distributed pursuant to a withdrawal or otherwise may be transferred to investors directly or may be placed in a trust or other entity managed by us or our affiliate, with the proceeds distributed to the relevant investor(s) as the assets are sold or otherwise disposed of.

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

### **Item 9: Disciplinary Information**

Not applicable.

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

### **PORTFOLIO COMPANY ACTIVITIES**

From time to time, certain of our employees and affiliates may serve as directors and officers of, and provide advice to, companies in which one or more of our clients invest. Investors should be aware that the receipt of non-public information by our related persons regarding these companies could preclude us from effecting discretionary transactions on behalf of our clients in certain securities of these issuers.

### **COMMODITY POOL OPERATOR, COMMODITY TRADING ADVISER, FUTURES COMMISSION MERCHANT REGISTRATION**

We currently are exempt from registration with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator pursuant to an exemption set forth in CFTC Rule 4.13(a)(3).

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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for its employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by employees. Our code of ethics also provides that “access persons” are subject to additional procedures, including quarterly and annual reporting of personal securities transactions and a supervisory review of such transactions. These quarterly and annual reports are reviewed on a regular basis by appropriate supervisory personnel. We will furnish a copy of our code of ethics to investors upon their written request.

### **PERSONAL TRADING**

We encourage our employees and principals to invest alongside investors in our advised or sub-advised funds on the same terms as the investors as opposed to trading in personal accounts, as we believe this approach better aligns the interests of our employees and principals with our clients. As a result, our employees and principals typically do not actively engage in the trading of securities in personal accounts. Nevertheless, subject to various restrictions set forth in our code of ethics, our employees and principals may trade in personal accounts. Allowing employees and principals to trade in personal accounts may result in actual or potential conflicts of interest. To prevent any conflict of interest, we closely monitor the investments made by our employees and principals.

## **Item 12: Brokerage Practices**

### **SELECTING BROKERAGE FIRMS**

In general, we have authority to determine the brokers, futures commission merchants and other counterparties to be used for client transactions and to negotiate commission rates and other monies paid by clients. We select broker-dealers on the basis of obtaining the best overall terms available (i.e., best price and execution of transactions), which we evaluate based on a variety of factors, including among other things: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research and related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. Because commission rates in the United States as well as other jurisdictions are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

### **BEST EXECUTION**

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

### **SOFT DOLLAR PRACTICES**

We may use soft dollars generated by client accounts to pay for certain research and/or related services provided by brokers described above. The term “soft dollars” refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

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

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

At this time, we have no existing soft dollar arrangements in place and have no present intention to enter into soft dollar arrangements in the future.

During the last fiscal year, we received research from brokers.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities. We intend that any soft dollars that we receive in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

### **BROKERAGE FOR CLIENT REFERRALS**

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



**DIRECTED BROKERAGE**

We do not routinely recommend, request or require that a client direct us to execute transactions through a specified broker-dealer. We also do not permit a client to direct brokerage for order execution purposes.

**ORDER AGGREGATION**

Whenever possible and practical, we generally aggregate orders of securities deemed to be appropriate for more than one client account. In practice, it is not possible or advisable for every order to be aggregated, particularly in cases where the stated investment objectives and risk profile of our two strategies vary such that each receives a different weighting in the desired asset. In such cases, it is common for us to allocate based on desired weighting in each client; sometimes additional, non-aggregated trades for one or more client accounts are required in order to ensure the exact allocations desired are reflected in each portfolio.

In addition, the assets at each of our clients are different in size, grow over time at different rates, and differ in terms of the frequency of capital additions and withdrawals, all of which may require securities transactions for one or more client accounts independently. The regulatory and custodian requirements of our client accounts can also differ, which may affect our ability to maintain desired exposures via the aggregation method.

Given the above, we do not require any specific method to be used in aggregating orders among our clients.

**ALLOCATION OF INVESTMENT OPPORTUNITIES**

We generally allocate investment opportunities among clients in a manner we believe to be fair and equitable under the circumstances. In general, investment opportunities, if appropriate for a client, are allocated on a pro-rata basis at a weighted average price. Exceptions to the policy will be permitted on a specific basis including, but not limited to, portfolio rebalancing for a client, client investment guidelines, and client exposure parameters.

### **Item 13: Review of Accounts**

#### **PERIODIC REVIEWS**

We conduct reviews of all client accounts on a daily basis. Mr. Ashton is primarily responsible for reviewing client accounts. With respect to accounting matters, we have engaged Rothstein, Kass & Company, P.C. to conduct an annual audit of Centaur Value Fund. Effective January 1, 2013, Centaur Value Fund engaged BGT Consulting, LLC to prepare the balance sheet and income statement for the fund, calculate the fund's total month-end capital, allocate income among the partners and compute each partner's month-end balance.

We invest client assets in securities and other financial instruments. In monitoring the performance of the investments, we perform various levels of review. Among other items, we consider the valuation of holdings, expected rates of return, investment diversification and risk factors based upon the stated investment goals for each client account as part of our regular review.

#### **REPORTS TO INVESTORS/CLIENTS**

We provide investors in Centaur Value Fund with annual audited financial statements, monthly performance reports and annual U.S. income tax information. We provide investors in the Tilson Dividend Fund with semi-annual commentary which is mailed to investors by the administrator of the Tilson Dividend Fund. All such statements and reports are written. The administrator for the Tilson Dividend Fund also posts daily net asset values on its website and provides investors with periodic written statements.

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

##### **THIRD PARTY COMPENSATION**

Except as set forth herein, we currently do not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to our clients.

##### **REFERRALS**

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

### **Item 15: Custody**

We have, or may be deemed to have, custody of Centaur Value Fund's cash and securities. In accordance with Rule 206(4)-2 under the Advisers Act, Centaur Value Fund's cash and securities (except for privately placed securities) are held with one or more qualified custodians. UBS Hedge Fund Services, LLC currently serves as the prime broker and custodian for funds and securities of Centaur Value Fund. In addition, Regions Financial Corporation serves as custodian of certain residual cash of Centaur Value Fund. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged Rothstein, Kass & Company, P.C. to conduct an annual audit of Centaur Value Fund, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided annually to investors. We attempt to provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors in Centaur Value Fund.

We do not have custody of the Tilson Dividend Fund's assets.

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

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

### **LIMITED POWER OF ATTORNEY**

Each investor in Centaur Value Fund grants to us or our affiliate a limited power of attorney to enable us to execute the applicable partnership agreement on their behalf.

The Tilson Dividend Fund grants to us a limited power of attorney to enable us to conduct authorized trading.

### **Item 17: Voting Client Securities**

We have the authority to vote proxies on behalf of Centaur Value Fund. Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies and procedures. In accordance with such rule, we have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of Centaur Value Fund, as determined in our discretion, taking into account various factors. In light of the relatively small size of our client accounts, and because our investment approach is not activist in nature and results in avoidance of securities of companies whose corporate governance are found to be objectionable, we believe in most cases that clients do not benefit from the voting of the proxies. Our policy is therefore to restrict voting of proxies to those cases where we i) disagree with the voting recommendation of the board of directors of such holdings and ii) believe that our vote could be material to the outcome of the matter presented. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation. Investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

With respect to the Tilson Dividend Fund, we comply with the proxy voting policies established by T2 Partners.

## Item 18: Financial Information

Not applicable.

## **General Information**

### **PRIVACY POLICY**

We have adopted policies and procedures reasonably designed to protect various records and information of clients and investors. Except as set forth in the applicable offering materials and as otherwise authorized by each client and/or investor, private information about investors in Centaur Value Fund and the Tilson Dividend Fund is disclosed only as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation of Centaur Value Fund and the Tilson Dividend Fund, respectively. A copy of our privacy policy will be made available to investors and clients upon request.

### **TRADE ERRORS**

While we and our selected brokerage service providers take the utmost care in making and implementing investment decisions on behalf of client accounts, occasional trading errors may nevertheless occur. Our portfolios are reconciled daily for trade or administrative errors, and it is our policy to correct any error as soon as possible after detection and in such a manner that minimizes any impact on our client portfolios.