

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14950**

**In the Matter of**

**CENTAUR MANAGEMENT  
CO. LLC**

**Respondent.**

**PLAN OF  
DISTRIBUTION**

**I. BACKGROUND**

1. On July 17, 2012, the Commission entered an Order Instituting Administrative and Cease-and-Desist Proceedings pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”) against Centaur Management Company LLC (“Centaur”).<sup>1</sup> The Order created a Fair Fund pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended.

2. The Order stated that Centaur directed its client, Argent Classic, to provide it with approximately \$15 million in interest-free loans from January 1, 2006, through April 2, 2009, and failed to adequately disclose this loan practice to Argent Classic’s investors. As Argent Classic’s investment adviser, Centaur breached its fiduciary duty to its client by misappropriating Argent Classic’s funds to make itself interest-free loans, thus depriving Argent Classic of the use of those funds. Centaur also made false or misleading material statements of facts and omitted to state material facts to Argent Classic’s investors when it failed to disclose the interest-free loan practice. Centaur ultimately repaid the approximately \$15 million in interest-free loans to Argent Classic.

3. In accordance with the Order, Centaur paid disgorgement of \$172,438, prejudgment interest of \$41,884, and a civil money penalty of \$150,000, for a total payment of \$364,322 (“Fair Fund”). The \$172,438 disgorgement paid by Centaur represents the benefit (i.e., interest payments avoided) that Centaur received by borrowing monies from Argent Classic at an interest rate of zero.

---

<sup>1</sup> Advisers Act Rel. No. 3432 (July 17, 2012).

4. The Fair Fund has been deposited in a Commission designated non-interest bearing account at the United States Department of Treasury (“Treasury”), where it will be held until a Disbursement occurs. It is not anticipated that the Fair Fund will receive additional funds.

5. The purpose and intent of the Plan of Distribution (the “Plan”) is to benefit Argent Classic Class A and Class B Limited Partners who were harmed from January 1, 2006, through April 2, 2009, by the interest-free loan practice described in the Order. The Fair Fund is not being distributed according to a claims-made process. Therefore, the procedures for making and approving claims are not applicable here.

6. The Plan is subject to approval by the Commission, and the Commission retains jurisdiction over the implementation of the Plan.

## **II. DEFINED TERMS**

7. “Days” means calendar days.

8. “Disbursement” means a payment to an Eligible Recipient from the Net Fair Fund pursuant to the methodology in Section five (5) below.

9. “Eligible Recipient” means a Class A or Class B Limited Partner who held shares in Argent Classic from January 1, 2006, through April 2, 2009, and was harmed by the interest-free loan practice described in the Order, or a lawful successor, assignee, or designee.<sup>2</sup> A list of Class A and Class B Limited Partners from Centaur will be provided to the fund administrator by Commission staff. An Eligible Recipient in no event will be the fund administrator, Centaur, Argent Classic’s General Partners, or any of their affiliates, assignees, designees, creditors, heirs, distributees, or controlled entities. A Class A or Class B Limited Partner whose Total Distribution Amount as defined in paragraph 21(d) below that does not exceed the Minimum Distribution Amount is not an Eligible Recipient.

10. “Minimum Distribution Amount” means \$10.00. The Fair Fund will not be disbursed to an Eligible Recipient unless the amount to be paid is equal to or greater than \$10.00.

---

<sup>2</sup> Class C Limited Partners are not Eligible Recipients because the conduct underlying Centaur’s securities laws violations minimally affected Class C Limited Partners. Specifically, each Class C Limited Partner received a monthly return equal to the aggregate of that month’s daily interest rate, which was the LIBOR rate for each day for that month plus 300 basis points. Class C Limited Partners received this monthly return from Class B Limited Partners who, in exchange, received the profits or losses that otherwise would have been due to Class C Limited Partners. Under some circumstances, Class C Limited Partners shared in the profits of the fund, and on these occasions may have been harmed by Centaur’s interest-free loan practice. Commission staff estimated that this harm was very small (approximately \$4,000) and that addressing this harm would add considerably to the complexity of the Plan. Therefore, Class C Limited Partners are not Eligible Recipients under the Plan.

11. “Net Fair Fund” means the Fair Fund minus all taxes, fees, and other expenses paid by the Fair Fund.

12. “Relevant Period” means the period from January 1, 2006, through April 2, 2009.

13. “Reverse Append Process” means a search conducted by the fund administrator through a service such as LexisNexis in response to undeliverable notices using a social security number (“SSN”) or employee identification number (“EIN”) to find an Eligible Recipient’s address.

### **III. ADMINISTRATORS**

#### **A. Fund Administrator**

14. The Commission has appointed Gilardi and Company LLC (“Gilardi”) as the fund administrator pursuant to Rule 1105, 17 C.F.R. § 201.1105.<sup>3</sup> Gilardi has extensive experience in the settlement administration industry and has acted as a fund administrator for other Commission distributions.

15. Gilardi may file applications with the Commission for payment of reasonable fees and expenses in accordance with Rule 1105(d), 17 C.F.R. § 201.1105(d). Commission approved fees and expenses will be paid from the Fair Fund.

16. Gilardi will be responsible for overseeing the administration of the Fair Fund, including calculating Disbursement amounts, preparing accountings, cooperating with a tax administrator in providing the information necessary to accomplish income tax compliance, providing investor support services, and disbursing money to Eligible Recipients pursuant to a Commission order to disburse. To fulfill its responsibilities, Gilardi will create a website and establish and staff a call center to address investor inquiries after the Plan is approved.

#### **B. Bond Requirement**

17. Gilardi is not a Commission employee, so Rule 1105(c), 17 C.F.R. § 201.1105(c), requires that Gilardi “obtain a bond in the manner prescribed in 11 U.S.C § 332, in an amount to be approved by the Commission.”

18. The Commission ordered that Gilardi obtain a bond in the amount of \$364,322.<sup>4</sup> Gilardi obtained a bond in the amount of \$364,322 on March 22, 2013.

---

<sup>3</sup> *Order Appointing Fund Administrator and Approving Fund Administrator Bond*, Exchange Act Rel. No. 69150 (March 15, 2013).

<sup>4</sup> *Id.*

**C. Tax Administrator**

19. The Commission has appointed Damasco & Associates LLP (“Damasco”) as the tax administrator.<sup>5</sup>

20. Damasco will provide tax-related services for the Fair Fund pursuant to the “Letter Agreement for the Calendar Years Ending December 2011 and 2012” (the “Letter Agreement”). Damasco will receive payment for reasonable fees and expenses in accordance with the Letter Agreement. Damasco’s fees and expenses as well as all payments of tax liabilities will be paid from the Fair Fund.

21. Gilardi will cooperate with Damasco in obtaining and providing information necessary for income tax compliance by the Fair Fund in accordance with the Commission’s *Omnibus Order Directing the Appointment of Tax Administrator in Administrative Proceedings that Establish Distribution Funds*<sup>6</sup> and the Letter Agreement.

**IV. METHODOLOGY AND NOTICE OF CLAIMANT ELIGIBILITY**

**A. Plan Methodology**

22. Each Eligible Recipient will receive a Disbursement based on the following:

a. For each month during the Relevant Period:

1. Calculate the net amount owed (“Net Amount Owed”) to Argent Classic by Centaur as the estimated interest due from Centaur to Argent Classic on the loan balances.<sup>7</sup>
2. Calculate the foregone interest (“Foregone Interest”) on the Net Amount Owed to Argent Classic from January 1, 2006, through the date that the fund administrator sends the Distribution Notices described in Paragraph twenty-three (23). The Foregone Interest will be calculated using the Federal Short-Term Interest Rate.
3. Add the Net Amount Owed to the Foregone Interest to calculate the monthly total owed (“Monthly Net Amount Owed”).

---

<sup>5</sup> *Order Appointing Tax Administrator*, Exchange Act Rel. No. 67824 (Sept. 11, 2012).

<sup>6</sup> Exchange Act Rel. No. 63749 (January 21, 2011).

<sup>7</sup> The Net Amount Owed takes into account \$13,841 in interest paid by Centaur in April 2009 to Argent Classic and certain amounts totaling \$85,413 owed to Centaur by Argent Classic for performance and management fees.

- b. Allocate the Monthly Net Amount Owed to each of the Class A and B accounts based on each account's opening balance for each month during the Relevant Period relative to the opening balances of all Eligible Recipients' accounts ("Account Holders' Monthly Distribution Amount").
- c. For Class B accounts, modify the Account Holders' Monthly Distribution Amounts by multiplying the amounts by the ratio of the sum of the Class B and C opening balances (the numerator) to the Class B opening balances (the denominator).<sup>8</sup>
- d. For each Class A and B account, sum the Account Holders' Monthly Distribution Amounts across all months during the Relevant Period to determine the total Disbursement owed to each account ("Total Distribution Amount"). If the Total Distribution Amount is negative, set it equal to zero.

**B. Notice of Eligibility**

23. Within sixty (60) days of the Commission's approval of the Plan, Gilardi will provide a written notice to Eligible Recipients informing them of the Fair Fund ("Distribution Notice"). The Distribution Notice will summarize the Plan and explain how to obtain a copy of the Plan. If a Distribution Notice is returned as undeliverable, Gilardi will make all reasonable efforts to ascertain an Eligible Recipient's correct address, including utilizing a Reverse Append Process. Gilardi will then resend the Distribution Notice to the Eligible Recipient's new address within thirty (30) days of receipt of the returned Distribution Notice. If the Distribution Notice is returned again, and Gilardi, despite all reasonable efforts, is unable to find an Eligible Recipient's correct address, the Eligible Recipient will no longer be eligible for a distribution, unless the Eligible Recipient contacts Gilardi as described in paragraph twenty-seven (27) below.

24. Within thirty (30) days of the Commission's approval of the Plan, Gilardi will provide an exemplar of the Distribution Notice on a case-specific website, [www.gilardi.com/Centaurmanagementfairfund](http://www.gilardi.com/Centaurmanagementfairfund) ("Gilardi's Website"). The approved plan will also be posted on Gilardi's Website and on the Commission's website, [www.sec.gov](http://www.sec.gov). The Commission staff retains the right to review and approve any material posted on Gilardi's Website.

25. An email address of [classact@gilardi.com](mailto:classact@gilardi.com) will be listed in the Distribution Notice and Gilardi's Website.

---

<sup>8</sup> Typically, Class B accounts received all income (and bore all loss) due to the Class C accounts. In exchange, the Class B accounts paid the Class C accounts interest as described in footnote one. This computation allocates to Class B accounts their *pro-rata* shares of any additional income they were owed because of this arrangement.

26. Gilardi will establish a toll-free phone number for Eligible Recipients to call. The toll-free call center will offer the services of representatives during regular business hours (Eastern Standard Time) and prerecorded messages during non-business hours.

**C. Handling of Disputes**

27. An individual that does not receive a Distribution Notice, and believes that they should have received a Distribution Notice after becoming aware of the Plan (e.g., through other Eligible Recipients or on [www.sec.gov](http://www.sec.gov)), must submit documentation to Gilardi to establish that the individual is in fact eligible to receive a Distribution Notice within forty-five (45) days after the last Distribution Notices are sent to Eligible Recipients by Gilardi. Gilardi will send the individual a Distribution Notice within twenty-one (21) days of receiving the individual's documentation, if Gilardi determines that the individual should receive a Distribution Notice.

28. Disputes will be limited to calculations of Disbursement amounts to Eligible Recipients. Gilardi must receive within thirty (30) days of the date that an Eligible Recipient's Disbursement was made, a dispute in writing along with any supporting documentation. Following an investigation of the dispute, including a review of the written dispute and any supporting documentation, within thirty (30) days of receipt of the dispute, Gilardi will notify an Eligible Recipient submitting the dispute of its resolution of the dispute, which will be final. This procedure will be set forth in the Distribution Notice.

**V. PLAN ADMINISTRATION**

**A. Control of the Fair Fund**

29. The Fair Fund is subject to the continuing jurisdiction and control of the Commission. The Fair Fund is currently deposited in the Treasury, where it will remain until the Commission issues an order authorizing the Disbursement.

30. The Fair Fund constitutes a Qualified Settlement Fund ("QSF") under Section 468B(g) of the Internal Revenue Code, 26 U.S.C. § 468B(g), and related regulations, 26 C.F.R. §§1.468B-1 through 1.468B-5.

31. Upon approval by the Commission of the Plan, and pursuant to an escrow agreement acceptable to Commission staff, Gilardi will establish an escrow account (the "Escrow Account") and a distribution account ("Distribution Account") at a financial institution not unacceptable to Commission staff (the "Financial Institution") in the name of and bearing the TIN of the QSF as custodian for the distributees of the Fair Fund. The name of each account will be in the following form: Name of QSF, TIN, as custodian for the benefit of investors allocated a Disbursement from the Centaur Fair Fund.

32. Prior to receipt of any funds in the Escrow Account, the Financial Institution will provide Gilardi an attestation, in a form acceptable to Commission staff, that all funds in the Escrow Account will be held solely for the Fair Fund and that the Financial Institution will not place any lien or encumbrance of any kind upon the funds.

33. Any funds in the Escrow Account may be invested in instruments backed by the full faith and credit of the United States Government, including AAA-rated United States Treasury money market funds that directly invest 100% in short term United States Treasury securities and obligations, provided however, that the money market mutual funds' investments in short term United States Treasury securities will not be made through repurchase agreements or other derivative products.

34. All costs and expenses associated with the Escrow Account will be paid from the Fair Fund.

35. The Financial Institution will hold the Fair Fund assets during the check-cashing period subject to the continuing jurisdiction and control of the Commission. Gilardi will be the signer on the Escrow Account.

36. Upon transfer from the Treasury, the Fair Fund assets will be held in the Escrow Account, separate from the Financial Institution's assets, until the presentation of checks.

#### **B. Procedures for Distributing the Fair Fund**

37. Gilardi will take reasonable steps to calculate Disbursement amounts for Eligible Recipients, resolve disputes, and disburse the Fair Fund to Eligible Recipients pursuant to a Commission order to disburse.

38. To disburse the Fair Fund, Gilardi will compile and submit a list of payees with multiple identifiers including an Eligible Recipient's name, address, SSN and/or EIN along with a Disbursement amount to Commission staff.

39. Gilardi will also provide a "reasonable assurances letter" to the Commission staff, representing that the list of payees: a) was compiled in accordance with the Plan; b) is accurate as to Eligible Recipients' names, addresses, and Disbursements; and c) provides all information necessary to make Disbursements to each Eligible Recipient.

40. Upon receipt and review of the payee list, the Commission staff will obtain an order from the Commission to disburse the Fair Fund pursuant to Rule 1101(b)(6), 17 C.F.R. § 201.1101(b)(6). Upon issuance of an order by the Commission, Commission staff will direct the transfer of funds to the Escrow Account. Gilardi will then use its best efforts to disburse funds within five (5) business days of the release of the funds into the Escrow Account ("Distribution Date"). All efforts will be coordinated

to keep the time between the receipt of the funds and the transmittal process to a minimum.

41. Checks will be issued by Gilardi from the account at the Financial Institution. All checks will bear a stale date of one hundred twenty (120) days from the date of issue. Checks that are not negotiated within the stale date will be voided, and the Financial Institution will be instructed to stop payment on those checks, except as provided below in subsection C of this section.

42. Disbursements will be preceded or accompanied by a communication that includes, as appropriate: a) a statement characterizing the Disbursement; b) a description of tax information reporting and other related tax matters as provided by the Tax Administrator; c) a statement that checks will be void after one hundred twenty (120) days from the date of their issue; and d) the contact information for Gilardi to be used in the event of any questions regarding the Disbursement (“Disbursement Letter”). All of Gilardi’s correspondences relating to the Disbursements will be submitted to Commission staff for review and approval. Disbursement checks, on their face or in the accompanying mailing, will state that the Disbursement is from a Fair Fund created by the United States Securities and Exchange Commission for the benefit of Class A Limited Partners or Class B Limited Partners in Argent Classic Convertible Arbitrage Fund L.P.

43. Electronic transfers may be utilized to transfer funds in accordance with the approved Disbursements. Electronic transfers will be initiated by Gilardi using a two-party check and balance system, whereby completion of an electronic transfer will require an authorization by Gilardi’s accountant and Chief Financial Officer.

44. Gilardi will utilize the Financial Institution’s “positive pay” system to control Disbursements by check from the QSF account. The positive pay system provides protection against fraud arising from counterfeit or amount-altered checks. The positive pay system will require, at a minimum, confirmation by the Financial Institution that all checks presented for payment match the identifiers and amounts on the validated list prior to payment of the presented obligation.

### **C. Returned or Un-Cashed Checks**

45. Gilardi is responsible for accounting for all payments and transactions relating to the Fair Fund, including any checks that expire or are uncashed. Gilardi is responsible for researching and reconciling all returned items due to non-delivery, insufficient addresses, and/or any other deficiencies and will reissue checks as appropriate.

46. In cases where an Eligible Recipient is unable to endorse a Disbursement check as written (e.g., name change as a result of divorce or Eligible Recipient is deceased), and the Eligible Recipient or its lawful representative requests the reissuance of a Disbursement check under a different name, Gilardi will request, and must receive,



documentation supporting the change. Gilardi will review the documentation to determine the authenticity and propriety of the change request. If such change request is properly documented, Gilardi will issue an appropriately redrawn check to the requesting party.

47. If a Disbursement check is returned as “undeliverable,” Gilardi will undertake a Reverse Append Process to locate the most up-to-date address on file within fourteen (14) business days after receipt of such returned check. Gilardi will mail a new check to the last known address, if any, obtained through such database search. If such check is not negotiated by its one hundred twenty (120) day stale date, that check will be voided and Gilardi will instruct the Financial Institution to delete the check from the register.

48. Periodically, at times to be determined by Gilardi in consultation with Commission staff, Gilardi will submit to the Commission staff a list by state of all undelivered mail that has been returned due to insufficient or incorrect addresses and for which Gilardi has been unable to locate an up-to-date address through the Reverse Append Process.

49. If any money remains in the Fair Fund ninety (90) days after the Disbursement Date, Gilardi will make reasonable efforts to contact Eligible Recipients who have failed to negotiate any checks over \$100.00 (other than checks returned as “undeliverable”) and take appropriate actions to re-issue final checks. Gilardi will void all reissue checks that remain un-cashed sixty (60) days after the date of final issue.

50. A residual within the Fair Fund will be established for any amounts remaining after all funds have been distributed. The residual may include funds reserved for future taxes and related expenses, amounts from checks that have not been cashed, amounts from checks that were not delivered or accepted upon delivery, tax refunds, and Disbursements that did not reach Eligible Recipients. Any funds held by Gilardi after the distribution will be sent to the Commission.

#### **D. Accounting**

51. Pursuant to Rule 1105(f), 17 C.F.R. § 201.1105(f), once the Fair Fund has been transferred from the Treasury to the Financial Institution, Gilardi will file an accounting with the Commission during the first ten (10) days of each calendar quarter on a standardized accounting form provided by Commission staff. Gilardi will file an accounting of all monies earned or received and all monies spent in connection with the administration of the Plan. Upon final distributions to Eligible Recipients, and the payment of taxes and fees, Gilardi will submit a final accounting for approval by the Commission on a standardized final accounting form provided by Commission staff.

**E. Fair Fund Termination**

52. The Fair Fund will be eligible for termination and Gilardi will be eligible for discharge after all of the following have occurred: a) a final accounting, in a standard accounting form provided by Commission staff, has been submitted by Gilardi, and has been approved by the Commission; b) all taxes, fees, and expenses have been paid by the Fair Fund; and c) any amount remaining in the Fair Fund has been received by the Commission. When the Commission has approved the final accounting, Commission staff will seek an order from the Commission to approve the termination of the Fair Fund, discharge of the fund administrator, and the transfer of any amount remaining in the Fair Fund to the United States Treasury.

**F. Changes to Plan**

53. Gilardi will take reasonable and appropriate steps to disburse the Fair Fund according to the Plan. Gilardi will inform Commission staff of any changes needed in the Plan. Upon agreement with Commission staff, Gilardi may implement immaterial changes to the Plan to effectuate its general purposes. If a change is deemed to be material by Commission staff, Commission approval of the change will be required prior to the implementation of the change by amending or modifying the Plan, which may be done upon the motion of any party, Gilardi, or the Commission's own motion.

54. For good cause shown, and in consultation with Commission staff, the Plan's procedural deadlines created by the Plan may be extended.