

CENTAUR VALUE FUND

MAY 2008 REPORT

Dear Partners,

The Centaur Value Fund returned +9.9% (+8.2% net to investors) for the month of May. The major U.S. indices also reported strong months, paced by the NASDAQ Composite (+4.6%) and the Russell 2000 (+4.5%). For the year to date through May 30th, the Fund has returned +24.7% (+20.3% net to investors) while the major indices remain in negative territory. Our usual performance table is shown below:

	MAY	YEAR-TO-DATE	SINCE INCEPTION
Centaur Value Fund	+9.9%	+ 24.7%	+285.2%
Centaur Value Fund - Net to partners	+8.2%	+ 20.3%	+219.1%
S&P500 Depository Receipt*	+1.1%	- 4.6%	+ 70.2%
NASDAQ Composite	+4.6%	- 4.9%	+ 89.9 %

The table above shows the performance of the Centaur Value Fund for the month and year-to-date and since the inception of the Fund on August 1, 2002. All CVF figures include the reinvestment of dividends. Monthly and year-to-date figures are estimates and un-audited. Inception to date figures incorporate audited results from prior years and un-audited results from the current year.

**The S&P500 inception to date return is reported using the S&P500 Depository Receipt Trust (SPDR) which trades under the ticker symbol SPY. Please see the full disclaimer at the bottom of this letter.*

May Performance

May was one of those special months where it seems that everything happened to perform well at the same time. Our long portfolio contributed +8.0% to the Fund's performance, our portfolio of short positions and hedges contributed +1.2%, and our private placement portfolio contributed approximately +0.7%. It all added up to +9.9% at the gross portfolio level (+8.2% net to investors). The big portfolio contributors on the long side in May are shown in the table below:

MAY CONTRIBUTORS - LONG PORTFOLIO		
<u>Position</u>	<u>% Change</u>	<u>% Contribution</u>
American Oriental Bio	+24%	+ 1.83%
ATP Oil & Gas	+48%	+ 1.60%
PetMed Express	+24%	+ 1.03%
PICO Holdings	+17%	+ 0.76%
Seabridge Gold	+13%	+ 0.75%

CENTAUR VALUE FUND

Our short portfolio contribution was driven primarily by our bearish positions on the U.S. automakers. Our private placement portfolio contributed due to an announced buyout of one of our holdings, China Water & Drinks. The increase in the fair market value of China Water added approximately +0.6% to our portfolio's return in May. We will have more to say about China Water in our update below.

Update on Private Placement Portfolio

China Water & Drinks has been one of our private placement portfolio holdings since our purchase back in May of 2007. The company is one of the leading producers and distributors of bottled water in China, marketing its own branded purified drinking water as well as supplying purified water to international beverage brands such as Coca-Cola and Uni-President. China Water had been pursuing both an organic and acquisition growth strategy to great success, and in 2007 the company grew revenue by 59% and net income by over 200% from the year before.

On May 20, China Water announced that it would be acquired by Heckmann Corporation of Palm Desert, California, in a combined stock and cash deal at a total purchase price of approximately \$625 million. China Water shareholders could elect to receive either \$5 per share in cash or 0.8 shares of Heckmann stock for each share of China Water. Subsequent to May 30th, we communicated our election to receive Heckmann stock rather than cash.

Heckmann is a recently formed Special Purpose Acquisition Company (SPAC) founded by Richard Heckmann, an entrepreneur with an extraordinary track record of value creation. Most notably, Mr. Heckmann founded a water and water infrastructure company called U.S. Filter in 1990, which he grew from \$17 million in revenues in 1990 to over \$5 billion in 1999, when he sold the company to Vivendi for \$8.2 billion. During the course of his tenure at U.S. Filter, Mr. Heckmann consummated nearly 150 separate acquisitions, including Culligan, a large U.S. bottled water company, United Utilities, a wastewater treatment firm in the U.K., and Memtec, a water filtration company based in Australia. Mr. Heckmann intends to use the China Water acquisition as an entrée into the Chinese water and water infrastructure markets, and we expect that he will follow a similar strategy of acquiring and integrating companies and technologies to become a major player in providing clean water in Asia and the Middle East. On the conference call to announce the acquisition, Mr. Heckmann described the market opportunity he sees in a very interesting thought experiment:

There are 3900 miles from Anchorage and Miami, and 336 million people live between Anchorage and Miami. And you can drink the tap water pretty much everywhere in those 3900 miles. It's 3700 miles from Hong Kong to Dubai, and 3.1 billion people live in that expanse, and there are very, very few places that you can drink the tap water. The leading bottled water brand in China has grown at 47% compounded annually since 1989. Even though per capita consumption of bottled water is very small – in fact, it's 13 liters per year in China versus 110 liters per year in the U.S., 135 liters per year in France, 204 liters in Mexico, and 259 liters in the United Arab Emirates. So you can see that the consumption of bottled water is at the very early stages in China. And in China, the tap water is generally unsuitable: 90% of the cities' groundwater is polluted.

CENTAUR VALUE FUND

700 million people drink contaminated water every day, and bottled water is really the only immediate answer. So what we have is a very strong platform to grow from, and in a market in China with over 250 bottled water companies, it's ripe for consolidation.

We believe that Heckmann is the ideal acquirer for an asset such as China Water & Drinks, and we have every expectation of continued value creation once the deal closes. For this reason, we elected to receive Heckmann shares, which we believe offer significant return potential, rather than take the cash. By choosing to accept Heckmann shares instead of the cash, we also must agree not to sell our shares for a period of six months beginning on the date the deal closes. Heckmann is already publicly traded on the New York Stock Exchange, and there is significant trading volume in the stock. Given our excitement to be invested in an area we already know very well with an executive with a remarkable track record of success in this industry, we believe that the modest period of extended illiquidity is an easy price to pay. At May 30th, our China Water & Drinks investment comprised approximately 1.8% of the Fund's assets. The transaction is subject to customary closing conditions, including approval of the acquisition agreement by the stockholders of both companies. Assuming all conditions for closing are met, the deal would be expected to close in the fall of 2008.

On another topic, last month we provided additional details about the recent success of our Green Hunter private placement. Thanks to the increase in trading volumes in Green Hunter stock, we were able to sell down our position at an average price that was slightly higher than the quoted price as of April 30th. This developed contributed a tiny bit of additional performance to the Fund in May; in addition, as of May 30th, our Green Hunter position comprised approximately 4.8% of the Fund's assets, down from approximately 5.7% as of April 30th. We expect steadily improving liquidity for our remaining Green Hunter securities over the remainder of 2008.

As of May 30th, private placement securities comprised approximately 10.6% of the Fund's assets at fair market value, and about 4.3% of the Fund's value at cost. Our experience with our private placements so far has dramatically exceeded our expectations, but we remain cognizant of the liquidity constraints that these investments can introduce to our Fund. We continue to be optimistic that our activity in the private placement arena will add significant value to the Fund going forward. However, we would anticipate that the contributions from our private placement activities will be less meaningful during the remainder of 2008 than what we've experienced in the last six months.

Special Thanks

We would like to extend a special note of thanks in this letter. First of all, the China Water & Drinks opportunity was extended to us by Barry Kitt, who manages the Pinnacle China Fund. Barry is a legend in the Dallas investing community, and we are not aware of any active manager with a better long-term track record in equity investing. Despite his extraordinary record, Barry doesn't receive the recognition of one of the world's great investors that he deserves, primarily because he is too modest to seek out the attention. In any event, Barry has been generous to us over the years with

CENTAUR VALUE FUND

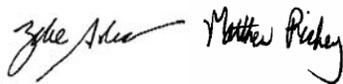
both his exceptional insights and the occasional investment opportunity, though he has nothing at all to gain from it but our friendship and our thanks.

Secondly, we would like to thank our business partners at West Coast Asset Management, and especially Atticus Lowe and Lance Helfert, for their friendship and support during these last several years. More specifically, it was Atticus and Lance who introduced us to Green Hunter. West Coast Asset Management owns a minority stake in Centaur Capital Partners, and we couldn't ask for better business partners. Interested readers may find more information about West Coast Asset Management at www.wcam.com

Final Thoughts

As a last item in what is already perhaps an overly lengthy letter, we have attached with this letter a one-page Fund overview that includes a historical investing summary, strategy description, and other pertinent information in an easy-to-read format. As always, we appreciate your continued confidence in the Fund.

Respectfully yours,



Zeke Ashton and Matthew Richey
Centaur Capital Partners
Southlake Town Square
1460 Main Street, Suite 234
Southlake, TX 76092
Telephone (main) 817-488-9632

Index Returns

**The S&P500 Index inception to date return is reported using the S&P500 Depository Receipt Trust (SPDR) which trades under the ticker symbol SPY. Reinvested dividends are included in these figures. The returns reported for SPDR may not exactly match the reported returns for the index. A spreadsheet showing the SPY performance vs. the Centaur Value Fund since inception is available upon request. NASDAQ performance does not include dividends, which are generally immaterial to the total return of that index.*

Not an Offer

This document is confidential and may not be distributed without the consent of the Investment Manager and does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product. Any such offer or solicitation may only be made by means of delivery of an approved confidential offering memorandum. Past results are no guarantee of future results and no representation is made that an investor will or is likely to achieve results similar to those shown. All investments involve risk including the loss of principal.