

## **PART 2A OF FORM ADV: FIRM BROCHURE**

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**This brochure provides information about the qualifications and business practices of North Tide Capital, LLC (“North Tide” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 617-449-3120 or [julianne@northtidecapital.com](mailto:julianne@northtidecapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority, and references in this Brochure to North Tide Capital, LLC as a “registered investment adviser” are not intended to imply a certain level of skill or training.**

**Additional information about North Tide Capital, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**This brochure is not an offering or solicitation of interests in funds managed by North Tide Capital, LLC or its affiliates.**

## **ITEM 2 – MATERIAL CHANGES**

This Brochure (the “Brochure”) replaces the last version of North Tide’s Brochure dated March 28, 2014 and reflects the change in the firm’s Chief Compliance Officer.

Previously, North Tide updated its Brochure on March 28, 2014 as a part of the annual amendment providing updated and clarifying information throughout the Brochure. Prior to that, North Tide updated its Brochure on: (i) July 9, 2013 to reflect the lower management fees that became effective July 1, 2013; (ii) on May 1, 2013, to update Item 8 of its Brochure to correctly reflect its reliance on the exemption from registration as a commodity pool operator under CFTC Rule 4.13(a)(3) instead of the exemption under CFTC Rule 4.13(a)(4), which is no longer available; (iii) on March 28, 2013 to file the annual amendment, which contained no material changes, and (iv) on June 7, 2012 to update its Brochure to account for its new physical address.

In the future, when North Tide amends the Brochure for the annual update, and the amended version contains material changes from the last annual update, North Tide will identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, North Tide will always provide the date of the last annual update of the Brochure.

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## **ITEM 4 – ADVISORY BUSINESS**

North Tide Capital, LLC (“North Tide” or the “Adviser”) provides discretionary investment advisory services to three private investment Funds: North Tide Capital, LP, a Delaware limited partnership (the “U.S. Fund”), North Tide Capital Offshore, Ltd., a Cayman Islands exempted company (the “Offshore Fund”), and North Tide Capital Master, LP, a Cayman Islands exempted limited partnership (the “Master Fund” and together with the U.S. Fund and the Offshore Fund, the “Funds”), and a separately managed Account (the “Account” and, together with the Funds, the “Advisory Clients” or “Portfolios”). North Tide was organized under the laws of the State of Massachusetts in 2010. The Funds are organized in a master-feeder structure (each of the U.S. Fund and the Offshore Fund, a “Feeder Fund,” and the Master Fund, the “Master Fund”). North Tide Capital GP, LLC, a Massachusetts limited liability company and an affiliate of North Tide is the general partner of the U.S. Fund and the Master Fund (the “General Partner”). Conan J. Laughlin is the principal owner of North Tide and the portfolio manager of the Portfolios (“Portfolio Manager”).

The objective of the Funds is to seek superior risk-adjusted returns without consideration to generating current income. The Funds seek to meet this objective by investing substantially, but not solely, in the publicly traded common stock of the healthcare industry. North Tide has broad and flexible investment authority with respect to the Portfolios.

North Tide also provides discretionary investment advisory services to the Account in accordance with the same objective and investment parameters as the Funds.

North Tide does not tailor its advisory services to the individual needs of investors in the Funds (“Fund Investors”) and does not accept Fund Investor imposed investment restrictions.

When deemed appropriate, North Tide has established, and may in the future establish, separately managed accounts for particular investors. These accounts are subject to investment objectives, guidelines, restrictions, fee arrangements and other terms that are individually negotiated. These account relationships generally involve significant account minimums.

As of December 31, 2013, North Tide manages approximately \$2,059,063,000 of “Regulatory Assets Under Management” (as defined by the SEC), all on a discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

### Management Fee and Performance Allocation

North Tide is compensated by Fund Investors in the form of a monthly management fee (the “Management Fee”) paid by the Master Fund. The Management Fee will be payable in arrears (regardless of a client’s profits) and will be deducted in determining the net profit or net loss of the U.S. Fund and the Offshore Fund. The Management Fee is calculated based on the balance in each Fund Investor’s capital account or the net asset value of each Fund Investor’s series of shares, as applicable and equals 0.125% per month (approximately 1.5% annualized), at the end of each month (computed prior to the payment or accrual of any Performance Allocation). The Management Fee is prorated for partial months.

In connection with the investment management services North Tide provides, it will bear all of its own normal and recurring operating expenses and overhead costs, except that research and research-related expenses may be paid for through the permitted use of “soft dollars” (as described in Item 12 - Brokerage Practices). The Management Fee may exceed the expenses borne by North Tide on behalf of the Funds.

Generally at the end of each fiscal year, the General Partner will have reallocated to its capital account in the Master Fund (after reduction for the Management Fee and other expenses and fees incurred by the U.S. Fund and the Offshore Fund) a Performance Allocation equal to 20% of the excess net profits over net losses attributable to each Fund Investor’s capital account or series of shares (and reflected in corresponding sub-accounts kept with respect to each such Fund Investor at the Master Fund level) for such fiscal year, subject to a customary high-watermark described below. In the event a Fund Investor is permitted or required to withdraw or redeem completely or partially from the U.S. Fund or Offshore Fund other than at the end of the fiscal year, the Performance Allocation made at the Master Fund level with respect to such Fund Investor for such year will be determined with respect to the portion being withdrawn or redeemed through the applicable withdrawal date.

A memorandum loss recovery account (a “Loss Recovery Account”), sometimes called a “high-watermark”, will be maintained with respect to each Fund Investor and will be increased by the aggregate net losses, if any, allocated to such Fund Investor for such year and reduced (but not below zero) by any net profits allocated to such Fund Investor for such year (before any Performance Allocation). The General Partner will not be allocated any Performance Allocation with respect to a Fund Investor until such Fund Investor has recovered any net losses allocated to its Loss Recovery Account. The loss amount allocated to the Loss Recovery Account will be decreased pro rata to account for any withdrawals or redemptions made prior to the end of a fiscal year.

The Management Fee and Performance Allocation may, in the sole discretion of North Tide or the General Partner (as applicable) be waived, reduced, or rebated with respect to certain Fund Investors, including affiliates of the General Partner or North Tide.

North Tide (or an affiliate) deducts fees from Fund Investor assets invested in the Funds. Fund Investors do not have the ability to choose to be billed directly for fees incurred.

North Tide also receives from the Account an asset based quarterly management fee and an annual performance based fee, subject to a high-watermark similar to that described above, in the amounts set forth in the agreement between North Tide and the Account investor.

## **Expenses**

In addition to fees payable to North Tide, the Funds (and therefore Fund Investors) may pay a variety of expenses related to each Fund's investments and operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, research expenses (including research related travel expenses), legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and variation margin, interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, legal expenses, audit and tax preparation expenses, accounting fees, costs of the administration of the Funds (including, but not limited to, fees and expenses of an administrator and third party valuation services), the Management Fee, regulatory costs and expenses (including filing and licensing fees), organizational expenses, premiums for liability insurance, fees for risk management services, indemnification expenses, entity-level taxes, issue or transfer taxes, costs of reporting to investors, costs of litigation, any extraordinary expenses, and other similar expenses related to the Funds.

A portion of the Funds' expenses may be shared with other investment entities or accounts managed by North Tide, the General Partner or their affiliates on an equitable basis.

Neither North Tide nor its supervised persons accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products, including interests in the Funds.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, North Tide (or an affiliate) may receive performance-based compensation from the Funds and the Account. All Advisory Clients are subject to performance-based fees.

It should be noted that the possibility that North Tide (or an affiliate) could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for North Tide to effectuate larger and more risky transactions than would be the case in the absence of such form of compensation. Since the performance-based fees are calculated on a basis that includes unrealized appreciation of Advisory Client assets, such allocation may be greater than if it were based solely on realized gains. Investors are provided with clear disclosure as to how performance-based compensation is charged with respect to a particular Fund and the risks associated with such performance-based compensation prior to making an investment.

We are required to act in a manner that we consider fair, reasonable and equitable in allocating investment opportunities to the Funds and the Account, but we and our affiliates are not otherwise subject to any specific obligations or requirements concerning the allocation of time, effort or investment opportunities, or any restrictions on the nature or timing of investments for the Funds and the Account. North Tide recognizes that it is a fiduciary and as such must act in the best interests of the Advisory Clients.

## **ITEM 7 – TYPES OF CLIENTS**

As previously described in Item 4, North Tide’s clients consist of the Funds and the Account. Investors in the Funds and the Account consist of institutional investors and other sophisticated investors.

The minimum investment in the Funds is \$1,000,000, which may be reduced by the General Partner of the U.S. Fund or Board of Directors of the Offshore Fund, as applicable. Interests in the U.S. Fund may only be purchased by investors that are “accredited investors,” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and “qualified purchasers,” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “1940 Act”). U.S. investors in the Offshore Fund must also be “accredited investors” and “qualified purchasers.” Shares in the Offshore Fund are typically offered to eligible investors that are not U.S. Persons or U.S. tax-exempt entities.

The Account was established for a sophisticated institutional investor and involves a significant minimum investment.



## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Investment Objective, Philosophy and Strategy***

North Tide's investment objective is to seek superior risk-adjusted returns without consideration to generating current income by investing substantially, but not solely, in the publicly traded common stock of the universe broadly defined as Healthcare. North Tide performs in-depth analysis to determine a fair intrinsic value for various stocks within the healthcare universe, and as market prices fluctuate around that intrinsic value, believes there will be opportunity to profit. Prices in the healthcare universe fluctuate for a variety of reasons, including a worldwide aging demographic, industry dislocations caused by legal and regulatory reform, technological advances in medical devices, diagnostics and drugs, the dynamic reimbursement landscape. In addition, North Tide believes daily pricing action in the stock market contributes to price fluctuations (human psychology, misunderstanding or error can cause stock prices to differ from a company's intrinsic value).

North Tide employs a rigorous investment process that involves primary research and detailed financial modeling in order to develop and test differentiated, contrarian views that focus on a longer term investment horizon. North Tide believes that its longer term view and differentiated, contrarian investment theses will provide the Funds with opportunities to capitalize on both the inherent investment opportunities in the healthcare sector as well as opportunistically profit from short term market dislocations.

The Funds will invest in healthcare companies with market capitalizations greater than \$1 billion, which North Tide believes are subject to significant market and knowledge inefficiencies and are generally relatively liquid investment opportunities. The Funds will also invest in companies with a market capitalization less than \$1 billion. North Tide believes companies with lower market capitalizations, though less liquid, generally have fewer analysts and investors following them, which often results in greater market and knowledge inefficiencies, allowing for a more favorable risk-return than companies with market capitalizations greater than \$1 billion.

As a normal part of their strategy and in an effort to maximize returns, the Funds may employ leverage as viewed prudent by North Tide. The Funds will generally employ leverage in an amount equal to approximately 200% of their assets; provided, however, that the Funds may employ greater amounts of leverage in the sole discretion of North Tide or if investment opportunities or market conditions present favorable opportunities. Likewise, if North Tide is unable to identify favorable investments with an asymmetric risk-reward, it may choose to significantly reduce the use of leverage, or employ no leverage at all. North Tide may also employ an investment strategy with a fairly concentrated portfolio, provided, however, that it does not anticipate that any single position will represent more than 20% of a Fund's exposure at any time, with the exception of exchange traded funds, synthetic "basket" short positions, or other hedging instruments, which may exceed such amount.

### ***Investment Process***

North Tide has designed its investment process to maximize the returns with less commensurate risk. North Tide aims to achieve this goal by selecting the best long and short ideas to initiate positions in the Funds. North Tide believes that there are many opportunities available within the healthcare sector which can provide above average returns with less risk, but the investment process is designed to identify and implement the ideas that maximize the spread between risk and reward: the *most* reward for the *least* risk.

## **Sourcing**

North Tide will monitor hundreds of companies and evaluate financial metrics, industry trends, management capability, clinical efficacy, and other drivers of long term corporate value. Monitoring these metrics, and others, will allow North Tide to develop a firm understanding of the intrinsic value of companies within the healthcare space. North Tide will also closely monitor stock price movements of companies within the healthcare universe and compare those to the intrinsic value of the stock; to the extent that the relationship between price and intrinsic value becomes skewed, it may lead to the building of a position in the respective company, either long or short. Additionally, North Tide will utilize an extensive network of industry contacts to understand industry trends and sentiment, which may result in the sourcing of potential investment ideas. North Tide does not anticipate using “expert networks” to source investment ideas.

## **Investment Execution**

North Tide believes that to profitably execute trade ideas, it is necessary to correctly devote resources to those that likely offer the most upside with less commensurate risk. When evaluating ideas to which resources may be devoted, North Tide will also assess aspects which impact the ability to build a position in a stock, such as liquidity and short interest. After an initial assessment of a company’s situation and valuation, and after assessing other relevant aspects of the potential trade, North Tide will devote resources to further due diligence. Due diligence will consist of conducting detailed, in-depth research into the applicable company and sector to understand historical and current trends. North Tide will also conduct extensive due diligence on the financial statements of the applicable company to understand how changes in the operating environment could impact financial results and cash flow. Additionally, North Tide will devote particular attention to accounting standards in order to assess conservatism or aggressiveness in reported financial statement and to detect potential fraudulent accounting. North Tide will do research to understand the applicable company’s history, evolution and management team and detailed financial models will be built to gain a deep understanding of profitability levers for such company. North Tide will utilize an extensive network of contacts, as well as primary documents such as regulatory filings, to assist in conducting due diligence, with the goal of arriving at a level of conviction that is strong enough to establish a large enough position in the applicable company to deliver superior risk adjusted returns to investors.

## **Risk Management**

North Tide believes that understanding risk is the most important part of managing the Fund. As North Tide defines risk as the uncertainty about potential outcomes and the potential loss when unfavorable outcomes occur, North Tide believes that the key to managing risk is understanding what the potential downside outcomes are and what would cause them to occur. North Tide first manages risk when the initial investment is made by only investing in companies with a significant “margin of safety” meaning that the valuation is such that the stock price is unlikely to move in an unfavorable direction regardless as to whether unfavorable developments occur. Despite only investing in situations where there is a significant margin of safety, North Tide will constantly challenge and reassess assumptions and potential outcomes. North Tide will also manage risk so that the Fund is not overly exposed to a sub-sector or single position.

In general, although there are specific investment guidelines inherent in the model and investment philosophy summarized above, the investment strategy of the Funds has been structured to provide North Tide with flexibility to achieve the Funds’ investment objectives. No guarantee or representation is made that the Funds’ investment programs will be successful.

Investing in securities involves a risk of loss that investors should be prepared to bear. Investors should consider the following risk factors before investing in one of our Funds. The following list does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds.

Prospective investors are urged to consult their professional advisers and to review the legal documents for each particular Fund before deciding to make an investment in a Fund. Certain of the following risks also are relevant to the Account.

### ***Material Risks***

#### **Investment and Trading Risks.**

An investment in the Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Fund's investment program will be successful. North Tide will be investing substantially all of the Fund's assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which the Fund expects to invest have in recent years experienced and continue to experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Partnership.

#### **Risks of Investing in Healthcare Companies**

Certain healthcare companies are subject to reimbursement risk, intense competition and rapid technological change, and may present risks not typical of investments made in other industry sectors, including the following:

- The financial performance of many healthcare companies is highly dependent on third-party and government reimbursement. Reductions in reimbursement rates by third-party payers such as Medicare could have a significant adverse effect on the financial condition and operating results of these companies. This risk is particularly acute in the current environment given the Federal government's budgetary deficit and ongoing healthcare reform initiatives.
- If state and federal legislative bodies or the Food and Drug Administration ("FDA") undertake new legislative and regulatory initiatives that impede, rather than promote, the growth of the healthcare industries in the future, North Tide may have difficulty identifying attractive healthcare investment opportunities, and otherwise profitable investments could become unprofitable.
- As North Tide intends to invest primarily in securities of healthcare companies, the performance of its investments will be closely tied to and affected by the healthcare industries. Companies in the healthcare industries are often faced with the same obstacles, issues or regulatory burdens, and their securities may react similarly and move in unison to these or other market conditions. Among the key drivers of healthcare industries growth are the current and future state and federal legislative and regulatory climates.
- Many life science companies face high research and development costs and obsolescence of their products. These factors may have a significant adverse effect on the financial condition and operating results of these companies.

Many healthcare companies derive a large portion or all of their value from a single product. The viability of these products and financial performance of these companies is highly dependent on completing successful clinical trials, obtaining FDA approval and receiving third-party reimbursement.

### Limited Diversification

At any given time, it is possible that North Tide may make investments that are concentrated in a particular type of security, industry, geographic location or market capitalization. This limited diversity could expose the Funds to significantly greater volatility than in a more diversified portfolio.

### Use of Leverage

North Tide may leverage the Funds through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to the Partners if the Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to the Partners if the Fund fails to earn as much on such incremental investments as it pays for such funds. In the event that the Funds leverage their portfolio, fluctuations in the market value of the Funds' Funds will have a significant effect in relation to the Funds' capital and the risk of loss and the possibility of gain will each be increased. In addition, when the Funds utilize leverage, the level of interest rates generally, and the rates at which the Funds can borrow in particular, will be an expense of the Funds and therefore affect the operating results of the Funds. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of the Funds.

The Funds may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call" pursuant to which the Funds would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to pay off its margin debt.

### Short Sales

North Tide may engage in short sales as part of hedging transactions or when it believes securities are overvalued. Short sales are sales of securities the Funds borrow but do not actually own, usually made with the anticipation that the prices of the securities will decrease and the Funds will be able to make a profit by purchasing the securities at a later date at the lower prices. The Funds will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time they purchase the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. The Funds' ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Funds. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect the Funds' ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Funds may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Funds may also incur additional costs in connection with short sale transactions, including in the event that they are required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Funds are subject to strict delivery requirements. The inability of the Funds to deliver securities within the required time frame may subject them to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Funds to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Funds' ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to the Funds.

### Small and Mid-Cap Issuers

A portion of the Funds' assets are anticipated to be invested in securities of small and mid-cap issuers. While, in North Tide's opinion, the securities of small and mid-cap issuers may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, small and mid-cap issuers often have limited operating histories, product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and, thus, may create a greater chance of loss than investments in securities of larger-cap issuers. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small and mid-cap issuers may be higher than in those of large-cap issuers.

### Risks of Investments in Options

Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Funds may use in their investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

### Put and Call Options.

The Funds may purchase exchange-listed and over-the-counter ("OTC") put and call options. In addition, the Funds may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the Funds may

be wholly or partially covered (meaning that the Funds hold an offsetting position) or uncovered. Options on specific investments may be used by the Funds to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by the Funds without requiring a sale of the investments.

Use of put and call options may result in losses to the Funds, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Funds can realize on their investments or cause the Funds to hold an investment they might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by the Funds to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by the Funds. The use of uncovered option writing techniques may entail greater risks of potential loss to the Funds than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the Funds realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

### Equity Securities of Growth Companies

A portion of the Funds' assets may be invested in equity securities of companies that North Tide believes have potential for capital appreciation significantly greater than that of the market averages, so-called "growth" companies. The market capitalization of the growth companies in which the Funds will invest may range from small to large capitalizations. Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations. Securities of growth companies may be traded in the OTC markets. While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volume than exchange-listed securities. The values of these securities may fluctuate more sharply than exchange-listed securities, and the Funds may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.

### Undervalued Equity Securities

North Tide's investment strategy focuses on investing in companies that it believes are undervalued. Opportunities in undervalued equity securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

### Hedging

The Funds may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, North Tide's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategies may also be subject to North Tide's ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. The Funds' Funds are not expected to

be completely hedged at all times and at various times North Tide may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, the Funds' assets may not be adequately protected from market volatility and other conditions.

### Counterparty Risk

Some of the markets in which the Funds may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Funds are not restricted from concentrating any or all of their transactions with one counterparty. The ability of the Funds to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

### Purchasing Securities of Initial Public Offering

From time to time the Funds may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for the Funds to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. The Funds may invest in securities that are "new issues," as defined by Rule 5130. Rule 5130 and Rule 5131 restricts certain persons from participating in "new issues." In the case of the Fund, Operating Agreements will provide a mechanism for the purchase of new issues that excludes participation in such investment by any Partner that is deemed restricted.

### Swap Transactions

The Funds may enter into swap agreements with respect to securities, indexes of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "swap" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount". Whether the Funds' use of swap agreements will be successful will depend on the Investment Manager's ability to select appropriate transactions for the Funds. Swap transactions may be highly illiquid. Moreover, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds' ability to terminate existing swap transactions or to realize amounts to be received under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Total return swaps are another form of swap transaction that the Funds may utilize in their investment program. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short and the total return receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to the Funds' portfolio because, in addition, to its total net assets, the Funds would be subject to investment exposure on the notional amount of the swap agreement.

#### Other Derivative Investments

Derivative instruments or "derivatives" include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Funds to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent North Tide from promptly liquidating unfavorable positions and subject the Funds to substantial losses.

The General Partner has claimed an exemption from registration with the CFTC as a commodity pool operator pursuant to Rule 4.13(a)(3) of the CEA with respect to the U.S. Fund and the Master Fund and North Tide has claimed an exemption from registration as a commodity pool operator pursuant to Rule 4.13(a)(3) with respect to the Offshore Fund; however, either the General Partner or North Tide may, in its sole and absolute discretion, or as otherwise required by applicable law or regulation, become so registered in the future. Unlike a registered commodity pool operator, neither the General Partner nor North Tide is required to deliver a disclosure document and a certified report to investors in the Funds. North Tide has claimed an exemption from registration with the CFTC as a commodity trading advisor pursuant to Rule 4.14(a)(8) under the CEA.

#### Forward Trading

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements, and speculative position limits are not applicable. For example, there are no requirements with respect to record keeping, financial responsibility or segregation of customer Funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or contracting counterparty to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the Funds have



forward contracts. Although North Tide seeks to trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligation could expose the Funds to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any currency market traded by the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which North Tide would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in significant losses to the Funds.

### Foreign Securities

The Funds may invest in securities of non-U.S. issuers. The Funds' investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Funds' assets denominated in that currency and thereby impact the Funds' total return on such assets. The Funds may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Partnership assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for the Funds to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of the Funds' trades affected in such markets.

### Exchange Traded Funds

The Funds may invest in and sell short shares of exchange traded Funds ("ETFs") and other similar instruments. These transactions may be used to adjust the Funds' exposure to the general market or industry sectors and to manage the Funds' risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments.

### American Depositary Securities & Receipts

In certain instances, rather than directly holding securities of non-U.S. companies, the Funds may hold these securities through an American Depositary Receipt (an "ADR"). An ADR is issued by a U.S. bank

or trust company to evidence its ownership of securities of a non-U.S. company. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. company to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the fees and expenses associated with holding an ADR, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of the Funds, as a holder of an ADR, may be different than the rights of holders of the underlying securities to which the ADR relates, and the market for an ADR may be less liquid than that of the underlying securities. The foreign exchange risk will also affect the value of the ADR and, as a consequence, the performance of the investor holding the ADR.

### Money Market Instruments

North Tide may invest, for defensive purposes or otherwise, all or a portion of the Funds' assets in high quality fixed-income securities, money-market instruments, and foreign money-market mutual funds, or hold cash or cash equivalents in such amounts as North Tide deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

### Loans of Portfolio Securities

The Funds may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of a Funds' assets. By doing so, the Funds attempt to increase their income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Funds could experience delays in recovering the securities it lent. To the extent that the value of the securities the Funds lent has increased, the Funds could experience a loss if such securities are not recovered.

### General Economic and Market Conditions

The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Funds' investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets—the larger the positions, the greater the potential for loss.

In recent years, global markets experienced unprecedented volatility and illiquidity. The effects thereof are continuing and there can be no assurance that the Funds will not be materially adversely affected. These conditions have led to extensive governmental interventions. Such interventions have in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition—as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action—these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on North Tide's strategies.

### Transaction Execution and Costs

As the Investment Manager expects to actively manage the Funds' portfolios, purchases and sales of investments may be frequent and may result in higher transaction costs to the Funds. In addition, in many cases relatively narrow spreads may exist between the prices at which the Funds will purchase and sell particular positions. The successful application of the Funds' investment strategy will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although the Funds will seek to utilize brokerage firms that will afford superior execution capability to the Funds, there is no assurance that all of the Funds' transactions will be executed with optimal quality. Furthermore, due to the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of the Funds, may therefore be expected to be a factor in determining future profitability of the Funds.

### Broker Risk

The Funds' assets may be held in one or more accounts maintained for the Funds (or the Master Fund) by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Funds' assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to a Funds' assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on the Funds and its assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Funds' assets or in a significant delay in the Funds having access to those assets.

## **ITEM 9 – DISCIPLINARY INFORMATION**

There are no legal or disciplinary events to report that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither North Tide nor its management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither North Tide nor its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

North Tide Capital GP, LLC serves as general partner to certain of the Funds, and is controlled by Conan Laughlin.

In addition, the following individuals are directors of the offshore Feeder Fund:

- Conan Laughlin
- Ronan Guilfoyle
- Jennifer Collins

North Tide, the General Partner, and each of their members, principals, managers, affiliates and employees (the “North Tide Affiliates”) may engage in other activities, including providing investment management and advisory services to other funds and accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to the Portfolios and their affairs. Such other funds or accounts may pursue a substantially similar investment strategy as that of the Portfolios. These activities could be viewed as creating a conflict of interest in that the time and effort of North Tide will not be devoted exclusively to the business of the Portfolios, but will be allocated between the business of the Portfolios and other business activities of the North Tide Affiliates.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

North Tide's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act"). The Code applies to North Tide's "Access Persons." Access Persons include, generally, any partner, officer or director of North Tide and any employee or other supervised person of North Tide who, in relation to the Advisory Clients, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All North Tide employees are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account North Tide's status as a fiduciary and requires Access Persons to place the interests of Advisory Clients above their own interests and the interests of North Tide. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of North Tide's Chief Compliance Officer (the "Chief Compliance Officer"). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1. Access Persons are generally not permitted to trade for their personal accounts securities held by the Portfolio.

The General Partner and North Tide employees may also invest directly in the Funds. It should be noted that investments in the Funds made by such parties generally will not be subject to the Management Fee and Performance Allocation described in Item 5 above.

The fact that the General Partner and North Tide's employees may have financial ownership interests in the Funds creates a potential conflict in that it could cause North Tide to make different investment decisions than if such parties did not have such financial ownership interests. North Tide addresses this potential conflict by impressing upon Access Persons their fiduciary duty to act in the best interests of advisory clients and Investors and by requiring Access Persons to submit securities holdings and transaction reports in accordance with Rule 204A-1, mandating pre-clearance process for certain personal securities transactions, and by prohibiting Access Persons from transacting in securities in the universe of securities in which North Tide Invests.

The Code also seeks to ensure the protection of nonpublic information about the activities of the Advisory Clients. Fund Investors or prospective Fund Investors may obtain a copy of the Code by contacting the Chief Compliance Officer, Julianne Hull, at [julianne@northtidecapital.com](mailto:julianne@northtidecapital.com).

As explained in Item 10 above, North Tide Capital GP, LLC serves as general partner to certain of the Funds. North Tide believes that when Access Persons invest in a Fund it aligns Access Persons' interests with those of Fund Investors.

North Tide and its affiliates have a material financial interest with respect to fees paid by Advisory Clients and Fund Investors. Management fees are payable without regard to the overall success or income earned by the Advisory Clients and therefore may create an incentive on the part of North Tide to

raise or otherwise increase assets under management to a higher level than would be the case if North Tide were receiving a lower or no management fee. Performance-based fees may create an incentive for North Tide to make investments that are riskier or more speculative than in the absence of such incentive allocations.

North Tide addresses these potential conflicts through regular monitoring of the Advisory Client Funds for consistency with Advisory Client objectives, strategies, and target capacity. Further, North Tide carefully considers the risks involved in any investments and North Tide provides extensive disclosure to Fund Investors regarding the potential risks that come with an investment in the Funds or through a separately managed account.

## **ITEM 12 – BROKERAGE PRACTICES**

North Tide is authorized to determine the broker-dealers used to execute trades and to negotiate any commissions paid on such transactions. North Tide's primary consideration in placing transactions with particular broker-dealers is to obtain execution in the most effective manner possible. North Tide also takes into account a variety of other factors, including the financial strength, integrity and stability of the broker-dealer and the commissions to be paid. North Tide may also consider the quality comprehensiveness and frequency of available research and other products and services considered to be of value. The products and services furnished by broker-dealers may include, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, statistics and pricing or appraisal services, discussion with research personnel, special execution capabilities, order of call and the availability of stocks to borrow for short trades.

North Tide is authorized to pay higher prices for the purchase of securities from, or accept lower prices for the sale of securities to, brokerage firms that provide it with such research and trading related products and services or to pay higher commissions to such firms if North Tide determines such prices or commissions are reasonable in relation to the overall services provided. Accordingly, the Funds may be deemed to be paying for research and other products and services with "soft" or commission dollars.

Any use of commissions or "soft dollars" generated by the Funds to pay for brokerage and research products or services will fall within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Funds, North Tide will make a reasonable allocation of the cost that may be paid for with soft dollars.

When North Tide uses soft dollars to obtain research or other products or services from broker-dealers, it receives a benefit because it does not have to produce or pay for the research, products or services. North Tide also has the authority to cause the Funds to pay brokers directly for research.

Further, North Tide has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on a client's interest in receiving most favorable execution.

Such soft dollar benefits may be used to service all of North Tide's clients and not just those that paid for the benefits. It is anticipated that any soft dollar benefits received by North Tide will be applicable to all of North Tide's clients.

North Tide may also, in its discretion, determine to use one or more third party service providers to perform certain trading functions for the Funds, and in connection therewith the Funds may pay higher brokerage commissions than might be paid if North Tide performed this function, particularly in the case of trades that North Tide directs to be executed with a broker other than the third party service provider. Such service provider may be subject to certain restrictions and conflicts that may limit its ability to perform such trading services.

When the purchase and sale of securities is considered to be in the best interest of more than one Advisory Client, the securities to be purchased or sold may be aggregated in order to obtain superior execution and/or lower brokerage expenses. Advisory execution prices for identical securities purchased or sold on behalf of multiple accounts in any one day may be (but are not required to be) averaged. In such instances, allocation of prices, as well as expenses incurred in the transaction, will be made in a manner that North Tide considers to be equally as favorable to the Funds as to any other party.



Allocation of investment opportunities among the Funds and the Account will be made by North Tide based upon the investment objectives and investment portfolio of the Funds and the Account, which generally transact on a “pari-passu” basis.

## **ITEM 13 – REVIEW OF ACCOUNTS**

The Advisory Client Funds are under continuous review by the Portfolio Manager. Such reviews include a review of existing investments, potential investments, investment policy, the suitability of the investments used to meet policy objectives, cash availability, and investment objectives. The Portfolio Manager considers, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

Fund Investors are expected to receive the following: unaudited monthly investor statements; quarterly investor letters; annual audited financial statements within 120 days of the fiscal year end; and a Schedule K-1 for the Fund Investors in the U.S. Fund only.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

No persons that are not investors in the Portfolios provide North Tide with an economic benefit for providing investment advice or other advisory services to the Portfolios. North Tide does not, directly or indirectly, currently compensate any person for client referrals. There will be no sales charges payable to the Portfolios in connection with the sale of interests therein. However, the Portfolios or the General Partner may enter into agreements with one or more third parties providing for, among other things, payments to such third parties of a fully disclosed sales charge, which may be paid from the investments of certain investors that agree thereto.

## **ITEM 15 – CUSTODY**

North Tide and the General Partner are deemed to have custody of Fund assets and securities by virtue of their status as investment manager or general partner. The qualified custodians are Credit Suisse, 11 Madison Avenue, 3<sup>rd</sup> Floor, New York, NY 10010 and Goldman Sachs, Oliver Street Tower, Suite 1700, 125 High Street, Boston, MA 02110.

To ensure North Tide is in compliance with Rule 206(4)-2 under the Advisers Act, North Tide or the Funds' administrators provide Fund Investors with audited financial statements for their respective Funds within 120 days of the end of such Funds' fiscal years (i.e., generally by April 30). Fund Investors should carefully review such statements.

## **ITEM 16 – INVESTMENT DISCRETION**

North Tide has discretionary authority to manage securities accounts on behalf of the Funds, and is authorized to make transaction for the Funds. There are no specific limitations placed on this authority, provided that North Tide will exercise its discretionary authority in accordance with the investment objectives and strategy and applicable limitations, if any, set forth in applicable offering documents or other governing agreements of each Fund. Fund Investors do not have the ability to impose limitations on the discretionary authority of North Tide. Fund Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, Fund Investors in the domestic Fund must execute a limited partnership agreement that contains a power of attorney.

North Tide has discretionary authority to manage the Account. The Account is subject to investment objectives, guidelines, and restrictions, and fee arrangements, as well as other terms that are individually negotiated with the Account owner, and set forth in an investment management agreement.

## **ITEM 17 – VOTING CLIENT SECURITIES**

North Tide has authority to vote the securities of certain Advisory Clients. North Tide understands and appreciates the importance of ensuring that its proxy voting procedures are clearly described to Advisory Clients and Investors.

All proxies will be provided to the Portfolio Manager (or his Designated Person) who, prior to voting any proxies, will determine if there are any conflicts of interest related to the proxy in question. If a potential conflict is identified, the Portfolio Manager will inform the Chief Compliance Officer of the details of such proxy and the perceived conflict of interest. The Portfolio Manager and the Chief Compliance Officer together will make a determination as to whether the conflict is material. If no material conflict is identified, North Tide will vote the proxy in question in accordance with the best interest of the relevant Advisory Client(s).

If a material conflict is identified by the Portfolio Manager and Chief Compliance Officer, North Tide will generally seek to mitigate the conflict by either appointing an independent third party to vote such proxies or disclosing the conflict to affected Advisory Clients (or Fund Investors) and giving such Advisory Clients (or Fund Investors) the opportunity to vote the proxies in question themselves.

North Tide delivers completed proxies in accordance with instructions related to such proxy. North Tide keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, communications received and internal documents created that were material to voting decisions and Investor requests for proxy voting records and North Tide's response.

Fund Investors do not have the ability to direct proxy votes.

Advisory Clients and Fund Investors may obtain additional information regarding how North Tide voted proxies and may obtain a copy of North Tide's proxy voting policies and procedures by contacting the Chief Compliance Officer, Julianne Hull, at [julianne@northtidecapital.com](mailto:julianne@northtidecapital.com).

## **ITEM 18 – FINANCIAL INFORMATION**

North Tide is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

North Tide has not been the subject of a bankruptcy petition at any time during the past ten years.