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**SOUTHPOINT CAPITAL ADVISORS LP**

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

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**Dated: February 15, 2012**

**This brochure provides information about the qualifications and business practices of Southpoint Capital Advisors LP. If you have any questions about the contents of this brochure, please contact us at (212) 692-6350 or [compliance@southpoint-capital.com](mailto:compliance@southpoint-capital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Southpoint Capital Advisors LP is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Being a “registered investment adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.**

**THIS BROCHURE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE  
SOLICITATION OF AN OFFER TO BUY ANY SECURITY.**

**Item 2 MATERIAL CHANGE**

Not Applicable.

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#### **Item 4      ADVISORY BUSINESS**

Southpoint Capital Advisors LP (“Southpoint”) is a Delaware limited partnership that has been in the investment management business since March 2004. Southpoint Capital Advisors LLC, a Delaware limited liability company, serves as the general partner of Southpoint. John S. Clark II is the managing member of Southpoint Capital Advisors LLC, and the sole owner of Southpoint and of Southpoint Capital Advisors LLC. Southpoint provides investment advice to private funds.

Southpoint has an advisory agreement with a domestic feeder fund, Southpoint Qualified Fund, LP (the “Domestic Feeder Fund”), an offshore feeder fund, Southpoint Qualified Offshore Fund, Ltd. (the “Offshore Feeder Fund”, and together with the Domestic Feeder Fund, the “Feeder Funds”), and a master fund, Southpoint Master Fund, LP (the “Master Fund,” and together with the Feeder Funds, the “Funds”). The Feeder Funds invest all of their investable assets in the Master Fund, which acts as the exclusive trading entity through which the Feeder Funds invest.

Southpoint makes all investment decisions on behalf of the Funds, including identifying, reviewing and selecting investment opportunities for the Funds. Additionally, Southpoint GP, LP (the “General Partner”), an affiliate of Southpoint, serves as general partner and provides certain administrative and management services to the Domestic Feeder Fund and the Master Fund. Southpoint GP, LLC serves as the general partner of the General Partner. John S. Clark II is the principal owner of the General Partner, and is the managing member and sole owner of Southpoint GP, LLC.

The investment objective of the Funds is to seek high absolute investment returns, while minimizing the risk of capital loss, by purchasing securities with trading values substantially below their intrinsic value and selling short securities and other financial instruments with trading values substantially above their intrinsic value. The investment strategy of the Funds is broadly defined as value-oriented long/short. Southpoint’s investment approach with respect to the Funds focuses on a divergence between the trading value of a security and its intrinsic value.

Southpoint currently does not provide investment advisory services to clients other than the Funds, although it, or one or more affiliates, may do so in the future.

As of January 1<sup>st</sup>, 2012, Southpoint had approximately \$1,576,118,332 in assets under management, all managed on a discretionary basis.

Please see Items 8 (Methods of Analysis, Investment Strategies and Risk of Loss), 10 (Other Financial Industry Activities and Affiliations) and 14 (Client Referrals and Other Compensation).

#### **Item 5      FEES AND COMPENSATION**

Southpoint receives a quarterly management fee (the “Management Fee”), calculated and payable in advance at the annualized rate of 1.5% of the value of an investor’s investment in the Funds. Capital contributed, withdrawn or redeemed from the Funds during a quarter is charged a

ratable portion of the Management Fee for the period invested. The Management Fee is paid to Southpoint by the Master Fund.

In addition, the General Partner is entitled to receive an annual performance-based incentive allocation (the “Incentive Allocation”) equal to 20% of the increase in value of an investor’s investment, if any, subject to a high water mark described below. The Incentive Allocation is generally calculated and allocated at the end of each fiscal year or upon a withdrawal or redemption occurring prior to the end of any fiscal year. The Incentive Allocation is made by the Master Fund.

The Incentive Allocation is calculated subject to a high water mark whereby an investor will not be subject to an Incentive Allocation on an investment, unless the value of such investment (net of any losses, for all years since admission) exceeds the higher of the following amounts: (i) the highest value of such investment as of the close of any year since admission; and (ii) the value of such investor’s investment on the date of admission. A Performance Allocation is not made with respect to any period in which an investor’s investment in a Fund decreases in value.

Neither the Management Fee nor the Incentive Allocation is generally negotiated. However, the General Partner can waive or reduce the Incentive Allocation payable by an investor in the Domestic Feeder Fund, and the directors of the Offshore Feeder Fund may vary the calculation method of the Performance Allocation in relation to an investor in the Offshore Feeder Fund, provided that no other investors are adversely affected.

Pursuant to the investment management agreement between Southpoint and the Funds, the Funds bear certain operating expenses, including, without limitation, expenses related to proxies, underwriting and private placements, brokerage commissions, interest on debit balances or borrowings, research related expenses, custody fees, any withholding or transfer taxes imposed on the Funds. Each Fund also bears all out-of-pocket costs of the administration, including accounting, auditing and legal expenses, as well as fees and reimbursable expenses of the Funds’ administrator and the costs associated with reporting and providing information to existing and prospective investors. All expenses of the Master Fund are shared *pro rata* by the Feeder Funds.

Please see Items 6 (Performance-Based Fees and Side-By-Side Management), 10 (Other Financial Industry Activities and Affiliations) and 12 (Brokerage Practices).

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

Southpoint only manages the Funds whose investors are subject to the Performance Allocation. Please see Item 5 (Fees and Compensation) above. However, Southpoint may, in the future, manage additional funds or accounts with higher or lower fees, and different fee structures, than those applicable to investors in the Funds.

## **Item 7 TYPES OF CLIENTS**

Currently Southpoint only advises the Funds, although it may provide investment advice to other clients in the future, including other pooled investment vehicles and separately managed accounts.

An investor generally is required to subscribe for at least \$1 million of units in a Fund.

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

Southpoint is a value-oriented investment adviser that focuses primarily on U.S. corporate equity and debt securities, but also invests in other securities and commodities on behalf of the Funds.

### Investment Strategies

The investment strategy of the Funds is broadly defined as value-oriented long/short. In managing the Funds, Southpoint seeks high absolute investment returns while minimizing the risk of capital loss, by purchasing securities with trading values substantially below their intrinsic value and selling short securities and other financial instruments with trading values substantially above their intrinsic value.

Southpoint believes the capital markets are efficient over the long term, but can be highly inefficient over the intermediate and short terms. A security's trading value may diverge materially from its intrinsic value in the short and intermediate terms but will converge on its intrinsic value over the long term. The alert, patient and disciplined investor can achieve high absolute and risk-adjusted returns by exploiting these circumstances.

Depending on conditions and trends in the securities markets and the economy in general, Southpoint may pursue other objectives and employ other investment strategies on behalf of the Funds. There can be no assurance that Southpoint's investment strategy will achieve profitable results.

### Methods of Analysis

Southpoint generally evaluates securities on an enterprise value basis, seeking to determine intrinsic value of the securities of a "company." Southpoint views a "company" as a combination of (1) an operating business or businesses; (2) a capital structure; and (3) assets or liabilities that may not be properly reflected in a profit and loss statement.

Because the intrinsic value of an operating business involves predicting the future it is often difficult to estimate its intrinsic value with great precision. As a result, Southpoint attempts to purchase or sell short securities with the greatest possible deviation from their intrinsic value. If it correctly identifies these deviations, this methodology may provide a margin of safety, retaining the possibility of a substantial investment return while limiting the risk of capital loss.

Southpoint's methods of analysis generally include the following steps:

*Identification:* Southpoint focuses on identifying recurring situations with attractive investment themes that it understands well. To this end, Southpoint maintains professional relationships with other fund managers, brokers, sell-side analysts and industry contacts. Other sources of investment ideas include the systematic observation of certain corporate actions, investment publications, proprietary screens and the review of insider buying activities.

*Analysis:* Southpoint generally conducts fundamental research about companies, industries and markets. Southpoint uses this information to perform rigorous financial and accounting analysis, which often involves the creation of detailed financial models. Once Southpoint determines that a substantial discrepancy between intrinsic and trading values exists, it then attempts to determine the reason for the mispricing.

*Monitoring:* Southpoint reevaluates portfolio positions to monitor changes in intrinsic and trading values.

*Exiting a Position:* Southpoint generally will exit a position either when it is fairly valued or when it determines a better use of capital exists.

*Market Strategy:* Depending upon available opportunities, Southpoint's portfolio may have either a long or short bias. Southpoint primarily constructs its portfolio from the bottom up. This means that each position, short and long, stands on its own merits. While short sales tend to act as a hedge against downward market movements, Southpoint intends for short positions to produce stand-alone, risk-adjusted returns comparable to other investments in the portfolio.

*Portfolio Concentration:* Southpoint intends to maintain a concentrated portfolio, and position sizes will be proportional to its level of conviction, liquidity allowing.

*Borrowing:* Southpoint borrows no more than is routinely available through brokerage firm margin accounts.

Depending on conditions and trends in the securities markets and the economy in general, Southpoint may use other methods of analysis on behalf of the Funds. There can be no assurance that Southpoint's methods of analysis will achieve profitable results.

### Risk of Loss

Southpoint's intended investment strategy on behalf of the Funds involves a substantial risk of loss of capital. The risk of loss of capital arises from a number of considerations, including, but not limited to:

*General Trading Risk:* The profitability of a significant portion of Southpoint's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that Southpoint will be able to predict accurately these price movements. With respect to the intended investment strategy utilized on behalf of the Funds, there is always some, and occasionally a significant, degree of market risk.

*Liquidity of Investments:* Investments made by Southpoint may be very illiquid, and consequently Southpoint may not be able to sell such investments at prices that reflect Southpoint's assessment of their value or the amount paid for such investments by the Funds. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale. Furthermore, the nature of the Funds' investments, especially those in financially distressed companies, may require a long holding

period prior to profitability. Additionally, the Funds' organizational documents authorize the Funds to make distributions in kind of securities in lieu of or in addition to cash. In the event the Funds make distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.

*Short Sales:* Southpoint directs transactions, known as "short sales," in which it sells a security that a Fund does not own in anticipation of a decline in the market value of the security. Short sales that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. Southpoint may seek to mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, Southpoint may have difficulty purchasing securities to meet short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet short sale obligations at a time when fundamental investment considerations would not favor such sales.

*Hedging Risk:* Southpoint, from time to time, employs various hedging techniques to reduce the risk of highly speculative investments in securities. There remains a substantial risk, however, that hedging techniques may not be possible or may not be effective in limiting losses.

*Portfolio Concentration:* Although Southpoint follows a general policy of seeking to spread capital among a number of investments, Southpoint may depart from such policy from time to time and may hold a few, relatively large securities positions. The result of such concentration of investments is that a loss in any such position could materially reduce capital. Since portfolios will not necessarily be widely diversified, they may be subject to more rapid changes in value than would be the case if Southpoint maintained a wide diversification among companies, securities and types of securities.

*Risks Related to Investing in Derivatives:* Derivative instruments, or "derivatives," include futures, options, swaps, 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 can not only result in the loss of the entire investment, but may also expose the portfolio 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, and to counterparty risk. The counterparty risk lies with each party with which Southpoint contracts for the purpose of making derivative investments. In the event that such counterparty defaults, the Funds will only rank as unsecured creditors and risk the loss of all or a portion of the amounts they are contractually entitled to receive.

*Fraud:* Instances of fraud and other deceptive practices committed by senior management of certain companies may undermine Southpoint's due diligence efforts with respect to such companies, and if such fraud is discovered, it may negatively affect the valuation of investments. In addition, when discovered, financial fraud may contribute to overall market volatility that can negatively impact Southpoint's investment program.

*International Investments:* Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Funds are maintained) and the various foreign currencies in which portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Use of Leverage:* Subject to applicable margin and other limitations, the Funds borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Funds' portfolio is amplified. Interest on borrowings is a portfolio expense and affects the operating results. Also, leverage can be created via the use of instruments, such as options and other derivative instruments or by pledging assets.

*Options:* Investing in options can provide a 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.

*Futures:* Southpoint employs futures contracts, or options on such contracts, which involve the future purchase or sale of securities, commodities financial instruments or market baskets of securities, such as various securities indices, as part of Southpoint's hedging strategy, or opportunistically as modest directional investments. Use of futures contracts and options thereon involve the contractual commitment to purchase or sell the underlying instrument at a future date. The eventual price of such instrument may be influenced by a broad variety of market, economic and issuer-specific events and risks, many of which may be difficult to predict or assess. Futures trading involves relatively small invested capital relative to risk exposure and, therefore, can increase, perhaps significantly, portfolio volatility and exposure to loss.



*Swaps:* Southpoint enters into swap agreements on behalf of the Funds. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors, such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. Swap agreements tend to shift investment exposure from one type of investment to another. For example, if payments in dollars are exchanged for payments in non-U.S. currency, the swap agreement would tend to decrease exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility. Southpoint is not limited as to the form of swap agreement it may enter into on behalf of the Funds, provided such swap agreement is consistent with the investment objectives and policies of the Funds. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Funds. If a swap agreement calls for payments by the Funds, the Funds must be prepared to make such payments when due. This is only true in default and not part of mark-to-market. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses.

*Volatility:* The prices of securities and other financial instruments may be volatile. Market movements are difficult to predict and are influenced by, among other things: governmental trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economics events; changes in interest rates; and the inherent volatility of markets. In addition, governments from time to time intervene, directly and by regulation in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may at certain times be particularly significant in the financial instrument and currency markets, and such intervention, as well as other factors, may cause such markets to move rapidly.

*Trading Limitations:* It may not always be possible to execute a buy or sell order at the desired price or to liquidate an open position, either due to market conditions on exchanges or due to the operation of daily price fluctuation limits or "circuit breakers." Also, it is possible that an exchange or governmental authority may suspend or restrict trading on an exchange or in particular securities or other financial instruments traded on the exchange.

*Counterparty Credit Risk:* The Funds are exposed to the credit risk of the counterparties with which they deal in off-exchange foreign exchange and other "over-the-counter" transactions. The transactions involve credit risk to the extent that counterparties are unable or unwilling to fulfill their contractual obligations thereby creating exposure to unanticipated losses. There is risk of loss in the event of a counterparty's bankruptcy. Also, the Funds are exposed to the credit risk of the issuers of high-yield securities which they purchase. High-yield bonds ("junk bonds") are bonds with a credit rating of BB or lower (i.e., not investment grade) issued by companies which do not have substantial sales and earnings track records or which have questionable

creditworthiness. The Funds may be subject to risk of loss in the event of such an issuer's bankruptcy or other inability to meet their payment obligations under their high-yield securities.

*Distressed Securities:* The fact that certain of the companies in whose securities Southpoint may invest are in transition, out of favor, financially leveraged or troubled or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation, means that their securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry, or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to Southpoint's purchase of any investment and a significant portion of the obligations and preferred stock in which Southpoint invests may be less than investment grade.

Investments in the debt or equity of companies involved in reorganization proceedings typically entail a number of risks that do not normally apply to investments in financially sound companies. For example, if Southpoint's evaluation of the anticipated outcome of a reorganization or the timing of such outcome should prove incorrect, a portfolio could experience losses. A wide variety of considerations make any evaluation of the outcome of an investment in such a company uncertain. Such considerations include, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations that limit the access of Southpoint to reliable and timely information concerning material developments affecting a company or that cause lengthy delays in the completion of a reorganization or liquidation proceeding. Competition from other investors may also render it difficult or impossible for the Funds to achieve intended results or promptly effect transactions.

*Insider Status:* Some portfolio investments may require active monitoring and representation on official and unofficial creditors committees for the company. Accordingly, Southpoint may cause the Funds to seek representation on such committees from time to time if Southpoint, in its discretion, determines that such representation is necessary or advisable to protect or further the Funds' interests. Serving on an official or unofficial committee increases the possibility that the Funds will be deemed an "insider" or a "fiduciary" of the company it has so assisted and may restrict trading of its investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, the Bankruptcy Court, under certain conditions, such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" with respect to any claim or equity interest held by the Funds in such company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company. Claims of equitable subordination may also arise outside of the context of the Funds' managerial activities. In addition, if representation on a creditors committee of a company causes the Funds or Southpoint to be deemed an affiliated or related party of the company, the securities of such company held by the Funds may become restricted securities, which are not freely tradable. As the Funds will indemnify Southpoint or any other person serving on a committee on

its behalf for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the Funds' investment in a reorganization company.

*Small Cap Issuers:* Investments in small capitalization stocks involve greater risk than is customarily associated with larger, more established companies. These companies often have sales and earnings growth rates that exceed those of large companies. Such growth rates may in turn be reflected in more rapid share price appreciation. However, smaller companies often have limited product lines, markets or financial resources, and they may be dependent upon one-person management. These securities may have limited marketability and may be subject to more abrupt or erratic movements in price than securities of larger companies or the market averages in general.

*Restricted Securities:* Southpoint purchases equity, convertible securities and fixed income obligations the disposition of which may be restricted under the Securities Act of 1933, as amended. Whether or not so restricted, the market to resell such securities may be illiquid. Therefore, such investments may be required to be held for a lengthy period of time or, if the Funds were forced to liquidate its position in such securities, such liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such investment, and may also involve higher transaction costs.

*General Economic Conditions:* The success of any investment activity is affected by general economic conditions, which include the level and volatility of interest rates, credit spreads and equity valuations, and the extent and timing of investor participation in the markets for both equities and interest-sensitive instruments. Unexpected volatility or illiquidity in the markets could cause losses. World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in portfolio securities losing substantial value caused predominantly by liquidity and counterparty issues.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in Southpoint's intended investment strategy.

Please see Items 4 (Advisory Business), 10 (Other Financial Industry Activities and Affiliations), 11 (Code of Ethics, Participation in Client Transactions and Personal Trading) and 12 (Brokerage Practices).

## **Item 9      DISCIPLINARY INFORMATION**

None.

## **Item 10    OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As discussed in Item 4 (Advisory business), Mr. Clark, the portfolio manager of Southpoint is the sole owner of Southpoint, and is the principal owner of the General Partner. Southpoint Capital Advisors LLC serves as the general partner to Southpoint, while Southpoint GP, LLC serves as the general partner to the General Partner. Mr. Clark is the sole owner and managing member of both Southpoint Capital Advisors LLC and Southpoint GP, LLC.

Mr. Clark and Benjamin Y. Carter, an employee of Southpoint and a partner in the General Partner, each serve as a director of the Offshore Feeder Fund.

The Funds collectively own a controlling interest in Adherex Technologies, Inc., a Canadian corporation in the biopharmaceuticals industry (“Adherex”). David B. Lieberman, an employee of Southpoint, represents Southpoint and the Funds on the board of directors of Adherex.

Southpoint and its affiliates may manage other client accounts (“future client accounts”), some of which may have objectives similar to those of the Funds, including other collective investment vehicles which may be managed by the Southpoint or any of its affiliates and in which Southpoint or any of its affiliates may have an equity interest.

Neither Mr. Clark, Southpoint nor any Southpoint affiliates is subject to any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to any of the Funds or any restrictions on the nature or timing of investments for the account of any of the Funds and for their own accounts or for future client accounts. Neither Mr. Clark, Southpoint nor any Southpoint affiliate is obligated to devote any specific amount of time to the affairs of any of the Funds and is not required to accord exclusivity or priority to any of the Funds in the event of limited investment opportunities.

When Southpoint or the General Partner has determined that it would be appropriate for any of the Funds and one or more other investment accounts that it manages, including another Fund, to participate in an investment opportunity, it will seek to execute orders for all of the participating investment accounts on an equitable basis. If Southpoint or the General Partner has determined to invest at the same time for more than one of the investment accounts that it manages, it will generally place combined orders for all such accounts simultaneously, and if all such orders are not filled at the same price, it will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, Southpoint or the General Partner will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where a Fund could be disadvantaged because of the investment activities conducted by Southpoint or the General Partner for another Fund or future client account.

As discussed in Item 11 (Code of Ethics, Participation in Client Transactions and Personal Trading), subject to the provisions of Southpoint’s code of ethics, including preclearance requirements for some purchases and sales of securities and certain restrictions on trading, Southpoint, its affiliates and personnel, may engage in limited trading activities for their own accounts, creating a potential for a conflict of interest to arise, particularly in the event of limited investment opportunities.

As discussed in Item 12 (Brokerage Practices), Southpoint’s authority to use “soft dollar” credits generated by the Funds’ securities transactions to pay for expenses that might otherwise have been borne by Southpoint or its affiliates may give rise to a conflict of interest by creating an incentive to select brokers or dealers for the Funds’ transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by Southpoint or its affiliates rather than giving exclusive consideration to the interests of a Fund.

From time to time, Southpoint or its affiliates may come into possession of nonpublic information concerning specific companies although internal structures are in place to prevent the receipt of such information. Under applicable securities laws, this may limit Southpoint's flexibility to buy or sell portfolio securities issued by such companies. The Funds' investment flexibility may be constrained as a consequence of Southpoint's or its affiliates' inability to use such information for investment purposes.

Please see Items 4 (Advisory Business), Item 5 (Fees and Compensation), 8 (Methods of Analysis, Investment Strategies and Risk of Loss), 11 (Code of Ethics, Participation in Client Transactions and Personal Trading) and 12 (Brokerage Practices).

#### **Item 11 CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Southpoint is adopting, effective March 30, 2012, a code of ethics (the "Code") pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Code requires that Southpoint and supervised persons comply with applicable federal securities laws. The Code also provides that Southpoint and its supervised persons owe a fiduciary duty to clients, including the duty to put the best interests of clients ahead of the interests of Southpoint and of supervised persons. The Code is provided to each supervised person, and supervised persons are required to acknowledge receipt of the Code.

The Code governs personal securities trading by supervised persons. Southpoint's supervised persons are prohibited from purchasing or selling equity securities or equity derivatives (provided however, that they are permitted to sell equity securities and equity derivatives that they purchased prior to becoming a supervised person at Southpoint). Furthermore, Southpoint's supervised persons are not permitted to purchase or sell privately placed securities or to sell legacy equity securities without the advance written approval of Southpoint's Chief Compliance Officer.

The Code requires supervised persons to provide the Chief Compliance Officer with certain securities holdings reports and periodic transaction statements and requires the Chief Compliance Officer to review those reports.

The Code imposes requirements on supervised persons to identify and refrain from certain activity that could create a conflict with the interests of a client, including a prohibition against directing client transactions for the purpose of obtaining a personal benefit and a limitation on personal business dealings with clients or investors. The Code also limits supervised persons' ability to accept or to provide certain gifts or entertainment and requires reporting of the acceptance or offer of certain gifts and entertainment.

Violations of the Code are required to be promptly reported to the Chief Compliance Officer, who is primarily responsible for administering and enforcing the Code.

The Code is available to clients upon request by contacting us at the following address:

Southpoint Capital Advisors LP  
623 Fifth Avenue, Suite 2601

New York, New York 10022  
Attention: Chief Compliance Officer  
Telephone: 212-692-6350  
Facsimile: 212-692-6355  
Email: [compliance@southpoint-capital.com](mailto:compliance@southpoint-capital.com)

## **Item 12 BROKERAGE PRACTICES**

### General

Southpoint is responsible for the placement of the portfolio transactions of the Master Fund and the negotiation of brokerage commissions paid on such transactions. Purchases of portfolio securities through broker-dealers involve a commissions to the broker. Purchases of portfolio securities from broker-dealers serving as market makers include the spread between the bid and the asked price. Southpoint utilizes the services of several broker-dealers which execute the Master Fund's portfolio transactions and of a prime broker which clears transactions and custodies Master Fund assets. Southpoint generally does not commit to provide any level of brokerage business to any broker-dealer. Broker-dealers are selected by Southpoint in its sole discretion and without the consent of the Funds.

In placing portfolio transactions, Southpoint seeks to obtain the best execution, taking into account, among other factors, the ability of the broker-dealer to effect prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker-dealer; the broker-dealers risk in positioning a block of securities; the quality, comprehensiveness and frequency of research services; and the competitiveness of commissions compared to other broker-dealers that meet Southpoint's selection criteria.

Southpoint maintains an "approved broker list" based on objective criteria. Orders are generally placed with these broker-dealers unless no approved broker-dealer is able to provide best execution.

Southpoint has designated certain personnel to evaluate the brokerage services utilized by the Master Fund. Such personnel meet periodically to review and make determinations relating to brokerage-related matters.

### "Soft Dollars"

Section 28(e) of the Exchange Act provides a "safe harbor" from liability for an investment manager who uses brokerage commissions generated by advised accounts to obtain execution and research services that provides lawful and appropriate assistance to the investment manager in investment decision-making. The use of commissions to purchase such services is often referred to as the use of "soft dollars." Southpoint does not use "soft dollars" generated by the Master Fund's portfolio transactions to purchase brokerage or research services other than those that may be purchased subject to the protection of the Section 28(e) "safe harbor."

The investment management agreement between Southpoint and the Funds generally provide that the cost of research is to be borne by the Funds. The cost of most research is paid for

directly by the Funds. However, the cost of some research is paid by the Funds indirectly through “soft dollars.”

The Master Fund generally pays a higher brokerage commission to purchase execution and research services than it would pay if it were purchasing execution services alone. Certain research services are purchased through a “commission sharing arrangement” that allows the purchase of research from a different research provider than the broker-dealer executing the transaction. This “unbundling” generally facilitates Southpoint’s ability to obtain best execution.

That arrangement was the primary means by which Southpoint used “soft dollars” during 2011. During 2011, research services paid for by “soft dollars” included written information and analyses concerning specific securities, companies and sectors; market, financial and economic studies and forecasts; statistics and pricing and appraisal services; discussions with research personnel; and invitations to conferences or meetings with management and industry consultants and other information or services.

The brokerage and research services paid for by use of “soft dollars” during 2011 were used for the benefit of each of the Funds. Because the Feeder Funds trade exclusively through the Master Fund, the benefit of the services generally accrue in proportion to the relative size of each Feeder Fund.

The Chief Compliance Officer approves Southpoint’s use of “soft dollar” arrangements, and each arrangement is reviewed periodically by Southpoint personnel with oversight responsibility with respect to best execution. This review includes an assessment of the reasonableness of commissions paid in relation to the value of the execution and research services received.

#### Other

Prime brokers, which receive commissions and other payments from the Master Fund, from time to time, introduce Southpoint to potential investors. There is not an agreement on the part of Southpoint to use any particular level of prime brokerage services or to continue to use any prime brokerage services or, on the part of any prime broker, to provide any particular number or type of introductions.

Please see Item 10 (Other Financial Industry Activities and Affiliations).

### **Item 13 REVIEW OF ACCOUNTS**

Mr. Clark and Mr. Carter review the portfolio of the Funds on a daily basis to ensure that the Funds’ exposure is generally consistent with their investment objective and strategy.

Investors in the Funds are provided with annual reports containing financial statements examined by the Funds’ independent auditors within 120 days after the end of each taxable year. Investors are also provided with quarterly reports reviewing the Funds’ performance for such quarter.

### **Item 14 CLIENT REFERRALS AND OTHER COMPENSATION**

Southpoint does not receive an economic benefit from a person who is not a client for providing investment advice to a client. Neither Southpoint nor a related person compensates any person who is not a supervised person for client referrals.

#### **Item 15 CUSTODY**

Client assets are maintained with a Qualified Custodian. However, Southpoint is viewed as having custody of the assets of the Funds. The Funds distribute their annual audited financial statements to their investors within 120 days of their fiscal year-end. Southpoint urges an investor to carefully review the audited financial statements of each Fund in which the investor owns units.

#### **Item 16 INVESTMENT DISCRETION**

Southpoint and its affiliates have been afforded discretionary authority to manage the assets of the Funds pursuant to an investment management agreement with the Funds. Southpoint makes investment decisions on behalf of the Funds in accordance with the Funds' investment objectives. For more information, please see Item 4 (Advisory Business).

#### **Item 17 VOTING CLIENT SECURITIES**

Southpoint has been granted the authority to vote the shareholder proxies received by the Funds. Southpoint is adopting, effective March 30, 2012, a proxy voting policy pursuant to Advisers Act Rule 206(4)-6. Southpoint's policy is to act in the best interest of its clients when exercising its proxy voting authority. Southpoint will generally vote client proxies in accordance with the guidelines set forth in the proxy voting policy and will generally vote in the same manner for all clients holding a particular security, subject to the investment objectives and best interests of the client. With respect to matters not covered by Southpoint's guidelines, Southpoint will evaluate the probable impact and vote client proxies in what it views to be in accordance with the best interests of its clients.

Southpoint's policies and procedures do not mandate that Southpoint vote every client proxy that it receives. There may be circumstances when refraining from voting a proxy is in a client's best interest, such as when and if Southpoint determines that the cost of voting the proxy exceeds the expected benefit to the client.

The Chief Compliance Officer will be primarily responsible for oversight of the receipt, processing and voting of client proxies. Southpoint has retained a third party which assists with the following:

- (i) logging the receipt of the proxy materials received in a pending file until the proxy is voted by Southpoint (or a determination not to vote the proxy is made);
- (ii) determine whether the client(s) that are the beneficial owner(s) of the securities subject to the proxy has/have delegated proxy voting authority to Southpoint;



- (iii) confirm that the proxy materials received relate to the correct number of shares, as of the record date;
- (iv) identify any material conflicts of interest in regard to voting on the matter presented to shareholders in the proxy, such identification process to include a review of the relationship of Southpoint with the issuer of each security and any of the issuer's affiliates to determine whether the issuer is a client of Southpoint or has some other relationship with: (a) Southpoint; (b) its principals or employees; or (c) any client of Southpoint; and
- (v) vote on all matters presented in proxies by completing them and mailing them or responding electronically in a timely and appropriate manner in compliance with the guidelines set forth in Southpoint's proxy voting policy.

Southpoint's proxy voting policy contains guidelines for identifying conflicts of interest between Southpoint and the Funds with respect to proxy votes. If Southpoint identifies a material conflict of interest, it will either disclose the conflict to each relevant client and obtain written approval from the client prior to voting the proxy, or abstain from voting the proxy.

Generally, clients cannot direct how Southpoint votes a particular proxy.

Southpoint's proxy voting policy is available to a client upon request by contacting us at the following address:

Southpoint Capital Advisors LP  
623 Fifth Avenue, Suite 2601  
New York, New York 10022  
Attention: Chief Compliance Officer  
Telephone: 212-692-6350  
Facsimile: 212-692-6355  
Email: [compliance@southpoint-capital.com](mailto:compliance@southpoint-capital.com)

#### **Item 18 FINANCIAL INFORMATION**

Southpoint does not require or solicit prepayment of advisory fees six months or more in advance.

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

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

#### **Item 19 REQUIREMENTS FOR STATE REGISTERED ADVISERS**

Not applicable.