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# THIRD NORTH CAPITAL LP

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New York, NY 10001**

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**This brochure provides information about the qualifications and business practices of Third North Capital LP (“Third North”). If you have any questions about the contents of this brochure, please contact us at 917-519-3628. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**Third North is an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.**

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**ITEM 2 - MATERIAL CHANGES**

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Third North moved offices in June 2019. There are no additional material changes to report since the last filing Third North submitted on July 10, 2019.

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#### ITEM 4 - ADVISORY BUSINESS

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Third North is a Delaware limited partnership formed in April 2016 and principally owned by Zachary Datikash. Third North is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”).

Third North currently provides discretionary investment advice to three separately managed accounts (each, a “Managed Accounts”) and a private fund with one investor (the, “Fund of One”), and may do so in the future for additional Managed Account clients, as well as for other private investment fund clients (each, a “Fund” and, collectively with each Managed Account client, “Clients”).

Third North primarily invests and trades on behalf of its Clients through short selling equity and equity-related instruments that are traded publicly in U.S. markets and non-U.S. markets. Third North also may hold cash, cash equivalents and money market instruments, as well as long investments in, without limitation, equities, equity index-linked securities and equity-related instruments.

Under certain circumstances, we will contract with a Managed Account Client to adhere to limited risk and/or operating guidelines imposed by the Client. We negotiate such arrangements on a case-by-case basis. Any Funds would be governed by the investment restrictions and guidelines contained in their respective offering documents (collectively, “Memorandum”). We generally would not permit investors in a Fund to impose limitations on the investment activities described in the Memorandum for the Fund. Information about any Funds, including information about investment strategies, fees, expenses, risks and other material information, also would be contained in each Fund’s Memorandum.

Third North had approximately \$382,092,560 of regulatory assets under management on a discretionary basis.

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#### ITEM 5 - FEES AND COMPENSATION

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Third North charges management fees based on net asset value under management and performance-based compensation based on net realized and unrealized trading gains. The extent to and specific manner in which management fees, performance-based compensation and expenses are charged by Third North is set forth in each Client’s written agreement with Third North or its Memorandum, as applicable.

Management fees for Client accounts generally range from 1.0% to 2.0% (annually) of assets under management, performance-based compensation generally ranges from 5% to 20% (annually) based on the alpha performance of the portfolio versus specific benchmarks as well as from 0% to 10% (annually) of net realized and unrealized trading gains subject to a high-water mark. Performance based compensation is generally charged in arrears. Performance-based compensation with respect to Clients will conform to Rule 205-3 under the Advisers Act, as applicable.

Under certain circumstances, fees are negotiable. The factors that determine whether or not fees will be negotiable include, among others, the relationship between Third North and the Client, amount of assets under management, and type of advisory services to be provided. Management fees, performance-based compensation and expenses charged with respect to certain of Third North's Clients may be similar to or different than those charged to other Clients (and those charged to investors in any Funds).

Generally, Third North invoices the Managed Accounts and the Fund of One Clients directly for management fees and performance-based compensation and does not have authority to deduct such amounts from Client assets held with a custodian or otherwise, although that is negotiable. Upon termination of any account during any partial period or upon investment other than at the beginning of the normal investment cycle, fees charged to Clients in arrears will be prorated. Currently, Clients do not pay fees in advance.

Clients also ordinarily incur certain charges, including expenses, imposed by custodians, brokers and other third parties, such as commissions, custodial fees and other fees and taxes on brokerage accounts and securities transactions, where applicable. Such commissions, fees, costs and expenses are exclusive of and in addition to Third North's fees and performance-based compensation, and Third North does not receive any portion of those commissions, fees, costs and expenses. The Managed Accounts and Fund of One Clients pay expenses according to the specific terms of their written agreements with Third North.

If more than one Client incurs a shared expense, Third North will allocate such shared expense among the applicable Clients (i) in proportion to the net asset value of each applicable Client; (ii) in proportion to the size of the investment made by each Client to which the expense relates; or (iii) in such other manner as Third North considers fair and reasonable.

Third North's management fees, performance-based compensation and expenses may be reduced or waived in certain circumstances, including with respect to investments by Third North personnel and other related persons of Third North in any future Funds or Managed Accounts.

Third North also may allocate a portion of certain Clients' capital to money market funds, exchange-traded funds or similar fee-bearing products or private investment funds and accounts that are managed by other investment managers. In addition to the fees and expenses discussed above, a Client will indirectly incur similar fees and expenses if Third North invests such Client's capital in such products, as these products in turn pay similar fees to their investment managers and other service providers.

Item 12 describes the factors that Third North considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

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Third North's Clients typically are charged both a management fee and a performance fee or allocation, as described above in Item 5. Performance-based compensation is structured to comply

with Section 205 of the Advisers Act. Investors and prospective investors, of our Clients, and/or any future Clients managed by Third North are urged to review the Fund's Memorandum as well as this brochure for complete information on the fees, compensation and expenses payable by investors in the Fund.

Performance-based compensation is based upon unrealized, as well as realized, gains, and such unrealized gains may never be recognized by the Client. Thus, performance-based compensation creates an incentive for Third North to recommend investments which are riskier or more speculative than those which might be recommended under a different fee arrangement. Performance-based compensation arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. In addition, Third North has an incentive to favor accounts for which performance-based compensation is likely to be paid sooner than for accounts for which such compensation is likely to be paid later.

In order to address these conflicts of interest, Third North does not discriminate on an impermissible basis against one Client or group of Clients and strives to treat Clients fairly and equally on an overall basis. Third North generally follows documented procedures in allocating opportunities among Client accounts, which do not take into account the performance-based compensation to which such accounts are subject. When Third North determines that a particular trading opportunity would be desirable for more than one Client, it generally seeks to allocate such opportunity among such Clients in a manner that it deems fair and equitable under the circumstances existing at such time. The factors that Third North may consider in making such determination include (but are not limited to): the relative amounts of capital in each Client's account available for new positions of the type at issue; the mandate of each Client account; Third North's perception of the appropriate risk/reward ratio for each Client account; the intended trading strategy of each Client account; the liquidity of each Client account at the time of trading and thereafter; the ability to add positions to a Client account on a leveraged basis; whether the position is an "odd lot"; whether the position is being added in a "de minimis" amount; and the overall portfolio composition of each Client account.

Management fees and performance-based compensation are based directly on the net asset value of Client accounts. To the extent that Third North is responsible for valuing a Client's assets, it will have a conflict of interest in valuing the assets held in the Client's account. Third North will follow its documented valuation policies (and, in the case of a Fund, consult with its third-party administrator) to mitigate this risk.

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## **ITEM 7 - TYPES OF CLIENTS**

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Third North currently provides investment advice to institutional clients and may, in the future, provide investment advice to other types of clients, including, among others, private investment funds, family offices and/or high net worth individuals.

Third North will determine the minimum investment for a Managed Account (and any other conditions for opening and maintaining a Managed Account) or any other private Funds, on a case-by-case basis, but it is generally expected to be at least \$30 million.

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

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Third North's primary investment strategy for Client accounts involves short selling equity and equity-related instruments that are traded publicly in U.S. markets and non-U.S. markets. Third North generally also may hold on behalf of Client accounts, without limitation, cash, cash equivalents and money market instruments, as well as long investments in equities, equity index-linked securities and equity-related instruments (including listed options covering securities, such as common stocks, exchange traded funds and market indexes, and commodity interests). As part of its effort to identify investment opportunities, Third North typically reviews proprietary screens, reads publicly available filings and news sources, attends trade shows and/or observes shifts in the regulatory environment. Third North's research activities generally include engaging in industry analysis and financial statement analysis, communicating with industry participants and observing company operations. A brief explanation of the material risks associated with Third North's significant investment strategies and methods of analysis follows.

Risks of Investments Generally. All investment strategies risk the loss of some or all capital. There can be no assurances that a Client will achieve its investment objective, that the strategy pursued, and methods utilized by Third North will be successful under all or any market conditions or that any program will provide an acceptable return to Clients or will not incur substantial losses. Among other things, Third North's investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where Third North invests Client assets. Past performance is not indicative of future results.

No Operating History. Third North was formed in 2016 and has no operating history upon which investors can evaluate the likely performance of accounts managed by it. The prior performance of any other entity or account managed by Zachary Datikash should not be relied upon to predict the future performance of any account managed by Third North.

Business Dependent upon Key Individual and Individual Judgment. Third North's operations are dependent upon its founder, Zachary Datikash, who is the Managing Member and Chief Investment Officer. The individual judgment and discretion of Mr. Datikash is fundamental to the implementation of Third North's strategies. There can be no assurance that such individual judgment will be accurate, achieve profits or avoid losses. If Mr. Datikash were to become unable to directly participate in the management of Third North, the consequences may be material and adverse and may lead to the premature termination of Third North's management of Client assets.

Short Sales. Third North will primarily engage in short selling as part of its general investment strategy for Clients. A short sale involves the sale of a security that a Client does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Client must borrow the security and the Client is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the Client. When a Client makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are affected on a

foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss to Clients.

The SEC has in the past adopted, and may again adopt, bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for Third North to execute certain investment strategies on behalf of its Clients and may have a material adverse effect on Third North's ability to generate returns for its Clients. In addition, engaging in short selling may increase the risk of Third North or a Client becoming subject to government investigation.

Investment and Trading Risks. All securities investments risk the loss of capital. Third North believes that the trading program and research techniques that it employs for Client accounts will moderate this risk through a careful selection of securities and other financial instruments. However, no guarantee or representation is made that such trading program will be successful or that any Client account will not incur losses. Third North may utilize trading techniques on behalf of Client accounts including, but not limited to, trading in put and call options and other derivatives, the use of leverage, and short sales, which in practice can, in certain circumstances, increase the adverse impact to which the account may be subject.

In certain transactions, Client accounts may not be "hedged" against market fluctuations or, in reorganization or liquidation situations, may not accurately value the assets of the subject company or the degree of legal and regulatory risk associated with investments in the securities of companies in such situations. This can result in losses, even if the proposed transaction is consummated.

Third North will attempt to assess the foregoing risk factors and others in determining the extent of the position it will take in the relevant securities and the price it is willing to pay for such securities. However, such risks cannot be eliminated.

Competition. The securities industry and the varied strategies and techniques to be engaged in by Third North are extremely competitive and each involves a degree of risk. Third North will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

Concentration of Trades. Third North generally is not restricted in the amount of capital that it may commit to any single security or industry sector on behalf of a Client account, and at times a Client account may hold a relatively large concentration in a particular security or industry. Losses incurred in connection with those trades could have a material adverse effect on the account's overall financial condition. This is because the value of the account's trading portfolio will be more susceptible to any single occurrence affecting one or more of those issuers or industry sectors than would be the case with a more diversified trading portfolio.

Small- to Medium-Capitalization Companies. Third North may invest in the stocks of companies with small- to medium-sized market capitalizations on behalf of Client accounts. While Third North believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more

volatile than prices of large-capitalization stocks. In addition, due to thin trading in some of such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks. Such companies may also not be covered or followed by as many financial analysts as companies with larger market capitalizations, and therefore, there may be less information available to Third North with respect to the finances, operations and prospects of such small- to mid-cap companies. The lack of such information could lead to riskier investments for Client accounts.

Leverage Risks. Subject to applicable margin and other limitations, Client accounts will use leverage in the course of their trading operations, using as collateral the securities that they own from time to time. Consequently, the effect of fluctuations in market value of client assets would be amplified. Leverage may also be obtained through other means including the use of derivative instruments. The level of interest rates generally, and the rates at which Clients, in particular, are able to borrow, may strongly affect their operating results. As in the case of other leveraged investments, losses may result that exceed the amount of the capital or assets in a Client's account.

Dividends and interest received by certain Clients with respect to foreign securities may give rise to withholding and other taxes imposed by foreign countries. Tax treaties between such countries and the U.S. may reduce or eliminate such taxes, but there is no assurance that such treaties will exist or be applicable to these Clients.

Equity Securities. Third North may invest in equity and equity-related securities on behalf of Client accounts. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect trades made by Client accounts.

Fixed Income Securities. Third North may trade in bonds or other fixed income securities of U.S. and non-U.S. issuers on behalf of Client accounts, including, without limitation, bonds, notes and debentures issued by corporations, or debt securities issued or guaranteed by a sovereign government or one of its agencies or instrumentalities. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

Client accounts may trade in fixed-income securities which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult.

Convertible Securities. The market value of convertible securities, as with all fixed income securities, tends to decline as interest rates increase and, conversely, tends to increase as interest

rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus, may not decline in price to the same extent as the underlying common stock. If a convertible security held by a Client account is called for redemption, the account will be required to permit the issuer to redeem the security, convert it into the underlying stock or sell it to a third party. Any of these actions could have an adverse effect on the account's ability to achieve its objective.

Securities of Non-U.S. Companies. Investments in securities of non-U.S. issuers (including non-U.S. governments) and securities denominated in, or the prices of which are quoted in, non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks which could include expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers outside the United States than there is in the United States. Clients might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which, in some markets, could at times fail to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the performance of Client accounts.

Price Risk. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which a Client account invests may decline or rise substantially. In particular, purchasing assets at prices that may appear to be "undervalued" is no guarantee that such assets will not be trading at even more "undervalued" levels at the time of valuation or at the time of sale. Similarly, shorting assets at prices that may appear to be "overvalued" is no guarantee that such assets will not be trading at even more "overvalued" levels at the time of valuation or at the time of sale.

Counterparty Risk. Third North may affect transactions in "over-the-counter" or "interdealer" markets on behalf of Client accounts. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes Client accounts 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 account to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the account has concentrated its transactions with a single or small group of counterparties. Third North generally is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of Third North to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by Client accounts.

Third North's trading strategy may involve transactions that expose Client accounts to the credit of their counterparties, and vice versa. For example, Third North on behalf of a Client account may seek to borrow against long positions, to borrow securities intending to sell them short and to enter into long and short derivative positions. All of these transactions, and transactions similar to them, are governed by documents, industry standards, market customs and practices, the parties' prior course of dealing and by the covenants of good faith and fair dealing. At times, and especially in times of market stress, these credit exposures may come under stress, normal business conduct may be interrupted, and normal legal protections may prove inadequate or may fail to provide timely relief. Furthermore, the prime brokerage or other brokerage agreement between a Client account and its prime or other broker may be terminated at any time upon notice from the broker without penalty. Should it become necessary to remove or reduce credit exposure to a particular counterparty, or in the event that the broker elects to terminate the applicable brokerage agreement, there can be no guarantee that a satisfactory alternative will be available, or even if one is available, that the Client account will be able to avail itself of that alternative. As a consequence, it is possible that positions may be unwound at a disadvantageous time and any unwinding and/or porting of positions to another counterparty may prove costly and thereby damage the account.

Derivatives Generally. Derivative instruments, or "derivatives," include 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 is frequently difficult to determine and 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 client accounts to the possibility of losses exceeding the original amount invested. Over-the-counter derivatives 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 derivatives is relatively illiquid.

A Client account may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the trading objective of the account and legally permissible. Special risks may apply to instruments that are invested in by the account in the future that cannot be determined at this time or until such instruments are developed or invested in by the account.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") enables the Commodity Futures Trading Commission ("CFTC") and the SEC to enact new regulations on certain over-the-counter derivatives. Under the Dodd-Frank Act, certain over-the-counter derivatives contracts will be regulated through regulated clearing houses and subject to

regulation by the SEC and the CFTC. Once this occurs, such contracts will be traded more like futures and options contracts and parties to such transactions will trade standardized contracts and will face clearing corporations as contractual counterparties, rather than facing the credit risk of counterparties under individually negotiated over-the-counter agreements.

In addition, swap dealers and major swap participants (entities that are not swap dealers but are subject to rules governing dealers due to their levels of activity) will be subject to regulatory oversight and requirements with respect to over-the-counter derivatives, which will include business conduct requirements, such as know-your-customer rules, increased risk disclosure and rules requiring trades to be documented within certain timeframes. Derivative contracts, whether cleared or traded over-the-counter, will have to be reported to the CFTC and/or the SEC. Despite these pending changes, parties to over-the-counter derivative trades (*i.e.*, those not yet subject to the new clearing requirements) will continue to bear counterparty credit risk.

While the CFTC has finalized the majority of its required rulemakings under the Dodd Frank Act, there are still a number of rules that have not been finalized by the SEC. As a result, the effect that the foregoing regulatory changes will have on the price of derivative contracts, liquidity and administrative costs, among other things, remains unclear.

Special Situations. Third North may on behalf of client accounts invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the Client account of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the account may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the account may invest, there is a potential risk of loss by the account of its entire investment in such companies.

Event and Risk Arbitrage. An event and risk arbitrage position is generally taken after a merger, tender offer, exchange offer or other transaction is announced, at which point the security has generally risen to a significant premium over the market price that prevailed prior to the announcement. The difference between the price paid by a Client account for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline sharply, usually to a level comparable to or below that which existed prior to the announcement and generally by more than the Client account's anticipated profit. Further, the account may invest and trade in securities of companies which, although they are not the subject of an announced proposed merger or acquisition, are viewed as potential candidates for such a transaction. Either of these scenarios (non-consummation of an announced deal or non-consummation of an anticipated unannounced deal) can cause the account to suffer a significant loss with respect to any long positions that it has established in the relevant security. Similarly, with respect to any short positions, to the extent such positions have to be

covered, the account could be adversely affected. Various events may occur which may result in a transaction not being consummated which could adversely affect the account's position.

Commodity Trading. The prices of commodities and all derivative instruments, including futures and options prices, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, changing supply and demand relationships, U.S. and non-U.S. governmental programs and policies, national and international political and economic events, interest rates and governmental monetary and exchange control programs and policies. Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Client account from promptly liquidating unfavorable positions and subject it to substantial losses. In addition, the Dodd-Frank Act significantly expands the CFTC's authority to impose broader aggregate position limits.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Forward Trading. Third North may engage in forward trading on behalf of Client accounts. Forward contracts (including forward foreign exchange contracts) and options thereon 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

Options on Futures. Trading options on futures involves a high degree of risk. The risks of trading options on futures are similar to the risks of trading securities options, but often involve even greater leverage and risks. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

The foregoing is a basic description of the material risks associated with Third North's significant investment strategies and methods of analysis and does not purport to be a complete explanation of the risks involved in trading securities or with respect to any trading program managed by Third North. Additional risk factors with respect to any Fund would be set forth in each Fund's Memorandum.

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#### **ITEM 9 - DISCIPLINARY INFORMATION**

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There currently are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Third North's investment advisory business or the integrity of its management.

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

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As described above in Item 4, Third North (or an affiliated entity) may in the future serve as the general partner, manager, managing member and/or investment manager of one or more Funds. In such case, Third North and its management personnel and employees might have conflicts of interest in (i) allocating their time and activity between and among, (ii) allocating investments among, and (iii) effecting transactions for, the Funds and any other Clients, including in such instances where Third North or its management personnel, employees or affiliates may have a greater financial interest. As described above in Item 6, Third North does not discriminate on an impermissible basis against one Client or group of Clients and has established allocation procedures so that Clients are treated fairly and equally on an overall basis.

As described above in Items 5 and 6, Third North receives asset-based and performance-based compensation from Clients. To the extent that Third North manages any Funds in the future, the amounts payable to Third North will be based directly on the net asset value of the Funds. To the extent that valuation of a Fund's assets will be determined based upon information provided by Third North, because there is, for example, no public market price available, there may be a conflict of interest. Third North would value such assets in accordance with the Fund's valuation policies and procedures.

The above conflicts also may be addressed generally through adherence to Third North's compliance policies and procedures and its Code of Ethics.

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

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Third North has adopted a code of ethics (the “Code of Ethics”) which provides that Third North is committed to conducting its business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, Third North recognizes that it has a fiduciary duty to the Managed Accounts (and investors in any future Fund) that it manages, and that it must conduct its business in a manner that enables it to fulfill this fiduciary duty. In this regard, Third North has developed policies and procedures in the Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, the Code of Ethics governs all personal investment transactions by Third North’s employees, its policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of the Code of Ethics are to be reported, and certain other outside activities of its employees. Third North will provide a copy of the Code of Ethics to any Client or prospective client upon request.

Subject to applicable law, Third North may affect transactions between Client accounts (generally for rebalancing purposes and to correct misallocations of trades), whereby one Client account will purchase securities from or sell securities to another Client account.

In the event that Third North effects a cross trade between an account in which Third North or its principal owns more than twenty-five percent (25%) and another Client account, such transaction may be deemed to be a principal transaction under the Advisers Act. Such transactions may create a conflict of interest for Third North because it may put its or its principal’s interests in such accounts before the interests of its Clients in the other account. In order to mitigate this conflict of interest, Third North monitors the interests of its principal, his immediate family members and their affiliates in Client accounts, and Third North will not affect any cross trades between accounts if it believes that such trade would result in a principal transaction, unless Third North:

1. believes that such transaction is in the best interest of the Clients participating in the transaction; and
2. obtains the consent of the applicable Clients as required by the Advisers Act.

Employees generally are prohibited from engaging in a personal securities transaction without the prior written consent of the Chief Compliance Officer (currently, Third North’s principal). Generally, in granting or denying such requests, the Chief Compliance Officer takes the following guidelines into account: (i) employees may not trade opposite of Client recommendations (except in limited situations where the employee is suffering a financial hardship); (ii) employees may not engage in “front-running” of Client accounts, which is a practice generally understood to be personally trading ahead of Client accounts; and (iii) employees may not trade in a security that is purchased or sold by a Client account within five (5) days after the purchase or sale of such security by such Client account. Notwithstanding the foregoing, (i) transactions in certain “exempt securities” (as defined in the Code of Ethics, which includes securities such as government-issued securities, money market funds and certain other open-ended mutual funds) do not require pre-approval, and (ii) Third North’s principal will be permitted to invest in any future Fund(s).

Third North may buy or sell securities for one Client at the same time that it or its related persons buy or sell the same security for one or more other Clients. This will typically happen when more than one Client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. Third North will generally aggregate trades, subject to best execution to avoid any such conflict of interest. (See Item 12 below.)

Third North presently does not intend to manage any proprietary accounts. As mentioned above, however, Third North's principal may, in the future, invest in any Fund.

Third North recommends to its Clients that they invest in Funds managed by Third North (including Funds in which certain Third North related persons are invested). Third North has an incentive to recommend that Clients invest in such Funds over opening Managed Accounts managed according to the same or a different strategy because, in such case, Third North (and, to the extent applicable, indirectly, certain of its related person investors in such Funds) typically would benefit from more stream-lined and efficient operations and may in certain circumstances receive greater fees and/or expense reimbursement from Funds. However, Third North's policy is to allow a Client to open a Managed Account if the Client provides certain minimum investment amounts that justify the higher costs associated with administering Managed Accounts. See also Item 4.

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## **ITEM 12 - BROKERAGE PRACTICES**

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Third North typically has the authority to determine, without obtaining Client consent, (1) securities to be bought and sold, (2) amount of securities to be bought and sold, (3) the broker or dealer to be used, and (4) commission rates paid. Limitations on Third North's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the investment strategies and objectives of its Clients, and (iii) with respect to any Fund, the Fund's Memorandum.

Third North recommends and effects transactions through various brokerage firms, which are considered reputable and financially secure to execute its trades, and which it believes can offer best execution, on an overall or transaction basis. In selecting brokers to execute transactions, a number of factors are also considered, including, among others, a broker's past history of successful, prompt and reliable execution of client trades; financial strength; quality and depth of services; price; the size of the transaction; execution; commission rate; and responsiveness to Third North. The commissions and/or fees charged by brokers are exclusive of, and in addition to, Third North's fees.

It is Third North's policy to seek best execution on behalf of its Clients – that is, Third North seeks to achieve the best overall qualitative execution for a Client in a particular circumstance. Best execution is not synonymous with the lowest brokerage commission. Third North may cause a Client to pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction if it determines that the commission paid was reasonable in relation to the value of the services provided by the broker.

Third North currently does not have any “soft dollar” arrangements in place that would commit its Clients to any implied or explicit level of trading and does not “pay-up” for research, although it may decide to do either or both in the future. “Soft dollars” refers to Third North’s receipt of research or other products or services other than execution from brokers. Third North may receive, without cost and unrelated to the execution of securities transactions, a broad range of research services from broker-dealers, including information on the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and legal interpretations, political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information which may affect the economy and/or security prices. Any prime brokers used by Third North may provide it with capital introduction and front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, and talent recruiting, among others. As Third North is a newly formed entity, it did not acquire any products or services with Client brokerage commissions (or markups or markdowns) or direct any Client transactions to any broker-dealers within its last fiscal year. In the event that Third North were to receive any “soft dollar” benefits, however, Third North expects that it would qualify under the safe harbor provided for under Section 28(e) of the Securities Exchange Act of 1934, as amended.

Subject to applicable law, Third North may direct some Client brokerage business to brokers who refer prospective Clients to Third North (or refer prospective investors to any future Fund managed by Third North or its related persons), consistent with best execution. Because such referrals, if any, are likely to benefit Third North but will provide an insignificant (if any) benefit to Clients, Third North has a conflict of interest with its Clients when allocating Client brokerage business to a broker who has referred Clients to Third North (or prospective investors to any future Fund managed by Third North or its related persons). To prevent Client brokerage commissions from being used to pay referral fees, Third North will not allocate Client brokerage business to a referring broker unless it determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to Third North.

Third North generally will accommodate a Managed Account Client’s request that a particular broker be used to effect transactions for that Client’s account. A Managed Account Client who has so directed that Third North use a particular broker to effect transactions for its account is advised that such a direction of brokerage may result in its receiving less favorable execution in certain transactions, paying higher prices or in its paying higher transaction costs either in individual transactions or in the aggregate, because that broker would be used regardless of that broker’s execution capabilities or the execution opportunities available in the market place with respect to particular transactions. In addition, trades for these directed Client accounts may not be aggregated with and may not be affected at the same time or the same price as, the trades for other Clients. It is also possible that directed brokerage Clients may at times miss limited opportunity investments in which other Clients were able to invest by participating in the aggregated trade, and conversely it is possible that at times participation in the aggregate trade could result in those non-directed Client accounts missing limited opportunity investments in which directed brokerage Clients were able to invest. Third North does not believe, however, that missing a limited opportunity investment would be a frequent occurrence.

Third North will generally aggregate client trades, subject to best execution. Aggregation, or “bunching,” describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for Third North generally arise when more than one Client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, securities purchased or sold will generally be allocated among Client accounts on an average price basis. When an aggregated order is only partially filled, the

Third North endeavors to detect trade errors prior to settlement and correct them in an expeditious manner. Third North’s traders review trading records for the Accounts on each business day. When a possible trade error is detected, the traders will notify the Chief Compliance Officer and they will review the applicable trade to determine if in fact an error did occur, the cause of the error, the effect of the error on the Client or Clients involved, and whether or not the error can be corrected prior to settlement.

Generally, Third North will reimburse each Account for net losses resulting from trade errors to the extent that it is required to do so under the governing agreements for such Client. Each potential error will be handled on a case by case basis and consistent with the applicable Client documents. In general, Third North will not be liable to a Client for net losses resulting from a trade error to the extent it will be required to be liable to such Client under the standard of liability in the governing agreement for such Client.

If a trade is allocated incorrectly (due to a misinterpretation, mistake, or mathematical error by the operations team, incorrect guidance by the trader, etc.), Third North’s Portfolio Manager will attempt to reallocate the trade using the intended allocation methodology prior to the trade’s settlement date. If a trade has settled, Third North may, subject to applicable law, within the same calendar month effect a cross trade between Accounts to correct the misallocation such that each Account would be in the position it would have been in had the misallocation not occurred. The reason for all reallocations will be appropriately documented by the Chief Compliance Officer (or the Chief Compliance Officer’s designee). If an erroneous allocation cannot be corrected prior to the end of the current month, any correcting trades will be reviewed in the determination of trade errors and their impact to the affected Accounts as set forth above. Third North may in its sole discretion, determine a trade error to be immaterial and take no action to rectify the error.

Third North also may aggregate subsequent orders for the same security entered during the same day with any previously filled orders. This determination may take into consideration changes in the market price of the security and differences in allocations among accounts

While Third North’s goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on a trade-by-trade basis that any particular Client will not be treated more favorably than another.

Clients may pay more to the extent that Third North does not aggregate trades, as seeking to place separate, non-simultaneous transactions in the same security for multiple Clients may negatively affect market price, transaction commissions and/or trade execution. A Client’s nonparticipation in bunched trades may result in lost opportunities to purchase securities for such Client’s account that other Clients participating in bunched trades were able to purchase.

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### **ITEM 13 - REVIEW OF ACCOUNTS**

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Client accounts, including portfolio positions, are reviewed periodically by Zachary Datikash, Third North's Managing Member and Chief Investment Officer (or his designee), to determine that the prices obtained were appropriate and that trades were executed in accordance with Third North's allocation policies. Managed Account Clients receive reports directly from their respective custodians and/or brokers. Fund investors can expect to be provided with unaudited written reports on a monthly or quarterly basis (including information regarding such Fund's performance and current balance of the investor's investment in such Fund) and annual audited financial statements for the Fund.

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

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Third North does not receive an economic benefit for providing advice to its Clients from anyone other than its Clients. Third North currently does compensate third parties for referring clients. Any future Client referral arrangement with a third party into which Third North enters will comply, to the extent required, with Rule 206(4)-3 under the Advisers Act.

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### **ITEM 15 - CUSTODY**

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Third North currently does not have actual custody, or custody as defined in Rule 206(4)-2, of any Client assets. Managed Account Clients will receive account statements from their respective brokers and/or custodians and are urged to carefully review those statements. To the extent that those Clients were to receive any account statements from Third North (which currently is not planned), they are urged to compare those statements with the statements that they receive from their brokers and/or custodians.

Third North manages a Fund of One and is deemed to have custody of Client assets for the Fund of One and any additional Fund(s) for which it (or its related persons) serves or may in the future serve as general partner or managing member or in a similar capacity. As such, Fund investors will be furnished with audited financial statements annually in accordance with Rule 206(4)-2, as well as with periodic unaudited reports, on a periodic basis, including information regarding such Fund's performance and current balance of the investor's investment in the Fund of One.

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### **ITEM 16 - INVESTMENT DISCRETION**

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Third North has the authority to determine, without obtaining Client consent, securities and the amount of securities to be bought and sold as provided in each Client's written account agreement or Memorandum, as applicable. Limitations on Third North's authority are guided by, among other things, its responsibility to act as a fiduciary when handling Clients' accounts and the investment strategies and objectives of its Clients. Third North abides by the investment guidelines

and restrictions set forth in each Client's written account agreement or Memorandum, as applicable.

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## ITEM 17 - VOTING CLIENT SECURITIES

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Third North's primary investment strategy is to sell securities short, and, as a result, Third North typically will not have any rights to vote proxy proposals and corporate actions (collectively, "proxies") with respect to such securities.

To the extent that Third North is delegated the authority to vote proxies for a Client account, invests in a security for a Client account for which a proxy vote may arise and receives timely notice of such proxy from the Client's broker under the terms of the applicable brokerage agreement, Third North will be guided by general fiduciary principles and will seek to treat proxies in a manner intended to enhance the overall economic value of the applicable Client's assets. However, depending on the securities in which its Clients are invested, Third North may not frequently vote proxies. For example, Third North may refrain from voting a Client proxy under certain circumstances, including, but not limited to, when (i) the economic effect on shareholder's interests or the value of the portfolio holding is indeterminable or insignificant; (ii) voting the proxy would unduly impair the investment management process; or (iii) the cost of voting the proxies outweighs the benefits or is otherwise impractical. In addition, Third North may refrain from voting a proxy on behalf of its Clients' accounts due to (1) de minimis holdings; (2) de minimis impact on the portfolio; (3) items relating to non-U.S. issuers (such as those described below); (4) contractual arrangements with Clients; and/or (5) their authorized delegates or the failure of a proxy to provide sufficient information to allow for informed decision making. For example, Third North may refrain from voting a proxy of a non-U.S. issuer due to logistical considerations that may have a detrimental effect on the Third North's ability to vote the proxy. These issues may include, but are not limited to: (a) proxy statements and ballots being written in a foreign language; (b) untimely notice of a shareholder meeting; (c) requirements to vote proxies in person; (d) restrictions on non-U.S. person's ability to exercise votes; (e) restrictions on the sale of securities for a period of time in proximity to the shareholder meeting (*e.g.*, share blocking); or (f) requirements to provide local agents with power of attorney to facilitate the voting instructions. Any actual or apparent conflict of interest between the interests of Third North and its Clients is resolved in a manner that is consistent with the best interests of Clients and in a manner not affected by such actual or apparent conflict of interest.

Third North has the authority to vote any and all proxies on behalf of the Fund of One.

Third North currently does not permit Clients to direct its vote for a particular solicitation.

A Client may obtain a copy of Third North's voting policy and obtain information about how Third North has voted the Client's securities by calling 917-519-3628.

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## **ITEM 18 - FINANCIAL INFORMATION**

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Currently, there is no financial condition that is reasonably likely to impair Third North's ability to meet contractual commitments to its Clients.