

# **NORTH SHIELD CAPITAL LLC**

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## **FORM ADV PART 2A: Firm Brochure**

**December 8, 2023**

**This Brochure provides information about the qualifications and business practices of North Shield Capital LLC. If you have any questions about the contents of this Brochure, please contact us at (917) 546-2079. 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.**

**North Shield Capital LLC is registered as an investment adviser with the SEC. Such registration does not imply that North Shield possesses a particular level of skill, training, or expertise.**

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

## **Item 2: Material Changes**

The Brochure dated December 8, 2023, represents the initial filing for North Shield.

As a registered investment adviser, North Shield must ensure that the ADV Part 2 is current and accurate and makes full disclosure of all material facts relating to the advisory relationship. North Shield will ensure that Clients receive a summary of any material changes and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, North Shield will provide Clients with other interim disclosures about material changes as necessary. All such information will be provided to you free of charge.

This is the initial Brochure, therefore there are no material changes to report.

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## **Item 4: Advisory Business**

### **A. Advisory Firm and Ownership**

North Shield Capital LLC (“North Shield”, the “Firm”, “we”, “us” or “our”) is a limited liability company organized under the laws of the State of Delaware. The Firm was founded in March 2023. Michael Ware is the owner of the Firm. North Shield has registered with the SEC as an investment advisor. North Shield is based in New York, NY.

### **B. The Types of Advisory Services We Provide**

North Shield specializes in providing discretionary investment advisory services to separately managed accounts (“managed accounts”) and private pooled investment vehicles (“private funds” or the “Fund”). The managed accounts and private funds are North Shield’s clients. Investors in a Fund are not North Shield clients. In providing our advisory services, we seek to achieve capital appreciation by deploying a disciplined, repeatable investment process focused primarily on mission-critical software companies, and software-like businesses, that are not only highly resilient businesses due to high-levels of recurring revenues and customer switching-costs, but also have attractive growth and profitability characteristics.

Our firm tailors our advisory services in accordance with the investment strategy as disclosed in its offering documents or managed account investment management agreement. For our private funds, we adhere to the investment strategy set forth in the private fund’s offering documents and managed accounts will trade *pari passu* with the fund. All managed accounts execute an investment management agreement with North Shield. Any investment restrictions applicable to any of our clients are set forth in a client’s offering documents and/or investment management agreement.

As of the date of this Brochure, North Shield provides investment supervisory and management services on a discretionary basis to the following private fund:

- North Shield Fund LP

### **C. Wrap Fee Programs**

We do not participate in wrap fee programs.

### **D. Assets Under Management**

As of December 8, 2023, we manage \$53.3 million in assets. North Shield filed an application with the SEC to register as an investment advisor on December 8 2023.

## **Item 5: Fees and Compensation**

### **A. Fees and Compensation.**

North Shield receives compensation from each of our clients based upon their assets under management and on the performance achieved for each client's account.

Investments in our private fund is only offered to "qualified purchasers" as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"), and all our managed accounts are "qualified purchasers," this brochure does not contain our advisory service fee schedule. These fees are fully disclosed in the private fund's governing documents and each managed account's investment management agreement.

The management fees are generally non-negotiable; however, North Shield is permitted to charge investors in the private fund a management fee that is lower than the rates in the Private Placement Memorandum ("PPM") or waive the management fee for particular investors. The fund may enter into agreements, commonly referred to as "side letters," with certain prospective or existing investors whereby we, in our sole discretion, have authority to reduce or rebate fees to be paid by the investor and/or other terms.

Separately managed accounts may negotiate asset-based fees and performance-based compensation based on various factors and strategies.

### **B. Payment of Fees.**

Fees and other compensation paid to North Shield are generally deducted from the assets of the fund. Management fees are generally deducted on a monthly basis. Depending on the share class, performance compensation is deducted on an annual basis or over a three (3) year period.

The performance-based compensation received by North Shield, to the extent subject to the requirements of Section 205 of U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"), will be paid in compliance with Rule 205-3 under the Advisers Act.

### **C. Other Fees and Expenses**

Costs and expenses relating to the organization of the private fund will be paid by the private fund and will be capitalized and amortized over a period of up to 60 months from the date of commencement of the private fund's operations.

The Fund's operating expenses will include investment expenses such as brokerage commissions, clearing and settlement charges, bank service fees, interest expenses, custodial fees, expenses relating to consultants, attorneys, brokers or other professionals or advisors who provide research advice or due diligence services with regard to investments, appraisal fees and expenses, and investment banking expenses), legal expenses, internal and external accounting expenses, auditing and tax preparation expenses, valuation expenses, custodial and brokerage expenses, fees and expenses of the Administrator and fees and out-of-pocket expenses of any service provider retained to provide fund accounting and administrative services; tax compliance and filings related costs research expenses; costs and expenses associated with engaging expert networks and consultants; order management systems; offering expenses, management fee, administration fees and related costs; regulatory reporting filing fees such as blue sky filings, Form ADV, Schedule 13D, 13F, 13G, Form 13H, Form PF, EDGAR; and extraordinary expenses and other similar expenses related to the Fund as the Investment Manager determines in its sole discretion. To the extent that expenses to be borne by the Fund are paid by the General Partner or by the Investment Manager, the Fund shall reimburse such party for such expenses. The Investment Manager may elect to pay some or all of the Fund's operating expenses at its discretion.

Our managed accounts pay for all of their own operating expenses. This includes all custodial fees, brokerage commissions, clearing fees, investment expenses, and interest, withholding or transfer taxes and all costs of administration of the managed account, including accounting, audit and legal expenses and costs associated with reporting and providing information pursuant to the investment management agreement incurred in connection with trading for the managed account.

While the expenses listed above are detailed, they do not contemplate every possible expense a client may incur. Investors in our private funds should review the governing documents for the fund which may discuss additional costs, fees and expenses not discussed in this brochure.

For more information on brokerage transactions and costs, please see Item 12: Brokerage Practices.

#### **D. Compensation for Sale of Securities and Other Investment Products**

Neither our firm nor any of our principals or employees receives any compensation for the sale of securities or other investment products.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

North Shield receives performance-based compensation from our clients. Performance-based fees are charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Please refer to the “Fees and Compensation” section above for a more detailed explanation of our performance-based compensation. The precise amount of, and the manner and calculation of, the performance-based fee for each client is disclosed in the applicable organizational and offering documents.

The existence of the performance-based compensation may create an incentive for us to make riskier or more speculative investments on behalf of our clients. Our principal’s investment in our private fund aids in aligning our interests with the interests of our private funds. As described in more detail below, our firm has adopted allocation policies designed to treat all clients fairly and equitably in accordance with the applicable governing documents. We do not manage any clients that do not pay performance-based compensation.



## Item 7: Types of Clients

Our clients are managed accounts and a private fund, and our investors are generally institutional investors such as endowments, foundations, family offices, charitable organizations and fund of funds, to which we provide advice through investment management agreements. Our private funds rely on certain exclusions from the definition of an “investment company” in the Investment Company Act. Accordingly, none of our private funds are registered as investment companies with the SEC. Investors in the private funds are generally (i) “accredited investors” within the meaning of the rules and regulations promulgated under the Securities Act of 1933, as amended, and (ii) “qualified purchasers” or “knowledgeable employees” within the meaning of the rules and regulations promulgated under the Investment Company Act.

## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

### A, Methods of Analysis

North Shield's investment objective is to compound capital at attractive, risk-adjusted rates over a multi-year time horizon with moderate risk of permanent capital impairment. We will pursue this objective by investing in a concentrated portfolio of high-quality businesses consisting of primarily North American publicly traded equity securities. North Shield will deploy a disciplined, repeatable investment process focused primarily on mission-critical software companies, and software-like businesses, that are not only highly resilient businesses due to high-levels of recurring revenues and customer switching-costs, but also have attractive growth and profitability characteristics. Our selective portfolio is expected to typically consist of 8 to 10 public equity investments at a time but can hold more or less equity investments at our discretion. We will seek to exploit time arbitrage via a focus on long-term value which can be ignored by the market in the short term. To maximize our chances of finding high-quality businesses trading at attractive valuations, we will generally focus on the small and mid-cap arenas, where valuation dislocations tend to occur more frequently. North Shield will focus on price paid, business quality, stress testing, and active engagement with company management teams to establish a margin of safety and mitigate risk of permanent loss of capital.

### B. Material Risks

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a fund or managed account. These risk factors include only those risks the Firm believes to be material, significant, unusual and relative to certain investment strategies or methods of analysis employed by the Adviser.

#### General Risks

**General Investment and Trading Risks.** All client investments risk the loss of capital. There can be no assurance that a client's investment program will be successful or that the investments will increase in value. Clients and investors in clients should consult their own legal, tax and financial advisors prior to investing.

**Lack of Diversification.** The Fund will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, the Fund's portfolio is subject to more rapid change in value than would be the case if the Fund were required to maintain a wider diversification among types of securities and other instruments, geographic areas or sectors.

**Systemic Risk.** World events and/or the activities of one or more large participants in the financial markets and 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 the Fund losing substantial value caused predominantly by liquidity, which could result in the Fund incurring substantial losses. In addition, the value of the Fund's positions may be subject to decreases as a result of general economic conditions. Furthermore, new legislation, unforeseen events or changes in governmental regulations could adversely affect the Fund's ability to engage in certain investment strategies.

**Trading is Speculative and Volatile.** Financial instrument prices can be highly volatile. Price movements for financial instruments are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments, U.S. and non-U.S. political and economic events and policies, changes in U.S. and international interest rates and rates of inflation, currency devaluations and revaluations, and sentiments of the marketplace. The volatility and risk profile of the Fund may vary depending upon the trading strategies employed by the Investment Manager at the time. No assurance can be given that the Fund will be profitable or that it will not incur substantial losses.

**Custodians May Fail.** Financial institutions, including any custodian (each, a "custodian entity") with whom the Fund does business or with whom the Fund's assets are held, may encounter financial difficulties that impair the operational capabilities or the capital position of the Fund. In the past, events in the financial markets have challenged the financial stability of a number of established financial institutions and have led to the bankruptcy of several such institutions. In the event that one of the custodian entities becomes bankrupt and/or fails to segregate its customers' assets on deposit, the Fund may be subject to a risk of loss. In addition, there can be no guarantee in the event of a custodian entity's insolvency that the pool of customer property held by the custodian entity pursuant to applicable law will be sufficient to satisfy all customer claims, including those of the Fund. Further, even if the Fund does not lose the assets on deposit with one or more custodian entities (or other financial institutions with which the Fund may deal), the Fund could incur market losses as a result of financial difficulties at such institutions (including, but not limited to, in situations where the Investment Manager may be unable to access the assets of the Fund and/or execute transactions through the Fund's brokers or other financial institutions in a timely manner). Funds maintained at a custodian entity as margin to collateralize any over-the-counter derivative positions are generally not segregated and therefore are subject to the claims of the general creditors of the custodian entities in the event of their bankruptcy. These risks will vary based on the relevant jurisdiction and legal regime governing the custodian entity and the specific contractual terms negotiated with each such custodian entity and may include, without limitation: the loss of all assets held with the relevant custodian entity which is not being treated as client assets subject to the applicable customer protection laws or otherwise segregated or protected by the rules of the applicable regulatory authority; the loss of all assets which the relevant custodian entity has failed to treat as client assets in accordance with applicable procedures; the loss of all securities in respect of which the relevant custodian entity has exercised

its contractual rights to borrow, lend, take legal and beneficial ownership of or otherwise use for its own purposes whether exercised in compliance with or in breach of any agreed limits on such rights of use or applicable regulatory restrictions; the loss of some or all of any securities held on trust or client assets held by or with the relevant custodian entity in connection with a reduction to pay for administrative costs of the insolvency of the custodian entity and/or the process of identifying and transferring the relevant trust assets and/or client money or for other reasons according to the particular circumstances of the custodian entity's insolvency; losses of some or all assets due to the incorrect operation of the brokerage, custody or other accounts by the relevant custodian entity; and losses caused by prolonged delays in receiving transfers of balances and regaining control over the relevant assets. In addition, where securities are held with a sub-custodian of a custodian entity or are held in the name of a sub-custodian, such securities may not be as well protected as they would be if they were held directly by the custodian entity.

As discussed above, the Fund's assets could be lost or impounded during a custodian entity's bankruptcy or insolvency proceedings and a substantial portion or all of the Fund's assets may become unavailable to them either permanently or for an extended period of time. Were any such bankruptcy or insolvency to occur, the Investment Manager might decide to liquidate the Fund or suspend, limit or otherwise alter trading, perhaps causing the Fund to miss significant profit opportunities. Furthermore, if a custodian or clearing firm utilized in connection with accounts maintained on behalf of the Fund was to become insolvent, the Fund could have some or all of these positions closed out without its consent. In addition, all of the Fund's positions may not be closed out under these circumstances and delays or other difficulties may be experienced in attempting to close out or exercise options positions.

There are increased risks in dealing with offshore brokers and unregulated trading counterparties, including the risk that assets may not benefit from the protection afforded to "customer funds" deposited with regulated brokers. The Fund may also be required to post margin for its foreign exchange transactions with foreign exchange dealers who are not required to segregate customer funds. In the case of a counterparty's bankruptcy or inability to satisfy substantial deficiencies in other customer accounts, the Fund may recover, even in respect of property specifically traceable to its accounts, only a pro rata share of all property available for distribution to all of such counterparty's customers.

**Competition.** The markets in which the Fund invests are extremely competitive for attractive investment opportunities. Thus, the Fund might not be able to identify or successfully pursue attractive investment opportunities in such environments, and, as a result, there may be reduced expected investment returns. Any increases to competition may have a material adverse effect on the Fund.

## **Fund Risks**

**No Operating History.** The Fund has no operating history. Moreover, the past

performance of the Investment Manager's principal should not be construed as an indication of the future results of the Fund, even if the Fund is modeled or managed in a manner similar to other accounts previously managed by the Investment Manager's principle. Past performance of the Investment Manager or its principal is not indicative of the future results of the Fund or any investment in the Fund.

**Business Dependent on Key Personnel.** The success of the Fund is significantly dependent upon the expertise of the Investment Manager and its personnel, and Mr. Ware in particular. If the services of any such persons were to become unavailable, the ability of the Investment Manager to perform its obligations to the Fund would be severely impaired.

**Interests are Illiquid.** Because of the limitations on withdrawals and the fact that Interests in the Fund are not tradable, an investment in the Fund is relatively illiquid and involves a high degree of risk. Subscriptions for Interests should be considered only by sophisticated investors financially able to maintain their investments, pay the taxes with respect thereto from other sources, and who can afford to lose all or a substantial part of such investments. INTERESTS MAY NOT BE TRANSFERRED OR ASSIGNED WITHOUT THE CONSENT OF THE GENERAL PARTNER.

**Operational Risk.** The Fund depends on the Investment Manager to maintain appropriate procedures to control operational risk. Operational risks arising, for example, from mistakes made in the confirmation or settlement of transactions, transactions not being properly booked, evaluated or accounted for or other similar disruptions in the Fund's operations that may cause the Fund to suffer financial loss, disruption of its businesses, liability to clients or third parties, regulatory intervention or reputational damage. The Fund's business is highly dependent on its and its service providers' ability to process, on a daily basis, a large number of transactions across numerous and diverse markets. Consequently, the Fund relies heavily on financial, accounting and other data processing systems. The Fund depends on these systems to operate without material problems, although problems will arise from time to time and may have a material adverse effect on the Fund. In addition, while the Fund may utilize the services of administrators and other service providers to provide certain services, no assurance can be given that such service providers will not suffer material operational difficulties that could negatively impact the Fund.

**In-Kind Distributions.** The Fund expects to distribute cash to an Investor upon a withdrawal from the Fund. However, there can be no assurance that the Fund will have sufficient cash to satisfy withdrawal requests due to an insufficient amount of cash available to the Fund or the inability of the Fund to liquidate investments at the time of such withdrawal requests at favorable prices. Under the foregoing circumstances, and under other circumstances deemed appropriate by the General Partner, an Investor may receive in-kind distributions from a Fund.

**Accounting and Determination of Net Asset Value.** Generally, the accounting for the Fund will be in accordance with GAAP (other than the amortization of organizational expenses).

GAAP requirements with respect to certain matters, such as the estimated fair value of certain types of assets and the timing of recognition of income or unrealized gains or losses, may not be reflective of the liquidation value of a portfolio if the portfolio had to be liquidated rather than managed as an ongoing investment portfolio. Moreover, GAAP valuations may not reflect the value at which a financial instrument can be realized at any particular point in time. Depending on the circumstances, such discrepancies can be viewed as positively or negatively affecting Investors. For example, Investors making capital contributions to the Fund may benefit from receiving an Interest, in effect, at a discount to the potential value such Interest represents if the Net Asset Value of the Fund, determined in accordance with GAAP, is lower than the potential realizable value of the assets held by the Fund. Withdrawal proceeds may be paid based on a Net Asset Value that does not accurately reflect the realizable (or ultimately realized) value of the assets of the Fund. Furthermore, the Incentive Allocation which is based on the net capital appreciation of Fund determined in accordance with GAAP, may reflect unrealized gains that, in fact, may not be realized if the underlying positions were sold. Changes to accounting standards, policies or practices could have similar effects or magnify such effects.

**Compulsory Withdrawals.** The General Partner may, in its sole discretion, compel any Investor to withdraw all or a portion of such investor's capital account in the Fund at any time and for any reason or for no reason, without notice. Any such required withdrawal would require an Investor to redeploy such Investor's investment in the Fund, potentially upon limited notice.

**Payment of Withdrawal Proceeds Based on Unaudited Data.** As provided herein, if an Investor requests to make a withdrawal from the Fund, the withdrawal amount may be based on an estimated, unaudited Net Asset Value of the Fund and, unless the General Partner determines otherwise, in its sole discretion, will not be subject to adjustment. In such a situation, the calculation and payment of the withdrawal proceeds will be made on the basis of estimated and unaudited data and withdrawal proceeds will not be subject to audit adjustments for overpayment or underpayment upon the completion of the Fund's annual audit. The Fund may seek reimbursement in the event that an audit adjustment results in an overpayment and the Fund may not pay additional amounts in the event that an audit adjustment results in an underpayment. As a result, a withdrawing Investor may receive a greater or lesser amount of withdrawal proceeds relative to the withdrawal proceeds that would have been paid on the basis of audited data. The Fund may, however, withhold amounts from withdrawal proceeds for estimated and accrued expenses, contingencies or liabilities.

**Pricing Information.** While pricing information is generally available for most of the financial instruments in which the Fund invests, observable pricing inputs may not always be available from any source. In some circumstances, investments may be relatively illiquid making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. For purposes of calculating the Fund's Net Asset Value and valuing financial instruments, valuations of financial instruments for which observable pricing information cannot be obtained will be made

based upon unobservable data that reflect the General Partner's or Investment Manager's own assumptions about the factors that a market participant would use in pricing the financial instruments. Prices quoted by different sources are subject to material variation. There can be no assurance that the value of any asset owned by the Fund will be realized upon its disposition. The Investment Manager may rely upon pricing services selected by the Investment Manager and the Fund's other service providers and will not, except under limited circumstances, be liable for any loss suffered by the Fund or any Investor by reason of any error in calculation resulting from any inaccuracy in the information provided by any pricing service. Without limiting the generality of the foregoing, additional risks may arise from third party pricing sources that do not guarantee the accuracy or completeness of any data provided with respect to the assets of the Fund.

**Substantial Fees and Expenses Payable Regardless of Profits.** The Fund will (directly or indirectly) incur obligations to pay its proportional share of brokerage commissions and other transaction costs to the brokers. The Fund also will incur obligations to pay operating, accounting, auditing, research, legal and consulting fees, presentations and other related expenses and fees, including the costs of the offering of Interests. Furthermore, if an Investor holds a large interest in the Fund, or its investment becomes concentrated because of redemptions by other Investors, the portion of the Fund's costs and expenses borne by such Investor could be significant and dilute investment returns. The Investment Manager may elect to pay some or all of the Fund's operating expenses at its discretion.

**Possible Effects of Substantial Withdrawals.** Substantial withdrawals on a particular withdrawal date could (i) require liquidation of the positions held (directly or indirectly) by the Fund more rapidly than would otherwise be desirable; (ii) result in the impairment or termination of the Fund, (iii) cause the liquidation of investments at a time that could adversely affect the value of the Fund or the risk profile of the remaining investments of the Fund, (iv) increase the portion of the Fund's costs and expenses borne by the remaining Investors and increase the cost of managing the Fund, and/or (v) result in withdrawals from the Fund being temporarily suspended. In addition to rapid liquidation of positions (potentially resulting in less favorable pricing), it is possible that withdrawals by investors who have a substantial interest in the Fund could leave the Fund with less capital than is necessary to fully diversify its positions, impairing the operations, or potentially resulting in the termination, of the Fund.

**Liability and Indemnification.** The Fund will indemnify the General Partner, the Investment Manager and other service providers, their respective affiliates and their respective members, principals, officers and agents. The indemnification obligations could result in substantial fees and expenses to the Fund.

**Lack of Management Control by Investors.** Investors do not participate in the management of the Fund or in the conduct of its business.

**Trade Errors.** The Fund (and not the General Partner or the Investment Manager) will be



responsible (directly or indirectly) for any losses resulting from portfolio management, trading or administrative errors in connection with the Fund's investment activities, in the absence of fraud or willful misconduct by the General Partner or the Investment Manager. Any gains or benefits that result from trade errors will also accrue to the Fund. Such errors might include, for example, incorrect entry of a trade into an electronic trading system, errors when reconciling trade activity, or drafting errors related to derivatives contracts or confirmations. Investors should assume that such errors might occur, and that the Fund will be responsible for any resulting losses, even if such losses result from the negligence of the Investment Manager or its affiliates or personnel.

**Trading "Soft Dollar" Payments.** In selecting brokers, banks, and dealers to effect portfolio transactions, the Investment Manager may consider such factors as price, the ability of the brokers, banks, and dealers to effect transactions, their facilities, reliability, and financial responsibility, as well as any products or services provided, or expenses paid, by such brokers, banks, and dealers. Products and services may include research items used by the Investment Manager in making investment decisions or executing transactions. Such "soft dollar" benefits may cause the Investment Manager to execute a transaction with a specific broker, bank, or dealer even though it may not offer the lowest transaction fees.

**Exemption from Regulation, Including the 1940 Act.** The Fund will not be registered as an investment company in reliance on an exemption from such registration available to privately offered investment companies. Accordingly, the protections of the 1940 Act (which, among other things, require financial instruments to be held in custody by a bank or broker in accordance with rules requiring the segregation of financial instruments, regulate the relationship between a registered fund and its service providers and directors and prohibit registered funds from engaging in certain transactions with affiliates are not applicable. Because financial instruments expected to be held by brokers will generally not be held in segregated accounts, a failure of any such broker is likely to have a greater adverse impact on the Fund than if such financial instruments were held in segregated accounts and registered in the Fund's name.

**Subscription Monies.** Where a subscription to the Fund is accepted, the capital contribution will be treated as having been made with effect from the relevant Offering Date notwithstanding that the Limited Partner may not be entered in the Fund's register of partners until after the relevant Offering Date. The capital contribution paid by a subscriber will accordingly be subject to investment risk in the Fund from the relevant Offering Date.

**Effect of Withdrawals.** Where a withdrawal request is accepted, the withdrawal will be treated as having been made with effect from the relevant withdrawal date irrespective of whether or not such withdrawing has been removed from the Fund's register of partners or the withdrawal amount has been determined or remitted. Accordingly, on and from the relevant withdrawal date, Limited Partners in their capacity as such will not be entitled to or be capable of exercising any rights arising under the Limited Partnership with respect to Interest being withdrawn (including



any right to receive notice of, attend or vote at any meeting of the Limited Partners of the Fund) save the right to receive the withdrawal proceeds (in each case with respect to the portion of an Interest being withdrawn). Such withdrawn Limited Partner will be creditors of the Fund with respect to the withdrawal proceeds.

### **Risks Related to the Investment Manager**

**Possible Adverse Effects of Increasing the Assets Managed by the Investment Manager.** It may be difficult or impossible for the Investment Manager to take or liquidate a position in a particular financial instrument in accordance with their trading systems, methods or strategies due to the size of the accounts which are or may be managed by the Investment Manager. The Investment Manager may be limited in the amount of assets which it can successfully manage by both the difficulty of executing substantially larger trades in order to reflect larger equity under management and the restrictive effects of speculative position limits or restraints on disposition and possible market illiquidity. The rates of return recognized on the investment and/or trading of a limited amount of assets may have little relationship to those the Investment Manager can reasonably expect to achieve trading larger amounts of funds. The Investment Manager has not agreed, and is under no obligation, to limit its assets under management, even if doing so might be in the best interests of the Fund. There can be no assurance that the Investment Manager's strategies will not be adversely affected by the additional equity represented by additions to the Fund or other accounts managed by the Investment Manager or otherwise.

**Other Accounts Advised by the Investment Manager.** The Investment Manager may manage other funds and/or accounts which could increase the level of competition for the same trades the Investment Manager might otherwise make, including the priorities of order entry. This could make it difficult or impossible to take or liquidate a position in a particular security or contract at a price that an Investor might expect based on the Investment Manager's investment objectives or strategies.

**Performance Compensation.** The General Partner will receive the Incentive Allocation based upon the net capital appreciation of allocated to a Limited Partner's capital account. This Incentive Allocation may create an incentive for the Investment Manager to make investments that are riskier or more speculative than would be the case if such Incentive Allocation were not made. In addition, since the Incentive Allocation will be calculated on a basis that includes unrealized appreciation of the Fund's Net Asset Value, such Incentive Allocation may be greater than if it were based solely on realized gains.

**Selection of Brokers.** The Investment Manager may be subject to conflicts of interest in recommending for approval brokers who will maintain custody of the Fund's assets or execute transactions on behalf of the Fund.

**No Independent Counsel for Investors.** While the Investment Manager has consulted

with counsel, accountants, and other experts regarding the structure and terms of the Fund, such counsel, accountants, and other experts do not represent any Investor in its capacity as an investor in the Fund. The Fund urges each prospective investor to consult its own legal, tax, and financial advisors regarding the desirability of investing in the Fund and its suitability for such prospective investor in view of such prospective investor's particular circumstances and risk tolerances.

## **Regulatory and Tax Risks**

**Lack of Government Regulation.** The offering of Interests has not been registered or qualified under the U.S. securities laws, including the Securities Act, or the laws of any applicable jurisdiction, nor has this Memorandum or offering of Interests been reviewed or approved by any governmental or regulatory body. Investors therefore do not have the benefit of any of the protections afforded by the Securities Act with respect to registered offerings (which, among other things, requires specified disclosure in connection with the offering of securities). Furthermore, the Fund will not register as an investment company under the 1940 Act.

**Legal and Regulatory Developments; Increasing Regulatory Oversight.** Legal and regulatory changes could occur during the term of the Fund that may adversely affect the Fund. The securities markets are subject (in varying degrees) to comprehensive statutes, regulations and margin requirements. Several events in the past several years, including severe market disruptions and volatility, financial institution failures and defaults, and large-scale financial frauds, have caused lawmakers and regulators to promulgate a large number of new laws and regulations and to consider additional oversight of financial markets, including possible registration and disclosure requirements and other heightened oversight of private investment funds, new or increased restrictions with respect to certain trading techniques and related financial instruments (e.g., short sale restrictions, clearing of over-the-counter derivatives and enhanced speculative position limits), potential changes to the tax treatment of U.S. and non-U.S. investment vehicles and their advisors, the creation of a single systemic risk regulator with regulatory oversight and authority over substantially all U.S. financial markets and other substantial changes to the broader legal and regulatory framework in which such funds operate. The CFTC and SEC, as well as other regulators, self-regulatory organizations and exchanges around the world, may implement regulations that could affect the Fund's operations to varying degrees, and may be authorized to take extraordinary actions in the event of market emergencies (which authority may be used more frequently if market conditions become or remain unusually turbulent). The regulation of private investment funds and their transactions is also subject to modification by legislative and/or judicial action. The duration, severity, and ultimate effect of recent market conditions and governmental actions with respect to private investment funds cannot be predicted, and any resulting changes in the treatment of such funds and their investments could have a material adverse impact on the returns of the Fund or the Fund's ability to conduct its business as described in this Memorandum or even to continue doing business at all.

In the event that the Investment Manager is required to respond to any legal or regulatory investigation or proceeding with respect to the Fund, the Fund will bear its share of the cost of any legal fees and expenses, which may be substantial, that are incurred by Investment Manager, to the extent that it did not breach its duty of care owed to the Fund.

**Compliance with ERISA Restrictions.** The Fund intends to use commercially reasonable efforts to cause employee benefit plans subject to Title I of ERISA and/or Section 4975 of the Code and other “benefit plan investors,” as defined in 29 C.F.R. Section 2510.3-101 of the U.S. Code of Federal Regulations (the “Plan Asset Regulation”) and modified by the Pension Protection Act of 2006, in the aggregate to hold less than 25% of each class of equity interests in the Fund. In the event that a withdrawal would cause the Fund to exceed the 25% threshold, then the Fund may require one or more benefit plan investors to redeem or otherwise dispose of all or part of their Interest so that the Fund will remain below the 25% threshold. In the General Partner’s discretion, the Fund may permit benefit plan investors to hold 25% or more of a class of equity interests in the Fund and thereafter comply with the applicable requirements of ERISA.

If the assets of the Fund were to become “plan assets” subject to ERISA and Section 4975 of the Code, certain investments made or to be made by the Fund in the normal course of its operations might result in non-exempt prohibited transactions and might have to be rescinded.

**Tax Audits.** The Fund may be audited by U.S. federal, state or other tax authorities. An income tax audit may result in an increased tax liability of the Fund, including with respect to years when an investor was not a Limited Partner of the Fund, which could reduce the Net Asset Value of the Fund and affect the return of all Partners. The Fund may pay the deficiency or may require Partners who were Partners in the year to which the adjustment is attributable to make contributions to the Partnership to enable the Partnership to pay the audit adjustment or may require those Partners to file amended tax returns.

**Deduction of Expenses.** The management fee and certain other fees and expenses of the Fund are “miscellaneous itemized deductions” that, under current law, cannot be deducted for U.S. tax purposes. Accordingly, a Limited Partner’s taxable income from the Fund, is likely to exceed the actual net capital appreciation allocated to the Limited Partner’s capital account in the Fund over the life of such Limited Partner’s investment in the Fund. This will have the effect of increasing a Limited Partner’s effective tax rate with respect to its investment in the Fund.

**Payment of Tax Liabilities.** For U.S. federal income tax purposes, the Fund’s taxable income and gain for each taxable year will be allocated to, and includible in, an Investor’s taxable income whether or not cash or other property is actually distributed. Accordingly, each Investor should have alternative sources from which to pay its U.S. federal income tax liability as such tax liability will likely exceed distributions to such Investor for a taxable year.

The Fund will provide Schedules K-1s as soon as practicable after receipt of all of the

necessary information. It is possible that Schedules K-1s will not be available until completion of the Fund's annual audit. Investors should be prepared to obtain extensions of the filing date for their income tax returns.

**Change in Tax Law.** There may be changes in the tax laws or interpretations of tax law, possibly with retroactive effect, that may affect the Fund or its Limited Partners. It is not possible to predict whether or to what extent any changes or interpretations thereof will occur. Prospective investors should note that the Fund will not undertake to advise Limited Partners of any legislative or other developments.

**Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act.** The global financial markets have in the past gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Fund may incur losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving.

### **Risks Relating to the Financial Instruments of the Fund**

**Equity Securities.** The Fund will invest in equity securities. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction.

**Non-U.S. Investments.** The Fund may invest a portion of its assets in the financial instruments of non-U.S. companies. In addition to business uncertainties, such investments may be negatively affected by the social, political and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States and, as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. There may be less publicly available information in respect of such non-U.S. companies and

foreign countries, and financial accounting standards and practices may differ. The Fund may be subject to additional risks, which include possible materially adverse political and economic developments, possible seizure or nationalization of non-U.S. deposits, and possible changes to governmental restrictions which might have a material adverse effect on the payment of principal and interest to shareholders located outside the country of the issuer, whether from currency blockage or otherwise. Dividends paid on some foreign securities will be taxed at a higher rate than dividends from U.S. corporations. Furthermore, some of the financial instruments may be subject to taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such financial instruments at the time of sale. Income received by the Fund from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Fund could substantially reduce the net income or return from such investments. Some foreign taxes can be credited against the Investor's U.S. tax liability.

**Currency Exchange Exposure.** The Fund may invest in the securities of non-U.S. issuers, the prices of which are determined with reference to currencies other than the U.S. dollar. The Fund will value its assets in U.S. dollars. The Fund may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when the Fund wishes to use them, or that hedging techniques employed by the Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Fund's direct or indirect positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Fund makes its investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Fund's securities in their local markets and may result in a loss to the Fund. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Fund's direct or indirect non-U.S. dollar investments.

**Activist Trading.** The Fund may accumulate substantial positions in the securities of a corporate entity and may invest in issuers that are the subject of proxy fights or other litigation or attempts to gain control of that entity, although the Investment Manager does not intend to cause the Fund to engage in proxy fights or similar activities. Under those circumstances, the Fund may be named as a defendant in a lawsuit or regulatory action. In addition, the outcome of such disputes, which may affect the value of the positions, may be impossible to anticipate.

Activist trading may require, among other things: (i) that the Investment Manager properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) that the Fund acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) that the Fund avoid triggering anti-takeover and regulatory

obstacles while aggregating its position; (iv) that management of portfolio companies and other security holders respond positively to the proposals of other shareholders submitting proposals that the Investment Manager believes are advantageous to the portfolio company; and (v) that the market price of a portfolio company's securities increases in response to any actions taken by portfolio companies. There can be no assurance that any of the foregoing will succeed. Securities that the Investment Manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe the Investment Manager anticipates, even if a corporate governance strategy is successfully implemented by the portfolio company or other shareholders. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow sufficient quantities of such securities to be disposed of or to realize any increase in the price of such securities.

**Other Strategies.** The Fund may employ strategies for which no specific "risk factors" are provided herein. Nevertheless, such strategies should be considered to be speculative, volatile, and, in general, no less risky than other strategies more fully described herein.

**The above list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective Limited Partners should read the entire Offering Memorandum and consult with their own advisers before deciding to invest in the Fund.**

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the Firm or the integrity of the Firm's management. Neither North Shield nor any of its principals have any federal, state regulatory or disciplinary events to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A, Broker-Dealer Registration Status.**

Neither our firm, nor any of our officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

### **B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status.**

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

### **C. Selection of Other Investment Advisers. Neither the Adviser nor the Relying Adviser recommends or selects other investment advisers for the clients.**

North Shield does not recommend or select other investment advisers for our clients.



## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A, Code of Ethics**

We have a Code of Ethics (our “**Code**”), adopted pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “**Advisers Act**”), that establishes various procedures with respect to investment transactions by accounts in which our “access persons” (i.e., persons with knowledge of our investment management decision) have a beneficial interest or accounts over which an access person has investment discretion. We will provide our Code to clients upon request.

Our Code also requires our access persons to report securities holdings and personal transactions on a quarterly basis. In addition, our access persons may not acquire securities for their own account in an initial public offering or other limited offering without the approval of our CCO, or designee. Our access persons must also obtain pre-approval from our CCO, or designee, before engaging in any outside business activities. Access persons / employees of North Shield cannot invest in any securities owned by the fund / managed accounts and must obtain pre-trade approval for any securities they intend to transact in for their own personal account.

### **B. Securities that you or a Related Person Has a Material Financial Interest**

Employees are required to disclose their personal securities holdings and transactions to the Adviser on a periodic basis and are required to preclear certain types of personal securities transactions. Some clients invest in the same or similar mutual funds and ETFs that employees are permitted to transact in; however, the Adviser does not view this as a significant conflict of interest due to the large market for and liquidity of these types of investments.

### **C. Investing in Securities That You or a Related Person Recommends to Clients.**

Employees are required to disclose their personal securities holdings and transactions to the Adviser on a periodic basis and are required to preclear certain types of personal securities transactions. Some clients invest in the same or similar mutual funds and ETFs that employees are permitted to transact in; however, the Adviser does not view this as a significant conflict of interest due to the large market for and liquidity of these types of investments.

## Item 12: Brokerage Practices

Brokerage transactions will be allocated to brokers on the basis of best execution and in consideration of a broker's ability to affect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of brokerage, research and research-related services that are of benefit to the Fund, the Investment Manager or accounts. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Fund by brokers in the foregoing circumstances may be higher than those charged by other brokers who may not offer such services. Where a product or service obtained with commission dollars provides both brokerage or research and non-brokerage and research assistance to the Investment Manager, the Investment Manager will make a reasonable allocation of the cost of each, and only the former may be paid for with commission dollars.

Subject to the considerations described above, the selection of a broker (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of other services or benefits to the Investment Manager or its affiliates, including, without limitation, capital introduction, marketing assistance, consulting services with respect to technology, operations, equipment, commitment of capital and access to deal flow.

The Fund's securities and other assets will be held in securities accounts at a broker or other qualified custodians selected by the General Partner.

North Shield typically aggregates the purchase or sale of the securities for our client accounts. We allocate the securities purchased (or sold) among our participating clients so that each client receives the same terms. We also seek to execute orders for all participating clients on an equitable basis. We typically place combined orders for all these accounts simultaneously, and, if all these orders are not filled at the same price, we average the prices paid. Similarly, if an order on behalf of more than one client account cannot be fully executed under current market conditions, we allocate the trade among the different client accounts on a pro rata basis. Generally, clients can benefit when we aggregate trades because we get volume discounts on execution costs. On the other hand, situations may occur where one client could be disadvantaged because of the investment activities we conduct for other clients.

## **Item 13: Review of Accounts**

### **A. Private fund**

Each investor in the Fund receives monthly account statements, which provide beginning and ending balances as well as a description of account activity. Statements are either delivered by mail, fax, email or an email notifying an investor that they are available on the administrator's website, as elected by an investor, and posted on our administrator's website. As mentioned below in Item 15, audited financial statements will be sent to investors within 120 days after the Fund's fiscal year end.

As soon as reasonably practicable after the end of each calendar year, North Shield will deliver to each investor in the Fund tax information and schedules relating to the Fund as are necessary for the investor's preparation of its federal income tax returns. Due to the time needed for the preparation of income tax returns, North Shield also may agree to provide investors with certain other reports based on requests for specific types of information that may generally not be available to other investors

### **B. Separately Managed Account**

Our managed account clients receive custodial statements directly from their respective custodians. We provide our managed accounts with written monthly reports that include performance data and a reconciliation between our records and those of the managed account's third-party custodian. We may also provide additional information to certain of our managed accounts pursuant to special agreements, as set forth in their investment management agreement

## **Item 14: Client Referrals and Other Compensation**

Neither North Shield nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.

Neither North Shield nor any principals or employees of our firm, compensate anyone for client referrals.

## Item 15: Custody

### A. Private fund

North Shield is subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). We are deemed to have custody of our private fund’s assets because we have the authority to access and deduct fees and expenses from private fund’s account. However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to our private fund because it complies with the provisions of the so-called “**Pooled Vehicle Annual Audit Exception**”, which, among other things, requires that the Fund be subject to audit an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

### B. Separately Managed Account

North Shield is not deemed to have custody of the assets of our managed accounts. Managed accounts will receive account statements directly from their qualified custodian at least quarterly and should review them carefully. They should compare the account statements they receive from their custodian with any reports that we send them.

## **Item 16: Investment Discretion**

North Shield serves as the investment manager with discretionary trading authority to each client. Investment discretion means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our clients' offering documents and/or investment management agreement.

North Shield provides all investors in our private funds and our managed accounts with an offering document and/or investment management agreement that sets forth, in detail, the relevant client's investment strategy and program. By executing our subscription documents or an investment management agreement to set up a managed account, you provide North Shield complete authority to manage their investments in accordance with the offering document and/or investment management agreement you received.

## Item 17: Voting Client Securities

In accordance with Rule 206(4)-6 under the Advisers Act and our fiduciary obligations to our clients, North Shield will vote client proxies solely in the best interests of our clients. We generally believe that voting in the best interest of our clients entails voting in a manner that will maximize the value of the security. We are not required to vote every proxy and the failure to vote any proxy should not be construed as a violation of our fiduciary obligations. There may be times when refraining from voting is in our clients' best interest, such as when our analysis of a particular proxy reveals that the cost of voting the proxy may exceed the expected benefit to our clients.

Managed accounts may retain their authority to vote proxies on behalf of their own account and shall receive proxies or other solicitations directly from their relevant custodian. These managed accounts shall in no way be precluded from contacting us for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy voting authority solely as a result of providing investment advisory services to the managed accounts

Upon request, our clients (and investors in our private funds) can obtain a copy of our proxy voting policies and procedures.

## **Item 18: Financial Information**

North Shield does not require, nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

North Shield is not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.

North Shield has never been the subject of a bankruptcy petition.