

## **Northern Right Capital Management, L.P.**

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Darien, Connecticut 06820**

**March 2024**

This “**Brochure**” provides information about the qualifications and business practices of Northern Right Capital Management L.P. (hereinafter “**NRC**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Richard Billig by email at [richard@northernrightcap.com](mailto:richard@northernrightcap.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Northern Right is an “Investment Advisor” with the SEC. Registration as an investment adviser does not imply that Northern Right or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Northern Right is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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The date of the last annual updating amendment to our firm brochure was March 31, 2023. This Brochure is an update to Northern Right's last ADV filing submitted in March 2023. Northern Right is updating its Brochure as of December 31, 2023 as part of its annual amendment filing. Since Northern Right's latest Form ADV Part 2A submission, there have been no material changes to Northern Right's business. In the future, if there are any material changes, those changes will be discussed in this section.

We encourage all investors and clients to carefully review this brochure in its entirety.

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#### Item 4: Advisory Business

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Northern Right Capital Management, L.P., a Texas limited partnership, provides investment management services to private pooled investment vehicles, separately managed accounts, and single client vehicles primarily with respect to investments in publicly-traded equity securities of small to mid-cap companies. Our investment advice is provided in accordance with and subject to the investment objectives, strategies, guidelines, restrictions and limitations contained in the applicable offering, governing and/or account documents, and the information in this brochure is qualified in its entirety by the information set forth in such documents.

We serve as general partner of and/or investment manager with discretionary trading authority, to private pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended.

NRC manages the following private, pooled investment vehicles:

- Northern Right Capital (QP), L.P., a Texas limited partnership (the “QP Fund”);
- Northern Right Capital Offshore, L.P., a private pooled investment vehicle organized as a Cayman Islands exempted limited partnership that invests substantially all of its assets in the QP Fund (the “Offshore Fund”)

The QP Fund and the Offshore Fund are herein each referred to as a “Fund” or “Client”, and collectively, as the “Northern Right Funds”).

Information about the Northern Right Funds is set forth in its confidential memorandum and governing documents. Investment in a Northern Right Fund does not, in and of itself, create an advisory relationship between an investor in such Northern Right Fund and us.

We also provide investment advisory services with respect to separately managed accounts (the “Advisory Accounts”) with respect to investments primarily in publicly-traded equity securities of small to mid-cap companies. Our advisory services with respect to the Advisory Accounts are provided in accordance with the terms, conditions, guidelines and limitations set forth in the investment management agreements between us and each Advisory Account client. Advisory Accounts co-invest or may co-invest alongside the Northern Right Funds in one or more investments from time to time.

We provide and tailor our investment advice with respect to each Advisory Account in accordance with the investment guidelines and objectives of the applicable client and other terms and conditions set forth in the applicable investment management agreement. Advisory Account clients generally may impose restrictions, guidelines and limitations on the management of their Advisory Accounts.

We do not currently participate in any Wrap Fee Programs.

As of December 31, 2023, we had approximately \$379,965,910 in regulatory assets under management. All of these assets were managed on a discretionary or limited discretionary basis.

## Item 5: Fees and Compensation

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The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

### ***Management Fee***

With respect to the Northern Right Funds, we are entitled to receive an investment management fee ("**Management Fee**") per annum of the net asset value of the Funds. The Fee will range from 1.0% to 2.0%.

With respect to each Advisory Account, we receive or may receive a management fee, payable either monthly or quarterly in arrears, equal to a percentage of the market value of the Advisory Account (or each investment held in such Advisory Account) as of the end of each such month or quarter.

The Fee will range typically from 0.5% to 2% per annum.

The Investment Manager in its sole discretion, may waive or modify the Management Fee for any investor in the Funds or an Advisory Account client.

### **Other Types of Fees or Expenses**

In addition to management fees and performance-based allocations, each Northern Right Fund generally pays and bears all costs and expenses arising in connection with its operations including, without limitation, the following: (i) all costs and expenses directly related to portfolio investments or prospective investments of the Northern Right Fund, including brokerage commissions and other transaction costs, expenses related to proxies, underwriting and private placements, borrowing charges on securities sold short, interest and commitment fees on debit balances or borrowings, custody fees and fees of professional advisors and consultants relating to investments or prospective investments; (ii) any withholding or transfer taxes imposed on the Northern Right Fund or any of its partners; (iii) any governmental, regulatory, licensing, filing or registration fees incurred in compliance with the rules of any self-regulatory organization or any federal, state or federal laws; (iv) any interest due to partners in connection with capital withdrawals; (v) any legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against the Northern Right Fund or the general partner in its capacity as such; (vi) the cost of the audit of the Northern Right Fund's financial statements and the preparation of its tax returns; (vii) the fees and expenses of the Northern Right Fund's accountants in connection with accounting advice relating to the Northern Right Fund's day-to-day affairs and all costs related to the keeping of the books and records of the Northern Right Fund; (viii) the fees and expenses of the Northern Right Fund's counsel in connection with advice relating to the Northern Right Fund's legal affairs; (ix) the cost of any outside appraisers, accountants, attorneys or other experts engaged by the general partner as well as other expenses directly related to the Northern Right Fund's investment program (including, without limitation, travel and transportation-related costs and expenses (which may include the cost of economy, first or business class commercial airfare, the cost of private chartered aircraft or other private air travel, the cost of rail service (including first class or business class tickets) or livery service), meals, lodging, international data and roaming, entertainment and incidentals); (x) specific expenses incurred in obtaining systems, research and other information utilized for portfolio management purposes that facilitate valuations and accounting, including the costs of

statistics and pricing services, service contracts for quotation equipment and related hardware and software; (xi) all costs and expenses associated with the organization of the Northern Right Fund and the offering of interests in such Northern Right Fund, including legal and accounting fees, printing costs, travel and out-of-pocket expenses and compliance with any applicable federal and state laws; (xii) the costs and expenses of holding any meetings of partners which are required to be held under the terms of the partnership agreement or law; (xiii) the expenses of the investment committee of the Northern Right Fund and the members thereof; (xiv) the costs of any liability insurance obtained on behalf of the Northern Right Fund or the general partner; and (xv) all costs and expenses associated with reporting and providing information to existing and prospective partners. However, we may, in our sole discretion, choose to absorb or otherwise bear any such expenses incurred on behalf of a Northern Right Fund. Each Northern Right Fund generally is responsible for and pays all applicable brokerage and custodial fees. See Item 12 below.

The Northern Right Funds from time to time receive notices of class action settlements involving securities held or formerly held in the Northern Right Funds' portfolios. These notices provide the opportunity for the Northern Right Funds to participate in the settlement. In the vast majority of these situations, the Northern Right Funds' holdings of the particular security will not be substantial enough to justify taking an active role in litigation; as such, filing a claim with the claims administrator to participate in the settlement proceeds may oftentimes be the only way to realize any recovery. To facilitate filing claims, we have engaged a third party vendor to track claims, monitor portfolio holdings, provide updates on settlement details, file necessary forms and reconcile any payments received. The fees and expenses paid to or charged by such third party vendor generally are borne and paid by the Northern Right Funds. Payments on class action or other claims that are received by the Northern Right Funds (net of any applicable expenses) generally are allocated on a pro rata basis among the capital accounts of all investors in such Northern Right Fund as of the date such settlement payments are received by such Northern Right Fund. In particular, former investors generally are not entitled to receive the benefit of or otherwise receive or be paid any such settlement payments, even if the applicable security was held by the applicable Northern Right Fund during all or a portion of the time that such former investors held interests in such Northern Right Fund. As a result, certain investors may be entitled to participate in and receive the benefit of such settlement payments even though they were not investors in the applicable Northern Right Fund during the period that such Northern Right Fund held the applicable security to which such settlement payments relate. To the extent that we receive a class action settlement or payment with respect to securities of an issuer held by a client and one or more other clients, such proceeds/amounts generally will be allocated between or among the client and such other applicable clients in such a manner or on such a basis determined by us in our discretion.

In addition to management fees and/or performance-based fees, each Advisory Account client generally bears all costs and expenses relating to the Advisory Account's investment activities, including but not limited to all brokerage commissions, transfer taxes and other brokerage and custodial fees and expenses relating to transactions in the Advisory Account, together with Advisory Account client's proportionate share of any and all legal, accounting, consulting or other expenses incurred by us on behalf of the Advisory Account relating to actions taken by us with respect to the Advisory Account's investments, including without limitation any such expenses relating to compliance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

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We and our affiliates are entitled to a performance-based compensation. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

#### **Item 7: Types of Clients**

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We currently provide investment advisory services with respect to various types of clients including affiliated private pooled investment vehicles, Advisory Accounts, and other persons. Investors include charitable organizations, endowments, family offices, high net worth individuals, and other sophisticated investors. We may in the future provide investment advice to other types of clients.

The minimum initial capital contribution generally required for an investor in the Northern Right Funds is set forth in their offering memoranda. To invest in the Northern Right Funds, investors generally must be, among other things, “accredited investors” as defined in Rule 501(a) of Regulation D under the U.S. Securities Act of 1933, as amended, and “qualified purchasers” as such term is defined in Section 2(a)(51)(A) of the Company Act.

The Advisory Account clients are required to sign an investment management agreement that, among other things, sets forth the nature and scope of our investment management authority and the investment objectives, guidelines and restrictions applicable to the management of the Advisory Accounts. In addition, the Advisory Account clients generally must meet certain net worth, net asset and/or other eligibility requirements imposed by various securities laws.

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

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Northern Right Funds employ a concentrated, best ideas approach and invests in structurally mispriced high-quality businesses with misunderstood value drivers. With a bias toward small and mid-cap companies, the strategy targets opportunities across three focal areas of structural mispricing: secular growth at a value price, special situations investments, and high yield equities. The firm utilizes a bottoms-up, valuation driven fundamental research discipline with a multi-year framework and will utilize constructive engagement when needed to unlock value. The long portfolio is concentrated, on average, in 15 to 20 core positions, and the short portfolio consists of a combination of single stock and thematic basket alpha shorts, as well as industry and index hedges. The strategy has a target net exposure of 30% - 70%, on a target gross exposure of 90% - 150%.

The firm’s investment approach starts by defining the investment universe. Broadly defined, the firm’s primary investment universe is small and mid-cap equities, generally between \$100 million and \$25 billion in market capitalizations, and opportunistically in unique situation larger cap companies, those greater than \$25 billion. The firm narrows this universe by focusing on specific opportunities across three target investment categories as noted above.

These opportunities are pursued within sectors that have attractive characteristics and that align with the target opportunity. The resulting “filtered” universe is one that is differentiated from those typically pursued by more traditional value and growth investors, and provides a opportunity set for finding attractive structural mispricing.

With a long history investing in this universe, the firm has developed a strong rubric for identifying and valuing potential opportunities. The process begins with a weekly formal sector/ industry review, where existing positions are evaluated, and potential new ideas are identified. As part of a proprietary screening process, the firm maintains a database of over 1000 companies that they have evaluated over the years, including underlying financial models, and actively monitors news flow and unusual share price reactions to recognize dislocations and to take advantage of new information.

Once an idea is identified, a one-page summary outlining the thesis and key value drivers is prepared and then debated. If the idea fits the firm’s criteria and is compelling, the idea will then undergo a full underwriting, involving extensive financial and valuation analysis to determine the cash flow, earnings power and intrinsic value of the business, as well as discussions with management teams, customers, vendors, competitors, industry experts, and others to develop insight and ultimately a variant view into the potential risk / reward of the company. All ideas go through a robust, iterative internal review throughout the research process during which all assumptions are questioned and refined. Ultimately, the team will invest in only a few high conviction long ideas, and through the course of their due diligence, will identify potential alpha oriented short positions. Pursuant to the applicable governing documents of the Northern Right Funds, we generally have the sole and absolute discretion to make or effect any and all changes, adjustments or amendments to the investment programs and investment strategies of the Northern Right Funds from time to time without the consent of, or the requirement to provide notice to, any investors.

With respect to the Advisory Accounts, we typically invest in a limited number of issuers and pursue investment strategies that are similar to those pursued with respect to the Northern Right Funds while targeting different levels of risk. However, Advisory Accounts are managed in accordance with the terms, conditions, guidelines and limitations set forth in the applicable investment management agreements.

*The investment strategies summarized above are not intended to be comprehensive. For more information regarding the investment strategies, please see the applicable governing and/or offering documents of each client, as applicable.*

## **CERTAIN RISK FACTORS**

There can be no assurance that clients or investors will achieve their investment objectives or that investments will be successful. Our investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that our investment strategies are low risk or risk free. Our investment strategies are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors and clients are encouraged to consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with our investment strategies and processes and may not necessarily apply to each client or investor. Investors and clients are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. With respect to Northern Right



Funds, the following risks are qualified in their entirety by the risks set forth in the applicable offering documents.

*General Economic and Market Conditions.* Changes in general global, regional and U.S. economic and geopolitical conditions and national and international political circumstances and developments and other circumstances (including wars, epidemics and pandemics, terrorist acts, security operations, bank failures, disruptions in the financial services industry and natural disasters), as well as changes in government policy precipitated by the foregoing, may affect our and our clients' activities. For example, the hostilities and disputes between Russia and Ukraine as well as the recent bank failures could destabilize the worldwide economy and equity markets in various respects. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by our clients or considered for prospective investment. Material changes and fluctuations in the economic environment, particularly of the type experienced since 2008 that caused significant dislocations, illiquidity and volatility in the wider global economy, and the market changes that have resulted and may continue to result from the spread of COVID-19 and the recent adverse developments affecting the U.S. and international financial services industries, may affect our clients' ability to make investments and the value of investments held by our clients or our clients' ability to dispose of investments.

Specifically, in March 2023, both Silicon Valley Bank ("SVB") and Signature Bank were closed and swept into receivership with the Federal Deposit Insurance Corporation (the "FDIC"). In addition, First Republic Bank's credit rating was downgraded after securing billions in funds from other financial institutions to avoid closure, and Credit Suisse was rescued with a buy-out from UBS. Such failures led to depositors withdrawing their funds from these and other financial institutions, leading to severe market disruption and extreme volatility in the prices of the securities issued by financial institutions. The short-term and the longer-term impact of these events are uncertain, but they could continue to have a material effect on general economic conditions, consumer and business confidence and market liquidity. Any economic downturn resulting from a recurrence of such marketplace events and/or continued volatility in the financial markets could adversely affect the financial resources of entities owned by our clients. Additionally, there has been discussion and dialogue regarding potential significant changes to U.S. trade policies, legislation, treaties and tariffs trade policies and tariffs affecting Canada, Mexico, China, the European Union and other countries. Tariffs and other trade restrictions imposed by the U.S. government and any further similar changes in U.S. trade policy have triggered some, and could trigger additional, retaliatory actions by affected countries, possibly resulting in "trade wars". At this time, it is unknown whether and to what extent additional new legislation will be passed into law, pending or new regulatory proposals will be adopted (including with respect to bank reform), international trade agreements will be negotiated, or the effect that any such action would have, either positively or negatively, on our clients or their investments. Investments can be expected to be sensitive to the performance of the overall economy. Moreover, a serious pandemic, recent bank failures, government shutdown, work stoppage, natural disaster, armed conflict, threats of terrorism, or terrorist attacks and the impact of military or other action could severely disrupt global, national and/or regional economies.

A resulting negative impact on economic fundamentals and consumer and business confidence may negatively impact market value, increase market volatility and reduce liquidity, all or any of which could have an adverse effect on the performance of our clients' investments, our clients' returns and our clients' ability to make and/or dispose of

investments. No assurance can be given as to the effect of these events on our clients or their investment objectives. Global economic and market conditions have been materially adversely affected by the ongoing conflict between Russia and Ukraine as well as recently by turmoil in the banking industry.

*Disruption in the Financial Services Industry.* Our ability to make investments, secure funding and engage in other transactions could be adversely affected by the actions and stability of banks and other financial institutions. Banks and financial institutions are interrelated as a result of trading, clearing, counterparty and other relationships. As a result, defaults or failures by, or even rumors or questions about, one of more banks or financial institutions, or the industry generally, have historically led to market-wide liquidity problems. Losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by clients or other institutions. In response to the bank failures at SVB and Signature Bank and the resulting market reaction, the Secretary of the Treasury, the Federal Reserve and the FDIC indicated that all depositors of SVB and Signature Bank would have access to all deposits by utilizing the Deposit Insurance Fund, including bridge banks to assume all of the deposit obligations of the failed banks, while leaving unsecured lenders and equity holders of such institutions exposed to such losses. The Federal Reserve also created the Bank Term Funding Program to ensure banks have the ability to meet the needs of their depositors. There is no guarantee that the Department of Treasury, FDIC and the Federal Reserve will provide access to uninsured funds in the future in the event of the closure of other financial institutions (or do so in a timely fashion) and it is uncertain whether these steps by the government will be sufficient to calm the financial markets, reduce the risk of significant depositor withdrawals at other institutions and thereby reduce the risk of additional bank failures.

*Geopolitical Risks.* An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity.; Geopolitical tensions, such as the war in Ukraine, has led to disruption, instability and volatility in global markets and industries that could negatively impact the Funds and/or their investments. The U.S. and other governments have imposed meaningful sanctions and export controls against Russia and Russian interests and threatened additional sanctions and controls. The Funds' investments will be required to comply with such measures and the full impact of such measures (including supply chain disruptions), as well as potential responses to them by Russia, is currently unknown and may become significant.

*Public Health Risk.* The Funds and their affiliates and service providers could be adversely affected by the effects of a widespread outbreak of contagious disease, such as the novel coronavirus ("COVID-19") pandemic. Public health crises can develop rapidly and unpredictably, which may prevent governments, asset managers, companies or others (including us, the Funds or the Funds' investments) from taking timely or effective steps to mitigate or reduce any adverse impacts to the Funds and their investments. The extent and duration of any such impacts will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Any outbreak of contagious diseases and other adverse public health developments, together with any resulting disruptions or restrictions on travel, quarantines or "stay-at-home" orders, social distancing policies and/or quarantines imposed or recommended by governments and private parties in the jurisdictions where the Funds or their investments are based (together, the "Isolation Measures"), could have a material and adverse effect on the Funds and their investments, including by disrupting or otherwise adversely affecting the human capital, business operations or financial resources of the Funds, their investments, or their respective

service providers (which could, in turn, adversely impact the ability of such service providers to fully support the administration and operations of the Funds or their investments).

In addition, a significant outbreak of contagious diseases in the human population, and any containment or other remedial measures imposed (including Isolation Measures), may result in a widespread health crisis that could severely disrupt global, national and/or regional economies and financial markets and cause an economic downturn that could adversely affect the performance of the Funds and/or their investments. Although the long-term economic fallout of the COVID-19 pandemic is difficult to predict, it is likely to continue to contribute to market volatility and lead to an economic slowdown given the disruption to supply chains across sectors and industries worldwide, which may reduce investment activity more generally and materially and adversely affect the Funds and/or their investments. To the extent an epidemic or pandemic, including COVID-19, is present in jurisdictions in which we have offices or other operations or investments, it could affect the ability of us and our affiliates to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the investment strategies and objectives of the Funds. The performance of the Funds may also be affected by particular issues affecting companies, regions or sectors of their investments. The extent of any such impacts will depend on future developments, which are highly uncertain and cannot be predicted at this time. There are no comparable recent events in the United States or globally that provide guidance as to the effect of the spread of a pandemic such as COVID-19 on the economy as a whole and the specific sectors in which the Funds may invest. Prospective investors should note that any information provided regarding the most recent valuations of an investment, including our historical investments and assets under management, was determined and relates to periods after the widespread outbreak of COVID-19. Given the levels of uncertainty, economic and financial market disruptions and volatility in connection with the outbreak, it is possible recent valuations and/or current or prior performance of prior Funds and their investments could be adversely impacted for current and future periods (at least in the short term).

*Potential for Fraud.* Recent discoveries of fraud in the banking and financial services industry highlight the seriousness of the issue. The scope and long-term nature of such frauds is a testament to how difficult fraud is to detect and prevent. While we attempt to avoid falling victim to fraud, there can be no assurance that we and our clients will be able to prevent all types of fraud by parties with whom we and our clients transact business.

*Terrorist Attacks, War and Natural Disasters.* Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and markets and could prevent clients from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, other acts of war or hostility and recent natural disasters have created many economic and political uncertainties in the past and may do so in the future, which may adversely affect the United States and world financial markets and clients for the short or long-term in ways that cannot presently be predicted.

In February 2022, an armed conflict escalated between Russia and Ukraine and Russia invaded Ukraine. In response to such invasion, the United States, the European Union and many other countries and organizations have announced various sanctions against Russia and various Russian persons and companies. The sanctions announced by the U.S. and other countries to date include restrictions on selling or importing goods, services, or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. The U.S. and other countries

could impose wider sanctions and take other actions should the conflict further escalate. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact any client's or portfolio company's business, financial condition and results of operations.

*Force Majeure Risks.* Force majeure is the term generally used to refer to an event beyond the control of the party claiming that the event has occurred, including acts of God, fire, flood, weather, earthquakes, war, terrorism, labor strikes, outbreaks of disease and potentially other events or occurrences. Force majeure events in the United States and elsewhere in the world may adversely affect the ability of clients, us, affiliates or agents or the parties with whom they do business to perform their respective obligations, under a contract or otherwise. In addition, dealing with any force majeure event will divert our time and effort, and the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. In some cases, project agreements can be terminated if the force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre-agreed time period. Force majeure events that are impossible or costly to cure may also have a permanent adverse effect on clients or a portfolio company, and a client's potential returns would be diminished as a result. In particular, the hostilities between Russia and Ukraine, and the sanctions imposed or announced by the United States and various other countries in response to such hostilities, could adversely affect the worldwide economy and the investment activities of clients.

*Government Intervention.* In 2008, the global financial markets underwent disruptions that led to certain significant governmental intervention. The continuation of the COVID-19 global pandemic as well as the recent volatility in the bank industry has also led, and may in the future lead, to substantial governmental intervention (both in the United States and abroad), including massive stimulus programs, intervention to secure confidence in the banking system and legislation. Such intervention, in certain cases, has been or may be implemented on an "emergency" or unprecedented basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions were or are typically unclear in scope and application, resulting in confusion and uncertainty which in itself can be materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. If governmental intervention programs are unwound, there could likewise be uncertainty and adverse effects on the markets. In the case of any future market disruptions, it is impossible to predict what interim or permanent governmental restrictions (or easing of restrictions) may be imposed on the markets or the effect of such restrictions on our clients' investment strategies.

*Changes in Government Policy.* Changes in government policy, including monetary, fiscal, tax, trade, inflation, exchange and regulatory policies, among many others, have had and will continue to have a significant effect on the economy, financial markets and our investment strategies. Any such changes could be difficult or impossible to anticipate and could have significant unanticipated or unintended consequences. In addition, changes in policy implemented or threatened by one government often lead to changes in policy by other governments, which have their own significant consequences. As just one example, tariffs imposed by the U.S. government on imports from China have led to the imposition of tariffs by China on imports from the U.S., and a similar dynamic has occurred in connection with

other changes in trade policy implemented or threatened by various governments. Additionally, it is expected that legislation regarding bank reform will be forthcoming given the turmoil in the markets. Any of the foregoing could result in a material adverse effect on the Funds or advisory services to the Funds.

*Privacy and Data Protection Risks.* We and the Northern Right Funds process, hold and maintain, as applicable, personal information, including by storing and maintaining personal data related to their respective members, affiliates, employees and representatives, natural person investors, service provider representatives, customers and others. Such processing of personal information, which may also include the use of third-party processors and cloud-based services, will impose legal, operational and regulatory risks on us and our clients. In recent years, there has been an increase in legal requirements relating to the collection, storage, use and transfer of personal information, and the legal framework around such matters is expected to continue to develop at both the international and state level.

California has passed the California Consumer Privacy Act of 2018 (the “CCPA”). The CCPA generally applies to businesses that collect personal information about California consumers, and either meet certain thresholds with respect to revenue or buying and/or selling consumers’ personal information. The CCPA imposes stringent legal and operational obligations on such businesses as well as certain affiliated entities that share common branding. The CCPA is enforceable by the California Attorney General. Additionally, if unauthorized access, theft or disclosure of a consumer’s personal information occurs, and the business did not maintain reasonable security practices, consumers could file a civil action (including a class action) without having to prove actual damages. Statutory damages range from \$100 to \$750 per consumer per incident, or actual damages, whichever is greater. The Attorney General also may impose civil penalties ranging from \$2,500 to \$7,500 per violation. The EU data protection law currently in effect is in the form of the General Data Protection Regulation (EU 2016/679) (the “GDPR”), which took direct effect across the EU member states on May 25, 2018. The GDPR seeks to harmonize national data protection laws across the EU, while at the same time, modernizing the law to address new technological developments. The GDPR notably has a greater extra-territorial reach than pre-existing legislation and has a significant impact on data controllers and data processors (i) with an establishment in the EU, (ii) which offer goods or services to EU data subjects or (iii) which monitor EU data subjects’ behavior within the EU. The GDPR imposes more stringent operational requirements on both data controllers and data processors and introduces significant penalties for non-compliance, with fines of up to four percent (4%) of total annual worldwide revenue or €20 million (whichever is higher), depending on the type and severity of the breach. Other jurisdictions, including other U.S. states, have proposed or are considering similar privacy laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such privacy laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs and operational and legal burdens on regulated entities.

Certain our activities and the activities of our clients may, for example, be subject to the CCPA and other non-U.S., federal and state privacy laws such as the EU’s GDPR. The fund administrator and other service providers with respect to the Northern Right Funds or our other clients may also be subject to the CCPA, GDPR and/or other applicable state and non-U.S. privacy laws and regulations. We and our affiliates may not be able to accurately anticipate the ways in which regulators and courts will apply or interpret the law, and implementation, interpretation or application of privacy and data protection laws in a manner inconsistent with our expectations may adversely affect clients. For example, the failure of us or any person providing services to clients to comply with privacy and data protection laws

could result in negative publicity, operational disruptions, and may subject clients to significant costs associated with litigation, settlements, regulatory action, judgments, liabilities or penalties and mandatory remediation. The same risks will apply to portfolio companies that fail to comply with privacy and data protection laws. If we or one or more of our affiliates uses or discloses information improperly or suffers a security breach impacting personal information, we may be obligated to notify government authorities, stakeholders or individuals affected, which may divert our time and effort and entail operational disruptions, loss of market confidence and goodwill and substantial expense, particularly if any litigation or enforcement action or mandatory remediation were to also arise out of such breach.

*Failure to Implement Any Business Continuity Plans.* Should we, or any of our or a client's critical service providers, experience a significant local or regional disaster or other significant business disruption, our ability to remain operational will depend in part on the safety and availability of our personnel and office facilities, and the proper functioning of our network, telecommunication and other related systems and operations. We believe that we have established appropriate backup systems and contingency plans, but we cannot ensure that they will be adequate under all or any applicable circumstances or that material interruptions and disruptions will not occur. In addition, we rely to varying degrees on outside vendors (including our administrator and IT vendors) for disaster recovery support, and we cannot guarantee that these vendors will be able to perform in an adequate and timely manner. Failure by us or any of our critical service providers to implement any business continuity plans, including system backup facilities, would impede its ability to operate in the event of a significant business disruption, which could result in financial losses to clients.

*Risks Related to Electronic Communication and Disclosures.* In particular, we (or any of our agents or representatives or service providers) will or may provide or furnish to each client or investor (i) statements, reports, and other communications relating to clients, annual and other periodic updates to our privacy policies or procedures, (ii) all notices and communications required or contemplated to be delivered to such client or its affiliates by us or our affiliates pursuant to applicable account or governing documents, (iii) all notices and communications relating to us (including Part 2A of our Form ADV, our privacy policy and any other communication, notice or report required under the Advisers Act or any other applicable laws) and (iv) funding notices, distribution notices and any other requests, demands or other communications and any financial statements, reports, schedules, certificates or opinions required to be provided or furnished to clients or investors under applicable account or governing documents, in electronic form, such as email or posting on our web-based reporting site or other internet service, in lieu of or in addition to sending such communications as hard copies via fax or mail.

*Cyber Security Breaches and Identity Theft.* We, our clients and our respective service providers depend on information technology systems and, notwithstanding the diligence that we may perform on such service providers, we may not be in a position to verify the risks or reliability of such information technology systems. We, our clients and our respective service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. Our, our clients' and our service providers' information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication

failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we and our affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we and/or our clients may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our and our clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm our or our clients' reputations, subject any such entity and its respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to our clients or individual investors by interfering with our or any affiliates' operations. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose one or more of our clients or us to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and clients may be required to indemnify us against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

*Sanctions Compliance Considerations.* Economic sanction laws in the United States and other jurisdictions may prohibit or otherwise restrict us, our clients and the issuers in which our clients invest and their respective officers, directors and employees from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the United States, the U.S. Department of the Treasury's Office of Foreign Asset Control ("OFAC") and U.S. Department of State administer and enforce laws, executive orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. The lists of OFAC restricted countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at [www.treas.gov/ofac](http://www.treas.gov/ofac). In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions and similar laws and regulations in non-U.S. jurisdictions may significantly restrict our direct or indirect investment activities in certain countries. The economic sanctions and related laws of different jurisdictions in which we make investments also may conflict with one another, such that compliance with all applicable laws may be difficult. Failure by us, any client or any issuer in which a client invests to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties.

*Inflation Risk.* The rate of inflation has increased meaningfully as compared to recent years and it is currently expected that it may remain high or elevated in the future, especially given the recent market turmoil as a result of the crises in the financial services industry. Inflation and rapid fluctuations have in the past had and are currently having negative effects on economies and financial markets. For example, wages and prices of inputs increase during

periods of inflation, which can negatively impact returns on investments. In an attempt to stabilize inflation, governments may impose wage and price controls or otherwise intervene in the economy. Governmental efforts to curb inflation often have negative effects on the level of economic activity. If inflation were to continue at the current level or rise at rates higher than those anticipated in underwriting the Funds' investments, the effective rate of return on such investments may be reduced. For example, there may be instances where certain revenues related to such Fund investments may be fixed by contract for meaningful periods of time whereas related expenses and interest costs may not be. As a result, the recent rise in the rate of inflation (and any additional increase in such rate of inflation) could have a material and adverse impact on the Funds and their investments.

*Cash and Cash Equivalents.* Clients may hold cash and cash equivalents at any given time during the term thereof. Available cash and cash equivalents generally are held in accounts at third party financial institutions (which may not bear interest or generate income). A client's access to its invested cash and cash equivalents may be impacted by adverse conditions in the financial markets. Cash balances in operating accounts could be impacted if the underlying financial institutions fail or other adverse conditions in the financial markets occur.

*Investment and Trading Risks Generally.* All investments risk the loss of capital. No guarantee or representation is made that our or any client's investment strategies or program will be successful or that any investment will be profitable. Our investment strategies involve or may involve, without limitation, risks associated with limited diversification, equity risks, short-selling risks, leverage, small and mid-cap company risks, interest rates, currencies, illiquidity, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in our activities. The performance of any particular investment is subject to numerous factors which are neither within our control nor predictable by us. Such factors include a wide range of economic, market, political, competitive and other conditions that may affect investments in general or specified industries or companies. Certain investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which our clients' investments may be subject. In addition, our clients' investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally or in markets where we invest our clients' assets.

*Our methods of minimizing such risks may not accurately predict future risk exposures.* Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

*Fundamental Analysis.* Fundamental analysis is premised on the assumption that markets are not perfectly efficient, that informational advantages and mispricings do occur and that econometric analysis can identify trading opportunities. Fundamental analysis may incur substantial losses if such economic factors are not correctly analyzed, not all relevant factors are identified and/or market forces cause mispricings to continue despite the traders having correctly identified such mispricings. Fundamental analysis may also be more subject to human error and emotional factors than technical analysis.

*Market Volatility.* The profitability of our strategies will substantially depend upon us correctly assessing the future price movements of stocks, bonds, options on stocks, and other



securities. We cannot guarantee that we will be successful in accurately predicting price and interest rate or other industry or market movements.

*Investment Selection and Market Risk.* “Investment selection risk” is defined herein as the risk that we may not select and size positions appropriately within a client’s portfolio. An associated “market risk” arises from the influence of the movements of the overall market or the value of the individual investments in client portfolios. The profitability of a significant portion of our investment program depends to a great extent upon correctly predicting the future price movements and/or general value of securities and other investments. There can be no assurance that we will be able to accurately predict these price movements or future valuation, nor can assurance be given that any client’s investment portfolio will generate any returns or otherwise appreciate in value. With respect to the investment strategy utilized by us, there is also market risk. For these reasons, a client’s portfolio may also incur losses.

*Long/Short Investment Strategies.* The identification of investment opportunities in the implementation of our long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully pursued or capitalized on by our clients. In the event the perceived opportunities underlying our clients’ portfolio positions were to fail to converge toward, or were to diverge further from, the values expected by us, our clients may incur losses. In the event of market disruptions, significant losses can be incurred by our clients which may force a client to close out one or more positions (including by forcing us to close out of positions earlier than we would otherwise have desired). Furthermore, the valuation information used to determine whether a position presents an attractive opportunity consistent with our long/short strategies may become outdated or inaccurate as market conditions change.

*Discretion and Changes in Investment Strategy.* We have discretion in choosing the investments acquired by our clients and have the right to modify the selection criteria or hedging techniques (if any) used by clients without the consent of clients, except as otherwise set forth in our advisory agreement with a client. Any of the investment strategies, analytical models, or trading techniques may have operational or theoretical shortcomings, which could result in unsuccessful trades and, ultimately, losses to clients. In addition, any new investment strategy or hedging technique developed may be more speculative than earlier techniques and may increase the risks applicable to any client’s portfolio.

*Concentration of Investments and/or Risk Management Failures.* Our clients invest in a limited number of small to medium capitalization companies and have no formal guidelines relating to diversification of its assets. As a result, our clients’ portfolios generally are and expected to be concentrated in a limited number of issuers, types of financial instruments, assets, industries, sectors, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by a client. Limited diversification could expose a client to losses disproportionate to market movements in general. While we generally attempt to consider and address identified risks, risks associated with different assets may be correlated in unexpected ways, with the result that a client faces concentrated exposure to certain risks. In addition, many other investment funds pursue similar strategies, which creates the risk that many funds would be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although we endeavor to identify and attempt to address material risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different.

Any inadequacy or failure in our risk management efforts could result in material losses for a client.

*Highly Volatile Markets.* The prices of financial instruments in which we invest may be volatile. Price movements of the financial instruments in which we invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Our clients are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

*Equity Risks.* As noted above, we invest primarily in equity and equity-linked securities. The market price of securities owned by our clients may go up or down, sometimes rapidly or unpredictably. A risk of investing in our clients is that the equity securities in their portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. Depending on whether our client has a long or short position in a particular equity security, the value of such equity security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which we believe are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate. As a result, our clients may lose all or substantially all of its investment in any particular instance.

*Control Position Risk.* We occasionally make investments that allow us to exercise influence over management and the strategic direction of a company. For example, Mr. Drapkin serves and has served on the board of directors of various companies owned by our clients. The exercise of control over an investment could expose the assets of our clients to claims by such companies, its shareholders and its creditors. While we intend to manage our clients in a manner that will minimize the exposure to these risks, the possibility of successful claims cannot be precluded.

*Investments in Undervalued Equity and Equity-Related Securities.* We invest in what we believe to be undervalued equity and equity-related securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a client's investments may not adequately compensate for the business and financial risks assumed. A client may make certain speculative investments in securities which we believe to be undervalued; however, there are no assurances that the securities purchased

will in fact be undervalued. In addition, a client may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a client's assets may be committed to the securities purchased, thus possibly preventing the client from investing in other opportunities. In addition, a client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period. If we take long positions in stocks that decline and short positions in stocks that increase in value, then the losses of a client may exceed those of other portfolios that hold long positions only.

*Distressed Securities.* We may invest in obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems and "below investment-grade" debt securities, including companies involved in covenant or payment default or in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high, and there is no assurance that we will analyze such investments correctly.

*Small and Medium Capitalization Companies.* We primarily invest in the securities of publicly-traded companies with small to medium-sized market capitalizations. Smaller capitalization securities involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid. Some small companies have limited distribution channels and financial and managerial resources. Such companies may also be dependent on personnel (including key personnel) with limited experience. In certain cases, the departure of just a few or a single key person could have a material adverse effect on a small or mid-capitalization company.

*Less Established Companies.* We make investments in companies that are in a conceptual or relatively early stage of development. These companies are often characterized by short operating histories, new technologies and products, quickly evolving markets and management teams that may have limited experience working together, all of which enhance the difficulty of evaluating these investment opportunities. The management of such companies will need to implement and maintain successful marketing, finance, personnel and other operational strategies in order to become and remain successful. Other substantial operational risks to which such companies are subject include uncertain market acceptance of the company's products or services, a high degree of regulatory risk for new or untried and/or untested business models, products and services, high levels of competition among

similarly situated companies, lower capitalizations and fewer financial resources, and the potential for rapid organizational or strategic change. In addition, such companies may not be profitable at the time of investment and may experience substantial fluctuations in their operating results. The success of such companies may also depend on the management talents and efforts of one person or a small group of persons whose death, disability or resignation would adversely affect their businesses.

*Short Selling.* Our clients' investment portfolios from time to time include short positions. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or other counterparty. Because the seller remains liable to return the underlying security that it borrowed from the broker or counterparty, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. The making of short sales exposes clients to the risk of liability for the market value of the security that is sold, which is an unlimited risk in theory due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available for clients to borrow at reasonable costs. If a request for a return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, in which case a client or account may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. A significant "short squeeze" event occurred in January 2021 with respect to the securities of GameStop Corp (GME), where retail investors utilized Robinhood and other popular commission-free trading platforms and social media platforms to execute a "short squeeze" strategy aimed at destroying the short sale efforts of prominent hedge funds and other institutional investors who were attempting to profit from the demise of GameStop stock. The efforts of these retail investors pushed the price of GameStop stock to record levels in a very short period of time, and many hedge funds and other investors lost billions of dollars as they were forced to close out their short positions on GameStop stock in connection with the short squeeze. This situation is likely to reoccur in the future, as social media and popular commission free trading platforms have made it easier for a large number of retail investors to band together and cause disruptions in the trading strategies of hedge funds and other institutional investors. The recent controversy relating to GameStop may lead to SEC scrutiny and greater regulation of such strategies.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and may adopt or enact additional rules requiring public disclosure of short positions in the future. In addition, other non-U.S. jurisdictions where a client trades have adopted or may adopt reporting requirements. If a client's short positions or its strategy become generally known, it could have a material or significant effect on our ability to implement or effect our investment strategies. In particular, it would make it more likely that other investors could cause or lead us into a "short squeeze" in the securities held short by a client, forcing us or the client to cover its positions at a loss. Such reporting requirements likely would also limit our ability to access management and other personnel at certain issuers where we seek to take or establish a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as our clients, the cost of borrowing securities to sell short could increase significantly and the availability of such securities to our clients could decrease significantly. The SEC has adopted various restrictions or limitations on the short sale of securities which fall more than 10% in a given day (referred to as the "circuit breaker" or "modified uptick rule"). The SEC and regulatory authorities in other jurisdictions could adopt (and in certain cases have adopted) bans or restrictions or

limitations on short sales of certain securities or short sales with respect to certain issuers in response to significant market events. Restrictions, limits or bans on short selling would make it more difficult for our clients or us to execute or effect certain investment strategies and may have a material adverse effect on our clients' ability to achieve their investment objectives and generate returns.

*Investments in Unlisted Securities.* We may invest in unlisted securities of companies. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly-traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by our clients. Further, companies whose securities are not publicly-traded may not be subject to public disclosure and other investor protection requirements applicable to publicly-traded securities. In the event there is no trading market for these investments, we value such investments based either on consistently applied objective standards, such as indications from unaffiliated brokers, an independent appraisal or in accordance with other procedures we deem reasonable.

*Convertible Securities.* We may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which clients place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by us is called for redemption, we will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on our ability to achieve our investment objective.

*Initial Public Offerings.* Participation in and trading of securities with respect to initial public offerings is an investment approach in which we have engaged, and may in the future engage, on behalf of a client. To this end, we maintain relationships with investment banks, service providers, company executives and others which may, from time to time, result in allocations to a client of securities of companies in initial public offerings. The possibility of the purchase

and sale by a client from time to time of securities of companies in initial public offerings or shortly thereafter involves special risks, including a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors could contribute to substantial price volatility for the shares of these companies and, thus, for a client. The limited number of shares available for trading in some initial public offerings may make it more difficult for a client to buy or sell shares without an unfavorable impact on prevailing market prices. Further, such risk may be exacerbated if one or more other funds or clients attempt to buy or sell the same securities as a client in any public offering. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

To the extent a client participates in initial public offerings registered under the Securities Act (i.e., new issues), investors who are “restricted persons” under FINRA rules, as well as executive officers and directors of certain companies that have or may have certain investment banking relationships with broker-dealers selling new issues, will generally be prohibited entirely from participating in new issues in which a client invests, unless we determine that such investors may be allocated a de minimis amount of profits or losses from such new issues. Any investor that does not provide satisfactory notification to show that it is not subject to FINRA-related limitations on participation in new issues will be presumed to be subject to them. To the extent an investor is subject to new issue limitations, and a client’s investment in an initial public offering yields high returns, that investor may have meaningfully lower performance than that experienced by investors that are not subject to such restrictions, and to whom all or a disproportionate amount of the new issue profit will be allocated. Investors should also be aware, however, that the purchase of new issues or other initial public offerings involves greater risk than securities trading in general. Although many investors typically assume that new issues and other securities in an initial public offering will open at a price higher than their initial price, and that they will continue to trade at a premium until they are liquidated, there is no guarantee that either of these scenarios will occur. The prices of newly issued securities may not increase as anticipated and, in fact, may decline more rapidly. In that case, to the extent that new issues losses are incurred, all or most of such losses will be allocated to non-restricted investors, and the investment returns of such investors will be negatively impacted as a result. This result may be multiplied for investors depending on the proportion of restricted and unrestricted investors in a client. We are not obligated to limit the number of restricted investors in a client, and if there is a large proportion of restricted investors, then new issues profits could significantly enhance, while new issues losses could disproportionately diminish, the investment returns of non-restricted investors compared to what they would be if no investors were restricted.

*Special Purpose Acquisition Companies.* We invest from time to time in special purpose acquisition companies (“SPACs”) and securities related or relating thereto, which are publicly traded companies formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more operating businesses. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company’s value increased. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject

to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in “blank check” companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, to the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies.

*Private Investment in Public Equity.* We invest or may invest from time to time in private investments in public equity (“PIPEs”). PIPE transactions may involve the sale of common stock, convertible preferred stock, convertible debentures, warrants, or other equity or equity-like securities of an already-public company. In a PIPE transaction, the client may bear the price risk from the time of pricing until the time of closing. Generally, in a PIPE transaction, the client would enter into a definitive purchase agreement with the company in which it commits to purchase securities at a fixed purchase price and the issuer would not be obligated to deliver additional securities to the client in the event of fluctuations in stock price or otherwise. In a PIPE transaction, the client may have to commit to purchase a specified number of shares at a fixed price, with the closing conditioned upon, among other things, the SEC’s preparedness to declare effective a resale registration statement covering the resale from time to time of the shares sold in the private placement. The client’s ability to dispose of securities acquired in PIPE transactions may depend upon the registration of the resale of the acquired securities. Any number of factors may prevent or delay a proposed registration, or limit the number of securities which can be registered, and once effective there can be no assurance that the registration will remain in effect. While it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 of the Securities Act or otherwise under the U.S. federal securities laws, the availability of this alternative can be (i) significantly limited where a client’s ownership of securities of the issuer, or its relationship with the issuer, could result in the client being considered an affiliate of the issuer or (ii) delayed where the issuer is not current in its public information reporting requirements. As a result, a client may not be able to liquidate PIPE securities quickly, and the delay in the opportunity to sell such securities could expose the client to the risk of a lower available market price when the client has the ability to sell the securities.

*Non-U.S. Investments.* We may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in

price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict our clients' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, we may be unable to structure transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce our clients' rights in such markets.

*Currency Risks.* Although the base or functional currency of our clients is the U.S. dollar, clients invest or may invest in securities and other assets and incur or may incur liabilities that are or may be denominated in other currencies. Accordingly, the value of a client's assets and liabilities may be affected favorably or unfavorably by fluctuations in currency exchange rates. We may (but historically have not and do not intend to) seek to hedge the foreign currency exposure of a client through spot and forward foreign exchange contracts, foreign exchange futures contracts and other hedging techniques. For example, we historically have not, and are not required to, hedge against fluctuations in exchange rates between the U.S. dollar and the non-U.S. currencies in which a client's investments are denominated, thus the client generally will be exposed to, and the values of such investments generally will fluctuate with, the exchange rates between the relevant currencies. Such fluctuations in currency exchange rates could materially adversely affect the client or its investments. Our clients may also engage in speculative trading in currencies themselves. In many cases, hedging activity or investments in currencies are made through financial instruments that involve embedded leverage, magnifying the risks associated with such activity or investments. There can be no assurance that any of a client's currency hedging or investment activities (if and as applicable) will be available, effective or successful, and fluctuations in the relative values of currencies could cause material losses for the client.

*Corporate Debt.* We may invest in bonds, notes and debentures issued by corporations. These instruments may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. We may invest in corporate debt instruments that have experienced or are contemplated to experience ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk of lower-rated instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Conversely, rating agencies may re-rate an instrument which could cause substantial loss as the ratings are downgraded. Our clients' investments may experience significant credit rating volatility. In addition, our clients' may be paid interest in kind in connection with our clients' investments in corporate debt and related financial instruments (e.g., the principal owed to our clients in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, our clients may experience substantial losses.

*Competition.* The markets in which we participate are extremely competitive. There can be no assurance that we will continue to be able to identify or successfully pursue attractive investment opportunities in this environment. Clients should expect that their investments



will involve substantially more company-specific and market risk and associated volatility in the future than in the past. We compete with many firms that have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to us.

*Hedging Transactions.* We may utilize certain financial instruments for risk management purposes in order to: (i) protect against possible changes in the market value of a client's portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect a client's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any financial instruments; (iv) hedge against a directional trade; or (v) for any other reason that we deemed appropriate. We generally will not be required to hedge any particular risk in connection with a particular transaction or generally. While we may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the client's portfolio than if we had not engaged in such hedging transaction. Moreover, a client's portfolio will always be exposed to certain risks that may not be hedged. *Derivatives.* We may utilize derivative instruments, including (among others), options (including speculative positions such as buying and writing call options and put options on either a covered or an uncovered basis), futures, forward contracts, repurchase agreements, reverse repurchase agreements and many different types of swaps involving payments based on a wide range of risks.

In many cases, derivatives provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment in much the same way that incurring indebtedness would. Many derivatives provide exposure to potential gain or loss from a change in the market price of a financial instrument (or a basket or index) or other event or circumstance in a notional amount that greatly exceeds the amount of cash or assets required to establish or maintain the derivative contract. Accordingly, relatively small price movements in the underlying financial instruments or other events or circumstances may result in immediate and substantial losses to a client. In some cases, a client's exposure under a derivative contract will be limited to the amount invested (for example, when a client buys a call option). In other cases, the derivative contract will create an open-ended obligation (for example, when a client writes a call option). Many derivatives, particularly those negotiated over-the-counter, are substantially illiquid or could become illiquid under certain market conditions. As a result, it may be difficult or impossible to determine the fair value of a client's interest in such contracts. Many derivative contracts involve exposure to the credit risk of the counterparty, because a client acquires no direct interest in the underlying financial instrument, but instead depend on the counterparty's ability to perform under the contract. Further, if and when a client takes economic exposure through a derivative, it generally will not have any voting rights and may not be able to pursue legal remedies that would be available if it invested directly in the underlying financial instrument.

Certain derivatives also involve substantial legal risk and uncertainty, because the terms of the contract may be difficult to draft, apply, interpret and enforce, particularly in the context of unforeseen market conditions or events. In many cases, the counterparty has discretion (either pursuant to the express terms of the contract or in practice) to interpret the contract, make required calculations and demand or withhold payments in the manner most favorable to the counterparty and most unfavorable to a client. An adverse interpretation or calculation under one derivative contract could trigger cross-defaults with other contracts and could have a materially adverse effect on a client's liquidity and performance. Any dispute concerning a derivative contract could be expensive and time consuming to resolve, particularly given the potential for complex and novel legal issues and the involvement of multiple legal

jurisdictions. Even a favorable resolution could come too late to prevent cross-defaults, trading losses and material liquidity problems.

We may take advantage of opportunities with respect to certain derivative instruments that are not presently contemplated for use or that are not currently available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of a client and legally permissible. Special risks may apply to instruments that are invested in by a client in the future that cannot be determined at this time or until such instruments are developed or invested in by a client. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

*Call Options.* In certain circumstances, we may transact in call options. There are significant risks associated with the sale and purchase of call options. A call option is a financial contract that gives the buyer of the contract the right, but not the obligation, to buy a security or other financial instrument from the seller (or “writer”) at a specified price within a specified time period. The buyer pays a non-refundable premium to the seller for the right to exercise the call option. 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. 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 securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

*Put Options.* In certain circumstances, we may transact in put options. There are risks associated with the sale and purchase of put options. A put option is a financial contract that gives the buyer of the contract the right, but not the obligation, to sell a security or other financial instrument to the seller of the put at a specified price within a specified time period. The buyer pays a non-refundable premium to the seller for the right to exercise the put option. 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 if the market price falls below the exercise price of the option. 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.

*Equity Swaps.* Our clients may make use of equity swaps. A swap is a contract under which two parties agree to make periodic payments to each other based on the value of a security, specified interest rates, an index or the value of some other instrument, applied to a stated or “notional” amount. An equity swap is a customized derivative instrument that entitles the counterparty to certain payments on the gain or loss on the value of an underlying equity security. Equity swaps are subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

*Less Liquid and Illiquid Instruments.* We primarily make investments in publicly-traded equity securities that generally are expected to be relatively liquid under normal market conditions. However, in certain circumstances, securities that generally are liquid at the time of purchase have become materially less liquid over time due to various factors and circumstances (for example, due to the relevant issuer becoming distressed, macro market or economic forces or otherwise). Our clients also invest in the securities of companies with micro- and small-capitalizations, which may be thinly traded and otherwise illiquid. In addition, our clients from time to time hold large positions with respect to a specific issuer or type of instrument, which may reduce a client's liquidity. Our clients invest in and hold other illiquid financial instruments. Our clients may be unable to timely dispose of certain assets, which would adversely affect a client's ability to rebalance its portfolio or to meet or satisfy withdrawal requests. In addition, such circumstances may force a client to dispose of assets at reduced or unfavorable prices, thereby adversely affecting the client's performance. Further, a client may be forced to dispose of more liquid assets it would otherwise have preferred to maintain if it is unable to dispose of thinly traded or otherwise illiquid positions in order to satisfy withdrawal requests, thereby increasing the client's exposure to less liquid and illiquid investments which could significantly increase overall portfolio risk. If there are other market participants seeking to dispose of similar assets at the same time, we may be unable to sell such assets or prevent losses to the client relating to such assets. Furthermore, if the client incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, our clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing a client's credit risk to them.

*Illiquidity of Investments.* Our clients make investments in securities that are illiquid or have limited liquidity (such as equity investments, debt investments or other interests in micro or small capitalization companies), including the portion of their portfolio invested in private investments, which are not registered under the Securities Act or any other applicable securities laws and generally may not be sold or transferred to any person without the consent of the applicable issuer, among other things. Such investments may take a long period of time to reach a state of maturity when partial or complete realization of the investment can be achieved. There is or will be no readily available market for certain of our client's illiquid investments and such investments may be extremely difficult to accurately value. Illiquid investments held by a client generally will not be able to be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144, Regulation D or another exemption under the Securities Act. The issuer of such securities may have no obligation to register such securities for resale unless a client is a party to a registration rights agreement, which typically contains a number of terms and conditions that must be satisfied prior to the issuer's obligation to seek registration. Security registration may never occur or may only occur after a significant waiting period. If an exemption from registration is available, it may be conditioned on various requirements including, but not limited to, time and manner of sale, holding periods, and/or on requirements relating to the issuer which are outside of a client's or our control, and which the issuer is under no obligation to fulfil and/or may never be able to satisfy.

The market prices, if any, of such private or illiquid investments tend to be volatile, and a client may not be able to sell such investments when it desires, or, upon sale, to realize what it perceives to be their fair value. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements applicable to publicly traded companies. In light of the foregoing, no return from the disposition of ta

client's illiquid investments will occur until a significant period of time has passed. Furthermore, disposition of such investments may result in distributions in-kind to investors. If our clients are unable to sell or otherwise dispose of an investment, a client and/or its investors may receive an in-kind distribution of their respective pro rata share of that investment, which generally will be illiquid. With respect to any private or illiquid investment, we may need to sell, distribute or otherwise dispose of investments at disadvantageous times or prices or otherwise. In addition, although we generally expect to use commercially reasonable efforts to reduce to cash and cash equivalents all of our clients' investments to the extent practicable, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which realization or deemed realization of any investment will occur (if at all).

*Default and Credit Risks.* We may invest in debt obligations of both government and corporate issuers. These financial instruments involve the risk that the obligor either cannot or will not fulfill its obligations under the terms of the financial instrument. Our clients also assume the credit risk to their brokers, custodians and other counterparties in connection with brokerage arrangements, derivatives and other contractual relationships. In evaluating credit risk, we are often dependent upon information provided by the obligor, which may be materially inaccurate or fraudulent. Any actual default, or any circumstance that increases the possibility of such a default, could have a material adverse effect on our clients.

*Interest Rate Risks.* Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes have recently affected and may continue to affect the value of debt investments indirectly (especially where there is a fixed interest rate) and directly (especially where there is an adjustable interest rate). Rising interest rates have recently negatively impacted, and to the extent of additional increases in such rates will continue to negatively impact, the price of fixed rate debt instruments. To the extent interest rates fall in the future, such falling interest rates are generally expected to have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner, typically to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. In addition, recent interest rate increases have, and any additional future interest rate increases generally will, result in financing for property purchases and improvements being more costly and difficult to obtain. Further, increases in interest rates after an investment has been acquired by a Fund may negatively impact the valuation of such investment.

*Litigation.* Our investment activities may subject our clients to the risks of becoming involved in litigation with third parties. The expense of defending against claims against our clients by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by our clients and reduce net assets. We and our affiliates will generally be indemnified by our clients in connection with any such litigation, subject to certain conditions.

*Trading Decisions.* Trading decisions made by us are based on fundamental, technical and other analysis. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernable trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar

analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that our strategies will be successful under all or any market conditions.

*“Widening” 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 financial instruments in which we invest may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even more “undervalued” levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

*Trade Errors.* We place orders on behalf of clients to buy, sell and otherwise trade in financial instruments. Over time there is the potential for errors relating to such trading. Trade errors are not errors in judgment, strategy, market analysis, economic outlook, etc., but rather errors in the placement, execution or settlement of a trade (other than, for example, settlement delays that occur in the ordinary course of business), and may include purchasing securities not legally permitted for an account or fund, or not within an account’s or fund’s investment guidelines; purchasing or selling the wrong security, or an incorrect amount of a security, for an account or fund; purchasing or selling securities for the wrong account or fund; selling a security instead of buying a security or vice versa; or allocating securities to the wrong account or fund. Trade errors may result from keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements or similar human errors. Trade errors may result in losses but may also result in gains or avoided losses. To the extent an error is caused by a third party, such as a broker, a client may (but is not obligated to) seek to recover losses associated with such error from such third party, taking into account such factors as it deems relevant (including but not limited to operational, contractual and relationship-driven considerations). Subject to the terms of client agreements, any losses associated with a trade error generally will be borne by (and any gains associated with a trade error will accrue to the benefit of) clients (and not us or our affiliates).

*Counterparty Risks.* We enter into many transactions with third parties (i.e., borrowers, custodians, prime brokers, etc.) in which the failure or delay of the third party to perform its obligations under a contract with a Fund could have a material adverse effect on such Fund. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of a counterparty’s insolvency on us, our clients’ and their assets. Changing circumstances and market conditions, generally beyond our control, could impair our ability to access our existing cash, cash equivalents or investments. Investors should assume that the insolvency of any of our financial institutions, prime brokers or other counterparties would result in the loss of all or a substantial portion of our clients’ assets held by such financial institution, prime broker or counterparty. Although the Funds’ are not a borrower or party to any financial instruments with SVB, Signature or any other financial institution currently in receivership, if any of the Funds’ financial institutions or counterparties were to be placed into receivership, there is no guarantee that the Department of the Treasury, the Federal Reserve or the FDIC will intercede to provide the Funds or other depositors with access to balances in excess of the \$250,000 FDIC insurance limit, that the Funds’ would be able to access their existing cash, cash equivalents or investments, or that the Funds would be able to adequately fund investments, any of which could have a material adverse effect on the Funds and/or the investors. Any losses would be borne by the Investors. In addition, if any of our counterparties are unable to access funds pursuant to such instruments or lending arrangements with such a

financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected. In this regard, counterparties to credit agreements and arrangements with banks in receivership, and third parties such as beneficiaries of letters of credit (among others), may experience direct impacts from the closure of such financial institutions and uncertainty remains over liquidity concerns in the broader financial services industry.

*Conflicts of Interest.* Various conflicts of interests exist among us, our investment team and our respective affiliates, on the one hand, and our clients and the investors, on the other hand. Our principals currently serve and may serve as directors, officers or committee members of public companies and their activities on behalf of those other companies may present actual and/or potential conflicts of interest (including conflicting fiduciary duties). In particular, such persons could face conflicts of interest between discharging their duties as directors, officers or committee members, as the case may be, of such companies and acting in the best interest of our clients.

*Proposed Private Fund Adviser Rules.* On February 9, 2022, the SEC proposed new rules and rule amendments under the Advisers Act that would, if adopted, significantly impact and affect private fund advisers, including those registered with the SEC and those exempt from registration (the "Proposed Private Fund Adviser Rules"). The Proposed Private Fund Adviser Rules generally provide for (i) increased transparency with respect to fee and expense disclosure and financial performance disclosures, (ii) mandatory annual audits of private funds and guidance on reporting standards and record-keeping requirements, (iii) new requirements with respect to certain adviser-led secondary transactions, including requirements to obtain third-party fairness opinions in connection with such transactions, and (iv) prohibitions and restrictions on certain practices and activities of private fund advisers with respect to private funds managed thereby, including, but not limited to, exculpation, standard of care and indemnification provisions relating to private fund advisers, charging fees or expenses related to a portfolio investment on a non-pro rata basis, borrowing from a private fund and certain types of preferential treatment of particular investors. As there has been substantial public and industry comment, it is unclear whether, when and to what extent the proposed rules will be materially changed from their current form (if at all), if adopted. If adopted, however, the Proposed Private Fund Adviser Rules could significantly increase the costs of compliance for private funds and private fund advisers, including us and the Funds, and require significant amendments and revisions to the partnership agreements.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS THAT ARE OR MAY BE ASSOCIATED WITH OUR INVESTMENT STRATEGIES. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND ALL OTHER APPLICABLE DISCLOSURE MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

#### **Item 9: Disciplinary Information**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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

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Mr. Drapkin serves and expects to serve in the future as a director, officer or committee member of public companies, and his activities on behalf of those companies may present actual and/or potential conflicts of interest with advisory clients. Mr. Drapkin may receive compensation from such public companies in his capacity as director, officer or committee member. We attempt to address risks presented by his activities through full and fair disclosure in the applicable governing, account and/or offering documents and/or this brochure.

Mr. Drapkin currently serves as the Chairman of Boardroom Alpha Inc. (“Boardroom Alpha”) and has a 39.5% ownership stake therein. Boardroom Alpha is a company that provides proprietary research and data analytics services to clients, including clients of NRC. While we believe that the provision of such services is in the best interest of those clients, there may be a conflict of interest due to Mr. Drapkin’s ownership interest in Boardroom Alpha and his continuing role with respect thereto.

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

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### ***Code of Ethics***

NRC has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Personal trading by access persons generally may be conducted only if with the prior written approval of the Chief Compliance Officer in each instance. Access persons generally are also required to obtain the prior written approval of the Chief Compliance Officer prior to acquiring ownership of any securities issued in an initial public offering or securities issued in a private placement. Access persons are prohibited from engaging in “front-running,” which is the practice of trading in advance of client accounts. To prevent this practice, we closely monitor the investments made by our access persons.

We maintain a “Restricted Record” with the names of issuers of securities about which we (or our access persons) have (or may be deemed to have) material, non-public information. Access persons generally are prohibited from trading securities on the Restricted Record (or any other securities to which the material non-public information relates), without the prior approval of the Chief Compliance Officer.

The Chief Compliance Officer or designee periodically reviews access persons' personal transaction and holdings reports in an attempt to confirm that each access persons is conducting his or her personal securities transactions in a manner that is consistent with the code of ethics.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

## **Item 12: Brokerage Practices**

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NRC is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

### ***Best Execution***

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers' full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

### ***Soft Dollars***

The Firm may use "**Soft Dollars**". In such cases, Soft Dollar credits, generated by the Fund's trading activities, would be used to purchase brokerage and research services or products that would otherwise have been Fund expense. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Exchange Act.

Neither NRC nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds.

The provision by a broker of research and other services and property to us creates an incentive for us to select such broker since we would not have to pay for such research and other services and property as opposed to solely seeking the most favorable execution for a



client. Any research, services or property provided by a broker may benefit any client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

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**Item 13: Review of Accounts**

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The portfolio manager, Matthew Drapkin generally conduct reviews of client accounts on a daily basis and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund and Advisory Clients to ensure that they conform with the investment objectives and guidelines that are stated in the Fund's Offering Documents and Advisory Client's IMA. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

***Account Reporting***

We generally provide periodic performance reports to our clients and investors. We furnish portfolio valuation reports and audited financial statements annually to investors in the Northern Right Funds for each full fiscal period. In addition, we provide (and may in the future provide) certain additional information and/or reports to certain clients and/or investors that is not distributed to other clients and/or investors.

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

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We do not receive economic benefits from non-clients for providing investment advice and other advisory services.

We have entered into, and may in the future from time to time enter into, agreements or arrangements with third party placement agents or solicitors who refer clients or investors in one or more of the Northern Right Funds to us. For their referral services, such persons may receive compensation from us (or our affiliates) which may be (i) a percentage of the management fee and/or performance-based allocation or fee, or (ii) a flat fee retainer payment. Investors generally will not be charged any higher or additional fee as a result of such agreements or arrangements.

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**Item 15: Custody**

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We will be deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to NRC.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "custody rule") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

Relating to our Advisory Clients, we do not expect to have actual or constructive custody of any Advisory Account client's cash or securities. To the extent that we have or are deemed to have custody, we intend to comply with applicable legal and regulatory requirements. Advisory Account clients receive account statements and reports directly from their applicable qualified custodians and should carefully review those statements and reports. We urge Advisory Account clients to compare the account statements and reports they receive from their custodians with any statements or reports they receive from us.

#### **Item 16: Investment Discretion**

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We will have full discretionary investment authority with respect to the Funds, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities. Depending on the terms and conditions of the applicable investment management agreements, we may also have discretionary power and authority over the types of investments to be bought or sold, as well as the amount to be bought or sold, on behalf of the Advisory Accounts.

#### **Item 17: Voting Client Securities**

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In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the "proxy voting rule"), we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable Client's best interests and is in line with the Client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

With respect to Advisory clients, we may accept authority to vote securities held by or on behalf of Advisory Account clients. In such event, we vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Advisory Account clients, as determined in our discretion, and in accordance with our proxy voting policy.

Advisory Account clients may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

Depending on the applicable circumstances, we may vote one client's securities differently than we vote those of another client, or may vote differently on various proposals, even though the securities or proposals are similar (or identical). In some instances, we may

determine that it is in the client's best interest for us to "abstain" from voting or not to vote at all and will do so accordingly.

At times, conflicts may arise between the interest of a client, on the one hand, and the interest of either another client, us or their respective affiliates on the other hand in consideration of a proxy vote. For example, a vote could arise in relation to a single company that (i) has issued stock to a client with a buyout investment mandate, and (ii) has issued bonds or other debt instruments that are owned, in part, by a client that is permitted to invest in debt instruments. To address such potential conflicts, we follow the procedures outlined in our proxy voting policy. Our proxy voting policy requires that in all situations involving a potential conflict between two clients, the vote will be made without regard to our actual or anticipated compensation. We or a client may utilize a third-party service provider to assist us with the processing of proxy votes.

#### **Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.