

**FIRM BROCHURE**

**NORTHERN RIGHT CAPITAL MANAGEMENT, L.P.**

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**This brochure provides information about the qualifications and business practices of Northern Right Capital Management, L.P. If you have any questions about the information contained in this brochure, please contact us at (203) 951-5440. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of offering, governing and/or account documents that contain the material terms relating to such investments, products or services.**

**Additional information about Northern Right Capital Management, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

December 10, 2021

## **Item 2: Material Changes**

The date of the last annual updating amendment to our firm brochure was March 29, 2021, and a summary of the material changes made to our firm brochure since such date will be included in our next annual updating amendment.

The information set forth in this brochure is qualified in its entirety by the applicable offering, governing and/or account documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering, governing and/or account documents, such documents shall control.

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

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## Item 4: Advisory Business

### FIRM DESCRIPTION

Northern Right Capital Management, L.P., a Texas limited partnership, was originally formed as SRB Management L.P. in 2004. We provide investment management services to private pooled investment vehicles, separately managed accounts, and other clients primarily with respect to investments in publicly-traded equity securities of small to mid capitalization companies. We occasionally pursue activist strategies with respect to certain investments held by our clients, and from time to time invest in other types of investments on behalf of our clients. 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.

### PRINCIPAL OWNERS

The general partner of Northern Right Capital Management, L.P. is BC Advisors, LLC, a Texas limited liability company, with respect to which Matthew A. Drapkin is the sole member. Similarly, Mr. Drapkin is the sole limited partner of Northern Right Capital Management, L.P. As the sole limited partner and sole member, Mr. Drapkin indirectly controls us and generally is responsible for actions taken by us with respect to our clients.

### TYPES OF ADVISORY SERVICES

#### Funds

We serve as general partner of and/or investment manager to 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”), NRC Partners I, LP, a Delaware limited partnership (“NRC Partners”) and NRC SPAC Capital, LP, a Delaware limited partnership (“NRC SPAC” and together with the QP Fund, the Offshore Fund, NRC Partners, the “Northern Right Funds”). We also may serve as general partner of and/or investment manager to other private investment funds in the future. All actions taken by us in respect of the Northern Right Funds and any other private pooled investment vehicles established by us in the future (including, without limitation, all portfolio management and investment decisions) are or will be indirectly controlled by Mr. Drapkin.

We provide investment management services to the Northern Right Funds primarily with respect to investments in publicly-traded equity securities of issuers with small-to-mid market capitalizations. We generally are responsible for investing and re-investing the assets of each Northern Right Fund in accordance with the investment objectives, policies and guidelines set forth in its offering and governing documents. **See Item 8 below.**

Information about each Northern Right Fund 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. **See Item 8 below.**

#### Advisory Accounts

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-capitalization issuers. 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. **See Item 8 below.**

### INVESTMENT RESTRICTIONS

#### Funds

We provide investment advice to each Northern Right Fund in accordance with the investment objectives, policies and guidelines set forth in the applicable offering and governing documents, and not in accordance with the individual needs or objectives of any particular investor in that Northern Right Fund. Investors generally are not permitted to impose restrictions or limitations on the management of the Northern Right Funds. Notwithstanding the foregoing,

we have entered into, and may in the future enter into, side letter agreements with certain investors in a Northern Right Fund that alter, modify or change the terms of the interests held by those investors.

Interests in the Northern Right Funds are privately offered only to eligible investors pursuant to exemptions under the Securities Act of 1933, as amended, and the regulations promulgated thereunder. Such Northern Right Funds are not registered with the SEC as investment companies based on specific exclusions from the definition of investment company under the Investment Company Act of 1940, as amended.

#### Advisory Accounts

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.

#### **ASSETS UNDER MANAGEMENT**

As of December 31, 2020, we had approximately \$353,302,416 in regulatory assets under management. All of these assets were managed on a discretionary or limited discretionary basis.

## Item 5: Fees and Compensation

### DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our advisory services, we generally are entitled to receive management fees from clients, and we or one of our affiliates may receive performance-based fees or allocations (including carried interest distributions) with respect to certain clients. While fees and allocations are described in detail in the applicable governing, account and/or offering documents, an overview of our basic fee schedule is summarized below.

#### Funds

With respect to the Northern Right Funds, we generally are entitled to receive a management fee, payable with respect to each calendar quarter in advance, equal to between one quarter of one and a quarter percent (1.25% per annum) and one quarter of two percent (2.0% per annum) of the net asset value of each investor's capital account.

In addition, our affiliate may be entitled to receive an annual performance allocation equal to between 15% and 20% of each limited partner's allocable share of net profits. Performance allocations are subject to a "high water mark" limitation and the terms and conditions set forth in the applicable governing documents. As a result of the "high water mark" limitation, after the first year in which a performance allocation is earned, the allocation for later years applies only to the extent that an investor's *pro rata* share of net profits, measured on a cumulative basis, for all years since admission exceeds the highest level of cumulative net profits achieved through the close of any prior year since admission.

Each investor in Northern Right Funds generally is required to represent that it is (among other things) a "qualified purchaser" as defined in Section 2(a)(51)(i)(A) of the Investment Company Act of 1940, as amended (the "Company Act").

Our fees with respect to the Northern Right Funds and each investor generally are not negotiable. However, we have entered into and may enter into side letters or other contractual arrangements with certain investors that grant different terms (including the reduction or elimination of certain fees) to such investors than the terms generally applicable to other investors.

#### Advisory Accounts

With respect to each Advisory Account client, we generally receive a management fee, payable either monthly or quarterly in arrears, equal to a percentage (typically from 0.5% to 2% per annum) 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. Management fees charged with respect to Advisory Account clients generally are negotiable based upon various factors, including, but not limited to, the size of the Advisory Account and the nature of the advisory services provided.

In addition, we generally are entitled to receive a performance fee or carried interest distribution equal to a percentage (typically from 10% to 20%) of the net profits (if any) that are received upon the disposition of an investment held by an Advisory Account (subject to the terms and conditions set forth in the applicable investment management agreement and/or contractual arrangement).

### PAYMENT OF FEES

#### Funds

Management fees generally are payable by investors either quarterly, in advance, as of the first day of each calendar quarter or quarterly, in arrears, as of the last day of each calendar quarter, as applicable. Management fees are deducted directly from the capital account of each investor. In the event that a Northern Right Fund is dissolved, an investor withdraws or our advisory services are terminated prior to the end of any calendar quarter, then a proportionate amount of any unearned management fees will be refunded to the applicable investor(s).

Performance allocations generally are calculated and allocated as of the end of each fiscal year (and at such other times as set forth in the applicable partnership agreement). Performance allocations are allocated directly from the capital account of each investor to the capital account of our affiliate.

We and/or our affiliate may assign the management fee and performance allocation, in whole or in part, to any person. We and/or our affiliates may elect to reduce the management fee payable by certain investors in our sole discretion.

### Advisory Accounts

Management fees generally are calculated either monthly or quarterly, in arrears, as of the end of each calendar month or quarter, and are invoiced to each Advisory Account client after the end of such period. Management fees generally are paid in cash by Advisory Account clients from assets outside of their Advisory Accounts. Management fees for partial periods will be prorated, as appropriate, based upon the number of days that have elapsed during such period.

Performance fees or carried interest payments generally are calculated and billed to Advisory Account clients either upon the disposition of an investment held thereby or on an annual basis. Performance fees and carried interest distributions generally are required to be made to us within a period of time after the disposition or deemed disposition of an investment or after the end of each applicable year, as applicable, as set forth in the applicable contractual agreement with each such client.

### **OTHER FEES AND EXPENSES**

#### Funds

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.

#### Advisory Accounts

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.

#### **COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.



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

### PERFORMANCE-BASED ALLOCATIONS AND FEES

As noted under Item 5 above, we or our affiliate may receive performance-based allocations or fees (including carried interest distributions) from our clients. Performance-based allocations or fees could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. In addition, because performance-based allocations or fees with respect to the Northern Right Funds may be calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by us, we face a conflict of interest in valuing those portfolios. Certain of our individual employees and affiliates who are compensated to some extent based upon investment profits for which they are responsible face the same potential conflicts. We address these conflicts through our investment allocation policy and full and fair disclosure in the applicable governing, account and/or offering documents and/or this brochure.

In addition, in allocating investment opportunities, we may have an incentive to favor clients with a potential for performance-based compensation over clients with no potential for performance-based compensation. We are focused on monitoring the allocation of investment opportunities in such situations and endeavor to resolve in good faith any material conflict with respect to the allocation of investment opportunities. We have adopted policies and procedures in an attempt to ensure that all of our clients are treated in a fair and equitable manner with respect to the allocation of investment opportunities. **See Item 12.**

## Item 7: Types of Clients

### DESCRIPTION

We currently provide investment advisory services with respect to various types of clients including affiliated private pooled investment vehicles, Advisory Accounts, and other persons. We may in the future provide investment advice to other types of clients.

### ACCOUNT REQUIREMENTS

#### Funds

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.

#### Advisory Accounts

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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

#### Funds

In general, the primary investment objective of the Northern Right Funds is to achieve long-term capital appreciation through investments in publicly-traded securities. The Northern Right Funds generally employ concentrated long/short strategies focused on value and growth investing in the small-to-mid cap space. In general, we currently consider issuers with between \$100 million and \$25 billion in market capitalizations to be “small- to mid-sized capitalization companies” for purposes of our investment strategy, but we may elect to change, revise or adjust this range from time to time in the future in our sole discretion. While our primary focus is on investments in small- to mid-sized capitalization companies, the Northern Right Funds from time to time invest in certain larger capitalization issuers, including issuers with market capitalizations exceeding \$25 billion, to the extent we deem appropriate in our sole discretion. The Northern Right Funds’ portfolios generally are highly concentrated in a small number of long positions. The Northern Right Funds are long-term focused, and typically invest in positions with an anticipated holding period of more than one year. We also from time to time establish short positions in securities and selectively participate in direct financings on behalf of the Northern Right Funds. As noted in Item 4, we occasionally expect to pursue activist strategies on behalf of certain investments held by the Northern Right Funds.

Our methods of analysis include fundamental analysis. The investment team conducts extensive primary due diligence involving discussions with management teams, customers, vendors, competitors, industry experts, investment bankers, consultants, and others who can provide insight into the financial health, prospects, and risks of the company or industry in question. The investment team also conducts extensive financial and valuation analysis to determine the earnings power and intrinsic value of the business. 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.

#### Advisory Accounts

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.** The success of each client’s activities will be affected by and subject to general economic and market conditions, such as changes in interest rates, availability of credit and debt-related issues, inflation rates, economic uncertainty, market volatility, changes in laws (including laws relating to taxation of the Fund’s investments), trade barriers, unemployment rates, release of economic data, trade wars, tariffs, protectionist regulatory policies, currency exchange controls, national and international political circumstances and developments and other circumstances (including wars, epidemics and pandemics, terrorist acts, security operations and natural disasters), as well as changes in government policy precipitated by the foregoing. These and other factors may affect

the level and volatility of securities prices, the correlations and relationships between the prices of various securities and the liquidity of a client's investments in ways that impair a client's profitability or result in losses. Unpredictable or unstable market conditions may also result in reduced opportunities to find suitable investments to deploy capital or make it more difficult to exit and realize value from client investments. From time to time, including recently amidst the COVID-19 global pandemic and during 2008 and 2009, various markets around the world have experienced extreme periods of volatility, illiquidity, correlation with other markets, negative (or positive) performance and other disruptions and conditions that would previously have been viewed as extremely unlikely or even impossible. Such market developments have led to large losses and insolvencies at numerous investment funds soon thereafter. For example, during the second half of 2008, the state of the worldwide economy deteriorated into a severe recession. If a similar economic situation were to occur in the future, clients could experience a reduction in attractive investment opportunities and client investments could be materially impaired in many ways that cannot be predicted.

There can be no assurance that general market developments in the future will not have a material adverse effect on clients. A client could incur material losses even if we react quickly to difficult market or economic conditions, and there can be no assurance that a client will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Clients should realize that markets for the financial instruments in which we invest or seek to invest can correlate strongly with each other (or cease to correlate) at times or in ways that are difficult for us to predict. Even a well-analyzed approach may not protect a client from significant losses under certain market conditions.

The particular or general types of market or economic conditions in which clients may incur losses or experience unexpected performance volatility cannot be predicted, and clients may materially underperform other clients and funds with substantially similar investment objectives and approaches.

*Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues.* Each client and the operations and business activities of us and our affiliates could be materially adversely affected or impacted in the future by the continuation or worsening of the COVID-19 global pandemic and other outbreaks of disease, epidemics, pandemics and public health issues, whether globally or limited to particular regions of the world, such as diseases or public health issues caused by other novel coronaviruses (including as a result of the emergence of new coronaviruses), Ebola virus disease, H1N1 flu, H7N9 flu, H5N1 flu (and other types or subtypes of influenza viruses), Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus disease 2019 (or COVID-19), an infectious disease caused by Severe Acute Respiratory Syndrome coronavirus 2 (SARS-CoV-2), was first identified in 2019 and has since spread rapidly globally, resulting in an ongoing global pandemic. The COVID-19 global pandemic has materially affected (and may continue to negatively affect and materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines, shelter-in-place orders, social-distancing measures and other government-directed or mandated measures or actions to stop or slow the spread of SARS-CoV-2 and COVID-19). Although long-term effects and consequences of COVID-19 global pandemic (and the actions and measures taken or mandated by governments around the world to halt or slow down the spread of SARS-CoV-2 and COVID-19) and the end date of the pandemic cannot currently be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as the 1918 influenza pandemic (also referred to as the Spanish flu pandemic) and the 2002-2004 SARS outbreak in Asia, had material adverse effects on the economies, capital markets and basic day-to-day operations of (and activities in) those countries and jurisdictions in which they were most prevalent. Various efforts, actions and measures undertaken by governments, businesses and communities to protect the public health in the face of the COVID-19 pandemic (including measures designed or intended to stop the spread of the virus and vaccine mandates and passports) have resulted, and may in the future result, in partial or complete shutdowns of sectors of the economy generally as well as severe restrictions, limitations and consequences on the means by which we operate our business (e.g., travel restrictions or bans, mandatory quarantines, vaccine mandates and passports, shelter-in-place orders and social distancing measures and rules), which could adversely affect or negatively impact the business, activities, financial condition, and operations of us and our clients indefinitely. There is a risk of recurrence of an outbreak of COVID-19, and such a recurrence or emergence of any kind of epidemic, pandemic, outbreak of disease or major public health issue could cause another slowdown or shutdown in the levels of economic activity and business activities and operations generally, or push the world or local economies into recession or depression, which could adversely affect and materially impact us and our clients.

The impact of a health crisis such as the COVID-19 pandemic, and other epidemics, pandemics and outbreaks of disease that may arise in the future, depends on the duration and spread of the outbreak, the severity, the actions to contain, slow down or halt the spread of the virus or treat its impact, and how quickly and to what extent normal or

semi-normal economic and operating conditions can resume, which could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other pre-existing political, social and economic risks. Any such impact could adversely affect client performance, resulting in losses to clients.

The COVID-19 pandemic and actions, measures and steps taken by governments around the world in response to such pandemic may cause material disruptions to (or otherwise materially impact or affect) the business operations and activities of service providers on which we and our clients rely. It may also adversely impact client investments, our ability to access markets or implement client investment strategies in the manner originally contemplated and our clients.

*Potential for Fraud.* In spite of our desire to invest in reputable and trustworthy companies, there is a risk that we may invest our clients' assets in an issuer that engages in fraud. As recent ponzi schemes involving Bernie Madoff and Allen Stanford have shown, instances of fraud can be particularly difficult to detect and prevent. To the extent that we invest a company that engages in fraud, a client or an investor could lose all or a substantial portion of its investment and such fraud could have a material adverse effect on the client's financial condition and results of operations. The risk of fraud may be increased as a result of the ongoing COVID-19 global pandemic.

*Terrorist Attacks and War.* Terrorist activities, anti-terrorist efforts, other armed conflicts involving the United States or its interests abroad and natural disasters (including outbreaks of disease, pandemics, epidemics and other public health issues) may adversely affect the United States, its financial markets and global economies and markets and could prevent us from meeting our 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, natural disasters, outbreaks of disease, pandemics, epidemics and other public health issues may create economic and political uncertainties, which may adversely affect the United States and world financial markets and our clients for the short or long-term in ways that cannot presently be predicted.

*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 us, our clients and our 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. Force majeure events that are impossible or costly to cure may also have a permanent adverse effect on a client, and a client's potential returns would be diminished as a result.

*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 us and our clients from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and 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.

*Government Intervention.* In 2008 and thereafter, the global financial markets underwent significant disruptions that led to significant governmental interventions and actions. The COVID-19 global pandemic of 2020 has recently led to, and is likely to continue to result in or lead to, significant (and in certain cases unprecedented) governmental interventions both in the United States and abroad. Such interventions have been and may be implemented on an "emergency" basis, with little advance notice, thereby substantially reducing or eliminating market participants' ability to anticipate or react to such interventions, to implement certain investment strategies or to manage the risk of outstanding positions. In addition, these interventions have been and may be unclear in scope and application, resulting in confusion and uncertainty, which in itself can be materially detrimental to the efficient functioning of the markets or the economy or our investment strategies. If governmental intervention programs or actions are unwound, there could likewise be uncertainty and adverse effects on the markets and economy and our investment strategies. In the case of any future market disruptions, significant economic events, pandemics or other health events, or other events or circumstances, it is impossible to predict what interim or permanent governmental interventions, restrictions (or easing of restrictions) or other actions may be imposed on the markets or the economy or the effect of such actions on

our or any client's activities and investment strategies. For all of the foregoing reasons, among others, governmental interventions and other actions could have a material adverse effect on clients and investments.

*United Kingdom Withdrawal from the European Union.* The United Kingdom withdrew from the European Union and the European Economic Area on January 31, 2020. Following withdrawal from the European Union, the United Kingdom entered a transition period lasting until December 31, 2020, during which European Union law continued to apply in the United Kingdom. New European Union legislation that took effect before the end of the transition period also applies to the United Kingdom. The United Kingdom and the European Union have now agreed to a framework for trading arrangements for the period following the transition period. Under the agreed arrangements, United Kingdom goods will continue to have tariff free access to the European Union, but other barriers will apply.

These new arrangements may, at any stage or time, adversely affect us (and indirectly our clients). There may be detrimental implications for the value of client investments and/or the ability of us to carry out or perform risk or portfolio management of clients. This may be due to, among other things: (i) increased uncertainty and volatility in the United Kingdom, the European Union and other financial markets, (ii) fluctuations in asset values, (iii) fluctuations in exchange rates, (iv) increased illiquidity of investments located, listed or traded within the United Kingdom, the European Union or elsewhere, and (v) changes in the willingness or ability of financial and other counterparties to enter into transactions or the price at which and terms on which they are prepared to transact. The United Kingdom's vote to leave the European Union has created a degree of political uncertainty, as well as uncertainty in monetary and fiscal policy, which is expected to continue for some time. It may have a destabilizing effect on some of the remaining members of the European Union, the effects of which may be felt particularly acutely by member states within the Eurozone.

Political parties in several other member states of the European Union have proposed that a referendum similar to that held in the United Kingdom be held on their country's membership in the European Union. It is unclear whether any other member states of the European Union will hold such referendums, but if they do, further disruption can be expected.

*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.

There are certain costs (e.g., on-line time) and possible risks (e.g., slow downloading time and system outages) associated with electronic delivery. Moreover, we cannot provide any assurance that these communication methods are or will be secure and will not be responsible for any computer viruses, problems or malfunctions resulting from any computer viruses or related problems that may be associated with the use of an internet-based system. Email messages are not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted, corrupted or interfered with or without the knowledge of the sender or the intended recipient. In addition, reliance on electronic communications will involve the risk of inaccessibility, power outages or slowdowns for a variety of reasons. We make no assurances, representations or warranties in relation to these matters. We reserve the right to intercept, monitor and retain email messages to and from our systems as permitted by applicable law.

*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.

*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 instructions 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.

*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.

*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.

*Equity Risks.* As noted above, we invest primarily in equity and equity-linked securities. The value of these securities generally varies with the performance of the issuer and movements in the broader equity markets. As a result, our clients may suffer losses if we invest in equity securities of issuers whose performance diverges from our expectations or if equity markets generally move in a single direction and we have not hedged against such a general move. Our



clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale. In some cases, the issuers of equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. Some of the small and mid-cap issuers of equity securities in which we invest may be more vulnerable than larger capitalization issuers to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, some equity securities may be illiquid. Due to perceived or actual illiquidity or investor concerns regarding leveraged capitalization, certain equity securities often trade at significant discounts to otherwise comparable investments or are not readily tradeable. Such securities generally do not produce current income for clients and may also be speculative. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities.

*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 companies with small to medium capitalizations. While we believe such securities provide significant potential for appreciation, securities of certain companies, particularly smaller-capitalization companies, 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 clients) 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.

*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.

*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.

*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.

*Concentration of Investments and Risk Management Failures.* We typically invest client funds in a limited number of small to medium issuers and generally have no formal guidelines relating to diversification of our clients’ assets. As a result, our clients’ portfolios may be concentrated in a limited number of issuers, types of financial instruments, industries, sectors, strategies, countries, or geographic regions, and any such concentration of risk may increase losses suffered by our clients. This limited diversity could expose our clients to losses disproportionate to market movements in general. Even when we attempt to control such risks, risks associated with different assets may be correlated in unexpected ways, with the result that our clients face concentrated exposure to certain risks. In addition, many other investment managers 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 attempt to identify, monitor and manage significant 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 our clients.

*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.

*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.

*Less Liquid Instruments.* Under certain market conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of our clients' portfolio positions may be reduced. In addition, our clients may hold large positions with respect to a specific type of instrument, which may further reduce liquidity. During such times, we may be unable to dispose of certain assets, which would adversely affect our ability to rebalance our clients' portfolio or to meet withdrawal requests. In addition, such circumstances may force us to dispose of our clients' assets at reduced prices, thereby adversely affecting our clients' performance. 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 relating to such assets. Furthermore, if our clients incur 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 our clients' credit risk to them.

We may also invest in securities that are subject to legal or other restrictions on transfer. We may be contractually prohibited from disposing of such investments for a specified period of time. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter

markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and we may not be able to sell them when we desire to do so or to realize what we perceive to be their fair value in the event of a sale.

*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.* Our investment strategies may include investments in debt securities of government and corporate issuers. These and various other assets, as well as our clients' borrowings, subject our clients to risks associated with movements in interest rates. For example, we may be required to manage both curve risk, which is the risk that the slope of the yield curve will vary from the slope assumed in our strategy, and credit spread risk, which is the risk that the spreads between yields of differently rated issuers will change in a manner that adversely affects our clients' portfolio.

*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 expect to establish relationships to obtain prime brokerage and other related services; however, there can be no assurance that we will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit our trading activities and could create losses, preclude us from engaging in certain transactions and prime brokerage services and prevent us from trading at optimal rates and terms. Moreover, a disruption in the prime brokerage services provided by any such relationships before we establish additional relationships could have a significant impact on our business due to our reliance on such counterparties.

Furthermore, there is a risk that any of our counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of our counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of our clients' securities and other assets from our prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

We are not restricted from dealing with any particular counterparty or from concentrating any or all of our clients' transactions with one counterparty. Moreover, our internal credit function which evaluates the creditworthiness of our counterparties may prove insufficient. Our ability to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of our counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by our clients.

*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.

*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.

**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**

Neither we nor any of our employees have been involved in any material legal or disciplinary events related to past or present investment clients or investors.

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

### **SERVICE AS OFFICERS AND DIRECTORS OF PUBLICLY TRADED COMPANIES**

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 (including conflicting fiduciary duties) 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.

### **AFFILIATED GENERAL PARTNER**

Our affiliate, Northern Right Capital Offshore Management, Ltd., serves as the sole general partner of the Offshore Fund. With respect to the Offshore Fund, we have been appointed, retained and engaged as sole investment manager to provide investment advisory, management, administrative and/or other services with respect to the Offshore Fund.

### **BOARDROOM ALPHA INC.**

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 Northern Right Capital. While we believe that the provision of such services is in the best interest of those clients, there is a material conflict of interest between us, on the one hand, and the clients and their investors, on the other hand, due to Mr. Drapkin’s ownership interest in Boardroom Alpha and his continuing role with respect thereto. As a result of his direct ownership interest in Boardroom Alpha, Mr. Drapkin could indirectly receive a financial benefit from the fees received by Boardroom Alpha from our clients and thus Mr. Drapkin could be incentivized to cause clients to engage Boardroom Alpha over comparable service providers.

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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by access persons. Our code of ethics contains certain reporting and pre-clearance requirements with respect to personal trading by access persons. Access persons generally must provide our Chief Compliance Officer with a list of their personal accounts and initial holdings reports within 10 days of becoming an access person. In addition, access persons generally must also provide annual holdings reports and quarterly transaction reports in accordance with Rule 204A-1 of the Advisers Act. We also maintain certain policies and procedures designed to prevent access persons from misusing material non-public information and to ensure compliance with applicable securities laws. We will furnish a copy of our code of ethics to clients upon request.

### **PERSONAL TRADING**

Personal trading by access persons generally may be conducted only if (a) the proposed transaction will have no adverse effect on any of our clients, (b) the proposed transaction will not position the person involved to profit from a trade made or position held by a client, (c) no insider trading is involved, and (d) the proposed transaction is consistent with published SEC interpretations. Without the prior written approval of the Chief Compliance Officer in each instance, access persons generally are not permitted to trade in securities (unless such trade involves exempt securities or is part of an exempt transaction) pursuant to our personal trading policy. 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 her designee generally 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.

One or more access persons are or may be subject to special policies and procedures with respect to personal trading and other policies and procedures in our code of ethics, to the extent permitted by applicable law.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

We may recommend that clients buy or sell securities or other investment products in which we or a related person has some financial interest. We may also serve as a director of a company whose securities are held by one or more clients. Certain of our employees and affiliates thereof may, and do, invest from time to time in the Northern Right Funds. The fact that our affiliates and employees may each have a financial interest in the Northern Right Funds and securities owned thereby creates a potential conflict of interest in that it could cause us and our affiliates to make different investment decisions than if such parties did not have such financial interests.

We may engage in securities transactions on behalf of certain clients that may be different from, and contrary to, transactions engaged in by us on behalf of other clients.

Some of our clients have entered into a “master subscription agreement” with Boardroom Alpha Inc., pursuant to which such clients may access and use Boardroom Alpha’s proprietary research and data analytics services. While we believe that the provision of such services is in the best interest of those clients, there is a material conflict of interest between us, on the one hand, and the clients and their investors, on the other hand, because Mr. Drapkin currently serves as the Chairman of Boardroom Alpha and has a 39.5% ownership interest in Boardroom Alpha. As a result of his direct ownership interest in Boardroom Alpha, Mr. Drapkin could indirectly receive a financial benefit from the

fees received by Boardroom Alpha from our clients and thus Mr. Drapkin could be incentivized to cause clients to engage Boardroom Alpha over comparable service providers.

We attempt to address these potential conflicts through regular monitoring of the clients' portfolios and investments for consistency with their respective objectives, strategies and target capacity (among other things). Furthermore, we generally attempt to consider the material risks involved in our investment recommendations. Our code of ethics requires employees to place the interests of our clients over their own or those of us or our affiliates and all employees are required to acknowledge their receipt and understanding of the code.

#### **CO-INVESTMENTS**

We may give certain persons, including investors, advisory clients and other third parties, an opportunity to co-invest alongside the Northern Right Funds and/or other Advisory Accounts in certain investments. In general, we will set the terms of such co-investment in our discretion, subject to acceptance by the potential investor(s). In the event of a co-investment opportunity, no client or investor is or will be required to participate in that co-investment opportunity unless it so chooses. NRC Partners generally co-invests alongside the other Northern Right Funds in certain investments according to the terms and conditions set forth in its governing documents.

## Item 12: Brokerage Practices

### **SELECTING BROKERAGE FIRMS**

In general, we have authority to select the brokers and other counterparties to be used for client transactions and negotiate commission rates and other payments by clients. We select broker-dealers on the basis of obtaining the best overall terms available, which we evaluate based on a variety of factors, including, without limitation: (i) financial stability of the broker; (ii) the broker's "commission" rates or spread; (iii) the broker's inventory and availability of the security in question; (iv) research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance our general portfolio management capabilities; (v) websites and other related services; (vi) the size and type of the transaction; (vii) quality of execution; (viii) confidentiality; (ix) the operational facilities of the brokers and/or dealers involved (including back office efficiency); and (x) the ability to handle a block order for securities and distribution capabilities. Because commission rates in the United States as well as other jurisdictions are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

### **BEST EXECUTION**

In placing orders for the purchase and sale of securities, we seek best net execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers which we believe to be responsible and provide effective execution of client orders under conditions most favorable to client accounts.

### **SOFT DOLLAR PRACTICES**

We may use soft dollars generated by client accounts to pay for certain research and/or related services provided by brokers described above. The term "soft dollars" refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between us and our clients. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of clients which paid the commissions and that may primarily or exclusively benefit us. If we are able to acquire these products and services without expending our own resources (including management fees paid by clients), our use of soft dollars would tend to increase our profitability. Furthermore, we may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits.

Soft dollar benefits generally are used to service all of our clients. We seek to allocate soft dollar benefits among client accounts in a fair and equitable manner under the circumstances, but there can be no assurance that we will be successful in this regard.

During the last fiscal year, we acquired research consulting services with client brokerage commissions.

Section 28(e) of the Exchange Act provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities. We intend that any soft dollars that we receive in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

### **BROKERAGE FOR CLIENT REFERRALS**

In selecting or recommending brokers, we do not consider whether we or our related persons receive client or investor referrals from such brokers.

**DIRECTED BROKERAGE**

We do not routinely recommend, request or require that clients direct us to execute transactions through a specified broker-dealer. We generally do not permit clients to direct brokerage for order execution purposes.

**ALLOCATION OF INVESTMENT OPPORTUNITIES**

We generally allocate investment opportunities among our applicable clients in a fair and equitable manner based upon, among other things, the investment objectives, guidelines and restrictions, risk profiles, financial conditions and tax status of each client, including the terms and conditions set forth in the applicable account or governing documents of each such client. If each participating client receives less than its full allocation, then each participating client generally receives its *pro rata* portion of the executed order, except as otherwise determined by us to be appropriate and subject to the applicable account or governing documents of each client. Under certain circumstances, we have discretion to utilize alternative allocation procedures, provided that all participating clients are treated fairly and equitably.

Notwithstanding the foregoing, the Northern Right Funds and the Advisory Accounts generally have priority with respect to any new activist investment opportunities that we identify, subject to the terms and conditions of the applicable account and governing documents of each client.

**ORDER AGGREGATION**

We generally place aggregated orders or block trades for multiple clients when advantageous to clients, when not favoring certain clients over other clients and when consistent with the duty of best execution. Our primary consideration is fair and equitable treatment of all of our clients, and not simply lowering commissions. Whenever possible, the discretionary purchase or sale (execution) price of a security bought or sold during the same day effected by the same broker-dealer will be equitably averaged and aggregated with similar discretionary purchases and sales for other clients, including for related persons.

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

#### **REVIEWS OF ACCOUNTS**

The portfolio manager, Matthew Drapkin, generally conducts reviews of client accounts on a daily basis. With respect to accounting matters, we have engaged a nationally-recognized, independent public accounting firm to conduct annual audits of the Northern Right Funds.

We invest client assets primarily in publicly-traded equity securities. In monitoring the performance of the investments, we perform various levels of review. Among other items, we may consider short and long term rates of return, investment performance and risk allocations.

#### **REPORTS TO CLIENTS AND INVESTORS**

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. All such reports are written. 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.

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

### **THIRD PARTY COMPENSATION**

Except as described in Item 12 above, we currently do not receive any economic benefit from any person who is not a client for providing investment advice or other services to our clients.

### **REFERRALS**

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. In every instance, all arrangements and payments of referral fees will be disclosed to investors. The names of any solicitors engaged with respect to a Northern Right Fund are set forth in Section 7.B. of Schedule D of Part 1 of our Form ADV.



## Item 15: Custody

### Funds

We, or our affiliates, are deemed to have custody of each of the Northern Right Funds' cash and securities. In general, all cash and securities of such clients are held with one or more qualified custodians. We may change custodians at any time and from time to time without the consent of, or notice to, investors. In general and to the extent required by law, independent public auditors will conduct annual audits of each of the Northern Right Funds, and audited financial statements (prepared in accordance with generally accepted accounting principles) will be provided to investors on an annual basis. We generally attempt to provide such statements to investors within 120 days, as applicable, after the end of each fiscal year, but there can be no assurance that we will be successful in this regard.

### Advisory Accounts

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**

### **DISCRETIONARY AUTHORITY**

Subject to the guidelines and objectives set forth in the applicable governing documents, we have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of the Northern Right Funds. 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.

### **LIMITED POWER OF ATTORNEY**

Each applicable investor in the Northern Right Funds generally grants the general partner of the Northern Right Fund a limited power of attorney to enable the general partner to execute the applicable partnership agreement on its behalf. In addition, each Advisory Account client generally grants us a limited power of attorney to enable us to conduct authorized trading on their behalf.

## Item 17: Voting Client Securities

### Funds

We generally have the authority to vote proxies with respect to securities owned by our clients. We have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of each of our clients, as determined in our discretion, and our proxy voting policy. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation.

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

### Advisory Accounts

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

Not applicable.

## **General Information**

### **PRIVACY POLICY**

We have adopted policies and procedures that we believe are reasonably designed to protect various records and information of clients and investors. Except as set forth in the applicable offering materials or account documents and as otherwise authorized by each client and/or investor, private information about clients and investors is disclosed only as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation and/or management of client accounts. Notice of our privacy policy is available to clients and investors upon request.

### **TRADE ERRORS**

It is our general practice that our personnel make and implement investment management decisions with the utmost care. Nevertheless, if a trade error occurs, it is generally our policy that the error be corrected as soon as possible. We generally will not be responsible for any losses caused by trade errors, except to the extent such losses were caused by our gross negligence, willful misconduct, fraud or bad faith. Absent gross negligence, willful misconduct, fraud or bad faith on the part of us or our affiliates, clients generally will be responsible for, and will bear all losses resulting from or attributable to, trade errors.