



NXT Capital Investment Advisers, LLC
191 North Wacker Drive
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DISCLOSURE BROCHURE
June 27, 2019

This Disclosure Brochure (the “Brochure”) provides information about the qualifications and business practices of NXT Capital Investment Advisers, LLC. NXT Capital Investment Advisers LLC’s registration as an investment adviser does not imply a certain level of skill or training.

If you have any questions about the contents of this Brochure, please contact NXT Capital Investment Advisers LLC’s Chief Compliance Officer using the contact information listed below. The information contained in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about NXT Capital Investment Advisers, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Contact Information

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ITEM 2 – Material Changes

The following describes all material changes made since our most recent annual updating amendment filed on March 31, 2018:

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- Item 4
 - We updated disclosure to inform that we are currently managing equities for an affiliate client.
- Item 8
 - We added risk disclosure relating to the following:
 - Information and Technology & Cybersecurity
- Item 12
 - We enhanced our disclosure regarding Aggregation and Allocation of Investment Opportunities to reflect a recent amendment to that policy.
- Item 15
 - We added disclosure to address NXT Capital, LLC's role as an administrative agent and its use of an agent account in servicing loans in light of recent SEC guidance clarifying that such arrangements may cause us to be deemed to have custody over client assets in such an account.

Please note that our fiscal year-end has also changed from December 31 to March 31.

Important Note About This Brochure

This Brochure is not:

- an offer or agreement to provide advisory services to any person
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any Client (as defined in Item 4)
- a complete discussion of the features, risks or conflicts associated with any Client

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), NXT Capital Investment Advisers, LLC (“we”, “us” or “our”) will provide this Brochure to current and prospective Clients and may also, in our discretion, provide this Brochure to current or prospective investors in a Client, together with other relevant governing documents and agreements (*e.g.* limited liability company agreement/limited partnership agreement/indenture/offering circular/private placement memorandum/investment management or similar agreement, etc.) (the “Client Agreements”) prior to, or in connection with, such persons’ investment in a Client. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes the investment advisory services and products that we provide, persons who receive this Brochure (whether or not from us) should be aware that it is designed solely to provide information about us as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from the more specific and complete information about each Client included in the relevant Client Agreements, certain of which may be provided to current and eligible prospective investors only by us or another authorized party. To the extent that there is any conflict between discussions herein and similar or related discussions in any Client Agreements, the relevant Client Agreements shall govern and control.

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Item 4 - Advisory Business

NXT Capital Investment Advisers, LLC (“NXT Advisers”) is an indirect subsidiary of NXT Capital Group, LLC (f/k/a NXT Capital, Inc.) and we refer to NXT Capital Group, LLC and its direct and indirect subsidiaries collectively as “NXT Capital” throughout this Brochure.

As of August 28, 2018, NXT Capital Group, LLC is an indirect, wholly-owned subsidiary of ORIX Corporation USA, which constitutes the U.S. and Latin America businesses for Tokyo-based ORIX Corporation (NYSE: IX; TSE: 8591), a public company (“ORIX”).

We provide investment advisory services to investment entities (each a “Client” and collectively with NXT Affiliated Clients (defined below), “Clients”) that invest in secured loans of the type originated or available for purchase by NXT Capital’s Corporate Finance Group (the “Corporate Finance Group” and such loans “CF Loans”), as well as first mortgage loans secured by various income-producing commercial and multifamily real estate properties originated by NXT Capital’s Real Estate Finance Group (the “Real Estate Finance Group” and such loans “RE Loans” and, together with CF Loans, “Loans”). NXT Advisers does not originate any Loans.

Our Clients will generally consist of entities established in conjunction with structured finance transactions such as collateralized loan obligations, privately placed pooled investment vehicles, investment partnerships, trusts or separate investment accounts that invest in Loans. Certain NXT Capital affiliated entities also receive investment advisory services from us and are treated by us as Clients (“NXT Affiliated Clients”). All Clients other than NXT Affiliated Clients are considered “Non-Affiliated Clients”.

Our investment advice to Clients is generally limited to Loans; however, we do manage a static portfolio of equity investments made by NXT Capital’s Corporate Finance Group, Real Estate Finance Group and discontinued Venture Finance Group for the former owners of NXT Capital (such portfolio the “Equity SMA”). Clients generally invest in Loans by purchasing an assignment or participation in one or more Loans. For more information regarding Loans and their associated risks, please see Item 8, “Methods of Analysis, Investment Strategies and Risk of Loss”.

At this time, only NXT Affiliated Clients can invest in both CF Loans and RE Loans although, in the future, other Clients may be able to invest in both types of Loans. For NXT Affiliated Clients we manage CF Loans, RE Loans and a static portfolio of equipment loans and leases related to NXT Capital’s discontinued Equipment Finance business.

Except as otherwise described herein, investments for a Client are managed in accordance with the Client’s particular investment objectives, strategies, restrictions and guidelines as outlined in the respective Client Agreements and are generally not tailored to the individualized needs of any particular investor of the Non-Affiliated Client. At inception, however, NXT Advisers, in consultation with prospective investors, will sometimes elect to establish specific investment criteria for a Non-Affiliated Client. Such criteria can, but will not necessarily, include specific

industry or property type restrictions and concentrations, investment product type concentrations, geographic restrictions, investment size restrictions. Information about each Non-Affiliated Client, and the particular investment objectives, strategies, restrictions, guidelines and certain risks associated with an investment, is described in the respective Client Agreements, which are made available to investors only through us or another authorized party. Since we do not provide individualized advice to the investors (and an investment in a Non-Affiliated Client does not, in and of itself, create an advisory relationship between us and the investor), investors must consider whether a particular Non-Affiliated Client meets their investment objectives and risk tolerance prior to investing.

We rely on the resources of our affiliates in providing investment advisory services to our Clients.

NXT Capital provides structured financing solutions to private equity sponsor-owned and other middle market companies and commercial real estate investors through its Corporate Finance and Real Estate Finance Groups. NXT Affiliated Clients will generally be allocated and retain a minimum amount of each CF Loan that we offer to our Non-Affiliated Clients that invest in CF Loans ("CF Client(s)") and, except as otherwise agreed to with a particular Non-Affiliated CF Client, an individual Non-Affiliated CF Client of ours will generally not be allocated an amount that exceeds the total amount of the CF Loan allocated to and retained by NXT Affiliated Clients. NXT Affiliated Clients will generally not retain any amount of a RE Loan sold to Clients that invest in RE Loans ("RE Client(s)").

NXT Capital, which began operations in April 2010, was founded by Robert Radway, NXT Capital's Chairman and Chief Executive Officer, and other members of NXT Capital's executive team.

Prior to founding NXT, Mr. Radway, and Neil Rudd, NXT Capital's Chief Financial and Administrative Officer, founded and served in the same positions at Merrill Lynch Capital, a middle market focused commercial finance business that operated as a subsidiary of Merrill Lynch Bank USA. Merrill Lynch Capital was sold to GE Capital in February 2008. Prior to forming Merrill Lynch Capital, Mr. Radway held a senior executive position and Mr. Rudd held a senior corporate development position with Heller Financial. Heller Financial was a NYSE-traded commercial finance company that was sold to GE Capital in October 2001.

During their tenure at Merrill Lynch Capital and Heller Financial, as well as at NXT Capital, the current management team of NXT Capital and the Corporate Finance Group gained experience in originating and managing senior secured cash flow-based financings principally for private equity sponsor-owned and other middle market companies. The senior members of the Corporate Finance Group management team have 15 to 35 years of industry experience and many have worked together at NXT Capital, Merrill Lynch Capital and Heller Financial. The Corporate Finance Group focuses primarily on financing U.S.-based companies with earnings before interest, taxes, depreciation and amortization ("EBITDA") ranging from \$5 million to \$75

million that have characteristics including stable cash flows, leading market positions and experienced management teams.

The current management team of NXT Capital and the Real Estate Finance Group also worked together at Merrill Lynch Capital and Heller Financial and have experience in originating first mortgages on commercial real estate across multiple property types. The senior members of the Real Estate Finance Group management team have at least 25 years of industry experience and many have worked together at NXT Capital, Merrill Lynch Capital and Heller Financial. The Real Estate Finance Group focuses primarily on extending RE Loans, ranging in size from \$10 million to \$75 million, to experienced middle-market real estate investors. These RE Loans are typically used for the acquisition or refinancing of multifamily, office, hotel, industrial and retail properties generally located in major markets.

We offer discretionary and non-discretionary advisory services. As of March 31, 2019, NXT Advisers managed discretionary Client assets of approximately \$7,494,083,063 across 13 pooled investment vehicles and three collateralized loan obligation issuers; \$693,619,261 of this total consisted of NXT Affiliated Client assets. We did not manage any Client assets on a non-discretionary basis as of March 31, 2019.

Item 5 - Fees and Compensation

Clients pay us asset management fees which are generally based on the actual amount of Client assets under management rather than the Client's total investment commitment. Assets under management for purposes of calculating these fees are generally based on the aggregate outstanding principal balance of Loans and the fair value of Client assets other than loans such as equity investments received upon a debt to equity conversion. We can also negotiate on a case by case basis with Clients based on the performance of the assets owned by the Client and we have negotiated a performance fee with respect to the Equity SMA. Please see Item 6, "Performance-Based Fees and Side-by-Side Management". In addition to asset management fees paid to NXT Advisers, certain RE Clients have agreed to pay an origination fee to our affiliate NXT Capital, LLC for each RE Loan originated for, or purchased by, the RE Client. All asset management and origination fees are specifically negotiated with each Client. We have no set fee schedules. Client Agreements related to certain multi-investor loan funds we manage allow us, in our sole discretion, to waive, reduce or rebate all or any portion of our asset management fees for the benefit of any limited partner, including NXT Related Persons (as defined in Item 6, "Performance-Based Fees and Side-by-Side Management") and persons related to NXT Capital's former owners, and we have waived all management fees in these multi-investor loan funds for NXT Related Persons and employees of NXT Capital's former owner. These management fee waivers do not impact management fees paid by any other investors in these loan funds. Additionally, our affiliates may receive loan fees which are not rebated to Clients (e.g. administrator or agent fees).

We will generally calculate these asset management fees and invoice our Clients for payment monthly or quarterly in arrears in accordance with the Client Agreements. Generally, Clients (and, indirectly, the investors therein) bear all expenses as defined in the Client Agreements,

which expenses could include, without limitation, (i) organizational, offering, legal, filing, recording, auditing, consulting, administration, accounting, tax, insurance, banking, rating agency and other professional fees and expenses; (ii) expenses associated with periodic reporting and any amendments to Client Agreements; (iii) expenses associated with financial statements and tax returns; (iv) insurance, interest and other expenses incurred in respect of borrowings, if any; (v) other expenses associated with the acquisition, credit ratings, holding, monitoring, settlement, workout and disposition of a Client's investments (including, without limitation, any brokerage, transaction, custody or hedging costs, and any other third party professional fees such as legal and consulting fees and valuation or appraisal fees); (vi) the costs and expenses of any custodians, lenders, independent review parties, fund administrators, investment banks and other financing or banking sources and providers; (vii) any indemnity expenses; and (viii) the costs and expenses of any litigation involving a Client.

Our Expense Allocation Policy requires that if any of the expenses outlined above are incurred by a Client, NXT Advisers, NXT Capital or NXT Affiliated Client and/or one or more other Clients managed by NXT Advisers, such expenses shall be allocated among the Client, NXT Advisers, NXT Capital or NXT Affiliated Client and such other Clients managed by NXT Advisers as the case may be, first, in accordance with any specific allocation methodology for expenses agreed to with our Clients and second, in a fair and equitable manner, as determined in accordance with our and NXT Capital's policies and procedures.

For a more complete discussion of Client fees, compensation and other expenses, please refer to the respective Client Agreements and Item 12, "Brokerage Practices".

Item 6 - Performance-Based Fees and Side-by-Side Management

"Side-by-side management" refers to the simultaneous management of multiple types of Client accounts and/or investment products. Clients can have similar, complementary or competing investment objectives, policies or strategies. Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our affiliates, including NXT Affiliated Clients, any persons under common control and NXT Capital employees who have directly or indirectly invested in a Non-Affiliated Client (collectively "NXT Related Persons"), including, as discussed below, the incentive to favor certain accounts with performance-based fees or accounts in which NXT Related Persons have an economic interest.

As discussed in Item 5, "Fees and Compensation" and Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading", NXT Related Persons could: (1) be entitled to a performance fee or an origination fee with respect to one or more Clients (we are currently only entitled to performance fees with respect to the Equity SMA; (2) directly or indirectly maintain investments in Loans for their own accounts; and (3) have directly or indirectly invested in a Non-Affiliated Client. Accordingly, we could face a conflict of interest when considering how to allocate limited investment opportunities among multiple Clients, each having different fee structures, and accounts in which NXT Related Persons have an economic interest. In addition, the existence of a performance fee creates an incentive for us to make more speculative investments on behalf of a Client than we would otherwise make in the

absence of such performance-based compensation. We also have a conflict of interest regarding investment decisions or investment allocations made on behalf of NXT Affiliated Clients since we may have an incentive to favor a Client that is under common control.

To assist in mitigating against the potential risks outlined above, Non-Affiliated Client Agreements often contain one or more of the following requirements: (i) NXT Affiliated Clients will generally retain a minimum amount of each CF Loan offered to a Non-Affiliated CF Client in an amount at least equal to the amount held by any Non-Affiliated CF Client, (ii) the Non-Affiliated CF Client may have discretion as to whether or not to purchase a Loan we offer to them and (iii) certain Loan eligibility criteria, concentration limitations and other criteria and restrictions. In addition, through our investment allocation policies and procedures, Code of Ethics and other policies and procedures, we seek to promote fair and equitable treatment of Clients on an overall basis, over time, based on considerations that are unrelated to our economic interests. Please see Item 12, "Brokerage Practices".

Loans and equity investments, if any, held by our Clients are not typically publicly traded and their fair values often are not readily determinable. For most Clients we, or NXT Capital, value the Loans, in good faith, pursuant to our and NXT Capital's written valuation policies and procedures and in accordance with U.S. generally accepted accounting principles, which in the case of Loans that are held for investment purposes means using the historical cost method, including an allowance for loan loss reflecting anticipated inherent losses in the portfolio. Corporate Finance equity investments are accounted for using the cost method and are reviewed periodically for other-than-temporary impairment. Real Estate equity investments are accounted for using the equity method of accounting and are reviewed periodically for other-than-temporary impairment. Under the equity method of accounting, a Client would recognize its proportional share of the property's net income or loss in its results of operations. For some Clients we provide estimated fair market values for the Loans owned by the Client as these Clients utilize fair value accounting or require fair values for financial statement disclosures. These fair values are generally determined using a cash flow model and discounting each Loan's expected cash flows at current market rates for comparable loans and these fair values are not utilized to determine asset management fees. Such valuations comprise certain good faith determinations made by us, or NXT Capital, which are subjective in nature. Actual amounts realized with respect to a Loan could vary significantly from the value at which the Loan is held at any time.

Item 7 - Types of Clients

Our Clients will generally consist of entities established in conjunction with structured finance transactions such as collateralized loan obligations, privately placed pooled investment vehicles, investment partnerships, trusts or separate investment accounts that invest in Loans. At this time, only NXT Affiliated Clients can invest in both CF Loans and RE Loans although, in the future there could be other Clients that are able to invest in both types of Loans. Except as otherwise described herein, investments for a Non-Affiliated Client are managed in accordance with the respective Client's particular investment objectives, strategies, restrictions and guidelines as outlined in the respective Client Agreements and are generally not tailored to the

individualized needs of any particular investor of the Non-Affiliated Client. At inception, however, NXT Advisers, in consultation with prospective investors, will sometimes elect to establish specific investment criteria for a Non-Affiliated Client. Such criteria can, but will not necessarily, include specific industry or property type restrictions and concentrations, investment product type concentrations, geographic restrictions, and investment size restrictions. Investors in our Non-Affiliated Clients will generally consist of financial institutions, investment companies, insurance companies, corporate or public pension funds, endowments, foundations, family offices or individuals who are qualified purchasers and / or accredited investors. In addition, certain NXT Capital employees could have directly or indirectly invested in a Non-Affiliated Client - please see Item 6, "Performance-Based Fees and Side-by-Side Management".

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

As described in Item 7, "Types of Clients", our Clients will generally consist of entities established in conjunction with structured finance transactions such as collateralized loan obligations, privately placed pooled investment vehicles, investment partnerships, trusts or separate investment accounts that invest in Loans. Some Clients will also hold equity investments either as an investment strategy (e.g. the Equity SMA) or as a result of a debt to equity conversion. As investment manager we provide our Clients with certain investment advice and services as outlined in the Client Agreements. Investment advice and services generally consist of the selection, analysis, and due diligence of Loans before recommending for investment or disposition by the Client and other portfolio management, administrative and advisory functions for the Client.

Corporate Finance Group - Methods of Analysis

The Corporate Finance Group primarily originates and provides first lien and second lien senior secured Middle Market Loans, as defined below, (including term Loans, delayed draw term Loans, revolving credit facilities, uni-tranche Loans, stretch senior Loans, first lien term Loans behind revolvers, split lien Loans and last out term Loans). These Middle Market Loans are made to private equity sponsor-owned and other U.S.-based companies with EBITDA typically ranging from \$5 million to \$75 million that have characteristics including stable cash flows, leading market positions and experienced management teams. The Corporate Finance Group will also selectively purchase similar Middle Market Loans from other loan originators. The Corporate Finance Group looks to partner with experienced sponsors and quality management teams. The Corporate Finance Group will sometimes also acquire a minor, non-controlling portion of the equity in certain of its borrowers.

The Corporate Finance Group and its investment professionals evaluate each investment opportunity relative to defined credit policies and criteria which have been established and refined based on lessons learned over the past 25+ years. The Corporate Finance Group does not invest directly in technically complex sectors in which they do not have experience or expertise (e.g. Oil & Gas) nor in companies that are considered morally sensitive / headline risk situations (i.e. guns, payday loans, etc.).

CF Loans will generally have at least one financial covenant. Financial covenants, in the event of a covenant default, provide a mechanism for the senior lenders to approach the private equity sponsor to facilitate corrective actions at the underlying borrower (including capital support) before enterprise value declines below the amount of debt capital at risk. On a limited basis, the Corporate Finance Group may originate “covenant lite” loans.

The Corporate Finance Group focuses on building a highly diversified, low volatility Loan portfolio for its Clients with high recovery rates in the event of default. Regular reviews of obligor, product, sponsor and industry concentrations are conducted by NXT Capital’s Corporate Finance Investment Committee and portfolio limits are set or adjusted as appropriate.

Real Estate Finance Group - Methods of Analysis

The Real Estate Finance Group focuses primarily on extending RE Loans, ranging in size from \$10 million to \$75 million, to experienced middle-market real estate investors. These RE Loans are typically used for the acquisition or refinancing of multifamily, office, hotel, industrial and retail properties generally located in major metropolitan statistical areas with a population greater than one million. The Real Estate Finance Group can also make investments in real estate and closed-end limited partnerships.

The Real Estate Finance Group and its investment professionals evaluate each investment opportunity relative to defined credit policies and criteria which have been established and refined based on lessons learned over the past 25+ years.

The Real Estate Finance Group focuses on building a highly diversified, low volatility portfolio with high recovery rates in the event of default. Regular reviews of obligor, product type, sponsor, property type and geographic concentrations are conducted by NXT Capital’s Real Estate Investment Committee and portfolio limits are set or adjusted as appropriate.

Summary of Material Risks

Our investment activities involve a significant degree of risk of loss that a Client and its investors should be prepared to bear. As it is not possible to identify all of the risks associated with investing, this section contains a discussion of certain primary risks associated with our investment activities. The particular risks applicable to a Client will depend on the nature of its investment strategy or strategies and the types of investments held by it. Investors in a Non-Affiliated Client should review the applicable private placement memorandum or similar offering document or the applicable Client Agreements for specific information regarding the risks associated with an investment in a specific Non-Affiliated Client.

While we seek to manage Clients so that risks are appropriate to the return potential for the strategy, it is often not possible to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Mandates can be limited to certain types of securities (e.g., CF Loans or RE Loans) and generally will not be diversified across asset classes or even within asset classes. Moreover, the Clients are generally

not intended to provide a complete investment program for investors and we expect that the assets we manage do not represent all of an investor's assets. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

The value of Loans and any equity investments owned by our Clients will generally fluctuate with, among other things, the financial condition of the obligors of a CF Loan or equity investment, the financial performance of the property securing a RE Loan or equity investment, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry or geographic area and changes in prevailing interest rates. The value of equity investments are typically more volatile than the value of Loans.

Risks Associated with Loans Originated by the Corporate Finance Group

The Corporate Finance Group primarily originates and provides Middle Market Loans. "Middle Market Loans" are typically defined as debt issued as part of a Loan facility to companies with EBITDA typically ranging from \$5 million to \$75 million that is not broadly syndicated to institutional investors. Middle Market Loans share many of the same characteristics as more broadly syndicated loans, including, in most cases, a senior secured position in the company's capital structure and floating rate interest payments. Middle Market Loans tend to be privately held and are often not publicly rated. Because a more limited number of investors participate in Middle Market Loans, the trading volume for Middle Market Loans is likely to be smaller than that for broadly syndicated Loans. The risks of Middle Market Loans include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor are insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the obligor of such Middle Market Loan during periods of economic downturn and (iv) the obligor generally is a small or mid-size company representing only local or regional interests. Middle Market Loans are generally subject to market value volatility that are often not apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for Middle Market Loans and adversely affect the value of outstanding Middle Market Loans and the ability of the obligors thereof to repay principal and interest. Moreover, the default history for Middle Market Loans is limited, actual defaults could be greater than indicated by historical data and the timing of defaults could vary significantly from historical observations.

"Second Lien Loans" are secured by liens on the collateral securing a Middle Market Loan that are subordinated to the liens of at least one other class of obligations of the related obligor, and thus, the ability of the second lien lender to exercise remedies after a Second Lien Loan becomes a defaulted Loan is subordinated to, and limited by, the rights of the senior creditors holding such other classes of obligations. In many circumstances, the holder of the Second Lien Loan is prevented from foreclosing on the collateral securing the Second Lien Loan until the related senior loan is paid in full. Moreover, any amounts that might be realized as a result of collection efforts or in connection with a bankruptcy or insolvency proceeding involving a Second Lien Loan must generally be turned over to the

senior secured lender until the senior secured lender has realized the full value of its own claims. In addition, Second Lien Loans can contain provisions requiring the Second Lien Loan's interest in the collateral to be released in certain circumstances. These lien and payment obligation subordination provisions could materially and adversely affect the ability to realize value from Second Lien Loans.

"First Lien Term Loans Behind a Revolver" are term Middle Market Loans that typically have a first lien on the obligor's non-current and related assets and, as additional collateral, typically have a second lien on an obligor's current and related assets (the associated revolver carries a first lien on the obligor's current and related assets). For such First Lien Term Loans Behind a Revolver, the risks relating to a holder's second lien on the obligor's current assets are similar to the risks relating to Second Lien Loans. In such cases, the creditors holding the revolver will have a senior security interest in an obligor's current assets.

A "Last Out Term Loan" is a senior secured Middle Market Loan that is generally fully subordinated in right of payment or application of proceeds (other than permitted interest and principal payments) to the related senior secured loans of the same obligor until such related senior secured loans are paid in full. There is a risk that those lenders whose loans are part of the "last out" portion of such credit facility will not receive payment in full if there are insufficient amounts available to pay both the senior and subordinate portions of such credit facility.

Risks Associated with Loans Originated by the Real Estate Finance Group

Real estate properties have historically experienced significant fluctuations and cycles in values, which can result in reductions in the value of a RE Loan. If the value of the property securing a RE Loan has declined significantly since the RE Loan was originated the likelihood of a Client incurring a loss on a RE Loan increases as the value of the property may be insufficient to cover the remaining obligation due on the RE Loan.

RE Loans are typically structured without recourse to the investor and borrowing entity and in the event of a default there will generally be recourse only against the specific properties and other assets that have been pledged to secure such RE Loan. Therefore, the ability of an investor to repay a RE Loan is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the investor. If the net operating income of the property declines (for example, if rental rates/lease rates or occupancy rates decline or real estate tax rates or other operating expenses increase), the investor's ability to repay the RE Loan may be impaired. The value of an income producing property is directly related to the net operating income derived from such property. Net operating income of an income producing property can be impacted by, among other things, tenant mix, success of tenant businesses (for properties other than multifamily properties), property management decisions (including responding to changing market conditions, planning and implementing rental or pricing structures and causing maintenance and capital improvements to be carried out in a timely fashion), capital

requirements, property location and condition, competition from comparable types of properties, changes in laws that increase operating expenses or limit rents/lease rates that may be charged, any need to address environmental contamination at the property and the occurrence of any uninsured casualty at the property. Furthermore, the value of any commercial property and the net operating income may be adversely affected by risks generally incident to interests in property, including various events which the related investor and/or manager of the commercial property may be unable to predict or control, such as changes in general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, environmental hazards, and social unrest and civil disturbances.

Certain RE Loans represent financings of properties that are currently undergoing, or are expected to undergo in the future, renovations, construction and/or re-tenanting or other repositioning. For these properties, the initial RE Loan amount is based on underwritten as-is cash flows and a future funding amount for the RE Loan is established based on underwritten stabilized cash flows and stabilized appraised values. The stabilized cash flow and stabilized net operating income for such properties have been underwritten based on certain assumptions, including assumptions regarding the renovations, lease-up, occupancy and rental/lease rates. If the operating performance of such properties does not improve to the underwritten stabilized levels, or if required debt service payments increase (resulting from increases in LIBOR, for example) then (i) some investors could be unable to make required debt service payments on their RE Loans and/or (ii) some investors could find it more difficult to refinance their RE Loans or sell their properties at prices sufficient to pay their respective balloon payments at maturity. In addition, there can be no assurance that current or planned renovations, construction and/or re-tenanting or other repositioning will be completed, that such renovations, construction and/or re-tenanting or other repositioning will be completed in the time frame contemplated or that, when and if such renovations, construction and/or re-tenanting or other repositioning is completed, it will improve the operations at, or increase the value of, the related property. Failure of any of the foregoing to occur could have a material adverse impact on the related RE Loan, which could affect the ability of the related investor to repay the related RE Loan.

Credit Risk / Restructuring Risk

Loans can default for a variety of reasons. Defaulted Loans can require substantial workout negotiations or a restructuring that could entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal and a substantial change in the terms, conditions and covenants with respect to such defaulted Loan. Loans have significant credit risks and material losses could occur. As with other debt obligations, claims and collateral can be difficult to enforce in the event of a default. In addition, a Client is likely to incur additional expenses to the extent if it is required to seek recovery upon a default or to participate in the restructuring of a Loan. No assurance can be made that full

or significant recovery of principal and/or interest will be received or that any collateral realized will be sufficient to recover the full amount of the Client's investment in a Loan.

Additionally, if an obligor issues equity investments in connection with a bankruptcy reorganization or the restructuring of any Loan owned by a Client, the Client would subsequently own equity investments or similar interests in the obligor.

Risks Associated with Equity Investments

Equity investments be subject to significant risks such as the risk of further dilution because of additional issuances of equity by the company, the risk that the equity investments will have limited minority protections and the risk that there is no liquidity for the equity investment due to the company not creating a liquidity event or the inability to sell such equity investment in the public markets.

Bankruptcy Risk

Bankruptcy of one or more obligors could reduce or eliminate the return on a Loan. There is a significant risk that one or more of the obligors to Loans owned by our Clients could enter bankruptcy proceedings. Such proceedings might result in, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of the related Loan(s). There are several significant risks inherent in the bankruptcy process. First, rulings in a bankruptcy case are the product of adversarial proceedings determined by a court with equitable powers and are beyond the control of specific creditors. Second, a bankruptcy filing can adversely and permanently affect the obligor making such filing. The obligor could lose its market position, key tenants, key employees, relationships with important suppliers, access to the capital markets or other sources of liquidity and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason, a Chapter 11 reorganization is converted to or becomes a liquidation, the liquidation value of the obligor or property might not equal the liquidation value that was believed to exist at the time the Loan was acquired by our Client. Third, the duration of a bankruptcy case is difficult to predict. A creditor's return on investment can be adversely affected by delays while a plan of reorganization is being negotiated, approved by parties in interest and confirmed by the bankruptcy court until it ultimately becomes effective. For example, in general, unsecured creditors' claims for interest accrued between the bankruptcy filing and a reorganization plan's consummation are not allowed. Fourth, the administrative costs of the debtor and official committees in connection with the bankruptcy case are frequently high and will be paid out of the debtor's estate prior to any return to general unsecured creditors. If the bankruptcy case involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to such administrative costs; a creditor's costs in monitoring and enforcing its investment also may substantially increase. Certain claims that have priority by law (for example, claims for taxes) could also be significant. Finally, under certain circumstances, creditors' claims against bankrupt or insolvent entities are subject to equitable subordination or recharacterization as equity (particularly where the creditor is an insider or otherwise

controls the debtor), and transfers made to creditors could be subject to avoidance and disgorgement as preferences or fraudulent conveyances as described above.

Liquidity Risk

There is typically no established trading market for the majority of the Loans owned by our Clients. Such Loans are not generally traded in organized exchange markets but are sometimes traded by banks and other institutional investors engaged in loan syndications. Because Loans are privately syndicated, and Loan agreements are privately negotiated and customized, Loans are not purchased or sold as easily as publicly traded securities. Historically the trading volume in the market for loans such as the Loans has been small relative to the high-yield debt securities market. In addition, both RE Loans and CF Loans are less liquid and, unlike more broadly syndicated loans, have no established trading market. Given the limited trading market for Loans, and the uncertainty as to their fair value at any point in time, if a Client seeks to sell a Loan it might not be able to do so at a favorable price or at all.

Interest Rate Risk

Loans owned by our Clients generally contain a floating interest rate which, currently is typically based on LIBOR and could also include terms that, under certain circumstances, allow the spread over the floating rate index to increase or decrease, including in the event of a change in credit quality. Rising interest rates could render some obligors unable to pay interest on their Loans. To the extent interest rates increase above any applicable interest rate floor, periodic interest obligations owed by the related obligors will also increase. As prevailing interest rates increase, some obligors may not be able to make the increased interest payments on Loans or refinance their balloon and bullet Loans, resulting in payment defaults and defaulted Loans. Conversely if interest rates decline, obligors could refinance or reprice their Loans at lower interest rates potentially increasing prepayment risk (see “Prepayment Risk” below). In the event of a significant increase in interest rates, Loan defaults tend to increase and can result in credit losses that would adversely affect a Client’s performance.

An increase in LIBOR, the floating index rate, will increase the financing costs of any credit facility a Client has. Many of the CF Loans, and some of the RE Loans, owned by our Clients are subject to a floor. It is possible that, in the event of an increase in the floating index rate, the rate of increase of the Client’s financing costs may outpace, possibly for an extended period, increases in the rate of income from Loan investments. In the event that the Client’s interest expense was to increase relative to income, the Client’s return on investments and cash available for distribution would be reduced.

On July 27, 2017, the head of the UK Financial Conduct Authority made remarks indicating that LIBOR in its current form will be phased out as a benchmark rate by the end of 2021. Actions by regulatory authorities, financial institutions or others to phase out, modify or eliminate LIBOR in the future may cause one or more of the following, among other things, to occur: (i) an increase in the volatility of LIBOR prior to the consummation of any such

change, (ii) an increase in the portion of loans that calculate interest based on a benchmark rate other than LIBOR or bear interest at a fixed rate, (iii) increased pricing volatility with respect to and liquidity of the loans, or (iv) a further mismatch between the interest rate payable with respect to a credit facility entered into by a Client and the interest income earned by a Client from the loans the Client owns. If LIBOR is eliminated as a benchmark rate, it is uncertain whether broad replacement conventions in the leveraged loan and credit facility markets will develop and, if conventions develop, what those conventions will be and whether they will create adverse consequences for any Client, the loans it owns and its credit facility debt, if any. If no such conventions develop, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets will have on the price and liquidity of loans or any credit facility debt or the ability of any Client to obtain new financing when necessary to pay or refinance any then-existing credit facility. While a Client may enter into an amendment with the specified holders of its credit facility debt to provide for such credit facility debt to bear interest based on an alternative reference rate instead of LIBOR (or may be permitted to designate an alternative reference rate with respect thereto), there can be no assurance that any such amendment or designation (a) will occur, (b) will effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on such Credit Facility debt, (c) will occur into prior to any date on which such Client suffers adverse consequences from the elimination or modification or potential elimination or modification of LIBOR or (d) will not have a material adverse effect on such Client or investors in such Client. In addition, an increase in alternative types of financing at the expense of LIBOR-based Loans may limit a Client's ability to pursue investment opportunities with comparable returns to LIBOR-based loans.

Prepayment Risk

CF Loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon and without any additional prepayment fee or penalty. RE Loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon and typically contain an exit fee and/or minimum interest requirement that is payable at the time a RE Loan is repaid. The rate of prepayments, refinancings, amortization, defaults and recoveries with respect to Loans are be influenced by various factors including:

- changes in obligor or property performance and requirements for capital;
- the level of interest rates and the shape of the yield curve;
- the availability of credit being extended and/or credit underwriting standards applied in the commercial and/or real estate lending industries;
- natural disasters such as hurricanes, earthquakes, floods or other natural disasters, which may result in uninsured losses; and
- changes in the overall economic environment.

We cannot predict the actual rate of prepayments, refinancing, accelerated amortization or defaults and recoveries which will be experienced with respect to the Loans held by our Clients. Consequently, there exists a risk that Loans acquired by a Client at a price greater

than par could experience a capital loss as a result of such a prepayment. Any inability of NXT Advisers to reinvest payments or other proceeds in Loans with comparable interest rates in an expedient manner may result in a Client realizing a return that is less than the return the Client would have realized with respect to the prepaid Loan had such Loan been held to maturity. There is no assurance that a Client will be able to reinvest proceeds in Loans with comparable interest rates or (if it is able to make such reinvestments) as to the length of any delays before such investments are made. In addition, certain of the Loans could include excess cash flow capture and other mandatory prepayment provisions which may accelerate the amortization of the applicable Loans.

Maturity Repayment Risk

A significant portion of the Loans owned by our Clients will have most or all of the principal due at maturity. The ability of an obligor to make such a large payment upon maturity typically depends upon its ability either to refinance the Loan prior to maturity, generate sufficient cash flow to repay the Loan at maturity or to engage in a sale of all or a portion of the business securing a CF Loan or the property securing a RE Loan. The ability of an obligor to accomplish any of these goals will be affected by many factors, including the availability of financing at acceptable rates to such obligor, the financial condition of such obligor or property, the marketability of the collateral (if any) securing such Loan, the operating history of the related property, business, tax laws and the prevailing general economic conditions. Consequently, such obligor might not have the ability to repay the Loan at maturity and, unless it is able to refinance such debt, it could default in payment at maturity, which could result in losses to our Clients.

Significant numbers of obligors on CF Loans are likely to face the need to refinance their debt over the next few years, and significant numbers of collateralized loan obligation transactions (historically an important source of funding for CF Loans) have reached or are close to reaching the end of their reinvestment periods or the final maturities of their own debt. As a result, there could be significant pressure on the ability of obligors on CF Loans to refinance their debt over the next few years unless the volume of new collateralized loan obligation transactions or other sources of funding exist at such time to provide such refinancing. If such sources of funding do not exist, significant defaults in CF Loans could occur, and there could be downward pressure on the prices and markets for debt instruments, including CF Loans.

Real estate investors have historically utilized Fannie Mae and Freddie Mac to refinance their RE Loans secured by multifamily properties and have also utilized real estate securitization transactions to refinance RE Loans secured by multifamily and other property types. If these sources of funding did not exist or were significantly curtailed, significant maturity defaults in RE Loans could occur, and there could be downward pressure on the price and liquidity of RE Loans.

Investing in Loans Indirectly by Participation Interests or Directly by Assignment

A Client generally acquires interests in Loans either directly (by way of an “Assignment”) or indirectly (by way of a “Participation Interest”). As described in more detail below, holders of Participation Interests are subject to additional risks not applicable to a holder of an Assignment.

The purchaser of an Assignment in a Loan typically succeeds to all the rights and obligations of the assigning selling institution (a “Selling Institution”) and becomes a lender under the loan or credit agreement with respect to that Loan. In contrast, a Participation Interest acquired by a Client in a Selling Institution’s portion of a Loan typically results in a contractual arrangement only with such Selling Institution, not with the obligor under the Loan. In the case of a Participation Interest, a Client will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the Selling Institution and only upon receipt by the Selling Institution of such payments from the obligor. As a result, the Client will assume the credit risk of both the obligor and the Selling Institution, which will remain the legal owner of record of the applicable Loan. In the event of the insolvency of the Selling Institution, a Client, by owning a Participation Interest, could be treated as a general unsecured creditor of the Selling Institution and may not benefit from any set-off between the Selling Institution and the obligor. In purchasing a Participation Interest, a Client generally will have no or limited rights to enforce compliance by the obligor with the terms of the loan or credit agreement or other instrument evidencing such Loan, and the Client typically would not directly benefit from the collateral supporting the Loan in which it has purchased the Participation Interest; although most underlying agreements with respect to any Loan do provide that the Selling Institution shall obtain the participant’s consent prior to voting on any amendment, modification or waiver that forgives principal, interest or fees, reduces principal, interest or fees that are payable, postpones any payment of principal, interest or fee or releases any material guarantee or collateral. Please also see “Client’s Limited Control of the Administration and Amendment of Loans” below.

Client’s Limited Control of the Administration and Amendment of Loans

As discussed in Item 17, “Voting Client Securities”, our client agreements set forth the authority we have on behalf of the Client to exercise rights with loans or securities held by the Client consistent in our proxy voting policies and procedures and the applicable Client agreement. We will exercise or enforce, or refrain from exercising or enforcing a Client’s rights in connection with Loans or any related documents or elect to accept or refuse amendments or waivers of the terms of any Loan and related documents in accordance with our customary business practices. As a result, Clients who elect or grant us these authorities will be relying on our customary business practices with respect to the management of Loans. As such, Clients will generally have no right to compel us to take or refrain from taking any actions other than in accordance with our customary business practices and the provisions of the respective Client Agreement.

We may also have the authority under certain Client Agreements we have authority to (i) elect to exercise remedies with respect to the obligor of a Loan or the collateral securing such Loan without prior notice to or the consent of the Client or its investors and (ii) (A) without the consent of the Client or its investors or (B) in some instances with the consent of an independent investment professional authorized to act on behalf of the Client, cause a Client to consent to all or certain amendments, waivers or modifications to the Loans requested by obligors or the lead agents for syndicated loans. Such authority could cause a Client to extend or defer the maturity, adjust the outstanding balance of any Loan, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related Loan agreement, including the payment terms thereunder. Any amendment, waiver or modification of a Loan could postpone the expected maturity of the Loan and/or reduce the likelihood of timely and complete payment of interest or principal under the Loan. We will make any such determinations in accordance with our customary business practices and the terms of the Client Agreements.

Syndicated Loan Risk

A Client's Assignment or Participation Interest in a CF Loan is often a part of a syndicated bank facility, that is, a loan offered by a group of lenders providing funds to an obligor. The terms and conditions of the underlying agreements with respect to any syndicated CF Loan can be amended, modified or waived only by the agreement of the requisite percentage of lenders under the related CF Loan agreement with limited exceptions. Generally, any such amendment, modification or waiver requires a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligation and collateral rights arising from the underlying agreements with respect to any CF Loan could be amended, modified or waived in a manner contrary to our preferences or the preferences of a CF Client, as the case may be, if a sufficient number of the other lenders voted in favor of such modification, amendment or waiver. Similarly, a desired amendment, modification or waiver would not proceed if it were unable to obtain the vote of a sufficient number of the other lenders. There can be no assurance that any rights or obligations arising from the underlying agreements with respect to any CF Loan will maintain the terms and conditions to which we or our CF Client originally agreed or subsequently would prefer. Similarly, the exercise of remedies could be subject to the vote of a specified percentage of the lenders under the underlying agreements with respect to any CF Loan and we and our CF Clients often will not be in total control of this specified percentage, which could cause remedies to be exercised differently than desired for us and our CF Clients.

Agented Loan Risk – CF Loans

The CF Loans purchased by our CF Clients are expected to consist substantially of agented Loans. Under the underlying documents with respect to agented CF Loans, a financial institution or other entity (including NXT Affiliated Clients) will be designated as the administrative agent and/or collateral agent or a person acting in a similar capacity. Under these arrangements, the obligor grants a lien to the agent on behalf of the holders of the associated indebtedness and directs payments to the agent, which, in turn, will distribute

payments to the holders of the associated indebtedness, including our CF Clients. As is typical in such agency arrangements, the agent is the party responsible for administering and enforcing the CF Loan and generally may take actions only in accordance with the instructions of a majority or super majority in commitments and/or principal amount of the associated indebtedness. In the case of CF Loans that are part of a capital structure that includes both senior and subordinated indebtedness, the agent may only take such action in accordance with the instructions of one or more senior tranches of the related indebtedness without any right to vote or consent (except in certain limited circumstances) by the subordinated tranches of the related indebtedness. In many cases, the CF Loans held by our CF Clients represent less than the amount of associated indebtedness sufficient to direct actions with respect to such CF Loans or represent subordinated debt which is precluded from acting and, consequently, we would be able to direct such actions only if our instructions were made in conjunction with other holders of associated indebtedness that together with our CF Clients compose the requisite percentage of the related indebtedness then entitled to direct such action. Conversely, if holders of the required amount of the associated indebtedness other than our CF Clients desire to take certain actions, such actions may be taken even if we did not support such actions. Furthermore, if a CF Loan is subordinated to one or more senior loans made to the obligor, our ability to exercise such rights are often subordinated to the exercise of such rights by the senior lenders. However, as is typical for such CF Loans, certain actions, including amendments to the payment terms of the CF Loans, typically cannot be taken without consent of all holders of the related indebtedness, including our CF Clients. If the CF Loan is a syndicated revolving loan or delayed draw term loan, other lenders could fail to satisfy their full contractual funding commitments for such CF Loan, which could create a breach of contract resulting in a lawsuit by the obligor against the lenders and may adversely affect the fair market value of such CF Loan.

There is a risk that a loan agent becomes bankrupt or insolvent. Such an event would delay, and possibly impair, any enforcement actions undertaken by holders of the associated indebtedness, including attempts to realize upon the collateral securing the CF Loan and/or direct the agent to take actions against the related obligor or the collateral securing a CF Loan and actions to realize on proceeds of payments made by obligors that are in the possession or control of such loan agent.

In addition, agented CF Loans typically allow for the agent to resign with certain advance notice. Such CF Loans might not, however, contain provisions for holders of the associated indebtedness to remove the agent thereunder. Therefore, under circumstances where removal of the agent would be in the best interests of the holders of the associated indebtedness (including our CF Clients), the underlying loan documents would have to be amended by the requisite holders of the associated indebtedness with the agreement of the agent to remove the agent thereunder.

Please also see Item 15, Custody, for a discussion of the agent.

Leverage Risk

Where consistent with Client Agreements NXT may elect for a Client to utilize leverage and incur indebtedness in connection with acquiring Loans. The greater the total borrowings of a Client relative to its investments, the greater will be its risk of loss and possibility of gain. In addition, money borrowed by a Client will be subject to interest costs, which will be a direct expense of such Client, and, to the extent not covered by income attributable to the investments acquired, could adversely affect the operating results of the Client.

The use of leverage magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks to a Client. Under the terms of any credit facility or other debt instrument a Client enters into, the Client is likely to be required by its terms to use the net proceeds of certain or any investments that it sells to repay amounts borrowed under such facility or instrument before applying such net proceeds to any other uses.

If the value of the assets held by a Client decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had the Client not leveraged, thereby magnifying losses or eliminating the Client's stake in a leveraged Loan. Similarly, any decrease in a Client's income will cause its net income to decline more sharply than it would have had the Client not borrowed. A Client's ability to service its debt will depend largely on its financial performance and will be subject to prevailing economic conditions and competitive pressures.

Political Uncertainty Risk.

Markets in which Clients are invested or to which Clients are exposed may experience political uncertainty (e.g., Brexit), that subjects investments to heightened risks, even when made in established markets. These risks include: greater fluctuations in currency exchange rates; increased risk of default (by both government and private issuers); greater social, economic, and political instability (including the risk of war or natural disaster); increased risk of nationalization, greater governmental involvement in the economy; less governmental supervision and regulation of the securities markets and participants in those markets; controls on foreign investment, capital controls and limitations on repatriation of invested capital and on the Clients' ability to exchange currencies; inability to purchase and sell investments or otherwise settle security or derivative transactions (i.e., a market freeze); unavailability of currency hedging techniques; slower clearance; and difficulties in obtaining and/or enforcing legal judgments.

During times of political uncertainty the securities, derivatives and currency markets may often become volatile. There also could be a lower level of monitoring and regulation of markets while a country is experiencing political uncertainty, and the activities of investors in such markets and enforcement of existing regulations might be extremely limited.

Markets experiencing political uncertainty can have substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates may have negative effects on such countries' economies and securities markets.

There can be no assurance that adverse political changes will not cause a Client to suffer a loss of any or all of its investments or, in the case of fixed income securities, interest thereon.

Information Technology and Cybersecurity Risks.

We are heavily reliant on information technology infrastructure, processes and procedures and those of its service providers, and it has devoted significant resources to achieving competitive informational technology systems. Information technology changes rapidly, however, and we might not be able to stay ahead of such advances. Moreover, we or our service providers could find ourselves/themselves a target of cybersecurity attacks. While steps have been taken to mitigate the risk of such attacks, no system is fully attack-proof, and a cybersecurity attack could have an impact on us and our Clients.

Item 9 - Disciplinary Information

Not Applicable.

Item 10 - Other Financial Industry Activities and Affiliations

Neither NXT Advisers, NXT Capital nor any of their employees are registered, or have a pending application to register, as a (i) broker-dealer, (ii) representative of a broker-dealer, (ii) futures commission merchant, (iv) commodity pool operator, (v) commodity trading advisor, or (vi) an associated person of the foregoing entities.

An affiliate, NXT Capital, LLC, and the general partners of four of our Clients have filed notices of exemption from registration as commodity pool operators pursuant to Commodity Futures Trading Commission Regulation 4.13. NXT Capital, LLC does not provide any hedging products to our Clients. We rely on the resources of other entities within NXT Capital and affiliates in providing investment advisory services to our Clients. We do not believe that our relationships with these entities would be considered to cause a conflict of interest with our Clients.

We and NXT Affiliated Clients are indirectly owned by ORIX and we could have a conflict of interest regarding investment decisions or investment allocations made on behalf of NXT Affiliated Clients since we may have an incentive to favor a Client that is under common control. Please see Item 11 for information regarding our Code of Ethics and Item 12 for information regarding our investment allocation policies.

Other than NXT Affiliated Clients, we do not have any other relationships with companies owned or controlled by ORIX that would be considered material to our investment advisory business or would be considered to cause a conflict of interest with our Clients.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

We and NXT Capital have adopted a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act covering such matters as (1) general standards of business and personal conduct; (2) the proper use and safeguarding of confidential information; (3) prohibitions against securities transactions when in possession of material, nonpublic information; (4) personal conflicts of interest, including outside activities, contributions and gifts; and (5) personal securities transactions policies (the "Code of Ethics").

The Code of Ethics states that no Access Person (as defined under the Advisers Act) shall purchase or sell any security listed on our restricted list. Additionally, no Access Person shall acquire a security in an initial public offering or in a limited offering without obtaining prior approval for such purchase from our Chief Compliance Officer.

We will provide our Code of Ethics to any Client or prospective Client upon request. Such request should be made to our Chief Compliance Officer using the contact information provided on the Cover Page.

Certain Conflicts of Interest Involving NXT Related Persons

Various potential and actual conflicts of interest arise from the overall investment activity of NXT Related Persons. NXT Related Persons originate, in the ordinary course of business, existing and new Loans. In addition, certain NXT Capital employees could have directly or indirectly invested in a Non-Affiliated Client. The following briefly summarizes some of these conflicts but is not intended to be an exhaustive list of all such conflicts. Investors in a Non-Affiliated Client should review the applicable private placement memorandum or similar offering document or the applicable Client Agreements for specific information regarding the conflicts of interest relating to a specific Non-Affiliated Client.

As further described below, we may affect principal transactions where a Non-Affiliated Client would invest in Loans of obligors in which an NXT Related Person has a debt, equity or Participation Interest, in each case in accordance with applicable law. We will provide disclosures to and obtain the consent and approval of the Non-Affiliated Client or the Non-Affiliated Client's designated representative in accordance with Section 206(3) of the Advisers Act for these principal transactions. All Client purchases of Loans will be executed on an arm's length basis.

NXT Related Persons could invest, or have already invested, for their own account in investments that are senior or junior to or pari passu with investments of the same obligor that are held by our Clients. In addition, NXT Related Persons can serve as a general partner, adviser, officer, director, sponsor or manager of other entities that invest in Loans. In such instances NXT Related Persons could take action with respect to such Loans which may differ from the timing or nature of any action taken with respect to the investments of a Non-Affiliated Client. As a result of such actions, the prices and availability of investments in which a Non-Affiliated

Client invests or could seek to invest, and the performance of the investment owned by a Non-Affiliated Client, could be materially adversely affected.

From time to time, certain NXT Capital employees could be allowed to directly or indirectly invest in certain Non-Affiliated Clients. If such NXT Capital employees are also providing investment advisory services on our behalf to a Non-Affiliated Client, they could have a conflict of interest in connection with investment decisions or investment allocations made on behalf of a Client since they have an incentive to favor a Non-Affiliated Client in which they have directly or indirectly invested.

We could have a conflict of interest regarding investment decisions or investment allocations made on behalf of NXT Affiliated Clients since we have an incentive to favor a Client that is under common control. Please see above for information regarding our Code of Ethics and Item 12 for information regarding our investment allocation policies.

NXT Related Persons could from time to time come into possession of material nonpublic information that limits our ability to affect a transaction for a Client, and the Client's investments may be constrained as a consequence of our inability to use such information to affect transactions that otherwise could have been initiated on behalf of our Clients. We choose to refrain from directing the purchase or sale hereunder of Loans issued by persons about whom NXT Related Persons have information that they determine might prohibit them from trading such Loans in accordance with applicable law. In addition, NXT Related Persons may elect not to receive material non-public information with respect to various obligors. In these cases, NXT Related Persons may not have access to information relating to obligors of Loans that is or may be known to other persons who are investing in the same Loan.

NXT Capital or NXT Affiliated Clients sometimes act as servicers, administrative agents or in similar capacities, and receive compensation from borrowers or investors for such services. Such compensation does not offset any other fees paid to us.

Item 12 - Brokerage Practices

Selecting or Recommending Broker-Dealers

Client transactions involving Loans generally do not require the engagement of a broker-dealer.

If we were required to use a broker-dealer for any Client Loan or equity investment transaction where the Client would be incurring the broker-dealer fees and expenses, we would be subject to our fiduciary duty to seek the best possible execution for the Client's transaction. Factors we would consider in selecting a broker-dealer if required for such Client Loan transactions could include, without limitation:

- The price at which the transaction may be executed
- Certainty of execution of transaction with broker-dealer
- Commission rates and any other related expenses

- Financial strength of broker-dealer
- Any potential conflicts of interest with broker-dealer

Although we would generally not place portfolio transactions with those brokers and dealers who also furnish research, execution and other services in a formal soft dollar arrangement with us or a Client, any broker-dealer we select could, from time to time, provide unsolicited, proprietary research at no stated cost or requirement of executing a particular amount of transactions.

Aggregation and Allocation of Investment Opportunities

We have policies and procedures in place with respect to the fair and equitable allocation of investment opportunities to our Clients, including NXT Affiliated Clients, on an overall basis over time. A Client that retains the discretionary authority over investments will have the ability to approve or decline an investment opportunity presented to them. Such Clients should understand that delays in approving such an investment opportunity could result in an allocation not being available.

We endeavor to make purchase and sale decisions with respect to Loans held by Clients in the best interests of each Client. Each Client has its own investment objectives, restrictions, guidelines and characteristics that may differ from those of other Clients to a greater or lesser extent. Additionally, Clients may be subject to different regulatory, legal or tax considerations, or have different capital availability. Where these factors differ between Clients, a decision that is appropriate for one Client will not always be appropriate for other Clients.

Our investment allocation methodology for CF Loans applies to the total final commitment amount allocated to NXT Capital, LLC of any CF Loan originated, underwritten and approved by NXT Capital's Credit Committee and does not include amounts that may have been committed by NXT Capital, LLC on a non-discretionary basis on behalf of preferred syndication partners and or third-party lenders. While this may reduce the amount of a CF Loan available for allocation to clients under our investment allocation methodology, NXT Capital believes that assuring that preferred syndication partners and third-party lenders receive allocations outside of the allocation methodology allows NXT Capital, LLC to compete effectively for lending/investment opportunities which, in turn, enhances our ability to provide lending/investment opportunities to Clients.

Under our allocation policy, NXT Affiliated Clients will generally be allocated and retain a minimum amount of each CF Loan that we offer to our Non-Affiliated CF Clients and, except as otherwise agreed to with a particular Non-Affiliated CF Client, any individual Non-Affiliated CF Client of ours will generally not be allocated an amount that exceeds the total amount of the CF Loan allocated to and retained by NXT Affiliated Clients.

When the amount of aggregated demand from our CF Clients for an investment opportunity relating to a CF Loan exceeds the total amount available for allocation, we believe that it is fair and equitable and in the long-term best interests of each CF Client over time to allocate the

specific investment opportunity between CF Clients first, to meet any minimum allocation rights or other allocation requirements a CF Client has under Client Agreements and second, equitably among our CF Clients according to our policies and procedures.

If the amount of the investment opportunity relating to a CF Loan exceeds the amount of aggregated demand from our CF Clients, we will generally syndicate the excess amount first to our preferred syndication partners and after that to other third-party lenders. As noted above, this syndication amount is carved out from the allocation procedures but, in these cases will not impact the amount of the CF Loan we allocate to our Clients.

Consistent with the above, we could determine, for any number of reasons, that it is in the best interests of one or more of our CF Clients to sell all or a portion of a CF Loan held by that CF Client or group of CF Clients, but not necessarily for other CF Clients. Similarly, we could decide, for any number of reasons, that it is in the best interests of an NXT Affiliated Client to sell all or a portion of a CF Loan being held by NXT Affiliated Clients, while we might determine that such a sale is not necessarily appropriate for one or more of our other CF Clients. Notwithstanding the foregoing, certain CF Clients have contractual rights to participate, on a pro rata basis with, and on the same terms and conditions as NXT Affiliated Clients (and any of our other CF Clients participating therein), in any sale, transfer, conveyance or other disposition (a "Transfer") by NXT Affiliated Clients of its interest in a CF Loan ("Tag-Along Rights"). The conditions for these Tag-Along Rights are negotiated and, as a result, can be different for each CF Client that has such rights. We take reasonable steps to ensure that Tag-Along Right conditions are met whenever NXT Affiliated Clients complete a Transfer of its interest in a CF Loan.

Whether pursuant to our determination as to the appropriateness of a transaction (i.e., a transaction recommended by us to a CF Client or entered into on the CF Client's behalf pursuant to our discretionary authority) or pursuant to the exercise by a relevant Client of the CF Client's Tag-Along Rights, we will combine the amounts of the CF Loan desired to be sold for our Clients and jointly work to sell the full aggregate amount of the CF Loan on the same terms and conditions for all our CF Clients. If the full aggregate amount of the CF Loan cannot be sold, in light of the requirement in the Tag Along Rights, we believe it is fair and equitable and in the long-term best interests of both our CF Clients and NXT Affiliated Clients, and is consistent with the requirement in the Tag-Along Rights that require participation on a pro rata basis, to allocate the amount of the CF Loan that can be sold between CF Clients and NXT Affiliated Clients on a pro rata basis.

All investment allocations of CF Loans are reviewed and approved by our Chief Compliance Officer before the closing of each CF Loan. An investment opportunity in a CF Loan can be allocated on a basis different than specified above if such deviation is determined to be fair and equitable to all of our CF Clients over time and the reasons for the deviation are documented and approved by our Chief Compliance Officer before the CF Loan is closed.

RE Clients will be offered the opportunity to invest in RE Loans that NXT Capital does not have the right to retain for its own account in accordance with the respective Client Agreements on a rotational basis according to our policies and procedures. NXT Affiliated Clients will generally not retain any amount of a RE Loan sold to a RE Client.

Our policies and procedures strictly prohibit the allocation of an investment opportunity to a Client solely based on the expected returns of the investment opportunity, the amount or structure of the asset management fees, the existence of any performance fees, the direct or indirect participation of NXT Related Persons in either of the foregoing or the Client itself, or whether the Client's investment entity is public or private, proprietary or third party.

Item 13 - Review of Accounts

We have established policies and procedures to monitor and manage the individual investments in, and the overall investment objectives of, each Client. Policies and procedures related to the review of individual Loans are described in Item 8, "Methods of Analysis, Investment Strategies and Risk of Loss".

The overall investment objectives of each Client are generally managed and monitored by the completion of periodic tests, performed by Managing Directors or Directors in our Finance, Operations or Asset Management Groups, to ensure compliance with the investment objectives and requirements outlined in the Client Agreements. For certain Clients, a trustee acting on behalf of the Client will run periodic tests to ensure compliance with the investment objectives and requirements outlined in the Client Agreements. These tests are generally performed when a new investment is made by the Client and on required reporting dates outlined in the Client Agreements. The Client Agreements also outline our specific reporting requirements, which generally consist of monthly and/or quarterly written reports to the Client describing, among other items, the current characteristics of the assets owned by the Client, a summary of compliance requirements and cash distributions made by or on behalf of the Client. We have developed policies and procedures and appropriate systems and controls to ensure that we are able to meet the specific reporting requirements outlined in the Client Agreements. In addition, NXT Capital's loan review function will periodically review a sample of the completed tests for timely completion and accuracy.

Item 14 - Client Referrals and Other Compensation

Other than the fees disclosed in Item 5, "Fees and Compensation", and Item 6, "Performance Based Fees and Side-by-Side Management", we and NXT Capital do not receive any compensation, or other economic benefits, for providing investment advisory services.

Additionally, NXT Capital has no active agreements to compensate non-related third parties for (i) Client referrals or solicitations or (ii) identifying and placing interests in our Clients with investors but may enter into such agreements in the future.

Item 15 - Custody

We are deemed to have “custody” of Client accounts within the meaning of Rule 206(4)-2 under the Advisers Act where we may have access to or authority over Client funds and/or securities (e.g. where we or an affiliate serves as general partner of a Client that is a pooled investment vehicle). For those Clients where we have determined that we have deemed custody and to the extent required by Rule 206(4)-2, a custodian will be hired and will be required to provide a Client periodic account statements (generally on a quarterly basis) indicating the amounts of any funds and/or securities in their account as of the end of the statement period and any transactions in the account during the statement period. If such Client is a pooled investment vehicle, investors may receive audited financial statements on an annual basis (within 120 days of the pooled investment vehicle’s fiscal year end) in lieu of periodic account statements. All Clients will be advised to review these statements carefully. Additionally, Clients should immediately contact our Chief Compliance Officer using the contact information provided on the Cover Page if they are not provided account statements from such custodian on at least a quarterly basis (or audited financial statements on an annual basis) or if they should discover any discrepancy between the statements and the reports we provide the Client or investor, if any.

As noted in Item 13, “Review of Accounts”, we may provide investors in a Client, separately, with reports or account statements providing information about the account. Investors in a Client should compare these reports or account statements carefully to the account statements they receive from a custodian or the audited financial statements they receive from us, if any.

Further NXT Capital, LLC serves as the administrative agent for certain loans in which our clients invest. Funds related to such loans and attributable to such Clients (“Client Funds” related to “Client Loans”) are commingled in an account established by NXT Capital, LLC for that purpose (the “Agent Account”) with funds attributable to other lenders (including the NXC Capital, LLC and affiliate clients) and/or related to other loans (“Other Funds” and “Other Loans”). The Agent Account is held with a Qualified Custodian in NXT Capital, LLC’s name for the benefit of lenders which would include clients who are lenders under various loans and holds only cash and not loans. No account statements for the Agent Account are provided to our Clients. In its role as administrative agent, NXT Capital, LLC performs a variety of traditional services pursuant to credit agreements in accordance with negotiated guidelines regarding the movement of cash into and out of the Agent Account for such purposes as collecting and distributing loan proceeds or payments. As administrative agent, NXT Capital, LLC must apply the terms of the credit agreement in dealing with funds in the Agent Account and has no authority to determine how such funds are used, allocated or disbursed; however, other than the terms of the credit agreements, nothing prevents an administrative agent from withdrawing cash from the Agent Account for unrelated purposes. Therefore, and in light of recent SEC Staff guidance, we are now considered our self to have custody over the Client Funds in the Agent Account for purposes of Rule 206(4)-2 under the Advisers Act.

Item 16 - Investment Discretion

Our Clients typically grant us discretionary authority to manage their investments although we also can accept Clients who desire investment advice on a non-discretionary basis. The Client Agreements negotiated with each such Client establish the nature of our authority and any limitations on this authority as investment parameters, restrictions and limitations. At inception, however, NXT Advisers, in consultation with prospective investors, will sometimes elect to establish specific investment criteria for a Non-Affiliated Client. Such criteria can, but will not necessarily, include specific industry or property type restrictions and concentrations, investment product type concentrations, geographic restrictions, and investment size restrictions that would limit our discretionary authority.

Item 17 - Voting Client Securities

The assets owned by each Client we manage generally consist of Loans and equity investments that are privately negotiated transactions; however, a Client could, from time to time, own equity investments in which it has the right to vote via shareholder proxy. The Client Agreements establish whether or not we have authority to vote any proxies on behalf of the Client.

Our Compliance Manual contains policies and procedures relating to voting shareholder proxies for our Clients (“Proxy Voting Policies and Procedures”). These Proxy Voting Policies and Procedures are designed to reasonably ensure that we vote shareholder proxies in the best economic interests of the Client. The general policy is to vote proxies in a manner that serves the best economic interest of the Client we manage, as we determine in our discretion, taking into account relevant factors, including the impact on the value of the returns of the Client and industry and business practices.

The Proxy Voting Policies and Procedures are designed to identify conflicts or potential conflicts that could arise between our interests and those of the Client. If it is determined that any such conflict or potential conflict is not material, we may vote the proxy notwithstanding the existence of the conflict. If the conflict of interest or potential conflict of interest is determined to be material, one or more methods may be used to resolve the conflict, including (i) disclosing the conflict to the Client and obtaining their consent as outlined in the Client Agreements before voting, (ii) engaging a third party to recommend a vote with respect to the proxy or (iii) such other method as is deemed reasonable under the circumstances.

We will provide a copy of our Proxy Voting Policies and Procedures and of our proxy voting records to any Client upon request. Such request should be made to our Chief Compliance Officer using the contact information provided on the Cover Page.

Item 18 - Financial Information

Not Applicable.