



**ORIX ADVISERS, LLC**

**Signal Peak Capital Management**

**CRD #307580**

280 Park Avenue, 40 West

New York, NY 10017

October 29, 2024

This brochure (the “Brochure”) provides information about the qualifications and business practices of the Signal Peak Capital Management investment team of ORIX Advisers, LLC, a Delaware limited liability company (“ORIX Advisers”). If you have any questions about the contents of this Brochure, please contact us at 646-957-7784. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

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

## **Item 2. Material Changes**

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This Brochure dated October 29, 2024, serves as an amendment for ORIX Advisers' Form ADV Part 2A filed in June 2024, for the Signal Peak Capital Management investment team of ORIX Advisers. The following material changes are reflected in this Brochure update:

- The GP Solutions investment team of ORIX Advisers has been added in reference to the Brochure.

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#### Item 4. Advisory Business

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ORIX Advisers is wholly-owned, through intermediate wholly-owned subsidiaries,<sup>1</sup> by ORIX Corporation USA (“ORIX USA”), which itself is a wholly-owned subsidiary of ORIX Corporation (NYSE: IX, TSE: 8591) (“ORIX Corporation”), a public company.

ORIX Advisers, through its leveraged credit investment team, Signal Peak Capital Management (“Signal Peak”), serves as investment adviser to one pooled investment vehicle, Signal Peak CLO Opportunities Fund, L.P. (the “Fund”), separately managed accounts (each an “SMA”), and as investment adviser or servicer of vehicles holding collateralized loan obligations (the “Securitized Vehicles”). In addition, ORIX Advisers also provides discretionary portfolio management and advisory services to an investment fund organized as an employee securities company (“ESC Fund”, and together with the Fund, the “Funds”) (collectively with the Fund, SMAs and Securitized Vehicles, each a “Client” and collectively, the “Clients”).

While not covered by this Brochure, ORIX Advisers also provides advisory services to clients other than the Clients covered in this Brochure (“Other Clients”) through its private equity team, ORIX Capital Partners (“OCP”), asset based finance investment team (“Asset Based Finance”), growth capital investment team (“Growth Capital”), structured credit investment team (“Structured Credit”) and GP Solutions investment team (“GP Solutions”) and expects to add additional investment teams in the future. Please see such other Brochure(s) for further information about those investment teams and their respective investment strategies.

Signal Peak, on behalf of its Clients, invests in portfolios of broadly syndicated leveraged loans and high-yield bonds, collateralized loan obligation liabilities and residual notes or “CLO equity” and other high-yield or distressed securities (collectively, “Portfolio Investments”) where it seeks to generate returns over a finite life through a combination of high current income and capital appreciation.

The terms upon which ORIX Advisers provides its investment management services to a Client are set out in the relevant offering documents, disclosure documents, indentures, limited partnership or limited liability company agreements, investment management agreements, asset management agreements, collateral management agreements, subscription agreements, Side Letters (as defined below), or similar documents, as applicable (each a “Governing Document,” and, collectively, the “Governing Documents”).

Signal Peak manages the Fund and Securitized Vehicles in accordance with the investment strategy, as set forth in their respective Governing Documents, and not based upon the individual needs of the investors in such vehicles. Signal Peak, however, generally tailors its advisory services to the individual needs of its investor in the SMAs, which it currently only manages for proprietary accounts of ORIX USA, its parent company. Signal Peak generally will permit its investor to impose restrictions on its SMAs with respect to: (i) the specific types of investments or asset classes that Signal Peak will or will not purchase for its SMAs; (ii) the nature of the issuers of investments that Signal Peak will or will not purchase for its SMAs; and/or (iii) the risk profile of instruments Signal Peak will or will not purchase for its SMAs, or the risk profile of the SMAs as a whole.

ORIX Advisers has been registered with the SEC as a stand-alone investment adviser since March of 2020. Signal Peak was established as a business unit of ORIX Advisers in July of 2020 and prior to that, operated since 2014 as a team that was part of a former affiliated investment adviser. As of March 31, 2024, ORIX

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<sup>1</sup> The subsidiaries are as follows: OAM Holdings, LLC (“OAM Holdings”), which is the sole owner of ORIX Advisers; OCU Global Asset Management, LLC (“OCU Global”), which is the sole owner of OAM Holdings; OCU Opco Holdings, LLC (“Opco Holdings”), which is the sole owner of OCU Global; ORIX Capital Markets, LLC (“Capital Markets”), which is the sole owner of Opco Holdings; and ORIX Corporation USA, which is the sole owner of Capital Markets.

Advisers managed approximately \$8.1 billion of Regulatory Assets under Management (“RAUM”), \$5.9 billion of which is managed on a discretionary basis.

## **Item 5. Fees and Compensation**

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In connection with its advisory services to Clients, ORIX Advisers and/or its affiliates will generally receive a management fee (“Management Fee”) and performance-based compensation through carried interest, incentive fees, performance fees, and/or an allocation of profits or similar methods of sharing in profits (collectively referred to as “Carried Interest”).

In addition, Clients will bear certain expenses incurred in connection with ORIX Advisers’ management of their account. Such fees, compensation and expenses vary among Clients, and specific details regarding the fees, compensation, and expenses payable by a particular Client will be set forth in such Client’s Governing Documents. ORIX Advisers does not have a general fee schedule.

ORIX Advisers, in its sole discretion, does and may in the future elect to waive, reduce or defer its Management Fee and/or Carried Interest for certain investors, including, but not limited to, its employees, affiliates (including ORIX USA and its subsidiaries) (collectively, “ORIX USA Group”), their respective employees (current and former), family members of such employees, their officers, directors, principals, members, consultants and any vehicles established for certain aforementioned persons, including employee vehicles and including the ESC Fund (collectively, “ORIX Persons”), without entitling any other investor to such waiver or reduction.

### *Management Fee*

ORIX Advisers expects to receive a Management Fee from each Client that is set forth in each Client’s Governing Documents. ORIX Advisers expects that the rate for Management Fees charged to Clients will vary depending on the applicable investment strategy and the services provided. ORIX Advisers does and may in the future, in its sole discretion, waive, defer, or reduce the Management Fee for any Client both voluntarily and on a negotiated basis via Side Letters or other arrangements, which may not be disclosed to other Clients and does and expects to do so in the future for ORIX Persons. The fee structures described herein may be modified from time to time. Fees may differ from one Client to another, as well as among investors in the same Fund.

Depending on the arrangement with each Client, the Management Fee may be calculated on the value of the Client’s managed assets, committed capital, or actively invested capital, in accordance with each Client’s Governing Documents.

The timing of fee payments is typically set forth in each Client’s Governing Documents. For each Client, the Management Fee is generally payable quarterly in advance, or at other agreed-upon intervals.

### *Performance-Based Compensation*

ORIX Advisers and/or its affiliates expects to receive Carried Interest from its Clients, with the exception of the CLO Opportunities Fund<sup>2</sup> which does not pay any management fee or performance-based compensation to ORIX Advisers. In the case of the Securitized Vehicles, a Carried Interest is paid or distributed on a quarterly basis, after such Securitized Vehicle has achieved a target return. Performance-based fees or other performance-based compensation generally will be calculated based on a percentage of interest and principal proceeds received by such account as of the payment date after which the target return

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<sup>2</sup> Please note the CLO Opportunities Fund is organized as a partnership (the “Partnership”) and currently has two outstanding series, Series 2 and Series 3. The Governing Documents for the Partnership allow for both a management fee and performance-based compensation but ORIX Advisers does not currently charge such fees at the Partnership level or at the Series level.

has been achieved and are generally payable to ORIX Advisers or an affiliate of ORIX Advisers on a quarterly or annual basis or as investments are partially or fully realized and/or capital is distributed. ORIX Advisers does and may in the future, in its sole discretion, waive, reduce, or defer the Carried Interest and does and expects to do so in the future for investments by ORIX Persons. The timing and calculation of performance-based fees are described in the relevant Governing Documents of each Client. See Item 6, Performance Based Fees and Side-by-Side Management.

#### *Additional Fees and Expenses*

Please note that the details provided in this section is intended to be a comprehensive general overview of the additional expenses charged to Clients. Please refer to the Governing Documents of the applicable Client for additional disclosure on the treatment of expenses.

Investors should review all fees charged by ORIX Advisers, its affiliates, and others, as set out in each Client's Governing Documents to understand fully the total amount of fees paid by a Client and, indirectly, its investors.

Each Client generally is responsible for all of its operating expenses, including the costs and expenses in connection with the organization of the vehicle, including, if applicable, legal and accounting fees and expenses, travel and out-of-pocket expenses and all other costs and expenses incurred in connection with the offering of interests in the particular vehicle. Further, certain Clients are responsible for any placement or similar fees payable to a placement agent in connection with the offering of the interests of a vehicle.

The Operating Expenses of the CLO Opportunities Fund include but are not limited to (i) developing, sourcing, investigation, negotiation, structuring, acquisition, or disposition of Investments, including private placement fees, sales commissions, appraisal fees, taxes, travel expenses, litigation expenses, brokerage fees, underwriting commissions and discounts, any filing or similar fees, and legal, accounting, investment banking, financial, consulting, information services and professional fees; (ii) all Broken Deal Expenses; (iii) any fees associated with the custodian, trustee, record keeping, and other administrative fees; (iv) expenses incurred in connection with the maintenance of books and records and the preparation and delivery of any reports to limited partners, tax returns, Schedule K-1s (or similar schedule) and non-US tax forms and any other communication to limited partners; (v) attorneys', accountants' and other tax advisors' fees and disbursements and the fees and disbursements of any administrator for the CLO Opportunities Fund; (vi) taxes and other governmental charges levied against the CLO Opportunities Fund except as otherwise noted in the Governing Documents; (vii) insurance, regulatory or litigation expenses (and damages) and any indemnification obligations of the CLO Opportunities Fund; (viii) expenses incurred in connection with the winding up or liquidation of the CLO Opportunities Fund; (ix) expenses incurred in connection with any restructuring or amendments to the constituent documents of the CLO Opportunities Fund and related entities; (xii) expenses incurred in connection with the formation of alternative investment vehicles to the extent not borne solely by the investors participating in the applicable alternative investment vehicle; (x) expenses incurred in connection with investor distributions and any investor meetings; and (xi) expenses incurred in connection with the valuation of the assets of the CLO Opportunities Fund. Please refer to the relevant Governing Documents for further details.

The Securitized Vehicles will be responsible for administrative expenses (including indemnification payments) which include but are not limited to

- i. fees paid to the trustee pursuant to the Indenture;
- ii. fees paid to the bank in all its capacities with respect to the Securitized Vehicles, including as collateral administrator;

- iii. fees paid to the administrator,
- iv. any taxes or governmental fees of the Securitized Vehicle or its subsidiaries,
- v. fees and expenses paid to the rating agencies in connection with any rating of the notes and the collateral obligations of the vehicle (including fees related to surveillance, credit estimates and monitoring of ratings);
- vi. fees paid to any independent accountants, agents, valuation services and counsel of the vehicle;
- vii. any other fees and expenses owed to ORIX Advisers under the asset management agreement and indenture with respect to the particular vehicle;
- viii. any fees and expenses in connection with any application for listing of any Securities or any withdrawal of any such application;
- ix. any governmental fee, charge or tax (including any expenses incurred in connection with setting up and administering subsidiaries or related to tax account reporting rules compliance and other tax compliance);
- x. any unpaid expenses related to a refinancing, re-pricing or the issuance of additional notes or any reserve for expenses related to a refinancing, re-pricing or the issuance of additional notes;
- xi. any amounts reserved for expenses in connection with an optional redemption or the discharge of the indenture;
- xii. any fees of any registered agent or corporate services supplier; and
- xiii. any reserve established for expenses associated with a dissolution in connection with a redemption or discharge of the Indenture or following an event of default as such term is defined in the Governing Documents.

Clients may be required to pay certain brokerage fees as further discussed below under “Brokerage Practices” in Item 12. No employee of ORIX Advisers will accept or otherwise receive, directly or indirectly, any compensation for the sale of securities of a Client.

#### *Conflicts Arising from Expense Allocation*

As discussed above, certain fees and expenses incurred by ORIX Advisers and its affiliates will be charged to Clients or Other Clients. ORIX Advisers will face a conflict of interest in determining whether and how to allocate a particular expense to a Client, Other Clients, ORIX Persons and/or to ORIX Advisers or its affiliates or a third party (each, an “Allocable Party”) or otherwise as described below.

From time to time, ORIX Advisers will be required to decide whether certain fees, costs, and expenses should be borne by an Allocable Party and if so, how such fees, costs and expenses should be allocated among the relevant Allocable Parties. Certain fees, costs, and expenses may be the obligation of one particular Allocable Party and may be borne by such Allocable Party or, fees, costs, and expenses may be allocated among multiple Allocable Parties. ORIX Advisers allocates fees, costs, and expenses in accordance with the relevant Governing Documents and ORIX Advisers’ policies and procedures.

ORIX Advisers may face a conflict of interest when making such allocations due to the fact that an affiliate of ORIX Advisers will be a Client and/or will have economic interests in one or more Clients. For example, ORIX Advisers may have an incentive to allocate a greater portion of certain expenses to certain Clients that bear higher fees. ORIX Advisers has implemented expense allocation review and approval policies

and procedures in order to supervise the allocation of expenses and to help to ensure that methodologies used to determine expense allocation comport with what is permitted by the relevant Governing Documents, and will make expense allocation judgments in its fair and reasonable discretion while taking into account factors it considers relevant and appropriate, including, without limitation, net asset value, assets under management, number of positions held by Clients, notwithstanding its interest in the outcome, and may make corrective allocations should it determine that such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a Client for a particular service may not reflect the relative benefit derived by such Client from that service in any particular instance. From time to time, ORIX Advisers, in its good faith judgment, may revise or change allocation methodologies in an effort to ensure that such expenses remain fairly and reasonably allocated among Clients without notification. There can be no assurance that any changes in expense allocation methodology would produce a more favorable or less favorable result to any Client.

#### **Item 6. Performance-Based Fees and Side-by-Side Management**

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As noted above, in connection with its advisory services, ORIX Advisers and/or its affiliates will generally be entitled to receive Carried Interest based on a percentage of interest and principal proceeds received by such account as of a payment date, and the terms of such Carried Interest will be set forth in the relevant Client's Governing Documents. Pursuant to the relevant Governing Documents, ORIX Advisers, or an affiliate, is entitled to receive Carried Interest from the Fund. However, in the case of the Fund, neither ORIX Advisers nor an affiliate currently charges such Carried Interest. ORIX Advisers has, and may in the future, in its sole discretion, waive, reduce, defer or modify the provisions relating to Carried Interest for any Client or Fund investor and has and expects to do so in the future for proprietary accounts of ORIX USA Group and ORIX Persons.

The performance-based compensation arrangements described above create an incentive for ORIX Advisers to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of such compensation, in an effort to achieve higher returns that would increase performance fees. In addition, methods of calculating Carried Interest may result in conflicts of interest between ORIX Advisers and Clients with respect to the management and disposition of investments, including the timing and sequence of such dispositions. Further, in the case of certain Clients, the basis for some performance-based fees includes unrealized appreciation of Client assets, and could result in ORIX Advisers, or an affiliate of ORIX Advisers, receiving greater performance-based fees than would be the case if the basis on which the performance-based fees were calculated was solely on realized gains. ORIX Advisers discloses this conflict to potential investors in the relevant Governing Documents.

In addition, as further discussed in Item 10 - Other Financial Industry Activities and Affiliations, conflicts of interest will arise in connection with allocation of investment opportunities and access to investments (some conflicts of which may be mitigated for some or all Fund investors or SMAs either by Side Letter (as described below) or other Governing Documents). The payment by some, but not all, Clients of Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Client) creates an incentive for ORIX Advisers to disproportionately allocate time, services, or functions to Clients paying Carried Interest, or Clients paying Carried Interest at a higher rate (or having a higher likelihood of being received) or to allocate investment opportunities to such Clients. ORIX Advisers has developed policies and procedures pursuant to which ORIX Advisers will seek to make investment decisions without consideration of its financial interests and in accordance with its fiduciary duty to current and future Clients.

Clients may enter into separate agreements, commonly referred to as "side letters," or other similar agreements (each a "Side Letter"), with particular investors, in connection with a particular investor's admission to such Client, without notice or approval of any other investor. A Side Letter has the effect of establishing rights under, or altering or supplementing, the terms of the Client's Governing Documents with



respect to such investor in a manner that could be more favorable to such investor than those applicable to other investors of such Client. Such terms vary by investor but may include, without limitation, those relating to “most favored nation” status, transparency, information rights, board observer rights, reductions in Management Fee, and/or Carried Interest expenses allocated to such Client, revenue sharing, Carried Interest, Client distributions, liquidation rights, indemnification and exculpation or other preferential terms, such as access to co-investment opportunities. No Side Letter provided to an investor or a third party by the Client and/or ORIX Advisers or its affiliates will necessarily entitle any other investor or third party (who does not otherwise also have in place a Side Letter) to the rights granted in such Side Letter.

Please see Item 10 – Other Financial Industry Activities and Affiliations for additional information regarding ORIX Advisers’ affiliates, ORIX Advisers’ policies for allocating investment opportunities to Clients, and potential conflicts of interest.

## **Item 7. Types of Clients**

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ORIX Advisers provides investment advisory services and asset management services to its Clients. ORIX Advisers does not provide investment advisory services directly to investors in the Funds or Securitized Vehicles but does with respect to investors in the SMAs which are proprietary accounts of ORIX USA Group.

Investors in pooled investment vehicles and the Funds (the “Pooled Vehicle” or “Pooled Vehicles”) may include, among others, family offices, companies, other investment advisers, pension funds and profit-sharing plans, individuals (including ORIX Persons), trusts, charitable organizations, institutions, endowments, insurance companies (and related vehicles), funds of funds, pooled investment vehicles, foreign sovereign wealth funds and other entities. Investors in the Pooled Vehicles generally need to meet both (i) the definition of a “qualified purchaser” as such term is defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”), and (ii) the definition of “accredited investor” as such term is defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). Investors in the Securitized Vehicles are generally required to meet both (i) the definition of a “qualified purchaser” as such term is defined in the Investment Company Act and (ii) the definition of “qualified institutional buyer” as such term is defined in Rule 144A under the Securities Act or the definition of “institutional accredited investor” as such term is defined in Regulation D under the Securities Act. Investors in Pooled Vehicles often have conflicting investment, tax and other interests with respect to their investments in a Pooled Vehicle. The conflicting interests among the investors generally relate to, or arise from, among other things, the nature of investments made by a Pooled Vehicle, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by ORIX Advisers or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors’ individual tax situations. In selecting and structuring investments appropriate for a Pooled Vehicle, ORIX Advisers and its affiliates will generally consider the investment and tax objectives of the applicable Pooled Vehicle, not the investment, tax or other objectives of any investor individually, though to the extent an affiliate of ORIX Advisers or an ORIX Person is an investor in the Pooled Vehicle, ORIX Advisers will experience a conflict of interest as it will have an incentive to take actions that benefit such affiliated investor even if such actions do not benefit the Pooled Vehicle or other unaffiliated investors.

ORIX Advisers currently does not require a minimum account size. With respect to the Pooled Vehicles, ORIX Advisers may require minimum initial subscriptions from investors as outlined in the relevant Governing Documents and may accept lower subscription amounts than any such minimum in the sole discretion of the general partner of such pooled investment vehicle, including from ORIX USA Group or ORIX Persons.

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

The following is a summary of (i) the strategies and methods ORIX Advisers uses in formulating advice or managing assets (and their material risks) and (ii) the material risks associated with the types of investments that Signal Peak primarily recommends to and selected for its Clients. Further information will be set forth in detail in the Governing Documents of each Client.

ORIX Advisers' investment strategies expose Clients to various risks that investors must be ready to accept, including the possibility of losing some or all of their investment. Additionally, there is a risk that Clients do not achieve their investment objectives. The value of a Client's investment can vary due to market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in security prices.

### **Investment Strategies of Signal Peak**

Signal Peak's investment strategy is to invest in portfolios of broadly syndicated leveraged loans and high-yield bonds, collateralized loan obligation liabilities and residual notes or "CLO equity" and other high-yield or distressed securities where it seeks to generate returns over a finite life through a combination of high current income and capital appreciation. Signal Peak focuses on purchasing U.S. dollar denominated loans consisting primarily of senior secured loans, and on a limited basis certain second lien loans or unsecured loans (including, but not limited to, interests in bank loans acquired by way of a purchase agreement or assignment) or participation interest therein. In general, Signal Peak invests in senior secured loans which have a priority first or second lien on all assets of the borrower and are typically the first creditors to be paid. Collateral obligations including loan investments are frequently required to meet certain specific quality tests, such as credit ratings, each of which is laid out specifically in a Securitized Vehicle's Governing Documents.

In order to manage its portfolio of loans effectively, Signal Peak utilizes an on-going surveillance process with a multi-layered approach that attempts to identify issues and develop risk mitigation efforts for each Client. Signal Peak also uses a proprietary risk rating system for all positions to manage portfolio and credit specific risks as well as resource allocation.

### **Method of Analysis**

ORIX Advisers' process for evaluating potential broadly syndicated loans and other investments may include a variety of proprietary and non-proprietary research, risk framework processes, and methods of analyses, and a variety of both internal and external resources, such as third parties engaged to assist ORIX Advisers in sourcing and evaluating new transactions, research and reports provided by third parties and corporate ratings services, and financial newspapers and magazines. Signal Peak employs a comprehensive and dynamic risk framework process based on established limits that consider the different characteristics of each investment, including collateral and liquidity considerations and capital preservation objectives.

### **Summary of Material Risks**

The following is a description of some important risks associated with the investment strategies that ORIX Advisers employs. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in, or made by, a Client. These risk factors include those risks that ORIX Advisers believes to be material or significant and relate to particular significant investment strategies or methods of analysis employed by ORIX Advisers.

Prospective investors are advised to review applicable Governing Documents for a more extensive description of the risks of investing in the applicable Client.

**Political, Social and Economic Uncertainty Risk.** Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers<sup>[1]</sup>, industries, governments and other systems, including the financial markets, to which Clients or obligors are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. Uncertainty can result in or coincide with, among other things: increased volatility in the loan, securities, derivatives and currency markets; a decrease in the reliability of market prices and difficulty in valuing assets (including, broadly syndicated loans and other interests held by Clients); greater fluctuations in spreads on debt investments; increased risk of default (by both government and private obligors and issuers); further social, economic and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; changes to governmental regulation and supervision of the loan, securities, derivatives and currency markets and market participants, decreased or revised monitoring of such markets by governments or self-regulatory organizations and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell and otherwise fund investments or clear and settle transactions (including, but not limited to, a market freeze); substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions and difficulties in obtaining and/or enforcing legal judgments. For example, in late 2019 and 2020, the novel coronavirus and related respiratory disease (COVID-19) emerged in China and spread rapidly across the world, including to the United States. This outbreak led to disruptions in local, regional, national and global markets and economies affected thereby which resulted in significant disruption to the businesses of Portfolio Investments and many loan borrowers. Any future events of this nature or other similar events could have an adverse impact on the loan market and the economy in general, which could have a material adverse impact on, among other things, the ability of ORIX Advisers to make Portfolio Investments as well as loans in general, on the volume and type of loans originated or held for investment or for sale thereby and on the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount of loans available to Clients and returns to Clients, among other things. The impact of these circumstances could vary among the different ORIX Advisers investment teams but could impact, the ability to source investments, which could negatively impact the amount of investments available to Clients and the returns to Clients, among other things. Furthermore, ORIX Advisers' ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate, oversee investments and travel to the extent necessary to carry out the Clients' investment strategies and objectives and ORIX Advisers' business and to satisfy its obligations to its Clients and their investors could be impaired. Although it is impossible to predict the precise nature and consequences of any such event, or of any political or policy decisions and regulatory changes occasioned by any such event or uncertainty on applicable laws or regulations that impact Clients' investments, it is clear that these types of events are and will impact Clients, their Portfolio Investments and borrowers and in many instances, they will be negatively impacted. Clients will be impacted if, among other things, (1) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments, (2) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business permanently, (3) the value of loans held by Clients decrease as a result of such events and the uncertainty they cause and/or (4) Portfolio Investments businesses' are shutdown. There can be no assurance that such emerging events will not cause a Client to suffer a loss of any or all of its investments or interest thereon. Clients will also

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<sup>[1]</sup> Please note the terms "company", "issuer", "obligor", and "borrower" are used interchangeably throughout this Brochure.

be negatively affected if the operations and effectiveness of ORIX USA Group, ORIX Advisers, Portfolio Investments, obligors, borrowers or their key personnel or service providers (affiliated or otherwise) are compromised or if necessary beneficial systems and processes are disrupted. Each of the Risks of Loss in this Item 8 of this Brochure is subject to the risks discussed in this section (“Political, Social and Economic Uncertainty Risks”), and should be reviewed and analyzed in light thereof.

**General Economic and Market Conditions.** The success of the Clients’ activities can be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of Clients’ investments), trade barriers, currency exchange controls, national regulation, changes in laws and rules, and national and international political circumstances (including wars, terrorist acts or security operations). In addition, there is a risk of market disruptions resulting from certain events (e.g., power outages, terrorist attacks, military action, pandemics or economic and diplomatic sanctions) which could affect the Clients’ investment activities and performance. These factors can affect the level and volatility of securities prices and the liquidity of Clients’ investments. Unexpected volatility or illiquidity could impair profitability or result in losses. In addition, governments, from time to time, intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended to directly influence prices and can, together with other factors, cause all such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Clients’ portfolios are not necessarily designed to benefit from market volatility and can lose value in times of volatility or directly due to market volatility.

**Russian Invasion of Ukraine.** On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People’s Republic and Luhansk People’s Republic regions) and shortly thereafter commenced a full-scale invasion of Russia’s pre-positioned forces into Ukraine. This has led various countries (including the United States) to issue sanctions against Russia and against certain foreign individuals and national leaders who have supported Russia’s invasion of Ukraine. Further sanctions may be forthcoming. Russia’s invasion of Ukraine, related cyberattacks, the displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on various economies and business activity globally, and therefore could adversely affect the performance of Clients’ portfolios. Furthermore, given the ongoing and evolving nature of the conflict and its ongoing escalation, it is difficult to predict the conflict’s ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to Clients’ portfolios and the performance of their investments or operations, and the ability of Clients to achieve their investment objectives.

**Israel-Hamas War.** On October 7, 2023, the Hamas militant group breached the fences separating Israel and Gaza and carried out a violent terrorist attack. The foregoing attack sparked an armed conflict, which is currently ongoing, between Hamas and other Palestinian militant groups and Israel, known as the 2023 Israel-Hamas war. Although since the establishment of the State of Israel a state of hostility has existed in varying degrees of intensity between various Arab countries and Israel, the current conflict between Israel and Hamas has escalated to a heightened level not seen in recent years and may escalate further. Additionally, while Israel has entered into peace agreements with both Egypt and Jordan, and several other Middle Eastern and North African countries have normalized relations with Israel, the 2023 Israel-Hamas war has created tremendous unrest and uncertainty in the region, which may threaten any such peace agreements. A further expansion of the hostilities between Israel and Palestine could have significant international ramifications. The 2023 Israel-Hamas war could potentially have a significant adverse impact and result in significant losses to the Funds, including those described above in “Russian Invasion of Ukraine”. The ultimate impact of the Israel-Hamas war and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Clients or any particular industry, business or investee country, and the duration and severity of those

effects is impossible to predict.

**Market Crisis and Governmental Intervention.** The global financial markets have undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention was, in certain cases, implemented on an “emergency” basis without much or any notice with the consequence that some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions was suddenly and/or substantially eliminated. In addition, as one would expect given the complexities of the global financial markets and the limited time frame within which governments were able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

The U.S. Federal Reserve and non-U.S. governments have taken significant and historic steps to intervene in the financial markets. Future government interventions can lead to a change in valuations of securities that could be detrimental to Clients’ investments. Government intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations ORIX Advisers believes that it is possible that emergency intervention will likely take place again in the future and that the regulation of financial markets is likely to be increased in the future. It is impossible to predict the impact of any such intervention and/or increased regulation on the performance of the Clients or the fulfillment of their investment objective.

**Custody and Institutional Party Risks.** Clients will maintain funds with one or more banks or other depository institutions (“banking institutions”), which may include U.S. and non-U.S. banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. In addition, Clients will trade or invest with institutions and service providers, including brokerage firms and banks. The distress, impairment or failure of one or more banking institutions with whom Clients, their investments, and/or ORIX Advisers transact may inhibit the ability of Clients or their investments to access depository accounts or lines of credit at all or in a timely manner or could result in a counterparty or broker defaulting. In such cases, Clients may be forced to delay or forgo investments or to call capital when it is not desirable to do so, resulting in lower performance for the Clients. In the event of such a failure of a banking institution where the Client or one or more of its investments holds depository accounts (including accounts used for depositing principal and interest payments from borrowers on loans owned by a Client) access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (“FDIC”) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the Clients and their affected investments may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution’s assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Client or their investment. One or more investors or a Fund’s General Partner could also be similarly affected and be unable to fund capital calls, further delaying or deferring new investments. In addition, a Fund’s General Partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

One or more banks or broker dealers may act as custodians for certain assets of Clients. If a custodian were to become insolvent, Clients would, in respect of financial assets credited to securities accounts and held in street name, have only rights in common with other customers of the custodian and would not have ownership of, or rights with respect to, any specific financial assets maintained by the custodian. If any custodian has insufficient financial assets to satisfy all of its customers and its secured creditors, Clients could suffer losses. Furthermore, if a Client uses a broker dealer as custodian (or prime broker), the



bankruptcy of such custodian might have a greater adverse effect on such Client than would be the case if such Client used a bank as custodian. This is because, subject to certain limitations, a broker generally has the ability to loan, pledge, and rehypothecate the securities in its customers' accounts, as is typical market practice, and therefore may have insufficient assets to meet all of its obligations to "customers" in the event of insolvency of the broker dealer. Even if a custodian has sufficient assets to meet all "customer" claims, there may be a substantial delay in proceedings against a custodian, and the assets of Clients could become substantially impaired during such proceedings. With respect to assets held with custodians outside of the United States, Client assets could be subject to laws and regulations that are less favorable to such Client than those of the United States (including with respect to the priority of any claims that such Client may have upon a bankruptcy, insolvency or liquidation of any custodian, which may result in such Client being an unsecured creditor of such custodian rather than having a priority "customer" claim). Placement of a custodian in bankruptcy or similar proceeding outside of the U.S. could result in a great deal of uncertainty as to the status of assets or the ultimate recovery, if any, of such assets held by such custodian.

**Market Disruption.** Clients could incur major losses in the event of disrupted markets, and other extraordinary events may not be consistent with historical pricing relationships (on which ORIX Advisers bases several of its trading positions). The risk of loss from a disconnect from historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available from ORIX Advisers' banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction could result in substantial losses to Clients. In 1994, in 1998 and again in the so-called "credit crisis" of 2008, a sudden restriction of credit by the dealer community resulted in forced liquidations and major losses for several private investment funds. In addition, market disruptions caused by unexpected political, military and terrorist events may, from time to time, cause dramatic losses, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

**Risks of Investments Generally.** All investments in securities entail a significant degree of risk, including the risk of complete loss; and, therefore, should be undertaken only by investors capable of evaluating the risks associated with the investment and bearing the risks of such investments. The prices of such securities or instruments in which Clients may invest may be volatile.

Additional risks and uncertainties, including those not currently known to ORIX Advisers or that ORIX Advisers currently believes to be immaterial, may also materially and adversely affect ORIX Advisers' investment strategies and the value of investments. Investors should not assume that future performance of any specific investment or investment strategy will be profitable. ORIX Advisers does not provide any representation or guarantee that investors' goals will be achieved. Depending on the different types of investments, there may be varying degrees of risk.

No guarantee or representation is made that any Client or its related investment programs or strategies will be successful. ORIX Advisers' investment objective for Clients is to generate returns over a finite life through a combination of high current income and capital appreciation. For defensive and other purposes, Clients may invest in cash equivalents, money market funds, U.S. Treasury bonds and similar instruments and/or purchase or enter into hedging instruments. Clients' investment programs or strategies may involve, without limitation, risks associated with no or limited diversification and high concentration, investments in non-marketable securities, leverage, investments in speculative assets and the use of speculative investment strategies and techniques, systems risks and other inherent risks.

Certain investment techniques (e.g., use of direct leverage or indirectly through leveraged investments) can, in certain circumstances, magnify the impact of adverse market moves to which Clients could be subject. ORIX Advisers does not intend to attempt to minimize such risks for Clients and may not manage risk in the traditional sense. ORIX Advisers' efforts and methods of seeking to minimize 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.

**Uncertainty of Financial Projections and Performance.** ORIX Advisers or its affiliates generally evaluate potential investments on the basis of financial projections for such investments and rely upon projections developed for future performance and cash flow. Projections are only estimates of future results which rely on assumptions made at the time of the projections and are inherently subject to uncertainty and factors beyond the control of ORIX Advisers. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability to realize projected values and cash flow. Further, ORIX Advisers' strategies may be based, in part, on valuation and similar models which it has developed over time. As market dynamics shift, a previously highly successful model may become outdated. There can be no assurance that ORIX Advisers can attain these projected results or will be successful in maintaining effective models, and actual results may vary significantly from the projections. In addition, general economic and market conditions, which are not predictable, can have a material adverse impact on the reliability of the projections.

Clients should recognize that past performance is not indicative of future results. Any information provided to a Client concerning the investment team has been offered to demonstrate the investment team's investment strategy and process, that is similar to the investment strategy and process that will be employed going forward (and is expected to have similar investment objectives, investment parameters and risk parameters as the investment team's historical investment mandate). New and different investment guidelines and parameters (e.g., investment restrictions, diversification requirements, requirements for timing of investments) applicable to the investment team's investments on behalf of a Client may result in materially different investments and gross and net returns from those experienced by the investment team historically.

**Exposure to Material Non-Public Information.** Although publicly traded equity securities will not be a significant part of Client investments due to the nature of their respective investment strategies, from time to time, ORIX Advisers could receive material non-public information with respect to an issuer. Additionally, there are no information barriers between ORIX USA Group and ORIX Advisers, the receipt of material non-public information by an affiliate may restrict ORIX Advisers from performing certain actions on behalf of its Clients in certain situations. In such circumstances, Clients would be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. See "Information Barriers and the Restricted List" in Item 10 below for additional information.

**Use of Expert Networks and Data Analytics.** In connection with the evaluation of potential investment opportunities, ORIX Advisers engages expert networks and/or makes use of data analytics, including data provided by third-party vendors. ORIX Advisers seeks to avoid inadvertently obtaining confidential information from such sources and has therefore implemented policies and procedures to mitigate the risk that the use of expert networks or data analytics could result in the receipt of confidential information by ORIX Advisers' investment professionals. However, because ORIX Advisers' business operates on an integrated platform without information barriers, if such controls fail and an investment professional obtains material non-public information, ORIX Advisers and its affiliates could be restricted in acquiring or disposing of investments on behalf of Clients, which could impact the returns generated for Clients.

**Investment Analysis.** When assessing investment opportunities, ORIX Advisers will rely on resources that may provide limited or incomplete information. In particular, ORIX Advisers may rely on publicly

available information and data filed with various government regulators. Although ORIX Advisers expects that it will evaluate information and data as ORIX Advisers deems appropriate and will seek independent corroboration when reasonably available, ORIX Advisers will not evaluate all privately obtained or publicly available information and data and will not be in a position to confirm the completeness, genuineness or accuracy of the information and data that it will evaluate. As a result, there can be no assurance that the due diligence exercise carried out by ORIX Advisers will reveal or highlight all relevant facts or pertinent risks that may be necessary or helpful in evaluating the investment opportunities. Any failure to have identified the relevant facts may result in an inappropriate investment decision, which may have a material adverse effect on the value of any investment made by a Client.

**Litigation & Regulatory Investigations.** ORIX Advisers, its Clients and perhaps certain of their investors may be a party to lawsuits initiated by third parties, including Portfolio Investments, other shareholders or governmental bodies. There can be no assurance that any litigation, once begun, will be resolved in favor of the Client. As a result, a Client may be exposed to the risk of monetary damages and other sanctions or remedies. In addition, ORIX Advisers may be subject from time to time to formal or informal investigations or inquiries by the SEC and other governmental and self-regulatory organizations in connection with its activities. Litigation and regulatory investigations may require significant time of ORIX Advisers' personnel, and the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by Clients and would reduce net assets or could require Client investors to return distributed capital and earnings.

**Reliance on Key Personnel.** Decisions to make certain investments on behalf of a Client pursuant to the discretionary rights and decisions with respect to the management of the investments will be made by ORIX Advisers in its sole discretion, subject to certain rights relating to management of the investments that may be retained by a Client. The success of the investments will depend on the ability and expertise of ORIX Advisers and its investment professionals to identify, consummate, and manage suitable Investments. The loss of the services of one or more of the key persons or such other persons providing advisory services to a Client could have an adverse impact on ORIX Advisers ability to realize the Client's investment objectives. There can be no assurance that any key person or any other investment professional will continue to be associated with ORIX Advisers throughout the term of the Governing Documents or that ORIX Advisers will be able to attract and retain replacements or additional persons when needed.

**Devotion of Time and Attention by Management.** Subject to any key person devotion of time obligations included in a Client's Governing Documents, ORIX Advisers' investment professionals will devote such time and effort in conducting activities on behalf of each Client as ORIX Advisers reasonably determines is appropriate to perform its duties to such Client. It is possible that such time and attention to a particular Client will be insufficient to adequately manage the affairs of such Client, and investment returns for such Client may suffer as a result of this. It is also possible that comparatively more time and attention will be devoted to a different Client depending on business needs of such Client. In addition, ORIX Advisers personnel may have an incentive to spend greater time with certain Clients that pay higher Management Fees and/or Carried Interest and/or with which ORIX Advisers' personnel have a particular relationship. As a result, the investment returns of such Client may suffer as compared to the other Clients which receive more time and attention.

**Competition for Investment Opportunities.** ORIX Advisers operates in a highly competitive market for investment opportunities and will compete for investments with various other investors, such as other public and private funds, commercial and investment banks and commercial finance companies. The lending, investment and securities industries, and the various financial markets in which ORIX Advisers participates are extremely competitive and each involves a degree of risk. ORIX Advisers will compete with firms, including many of the larger lending, securities and investment banking firms, which have substantially greater financial resources and research staffs. Such other firms may have investment objectives that



overlap with those of ORIX Advisers, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to ORIX Advisers and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and to establish more relationships. These competitive pressures could impair ORIX Advisers ability to take advantage of certain attractive investment opportunities on behalf of Clients.

Additionally, the markets in which Clients invest are competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that ORIX Advisers will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other Pooled Vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. Competitive investment activity by other firms and institutions will reduce a Client's opportunity for profit by generally increasing price pressure on desired assets, reducing mis-pricings in the market as well as the margins available on those mis-pricings that can still be identified.

**Cybersecurity Risk.** ORIX Advisers, Clients and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. The computer systems, networks and devices used by ORIX Advisers, Clients and their respective service providers to carry out routine business operations employ a variety of protections designed to mitigate damage or interruption from computer viruses, network failures, computer and telecommunication failure, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices are subject to a variety of different threats or risks that could adversely affect Clients and their investors. ORIX Advisers, Clients and the investors in such Clients could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes, or website access or functionality. Other incidents, such as user errors, power outages and catastrophic events such as fires, floods, hurricanes and earthquakes, may also result in cybersecurity breaches.

Third parties may also attempt to fraudulently induce employees, investors, third-party service providers, or other users of ORIX Advisers' systems to disclose sensitive information to gain access to ORIX Advisers' data or that of the Client and their investors. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to Clients; impediments to trading; the inability of ORIX Advisers and other service providers to transact business; violations of applicable privacy and other laws (including the release of private investor information); regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which Clients invest; counterparties with which Clients engage in transactions; governmental and regulatory authorities; exchange and other financial market operators; and other persons with which Clients, ORIX Advisers or one of their respective service providers does business. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

**Artificial Intelligence Technologies.** Recent technological advances in artificial intelligence and machine learning technologies (collectively, "AI Technologies"), including, for example, the OpenAI ChatGPT application, create opportunities as well as risks for ORIX Advisers, Clients and portfolio companies. While ORIX Advisers is evaluating ways to utilize AI Technologies in connection with its business, operating and investment activities, it expects certain of its portfolio companies will use such technologies. Actual usage of such AI Technologies will vary across the business of ORIX Advisers, and while it expects from time to

time to adopt and adjust usage policies and procedures governing the use of AI Technologies by its personnel, there is a risk of misuse of such AI Technologies.

Further, AI Technologies are highly reliant on the collection and analysis of large amounts of data and complex algorithms but it is not possible or practicable to incorporate all relevant data into models that AI Technologies utilize to operate, nor does ORIX Advisers generally expect to be involved in the collection of such data or development of such algorithms in the ordinary course. Therefore, it is expected that data in such models will contain a degree of inaccuracy and error, and potentially materially so, and that such data as well as algorithms in use could otherwise be inadequate or flawed, which would be likely to degrade the effectiveness of AI Technologies and could adversely impact ORIX Advisers, Clients or Portfolio Investments to the extent they rely on the work product of such AI Technologies. The volume and reliance on data and algorithms also make AI Technologies, and in turn ORIX Advisers, Clients and its portfolio companies, to the extent such AI Technologies are used, more susceptible to cybersecurity threats. In addition, ORIX Advisers, Clients and the Portfolio Investments could be exposed to risks to the extent third-party service providers or any counterparties use AI Technologies in their business activities. ORIX Advisers will not be in a position to control the manner in which third-party products are developed or maintained or the manner in which third-party services utilizing AI Technologies are provided. In addition, AI Technologies may be competitive with the business of certain portfolio companies or increase the potential for obsolescence of a portfolio company's products or services (particularly as the capabilities of AI Technologies improve), and accordingly the increased adoption and use of AI Technologies may have an adverse effect on portfolio companies or their respective businesses. For more information on risks relating to information security and data use see "*Cybersecurity Risks*" above.

Moreover, use of AI Technologies could include the input of confidential information (including material non-public information) in contravention of applicable non-disclosure agreements or policies and procedures, and could result in such confidential information becoming part of a dataset that is accessible by AI Technologies' applications and users. AI Technologies and their current and potential future applications, including in the private investment and financial sectors, as well as the legal and regulatory frameworks within which they operate, continue to rapidly evolve, and it is impossible to predict the full extent of current or future risks related thereto.

**Legal and Regulatory Risk.** Changes in U.S. federal, state and local laws and regulations can occur at any time and include the adoption of new laws and regulations, and the amendment or repeal of existing laws and regulations by governmental regulatory authorities and self-regulatory organizations (including, but not limited to, the SEC, the U.S. Commodity Futures Trading Commission, the Internal Revenue Service, the U.S. Federal Reserve, the Committee on Foreign Investment in the United States and the Financial Industry Regulatory Authority). Changes in laws and regulations may adversely impact the investments held in Client accounts.

**Data Privacy Legislation.** ORIX Advisers is subject to various laws and regulations related to privacy and data protection. Numerous U.S. states, including the State of California, have adopted or are considering state privacy and data protection laws. In the future, other jurisdictions may adopt additional laws and regulations, the scope and terms of which are not currently clear. Several of these laws and regulations contain substantial financial penalties or the potential for substantial liabilities for violations of them even if such violations are unintentional or inadvertent. Thus, ORIX Advisers may incur substantial liabilities if it is determined to have breached a data protection law or regulation. Even though ORIX Advisers will endeavor to comply with such laws and regulations, many of them are new and interpretations of some of their provisions are not yet clear. In addition, a number of the laws and regulations contain subjective elements which could allow a regulator or third party to challenge ORIX Advisers' compliance efforts and determinations even if they were made in good faith.

**Tax Reform Risks.** Tax law is subject to change and various historic and current legislative proposals could affect Clients and investors. Under current law, capital gains in respect of an adviser or general partner's right to Carried Interest will be subject to a three-year "holding period" in order to be classified as "long term capital gains," while the corresponding holding period requirement with respect to capital gains allocated to a Client's investors is one year. This Carried Interest holding period requirement could affect investment decisions, including the timing and structure of dispositions and other realization events, and it could adversely impact returns for investors. For example, the holding period requirement may incentivize the adviser or general partner to cause a Client to hold an investment for longer than three years in order for the adviser or general partner to obtain a preferential tax rate on Carried Interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of "carried interest" in ways that may be adverse to partners in the general partner or employees of the adviser. A general partner and ORIX Advisers may take these potential adverse consequences into account in their management and operation of Clients and in addressing these adverse consequences, the interests of the general partner and ORIX Advisers, on the one hand, may diverge from the interests of the investors, on the other hand.

**Environmental, Social and Governance ("ESG") Matters.** ESG factors are among the many factors ORIX Advisers will consider in making an investment, consistent with and subject to the Governing Documents of the relevant Client and any applicable legal, regulatory, fiduciary or contractual duties. To the extent that ORIX Advisers engages with companies on ESG-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of ORIX Advisers will depend on its skill in properly identifying and analyzing material ESG and other factors and their value, and there can be no assurance that the strategy or techniques employed will be successful.

The consideration of ESG factors may affect a Client's exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact a Client's performance depending on whether certain investments are in or out of favor. Additionally, ORIX Advisers' consideration of ESG factors and application of its ESG policy when evaluating an investment is expected, in certain instances, to cause ORIX Advisers not to make an investment that it would otherwise have made or to make a management decision with respect to an investment differently than it would have made in the absence of such consideration, which carries the risk that a Client could underperform compared to investment vehicles or accounts that do not take ESG factors into consideration, or which are advised by managers not subject to the same ESG policy. In particular, ORIX Advisers has identified, as part of its ESG policy, a limited number of restricted industries in which it generally seeks to avoid investing on behalf of a Client, absent mitigating circumstances. Certain other industries that ORIX Advisers has identified as presenting higher sustainability risks are further subject to careful evaluation prior to investment consideration. Consideration of non-pecuniary factors, such as ESG, as described herein, may cause the Client to achieve lower returns than it would if such factors were not considered.

Integrating ESG factors into the investment due diligence and decision-making process is qualitative and subjective by nature, and ESG factors, issues and considerations are expected to vary among Clients and their respective investments (and will not apply to such Clients or their investments in every instance) based on the particular facts and circumstances and Governing Documents of the respective Client. The act of selecting and evaluating material ESG factors is subjective by nature, and there is no guarantee that the criteria utilized by ORIX Advisers, or any judgment exercised by ORIX Advisers, will reflect the beliefs or values, or internal policies or preferred practices, of any particular Client or investor. In evaluating a company, ORIX Advisers is dependent upon information and data obtained through the company or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause ORIX Advisers to incorrectly assess a company's ESG practices and/or related risks and opportunities. ESG-related practices

differ by region, industry and issue and are evolving accordingly, and a company's ESG-related practices or ORIX Advisers' assessment of such practices may change over time.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and ORIX Advisers' adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. ORIX Advisers' ESG policies could become subject to additional regulation in the future, and ORIX Advisers cannot guarantee that its current approach will meet future regulatory requirements.

**Interpretation of the Governing Documents.** The Governing Documents are detailed agreements that establish complex arrangements among the investors, Clients, general partners, ORIX Advisers and other entities and individuals. Questions will arise, from time to time, under these documents regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the Governing Documents' drafting and execution. In these instances, the operative provisions of the Governing Documents, if any, may permit more than one reasonable interpretation. At times, there will not be a provision directly applicable to the situation. While the relevant Governing Documents will be construed in good faith and in a manner consistent with applicable legal and fiduciary obligations, the interpretations adopted will not necessarily be, and need not be, the interpretations that are the most favorable to the Clients or the investors.

**Non-Discretionary Accounts.** If a Client has retained ORIX Advisers to manage an account on a non-discretionary basis ("Non-Discretionary Client"), there is the potential for the Non-Discretionary Client to be disadvantaged because ORIX Advisers generally must obtain the Non-Discretionary Client's approval prior to effecting investment transactions, including extension, renewal and/or disposition of investments (or portion thereof), on their behalf (unless otherwise agreed to with the Non-Discretionary Client). In some instances, Non-Discretionary Clients will not receive notification of proposed trades or investments from ORIX Advisers and/or will not provide consent to such trades or investments until after ORIX Advisers' discretionary accounts have had their final allocation amount determined and/or finished trading/investing. Therefore, Non-Discretionary Clients will not always benefit from aggregated or "bunched" orders, resulting in a delay in execution of orders, and resulting in their accounts receiving a price that potentially is less favorable than that obtained for discretionary accounts. In addition, in certain instances, a Non-Discretionary Client may be precluded from participating in certain investment opportunities that are available to discretionary Clients if ORIX Advisers is unable to obtain the Non-Discretionary Client's consent in a timely fashion. As a result of these and other factors, the performance of Non-Discretionary Clients' accounts can differ from (and be better or worse than) the performance of discretionary accounts following the same investment strategy.

**Benchmark Rate Risk.** Prior to June 30, 2023, certain bonds and loans held by Clients had floating interest rates based on the London Inter Bank Offered Rate ("LIBOR"). LIBOR is an estimate of the interest rates to borrow U.S. dollars, sterling, euros and certain other currencies in the London unsecured interbank market, and was widely used as a reference for setting the interest rate on loans, bonds and derivatives globally. Consistent with prior announcements by the United Kingdom's Financial Conduct Authority ("FCA"), the representative settings for all Swiss franc, euro, British pound sterling, Japanese yen, and U.S. dollar LIBORs are no longer available as of June 30, 2023, while synthetic 3-month British pound sterling LIBOR and 1-, 3- and 6-month U.S. dollar LIBOR settings are expected to cease at the end of March 2024 and September 2024, respectively.

On March 15, 2022, the United States enacted the Adjustable Interest Rate (LIBOR) Act of 2021 ("LIBOR Act"). The federal LIBOR Act preempts similar state legislation (including that enacted in New York) and

provides one national approach for replacing U.S. dollar LIBOR as a reference interest rate in certain contracts, including those with no fallback provisions or with fallback provisions that identify neither a specific replacement rate nor a “determining person” as defined in the legislation, once U.S. dollar LIBOR is no longer published or is no longer representative. The U.S. Federal Reserve (the “Federal Reserve”) has adopted the final rule that implements the LIBOR Act, which established certain Secured Overnight Financing Rate (“SOFR”)-based benchmark replacements for contracts governed by U.S. law that reference overnight and one-, three-, six- and 12-month tenors of U.S. dollar LIBOR that do not have suitable fallback provisions after June 30, 2023.

As a result of the transition away from LIBOR as a benchmark reference for interest rates, certain bonds and loans held by Clients have floating interest rates based on SOFR or, if otherwise provided in the underlying contracts, other alternative benchmark rates.

**SOFR Risk.** SOFR is a relatively new index rate calculated based on short-term repurchase agreements backed by U.S. Treasury Instruments. While LIBOR is an unsecured rate, SOFR is a secured rate. SOFR, unlike LIBOR, reflects actual market transactions. Accordingly, SOFR is not the economic equivalent of LIBOR. Consequently, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, monetary policy, bank credit risk, market volatility or global or regional economic, financial, political, regulatory, judicial or other events.

Additionally, because SOFR is published by the Federal Reserve Bank of New York (the “New York Fed”) based on data received from other sources, we have no control over its determination, calculation, or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of Clients. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on SOFR-linked floating rate instruments and the trading prices of such instruments. Additionally, daily changes in SOFR have, on occasion, been more volatile than daily changes in other benchmark or market rates. Although occasional, increased daily volatility in SOFR would not necessarily lead to more volatile interest payments, the return on and value of SOFR-linked floating rate instruments may fluctuate more than floating rate instruments that are linked to less volatile rates. All of the foregoing risks may affect the performance of the applicable bonds and loans in which Clients invest, which in turn may adversely affect the performance of Clients.

**Alternative Benchmark Rate Risk.** As stated above, some of the bonds and loans held by the Clients have floating interest rates based on alternative benchmark rates other than SOFR. Such alternative benchmark rates, like SOFR, may not have been widely used by market participants until relatively recently, and they may not perform exactly the same as LIBOR because they are calculated and administered differently. Generally, the use of alternative benchmark rates (including SOFR) may (i) cause the value of the interest rate on such bonds and loans to be uncertain or to be lower or more volatile than it would otherwise be, (ii) result in uncertainty as to the functioning, liquidity or value of such bonds and loans, and/or (iii) involve actions of regulators or rate administrators that may adversely affect certain markets or contracts underlying such bonds and loans. All of the foregoing could adversely affect the return on and value of the related floating rate instruments in which the Clients invest.

**Financially Troubled Companies.** Financially troubled companies are in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, or facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Investments in such financially troubled companies involve significantly greater risk than investments in nontroubled companies, and the repayment of obligations of financially troubled companies is subject to significant uncertainties. 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 companies' obligations 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.

**Difficult Economic Conditions.** Negative economic trends, such as slow downs and recessions, nationally as well as in specific geographic areas of the United States or Canada could result in an increase in loan defaults and delinquencies with many borrowers unable to repay their loans during these adverse economic conditions. Adverse economic conditions may also decrease the value of collateral securing some loans and the value of any related equity investments. Given the nature of Client investments, borrowers under Client loans may be unable to make scheduled payments of interest or principal on their borrowings or obtain refinancing during these periods which could lead to defaults under certain loan arrangements and, potentially, foreclosure on its secured assets. Such failures could also trigger cross-default provisions under other agreements and generally jeopardize the borrower's ability to meet its obligations under the loans held by Clients. Clients may incur expenses in recovering their investments upon borrower default or in negotiating new terms with a defaulting borrower. A decreased ability of borrowers to obtain refinancing (particularly if high levels of required refinancings approach) may result in an economic decline or otherwise increase market volatility and cause a deterioration in loan performance generally and defaults. There is no way to determine whether or when such trends will become or remain stable, improve or worsen in the future.

**Failure of Risk Management Procedures and Methods.** The risk management techniques and strategies used by the investment professionals of ORIX Advisers may not be effective in mitigating each Client's risk exposure in all economic market environments or against all types of risk, including risks that the investment professionals of ORIX Advisers fail to identify or anticipate. Some of the qualitative tools and metrics for managing risk may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the investment professionals of ORIX Advisers did not anticipate or correctly evaluate in their models. In addition, any quantified modeling performed does not take all risks into account and could prove insufficient, exposing the Client to material unanticipated losses. Other risk management methods depend upon evaluation of information that is publicly available or otherwise accessible by ORIX Advisers. This information may not in all cases be accurate, complete, up-to-date or properly evaluated.

**Business and Market Risks.** A Client's Portfolio Investments involves a high degree of business and financial risk that can result in substantial losses. Portfolio Investments may face competition, changing business or economic conditions or other developments that may adversely affect their performance. Certain investments may be in businesses with little or no operating history or may be highly leveraged and therefore may be more sensitive to declines in revenues, increases in expenses and adverse business, political or financial developments or economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such companies or their industries. Business risks may be more significant in smaller Portfolio Investments or those that are embarking on a build-up or operating turnaround strategy. If, for any of these reasons, a Portfolio Investment is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of the Client's investment in such Portfolio Investment could be significantly reduced or even eliminated.

In addition, general fluctuations in the market prices of securities may affect the value of the investments held by the Client. Instability in the securities markets may also increase the risks inherent in the Client's investments. The ability of Portfolio Investments to refinance debt securities may depend on their ability to sell new securities in the public high-yield market or otherwise. The possibility of partial or total loss of capital will exist, and investors should not invest unless they can readily bear the consequences of such loss.

**Investments in Public Companies.** The Client may hold public securities to the extent a Portfolio Investment and/or any of their respective subsidiaries consummates an IPO or is acquired by a SPAC during the Client's holding period or if the Client otherwise received public securities in connection with an exit transaction or similar event involving a Portfolio Investment. Investments in public companies may subject the Client to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include movements in the relevant stock market and trends in the economy, greater volatility in the valuation of such companies, increased obligation to disclose information regarding such companies, limitations on the ability of the Client to dispose of such securities at certain times (including due to the possession by the Client of material non-public information) increased likelihood of shareholder litigation against such companies' board members, which may include personnel of ORIX, regulatory action and increased costs associated with each of the aforementioned risks.

**Investments Longer than Term.** Clients may make investments, which may not be advantageously disposed of prior to the expiration of Client's respective investment vehicle life terms. Although ORIX Advisers expects that the investments will be disposed of prior to the expiration of the applicable term, Clients may take a reasonable period of time from the expiration of the term to wind up their affairs and dispose of assets, in accordance with the terms of Client's Governing Documents. In light of the foregoing, prospective investors should note that Clients may have to sell, distribute or otherwise dispose of Client investments at a disadvantageous time.

**Deterioration of the Credit Market.** A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders) could impair, potentially materially, the Client's ability to consummate or profit from existing or future Portfolio Investments. More specifically, the ability of any Portfolio Investment to finance or refinance its debt securities could depend on its ability to sell new securities in the high-yield debt or bank financing markets. Adverse changes in economic or financial market conditions like those that occurred in past years, such as the failure of certain U.S. financial services companies and a significant rise in market perception of counterparty default risk, could lead to the deterioration of the global credit markets (particularly the U.S. credit markets) and would make it difficult for sponsors to obtain favorable financing for investments. The recurrence of such marketplace events would significantly reduce investor demand and liquidity for investment grade, high-yield and senior bank debt, which in turn would lead some investment banks and other lenders to be unwilling or significantly less willing to finance new investments, or to only offer committed financing for investments on relatively unfavorable terms. In addition, to the extent such marketplace events recur, they would have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies.

**Uncertain Exit Strategies.** Due to the illiquid nature of certain positions which Clients are expected to acquire, as well as the uncertainties of the reorganization and active management process, ORIX Advisers is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

**Debt Instruments Generally.** Certain Signal Peak Clients invest in private debt securities and instruments. Generally, Signal Peak invests Clients in rated debt instruments however at times Signal Peak Clients could invest in unrated debt, and whether or not rated, the debt instruments may have speculative characteristics. Generally, such securities offer a higher return potential than higher-rated securities but involve greater volatility of price and greater risk of loss of income and principal. The issuers of such instruments might face significant ongoing uncertainties and exposure to adverse conditions that could undermine the issuer's ability to make timely payment of interest and principal. These risks could be exacerbated to the extent that

the portfolio is concentrated in one or more types of collateral obligations. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, any economic downturn could disrupt the market and adversely affect the ability of the issuers of such instruments to repay principal and pay interest thereon and increase the incidence of default for such instruments.

**Loans to Private Companies.** Loans to private companies involve a number of particular risks that may not exist in the case of large, more established and/or publicly-traded companies, including without limitation:

- (i) these companies may have limited financial resources and may be unable to meet their obligations under the debt securities that a Signal Peak Client holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of such Signal Peak Client realizing on any guarantees obtained in connection with its investment;
- (ii) these companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- (iii) often limited public information exists about many of these companies, and the Signal Peak Client is required to rely on the ability of the Signal Peak investment professionals obtaining adequate information to evaluate the potential returns from investing in these companies, and if Signal Peak is unable to uncover all material information about these companies, it may not make a fully informed investment decision, and as a result, the Signal Peak Client may lose money on such investments;
- (iv) these companies are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of these persons could have a negative impact on these companies' ability to meet their obligations;
- (v) these companies generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and (vi) these companies may have difficulty accessing the capital markets or obtaining financing to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity, which may increase the risk of their defaulting on their obligations, leaving creditors dependent on any guarantees or collateral they may have obtained.

Loans to such companies 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 such loans and adversely affect the value of outstanding loans and the ability of the debtors thereof to repay principal and interest. Moreover, the default history for such loans can be limited, actual defaults could be greater than indicated by historical data and the timing of defaults could vary significantly from historical observations. The impact of these risks on loans made by a Signal Peak Client will be more pronounced when the loans are not secured by the private company's assets or substantially all of its assets.

**Investing in Loans Involves Particular Risks.** The risks of loans include (among others): (i) limited liquidity and secondary market support; (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service; (iii) the declining creditworthiness and potential for insolvency of the borrower of the loan during period of economic downturn; (iv) the obligor can be a small or mid-size company representing only local or regional interests; (v) the possibility of a reduction in the spread over the



applicable floating rate index if the borrower reduces its leverage; (vi) prepayment (reinvestment risk); and (vii) if subordinated, subordination to the prior claims of other loans or senior lenders. Loans are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for loans and adversely affect the value of outstanding loans and the ability of the borrowers to repay principal and interest. The default history for loans is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations. Investments in loans are also subject to interest rate risk and reinvestment risk. Prepayments of loans in a Signal Peak Client's portfolio are likely to be made during any periods of declining interest rates. Prepayments would generally force the Signal Peak Client to replace such loans with lower-yielding investments. Furthermore, loans typically provide that the applicable interest rate may be computed by reference to any of several base indices, at the option of the obligor. The interest rates of the secured notes generally are calculated by reference to three-month SOFR as an index.

In addition to credit risk, corporate loans rated below investment-grade generally have greater liquidity, market value, interest rate, reinvestment and certain other risks than securities of higher-rated corporate issuers. These risks could be exacerbated to the extent that any one portfolio is concentrated in one or more types of loans. Prices of the loans may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any industry and the financial condition of the obligors of the loans. The current uncertainty affecting the U.S. economy and the economies of other countries in which issuers of collateral obligations are domiciled or operate and the possibility of increased volatility in financial markets could adversely affect the value and performance of the collateral obligations. Additionally, loans have significant liquidity and market value risks since they are not generally traded in organized exchange markets but are 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. In addition, historically the trading volume in the loan market has been small relative to the debt securities market. Future periods of uncertainty in the U.S. economy and the possibility of increased volatility and default rates in the non-investment grade sector may further adversely affect the price and liquidity of non-investment grade loans in this market.

Obligor of below investment-grade loans may be highly leveraged and may not have available to them more traditional methods of financing. During an economic downturn, a sustained period of rising interest rates, or a period of fluctuating exchange rates (in respect of those obligors located in non-U.S. countries), such obligors may be more likely to experience financial stress and may be unable to meet their debt obligations due to the obligors' inability to meet specific projected business forecasts or the unavailability of financing. Leveraged loans have historically experienced greater default rates than has been the case for investment grade securities.

A non-investment grade loan or other debt obligation or an interest in a non-investment grade loan or other debt obligation is generally considered speculative in nature and may become a defaulted obligation for a variety of reasons. A defaulted obligation may become subject to either substantial workout negotiations or restructuring, which may entail, 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 obligation. Such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted obligation. In addition, because of provisions on confidentiality of information, the unique and customized nature of a loan and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and historically the trading volume in the loan market has been small relative

to the market for corporate bonds. The unique nature of loan documentation also creates a complexity in negotiating any secondary market purchase or sale which does not exist, for example, in the corporate bond market. It is highly unlikely the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. In addition, the issuer may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan.

**Fraud.** Of paramount concern in certain types of investments (e.g., loan investments) is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness could adversely affect the valuation of the collateral underlying the loans or adversely affect the ability of the Signal Peak Client to perfect or effectuate a lien on the collateral securing the loan. In certain instances, ORIX Advisers and/or the Signal Peak Clients will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Signal Peak Clients might be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Fraudulent Conveyances and Voidable Preferences by Issuers.** Under US legal principles, in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of securities (including a bankruptcy trustee), if a court were to find that the issuer did not receive fair consideration or “reasonably equivalent value” for incurring the obligation or for granting security, and that after giving effect to such obligation or such security, the issuer (a) was insolvent, (b) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate and avoid, in whole or in part, the obligation underlying an investment of Clients as a constructive fraudulent conveyance. The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts was then greater than all of its property at a fair valuation, or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply to determine whether the issuer was “insolvent” after giving effect to the incurrence of the obligation in which the Client invested or that, regardless of the method of valuation, a court would not determine that the issuer was “insolvent” upon giving effect to such incurrence.

In addition, it is possible a court may invalidate, in whole or in part, the indebtedness underlying an investment of a Client as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the obligor or recover amounts previously paid by the obligor in satisfaction of such indebtedness. Moreover, in the event of the insolvency of a Portfolio Investment, payments made on its indebtedness could be subject to avoidance as a “preference” if made within a certain period (which may be as long as one year) before the Portfolio Investment becomes a debtor in a bankruptcy case. Even if Clients do not engage in conduct that would form the basis for a successful cause of action based upon fraudulent conveyance or preference law, there can be no assurance as to whether any lending institution or other party from which the Clients may acquire such security, or any prior holder of such security, has not engaged in any such conduct (or any other conduct that would subject the obligations under the security to disallowance or subordination under insolvency laws) and, if it did engage in such conduct, as to whether such creditor claims could be asserted in a US court (or in the courts of any other country) against a Client so that such Client’s claim against the issuer would be disallowed or subordinated.

**Non-Performing Debt.** Certain debt instruments can become non-performing and possibly be in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to these instruments.

**Limited Diversification.** In certain instances, ORIX Advisers, on behalf of Signal Peak Clients, may make investments that are limited in number and type of financial instruments or assets. Such concentration of risk can increase the losses suffered by the Signal Peak Clients or reduce their ability to hedge their exposure and to dispose of depreciating assets. Limited diversity could expose the Signal Peak Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments or assets. Signal Peak Clients that are concentrated in a limited number of investments or type of financial instruments or assets will see a greater impact from adverse movements in the value of their portfolios compared to Signal Peak Clients whose investments are not concentrated.

**Structured Credit Investments.** Structured credit instruments, including collateralized debt obligations, collateralized loan obligations, collateralized bond obligations, principal only and interest only strips and other similar securities may be fixed pools or may be “market value” or managed pools of collateral, including commercial loans, high yield debt, structured securities and derivative instruments relating to debt. The pools are typically separated into tranches representing different degrees of credit quality, with lower rated tranches being subordinate to senior tranches. The senior tranches, which represent the highest credit quality in the pool, have the greatest collateralization and pay the lowest spreads over treasuries. Lower rated tranches represent lower degrees of credit quality and pay higher spreads over a reference rate to compensate for the attendant risks. Structured securities are extremely complex and are subject to risks related to, among other things, changes in interest rates, the rate of defaults in the collateral pool, the exercise of redemption rights by more senior tranches and the possibility that a liquid market will not exist in when the Signal Peak Clients seek to sell their interest in a structured security.

**Exit Financing.** Certain Portfolio Investments could be in the process of exiting, or have recently exited, the bankruptcy process. Post-reorganization securities typically entail a higher degree of risk than investments in securities that have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If ORIX Advisers’ evaluation of the anticipated outcome of an investment situation should prove incorrect, the Signal Peak Client could experience a loss.

**Leverage Risk.** Some Client investments involve significant leverage through various types of financings. While leverage presents opportunities for increasing total return, it will have the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by a Client will be magnified to the extent it is leveraged. The cumulative effect of the Client’s use of leverage in a market that moves adversely to the Client’s investments can result in a substantial loss, which would be greater than if the Client’s investments were not leveraged. Leverage will increase the Client’s exposure to adverse economic factors such as significantly rising interest rates, severe economic downturns or deterioration in the condition of the Client’s investments or their corresponding markets. In addition, recourse debt, which the Client may reserve the right to obtain, may subject other assets of the Client and its investor’s investments to risk of loss.

**Maturity Repayment Risk.** Generally, the loans owned by 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 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 on payment at maturity, which could result in losses to Clients.

**Interest Rate Mismatch.** CLOs may be subject to interest rate risk. Some of the CLO Collateral of an issuer of a CLO may bear a floating rate with a floor (i.e. a fixed rate until the floor is breached), while the CLO liability typically bears interest at a floating rate with no floor or vice versa. As a result, there could be a floating/fixed rate mismatch between such various tranches of the CLO and the CLO Collateral. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability of a CLO to make payments on such a CLO tranche.

**Distressed and High-Yield Securities.** Certain Signal Peak Clients will invest in securities issued by, or other indebtedness of, companies in weak and/or deteriorating financial condition, experiencing poor operating results, needing substantial capital investment, having negative net worth, facing special competitive or product obsolescence problems or involved in bankruptcy or reorganization proceedings. Investments of this type are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace, and involve substantial financial and business risks, which are often heightened by an inability to obtain reliable information about the issuers. The investments can result in significant or even total losses. In addition, the markets for distressed and high-yield securities are frequently illiquid. The market prices of distressed and high-yield assets are subject to abrupt and erratic market movements and above-average price volatility, and the spreads between the bid and asked prices of such assets may be greater than those prevailing in other markets. It may take a number of years before the market price of the assets reflects their perceived intrinsic value, if they ever do. Distressed assets also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments and lender liability, as well as bankruptcy and other judicial courts' power to disallow, reduce, subordinate or disenfranchise particular claims.

**Undervalued Assets.** The identification of investment opportunities in undervalued debt investments and other assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial or complete losses. Signal Peak Clients could incur substantial losses related to assets purchased on the belief that they were undervalued by their sellers, if they were not in fact undervalued at the time of purchase. In addition, Signal Peak Clients could be required to hold such assets for a substantial period of time before realizing their anticipated value and there is no assurance that the value of the assets would not decline further during such time. Moreover, during this period, a portion of the Signal Peak Client assets would be committed to those assets purchased, thus preventing the Signal Peak Client from investing in other opportunities. In addition, the Signal Peak Clients could finance such purchases with borrowed funds and thus will have to pay interest on such borrowed amounts during the holding period.

**Non-U.S. Investments.** Certain loans held by Signal Peak Clients may consist of obligations of, or securities issued by, obligors located and/or operating in non-U.S. jurisdictions, including certain tax advantaged jurisdictions. Investing outside the United States may involve greater risks than investing in the United States. These risks include, but are not limited to: (i) less publicly available information; (ii) varying levels of government regulation and supervision; (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws; (iv) different accounting, auditing and financial reporting standards, practices and requirements compared to those applicable to US companies; (v) fluctuations in currency exchange rates; (vi) the risk of nationalization or expropriation of assets or confiscatory taxation; (vii) social, economic and political uncertainty, including war and revolution; (viii) dependence on exports and the corresponding importance of international trade; (ix) greater price fluctuations and market volatility; (x) less liquidity and smaller capitalization of securities

markets; (xi) higher rates of inflation; (xii) controls on, and changes in controls on, non-U.S. investment and limitations on repatriation of invested capital and on the Client's ability to exchange local currencies for U.S. dollars; (xiii) less extensive regulation of the securities markets; (xiv) longer settlement periods for securities transactions; and (xv) less developed corporate laws regarding fiduciary duties and the protection of investors. Non-U.S. markets may be smaller, less liquid, and subject to greater influence by adverse events generally affecting the market. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties.

**Credit Ratings.** The ratings that are assigned by various credit rating agencies to loans or other debt instruments, if any, reflect only the views of those agencies. Explanations of the significance of ratings should be obtained from such credit rating agencies. No assurance can be given that ratings assigned will not be withdrawn or revised downward if, in the view of such credit rating agency, circumstances so warrant. Ratings may be wrong or ratings agencies may not adjust their ratings in real time.

**Valuation Risk.** The sale price a Signal Peak Client could receive for any particular Portfolio Investment may differ from the value at which the investment is carried by such Signal Peak Client (whether determined by ORIX Advisers or the Signal Peak Client's owner, custodian, administrator or other service provider), particularly for investments that trade in thin or volatile markets or that are marked based upon valuations provided by third-party pricing services that use matrix or evaluated pricing systems, or that are valued using a fair value methodology. Moreover, Signal Peak has a conflict of interest when making a fair value judgement as its management fee and/or performance-based compensation is often based on such valuations.

**Risk Retention Rules.** Under certain risk retention rules involving the issuance of Collateralized Loan Obligations, an entity acting as a "sponsor" or "originator" will be required to retain a portion of the credit risk of the assets it securitizes. For certain Signal Peak Clients, ORIX Advisers could be deemed to be engaging in the types of investments and activities that would subject it to the requirements of certain risk retention rules. Additionally, the potential impact of risk retention rules on the securitization market is unclear and such rules may negatively impact the value of CLOs, CDOs, securitizations and the underlying assets. Failure to comply with applicable risk retention rules may result in significant negative reputational consequences and may adversely affect the ability of ORIX Advisers to perform its obligations under the relevant Governing Documents, which may, in turn affect the market value and liquidity of the securities issued by the Securitized Vehicles.

**Lender Liability and Equitable Subordination.** A number of judicial decisions in the United States have upheld the right of borrowers to pursue lending institutions and others on the basis of various evolving legal theories (collectively termed "lender liability"), which may, among other remedies, result in equitable subordination as described in more detail below. Generally, lender liability is founded upon the premise that a lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower that creates a fiduciary duty owed to the borrower or its other creditors or shareholders. Under common law principles in the United States that in some cases form the basis for lender-liability claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court can elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). ORIX Advisers and the seller, however, do not intend to engage in conduct that would form the basis for a successful cause of action for lender liability, including the equitable subordination doctrine. However, because of the nature of the debt obligations, the seller could be subject to claims from creditors of a borrower that debt



obligations of such borrower with respect to the loan should be equitably subordinated or that the Lender should have lender liability. In such a case, the value of the Client's investment with respect to the loan could be materially adversely affected.

The preceding discussion regarding lender liability is based upon principles of U.S. federal and state laws. With respect to investments in a non-U.S. issuer, laws of certain non-U.S. jurisdictions can also impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that might be analogous to those described above under U.S. federal and state laws.

**Investments by ORIX USA.** ORIX Advisers has been, and will continue to make, investments for ORIX USA as well as for unaffiliated clients. ORIX USA has certain internal investment restrictions relating to the diversification of its investment portfolio. ORIX USA does not currently have a fixed capacity for investments in certain strategies pursued by ORIX Advisers, but additional investments are subject to approval by ORIX USA's investment committee. ORIX USA's capacity for certain strategies will change over time as its current investments are realized or otherwise disposed of or if allocation changes. There is no assurance that ORIX USA will have the capacity to make certain investments at any time. To the extent that a Client requires participation in loans by both the Client and ORIX USA or Other Clients, such capacity constraints of ORIX USA may limit the pace of deployment of capital for a Client. Specifically, this risk will be particularly significant when ORIX USA is a significant investor or the only other investor in a strategy. In general, when ORIX USA is a significant or the only investor in a strategy, limits on investments by ORIX USA or decisions by ORIX USA not to participate in investments may significantly constrain ORIX Advisers' ability to make investments on behalf of its Clients, particularly in opportunities involving larger loans. These restrictions could prevent the Client from participating in attractive investment opportunities in which it would have otherwise participated without such restrictions.

#### **Item 9. Disciplinary Information**

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Item 9 is not applicable to ORIX Advisers.

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

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The information provided below is a high-level summary of certain potential conflicts of interest that may arise from the investment activities of ORIX Advisers, its Clients and affiliates, but is not intended to be an exhaustive list of all such conflicts. ORIX Advisers, in managing its Clients and future clients may face other conflicts of interest in the future that cannot be foreseen or mitigated at this time

##### **Affiliated Service Providers**

ORIX Advisers uses the services of ORIX USA Group for certain investment and non-investment related services, including but not limited to, underwriting, credit, risk, legal and compliance and related support services, lending services, general services, human resources, portfolio transaction services, finance and accounting, audit, administrative services, back office services and information and technology support services, without specific consent by the Client, except to the extent explicitly restricted by a Client in or pursuant to its Governing Documents, or consistent with applicable law. Certain services agreements between ORIX Advisers, an ORIX USA Group entity, and certain affiliates, including NXT Capital Group, LLC, and Lument Real Estate Capital, LLC document such arrangements.

NXT Capital Investment Advisers, LLC, and Lument Investment Management, LLC, affiliates of ORIX Advisers and SEC-registered investment advisers, provide sub-advisory services to certain Other Clients of ORIX Advisers. ORIX Advisers remains fully responsible for its Clients and Other Clients from a legal

and contractual perspective. Subject to a Client's Governing Documents and other than reimbursement for certain expenses, no additional fees will be charged to a Client for the affiliates' services. When engaging an affiliate, ORIX Advisers, because of its financial or other business interest, has an incentive to recommend its affiliate even if another person is more qualified to provide the applicable services. Arrangements such as these can create potential conflicts of interest in that ORIX Advisers could be viewed as placing its interests and the interests of its affiliates ahead of Clients' interests.

### **Affiliated Broker-Dealers**

Lument Securities, LLC ("Lument Securities") is an affiliated broker-dealer registered with the SEC and is a member of FINRA. Lument Securities currently does not, but may in the future, execute securities transactions on behalf of Clients. Lument Securities may in the future provide placement agent services for certain Funds or Clients managed by ORIX Advisers.

### **Conflicts as to ORIX Corporation, ORIX USA Group and Affiliates**

ORIX Advisers is indirectly wholly-owned by ORIX USA. ORIX USA is a diversified financial services company and wholly-owned subsidiary of ORIX Corporation. The relationship of ORIX Advisers as an indirect wholly-owned subsidiary of ORIX USA and ORIX Corporation creates several potential conflicts of interest as described below.

ORIX Corporation and ORIX USA Group, separately from ORIX Advisers, and also through ORIX Advisers and its other affiliated investment advisers, invests and trades in securities, real estate, loans or other financial interests and makes other investments for its own proprietary accounts, utilizing strategies and types of securities that, from time to time, compete or will be in conflict with ORIX Advisers' activities on behalf of its Clients. ORIX Advisers and its personnel could be incentivized by virtue of their relationship with ORIX Corporation and/or ORIX USA Group, to compete less vigorously with ORIX Corporation and/or ORIX USA Group for investment opportunities, or otherwise conduct their activities (e.g., with respect to the timing of its transactions) in a manner that disadvantages ORIX Advisers' Clients. ORIX Advisers and its other affiliated investment advisers may also give advice and take action in the performance of their respective duties to one client, which may differ from the timing and nature of actions taken with respect to another client(s), including ORIX Advisers' SMAs with ORIX USA Group. Such actions could at times be adverse to ORIX Advisers' Clients, and ORIX Advisers has an incentive to favor the interests of its affiliates in such circumstances. Furthermore, ORIX Advisers SMAs with ORIX USA Group are non-discretionary accounts where ORIX USA's investment committee has investment discretion, creating a greater likelihood that the actions taken on such client accounts may differ from the timing and nature of actions taken on behalf of other Clients, in particular those where ORIX Advisers has discretionary investment authority. Certain proprietary accounts of ORIX USA Group are also not clients of ORIX Advisers or its other affiliated investment advisers and investment decisions on behalf of those proprietary accounts are also made by ORIX USA's investment committee. In addition, the portfolio strategies that ORIX Advisers and/or its affiliates, including ORIX USA Group, use could conflict with the transactions and strategies ORIX Advisers employs in managing its Clients, and may affect the prices and availability of the securities and other financial instruments in which ORIX Advisers invests on behalf of Clients.

ORIX Corporation and/or ORIX USA Group does, and will likely in the future, invest in the same securities as Clients, sometimes at the same time and as part of the same transaction and other times before or after Clients invests. At times, decisions with respect to ORIX Corporation and/or ORIX USA Group proprietary accounts will be made by ORIX Corporation and/or ORIX USA Group in a manner that differs from decisions made by ORIX Advisers for Clients (or decisions made by Clients or Other Clients in the case of non-discretionary accounts). These decisions could result in Clients' accounts having a different outcome than proprietary accounts and such outcome could be that the Clients' account's value is adversely impacted

in comparison to the proprietary account's value. However, decisions for Clients and decisions for the ORIX Corporation and/or ORIX USA Group proprietary accounts are made by different investment committees. Nonetheless, there may be an overlap in the composition of membership between the ORIX USA investment committee and the investment committees of ORIX Advisers and certain members of the ORIX USA investment committee will also be observers of the investment committees of ORIX Advisers and vice versa. ORIX USA Group has no obligation to sell or transfer assets to Clients or if sold to one Client or more Clients has no obligation to sell to all Clients. Such determinations above for ORIX USA Group proprietary accounts will be made in their sole discretion based solely on the interests of such entities, and Client interests will not be taken into account, even if such action or inaction would be detrimental for Clients.

In addition, a Client is expected to make an investment in, or a loan to, a company in which one or more of ORIX Corporation, ORIX USA Group, ORIX Persons, ORIX Advisers and its other affiliates, Clients, Other Clients, or other clients managed by affiliated investment advisers (collectively, "Investing Parties" and each an "Investing Party") is expected to invest, or already has invested, or may in the future invest in a different part of the capital structure, which could mean that one Investing Party's interest in that company will have different rights, preferences and privileges than the interests held by a Client. There could be instances where such a company becomes insolvent or bankrupt and where an Investing Party's interests in such company conflicts with the interests of other Investing Parties if they were invested in different parts of the capital structure. In such cases, ORIX Advisers and its affiliates could face decisions where the interests of other Investing Parties and Clients are in conflict. It is possible that a Client's interest will be subordinated or otherwise adversely affected by virtue of other Investing Parties' involvement and actions or inactions relating to such investment, in a bankruptcy proceeding or otherwise. In addition, a Client can be expected to hold an interest in the more senior portion of an issuer's capital structure while another Investing Party holds a more junior security of that issuer. In such instances, ORIX Advisers would experience a conflict of interest in making determinations regarding the senior securities held by a Client, as decisions on behalf of such Client to enforce remedies or take other actions against the borrowers under such senior securities or the related collateral could adversely impact the value of the more junior securities held by another Investing Party. In such situations, ORIX Advisers may be incentivized to decline to enforce such remedies or take such actions on behalf of the senior securities held by the Client in order to protect the value of the junior securities held by the other Investing Party, which could adversely affect the returns to such Client. See "*Capital Structure Conflict*" below for additional information regarding the conflicts discussed above.

ORIX USA Group is currently, and is expected to remain, an investor in certain Clients. ORIX Persons are also expected to invest in certain Clients. ORIX Advisers typically allows ORIX USA Group and ORIX Persons to invest with lower fees or no fees (e.g., management, incentive and/or carried interest) and may feel obligated to permit ORIX USA Group or ORIX Persons to invest on terms (for example, preferential investment, withdrawal and distribution rights, favorable trade allocations and pricing, and greater and earlier information transparency) that are better than those available to other unaffiliated investors. In addition, ORIX USA Group's investment (and the investment of any ORIX Persons) in certain Clients creates an incentive for ORIX Advisers to allocate investment opportunities to Clients in which ORIX USA Group (or such ORIX Persons) invests or to ORIX USA Group (or ORIX Persons) itself, instead of other Clients in which ORIX USA Group (or such ORIX Persons) may have a lesser, or no, investment.

In addition to responsibilities with respect to the management and investment activities of its Clients, ORIX Advisers, its affiliates and their personnel could have similar responsibilities with respect to accounts other than ORIX Advisers' Clients and could have other business commitments from time to time. Such accounts could have investment programs and/or objectives that overlap with or otherwise compete with that of its Clients. In addition, subject to the terms of the Governing Documents, ORIX Advisers, its affiliates and ORIX Persons can engage in or possess an interest in other business ventures of every nature and description



for their own account, independently or with others, whether or not such other enterprises are in competition with any activities of Clients or could otherwise be adverse to one or more Client. Neither a Client nor an investor in such Client will have any right by virtue of the Governing Documents or otherwise to invest in such independent ventures or to any income or profits derived there from. Conflicts could arise as a result of such other activities. ORIX Persons may engage in transactions that would be suitable for a Client.

ORIX Advisers and its affiliates can provide services to or serve as officers (whether supervisory or managing), directors, principals, employees, partners, managers, members, agents, nominees or signatories of, entities that operate in the same or a related line of business as a Client or clients managed by ORIX Advisers' affiliates. In serving in these multiple capacities, they could have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of the Clients. A Client could compete with these and other entities managed by ORIX Advisers and its affiliates for capital and investment opportunities. Although the personnel of ORIX Advisers will devote as much time to a Client as ORIX Advisers deems appropriate to perform its duties in accordance with the applicable Governing Documents and reasonable commercial standards, the personnel could have conflicts in allocating their time and services among the Client, Other Clients, and other investment accounts managed by ORIX USA Group.

Conflicts of interest may also arise as a result of certain ORIX Persons having roles both with respect to ORIX Advisers and a Client and with respect to other ORIX Corporation, ORIX USA Group entities or other affiliated investment advisers. The personnel's various roles will limit the amount of time and input such personnel are able to spend with respect to the Clients and ORIX Advisers. As a result of these personnel's responsibilities with respect to ORIX USA Group and ORIX Corporation, such personnel could act in the interests of the larger ORIX Corporation and ORIX USA enterprises even when such interests conflict with the interests of the Client or other Investing Party. These dual role situations exist across the business and there could be more such roles in the future. See "Conflicts Resolution Process" for further information regarding the conflicts resolution process utilized by ORIX Advisers.

ORIX Advisers will consider, and reject an investment opportunity on behalf of one Client, and ORIX Advisers may subsequently determine to have another Client or an Investing Party make an investment in the same opportunity. A conflict of interest arises because such Client or Investing Party will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by ORIX Advisers on behalf of the original Client considering the investment. In such circumstances, the benefitting Investing Party will not be required to reimburse the Client for expenses incurred in connection with researching such investment.

### **Information Barriers and the Restricted List**

ORIX Advisers and ORIX USA Group currently operate without information barriers across the business that other firms often implement to separate persons who make investment decisions from others who could possess confidential and/or material non-public information that could influence such decisions. In an effort to manage possible risks arising from ORIX Advisers' decision not to implement any barriers, ORIX Advisers maintains a Code of Ethics, as described in Item 11, and provides training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under ORIX Advisers' policies and procedures. In addition, ORIX Advisers' Compliance maintains a list of publicly traded restricted issuers as to which ORIX Advisers and its affiliates could have access to material non-public information and in whose securities Clients are not permitted to trade without prior approval from Compliance. In the event that any employee of ORIX USA Group, including ORIX Advisers, obtains material non-public information, ORIX Advisers could be restricted in acquiring or disposing of investments on behalf of Clients, which could impact the returns generated for Clients. Similarly, if one ORIX USA Group entity acquires confidential or material non-public information or enters into confidentiality agreements or non-disclosure agreements with standstill provisions, all other ORIX USA Group entities, including ORIX

Advisers, could be restricted in acquiring or disposing of investments on behalf of their clients, including Clients. ORIX Advisers could encounter conflicting duties to the various Clients, Other Clients, ORIX Persons and ORIX USA Group entities, or have an incentive to avoid taking actions that would impede the operation of the foregoing, and those companies and Clients may be restricted in their ability to participate in transactions involving the applicable issuer (including the sale of existing investments in the applicable issuer or declining to receive non-public information or pursue an investment opportunity that would prevent another of such companies from trading securities of an issuer). The inability to sell securities of such issuers could materially adversely affect the investment results of a Client, including, but not limited to, a material loss with respect to an individual investment or differing results than those obtained by an Other Client, ORIX Person or ORIX USA Group with respect to the same investment. Furthermore, to the extent not restricted by confidentiality requirements or applicable law, ORIX USA Group may apply experience and information gained in providing services to certain Portfolio Investments and/or investments to provide services to competing companies and/or investments of ORIX USA Group, ORIX Persons or Other Clients, which may have adverse consequences for a Portfolio Investment or a Client. Notwithstanding the maintenance of a restricted list and other internal controls, it is possible that the internal controls relating to the management of material non-public information could fail and result in ORIX Advisers, or one of its investment professionals, buying or selling a security while ORIX USA Group or its employee is in possession of material non-public information. Inadvertent trading while ORIX USA Group or its employee is in possession of material non-public information could have adverse effects on the reputation of ORIX Advisers, resulting in the imposition of regulatory or financial sanctions, and negatively impacting ORIX Advisers' ability to perform investment management services on behalf of Clients. In addition, while ORIX Advisers and ORIX USA Group currently operates without information barriers, ORIX USA Group and ORIX Advisers could be required by certain regulations, or decide that it is advisable, to establish information barriers. In such event, ORIX USA Group's ability to operate as an integrated platform could change, which would limit access to certain ORIX Advisers' personnel and impair their ability to manage Clients' investments in the manner in which they currently manage investments.

#### **Board/Creditor Committee Representation**

Employees of ORIX Advisers or its affiliates can serve as members of the board of directors or the bondholder's creditors' committee of a company the securities of which might be held in Client accounts. This typically occurs when the subject issuer files for bankruptcy or enters reorganization proceedings. Generally, employee membership on the board of a publicly traded company requires pre-clearance from Compliance and could be permitted by ORIX Advisers' Chief Compliance Officer when it is deemed to be in the best interest of ORIX Advisers and/or its Clients or does not otherwise present an unreasonable risk or conflict of interest.

#### ***ORIX Advisers might not be permitted to disclose certain information***

As a member of a board of directors or the bondholder's creditors' committee, employees of ORIX Advisers or its affiliates could acquire material non-public information about corporations or other entities or their securities. ORIX Advisers and its affiliates are not obligated, and may not be permitted, to disclose any of that information to or for the benefit of Clients, or otherwise act on that information in providing services to Clients. This could cause a conflict of interest between ORIX Advisers' (or its affiliates') legal and/or contractual duty not to disclose material non-public information and its duty to act in the best interest of its Clients. In addition, see "*Information Barriers and the Restricted List*" above for additional information regarding the impact of receipt of material non-public information.

ORIX Advisers seeks to limit these types of memberships and service arrangements and gives careful consideration to the pros and cons (as to ORIX Advisers) associated with personnel serving as a member of the board of directors or a bondholder's creditors' committee.

## Allocation of Investment Opportunities

Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases and other judgements that are part of the process. For example, in allocating an investment opportunity among Clients with differing fee, expense and compensation structures, ORIX Advisers has an incentive to allocate investment opportunities to Clients from which ORIX Advisers or its related persons derive, directly or indirectly, higher fees, compensation or other direct or indirect benefits. While ORIX Advisers determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, in its sole discretion, there can be no assurance that a Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which ORIX Advisers is subject, did not exist. In addressing such conflicts, ORIX Advisers has developed an Allocation Policy that provides a general framework for how investment opportunities are allocated, supplemented by each Investment Team's specific allocation policies. A summary of the general policy and practices with respect to the allocation of investment opportunities is described herein and in the relevant Governing Documents.

As discussed in "Conflicts as to ORIX Corporation, ORIX USA Group and Affiliates" in Item 10, ORIX USA Group invests and trades in securities or other financial instruments (including but not limited to loans) and makes other investments for its own proprietary accounts utilizing strategies and types of securities that, from time to time, compete with, or can be in conflict with ORIX Advisers' activities on behalf of its Clients. ORIX USA is a wholly-owned subsidiary of ORIX Corporation, which itself employs investment teams globally, whether directly or through subsidiary entities. Furthermore, registered investment advisory entities that are part of ORIX USA Group manage clients in different investment strategies, including but not limited to, private equity, leveraged finance, middle market credit, debt strategies and real estate. Certain Clients have investment programs and/or objectives that overlap with or otherwise compete with those of other clients.

Subject to the terms of a Client's Governing Documents and Signal Peak's specific allocation policies, a Client will have no right to participate in any investment opportunities sourced by ORIX USA Group, ORIX Corporation or any of its affiliates. In addition, Clients will generally not have the right to participate in investment opportunities sourced by ORIX Advisers' investment teams, other than Signal Peak, provided, however, notwithstanding anything to the contrary, a Client may have a mandate that includes allocations to multiple investment team strategies within ORIX Advisers and/or within the other registered investment adviser entities within ORIX USA Group, and in each such case will be considered a client of each such investment team (regardless of which registered investment adviser contracted with such client) solely for the purposes of determining the allocation of each such investment team's investment opportunities. Generally speaking, to the extent ORIX Advisers determines that an investment opportunity, in whole or in part, is not suitable for a Client or ORIX USA Group proprietary accounts managed by ORIX Advisers, ORIX Advisers may offer, but is not obligated to offer, the investment opportunity to another ORIX USA Group investment team to consider whether such investment opportunity is suitable for its respective clients or ORIX USA Group proprietary accounts. Accordingly, unless provided to the contrary in the Client's Governing Documents, investment opportunities should be first allocated to Clients or other accounts whose assets are managed by the responsible investment team that sourced the investment opportunity.

To the extent there is ambiguity as to which investment team sourced a particular investment opportunity, (for example, if an ORIX Advisers' employee assists with two different investment teams, which can occur), ORIX Advisers will, in its sole discretion, make a good faith determination regarding identification of the relevant investment team that sourced the investment opportunity.

As a general matter, it is expected that each Client will participate primarily in investments sourced by Signal Peak, allocated across Signal Peak's Clients in accordance with ORIX Advisers' Allocation Policy and Signal Peak's specific allocation policies. While the investment program of certain Clients may permit

the making of investments sourced by investment teams other than Signal Peak, such Clients have no right or entitlement to receive an allocation of any such investment opportunity from such other investment team. As a result, Clients managed by Signal Peak will have priority over clients not managed by Signal Peak with respect to investment opportunities sourced by Signal Peak that might otherwise be appropriate for the other clients not managed by Signal Peak unless as noted above, a Client has a mandate that includes allocations to multiple investment team strategies. In any event, the other clients not managed by Signal Peak or that do not have a mandate to strategies managed by Signal Peak will have no right or entitlement to, and such other clients should have no expectation that any such other client will receive an allocation of, such investment opportunities. In addition, unless otherwise specified in its Governing Documents, a Client will not have exclusivity over investment opportunities sourced by Signal Peak and such investment opportunities will in certain cases instead be allocated, in whole or in part, to other Investing Parties that are managed by Signal Peak in accordance with ORIX Advisers' Allocation Policy and Signal Peak's specific allocation policies.

Without limiting the foregoing, and subject to the terms of a Client's Governing Documents and other contractual commitments, Signal Peak will make allocation decisions between or among Clients and other Investing Parties in its discretion, taking into account the respective investment programs, current portfolios and available capital commitments of each Client and such other accounts (and any other factors it may deem relevant, including some or all of the following, where applicable: Client investment guidelines and restrictions, the potential available capital of a Client, including debt available or incurred by a Client (regardless of whether such Client has given discretion to ORIX Advisers and regardless of whether a Client that has given ORIX Advisers discretion has included such amount of debt in its commitment to ORIX Advisers), ability of a Client to meet the transaction's timing, investable cash requirements, leverage requirements and/or other terms as applicable, nature of the relationship with the Client and whether the Client has given ORIX Advisers investment discretion or not, tax and regulatory considerations, demand for a particular opportunity, minimum size requirements, a Client's tolerance for volatility and risk, desired concentration, exposure and diversification targets, including with respect to strategy and portfolio, expected timing of realization of the investment, a Client's liquidity needs, domicile of the investment, the stage of its lifecycle that the Client might be in at the time of the trade, and other factors that the team determines are consistent with the fair and equitable treatment of all Clients over time).

Because ORIX USA Group and other ORIX Persons are affiliated with ORIX Advisers, ORIX Advisers has an incentive to retain more favorable investment opportunities for ORIX USA Group and other ORIX Persons and offer less attractive opportunities to unaffiliated Clients. In addition, as described above, ORIX USA Group and other ORIX Persons often have a higher demand than unaffiliated Clients and ORIX Advisers may have an incentive to fulfill ORIX USA Group or other ORIX Persons before it fulfills unaffiliated Clients. Furthermore, other Investing Parties now, or in the future, could have investment programs and/or objectives that overlap with or otherwise compete with that of a Client and/or may otherwise adversely affect a Client. It is expected that there will be investment opportunities that are suitable to one or more Investing Party. Nevertheless, as mentioned above, ORIX Advisers will make allocation decisions between or among Clients and other Investing Parties' accounts in its discretion, consistent with its fiduciary duties and contractual commitments, subject to the terms of a Client's Governing Documents, the ORIX Advisers' Allocation Policy and any investment team's specific allocation policy and taking into account the respective investment programs, current portfolios and available capital commitments of each Client and such other Clients (and any other factors it may deem relevant, including some or all of the following, where applicable: Client investment guidelines and restrictions, tax and regulatory considerations, minimum size requirements, a Client's tolerance for volatility and risk, a Client's liquidity needs, domicile of the investment, and other factors that the team determines are consistent with the fair and equitable treatment of all Clients over time). However, given the considerations outlined herein, there can be no guarantee that a Client will be allocated any investments or that, to the extent any Client does receive investments, as to the portion of any such investment that will

be made available to any Client. The application of the allocation requirements set forth in the Client's Governing Documents and the factors set forth above can result in allocation at times on a non-pro rata basis and there can be no assurance that a Client will participate in all investment opportunities that fall within its investment objectives.

ORIX Advisers could determine, for any number of reasons, that it is in the best interests of one or more of its Clients to sell all or a portion of an investment held by that Client (or group of Clients), but could separately determine that such sale is not necessarily in the best interest of other Clients or for the ORIX USA Group proprietary account. Similarly, ORIX Advisers could separately decide, for any number of reasons, that it is in the best interests of an ORIX USA Group proprietary account to sell all or a portion of an investment it holds, while ORIX Advisers might determine that such a sale is not necessarily appropriate for one or more Clients, including those holding a portion of the same investment.

### *Tag-Along Rights*

In certain circumstances, including where an ORIX USA Group proprietary account has sold a portion of an investment it holds to a Client or third party that is not a Client, certain Clients or third parties that are not Clients will have contractual rights to participate in (on a pro rata basis with, and on the same terms and conditions as ORIX USA Group proprietary accounts (and any of its other Clients or third parties participating therein)) any sale, transfer, conveyance or other disposition (a "Transfer") of such an investment held in an ORIX USA Group proprietary account ("Tag-Along Rights"). The conditions for these Tag-Along Rights could be different for each Client or third party who has such rights and the conditions with respect to the Tag-Along Rights could be more favorable for certain Clients or other third parties than for others. ORIX Advisers will be responsible for trying to determine that all Tag-Along Right conditions of Clients are met whenever the ORIX USA Group proprietary account completes a Transfer of its interest in an investment. For Clients who do not have contractual Tag-Along Rights, ORIX Advisers will offer those Clients Tag-Along Rights for credit or other investment-related basis, on a pro rata basis with, and on the same terms and conditions as the ORIX USA Group proprietary account when doing so would be in the best interests of the Client (e.g., making a Transfer due to deteriorating credit conditions). Where a determination is made that doing so is in the best interests of the Client, ORIX Advisers will combine the amounts desired to be sold for both the ORIX USA Group proprietary account, Clients, Other Clients and/or third parties and jointly work to sell the full aggregate amount on the same terms and conditions. If the full aggregate amount cannot be sold, ORIX Advisers will generally allocate the amount that can be sold among the ORIX USA Group proprietary account, each Client, Other Client and each other third party on a pro rata basis. The existence of the Tag-Along Rights creates conflicts of interest, as the party or parties holding such Tag-Along Rights will be entitled to participate in the Transfer on a pro rata basis, thus reducing the amount available for Transfer on behalf of other accounts, including the ORIX USA Group proprietary account, Clients and Other Clients, relative to the amount available absent such Tag-Along Rights.

### **Trade Aggregation**

In general, each Client has its own investment objectives or investment strategies (hereinafter collectively referred to as "Investment Objectives"). Notwithstanding, two or more Clients may share the same or substantially similar Investment Objectives. ORIX Advisers manages Client assets consistent with each Client's Investment Objectives and Governing Documents, and trades initiated by ORIX Advisers on behalf of Clients are to be allocated fairly and equitably among Clients over time.

If ORIX Advisers (or its affiliates) believes that the purchase or sale of a security is in the best interest of more than one of their respective Clients, and is consistent with each Client's Governing Documents, it could (but is not obligated to) aggregate the orders to be purchased or sold to seek favorable execution or lower brokerage commissions, to the extent permitted by applicable regulation or law. However, ORIX



Advisers, or its affiliates, are not required to bunch or aggregate orders of their respective investment teams to the extent that portfolio management decisions are made separately or if ORIX Advisers, or its affiliates, as applicable, determines it would not be consistent with its investment management duties to do so. Aggregation of orders under these circumstances should, on average, generally decrease the cost of execution.

Due to prevailing trading activity, it is frequently not possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may, in ORIX Advisers' sole discretion, be averaged and participating Client accounts will be charged or credited with the average price. In such cases, each Client that participates in the aggregated transaction will share transaction costs *pro rata* based upon each Client's participation in the transaction. Aggregation could advantage or disadvantage a Client account. Under specific circumstances, not all Clients will be charged the same commission or commission equivalent rates in connection with a bunched or aggregated order. For example, brokerage commissions may be individually negotiated by an ORIX Advisers trading desk that invests a portion of a Client account.

#### *Additional Considerations related to Signal Peak*

The allocation of investment opportunities is intended to be fair and equitable to all Clients over time and driven by the Investment Objectives and guidelines of each Client. In that regard, it should be recognized that while Signal Peak will generally aggregate orders and allocate trades across similarly managed Client accounts on a pro-rata basis taking into account the unique nature of each Client, their investment guidelines, restrictions and life cycle, there may be circumstances where certain trades made by Signal Peak may not be aggregated and may not be allocated to certain Clients. For example, one Client could be in a different stage of its life cycle than another Client (e.g., warehouse stage, ramping stage, reinvestment stage or post reinvestment stage) and given the unique requirements of each stage, not all Clients may participate in every trade. This may occur in particular during the ramping/asset accumulation stage for a Client. In addition, certain trades could be driven by the unique needs of a particular Client such as a trade to raise cash, improve a Client collateral test result, or address a credit risk situation.

#### **Commonly-Held Portfolio Investments**

Where two or more Clients, including Other Clients, hold the same investment, the differing investment objectives of the Clients, as well as other factors applicable to the specific situation (including the differing liquidity requirements of the Clients), may result in a determination to dispose of, or retain, all or a portion of an investment on behalf of one or more Clients at different times as such investment or portion thereof is being disposed of, or retained, by one or more Other Clients. ORIX Advisers could also recommend different investments Clients or Other Clients, even though the investment objectives of the Clients and Other Clients may be similar. Further, in some instances, Clients may choose to coordinate their activities (such as timing dispositions in an orderly way in order to avoid affecting the market value of a class of investment in an unduly volatile manner) with respect to commonly held investments, when it would theoretically be possible for ORIX Advisers to act unilaterally with respect to the Clients' holdings in such investment. Such coordination could have the effect of lowering returns on such an investment relative to what might have been achieved absent such coordination. However, ORIX Advisers is not obligated to engage in such coordination and in fact may elect not to do so in certain circumstance.

Clients are expected to hold overlapping positions, some of which may be thinly traded or more illiquid. Accordingly, sales into the market of such positions, including to meet liquidity requirements with respect to one or more Other Clients, could adversely impact the value of such positions held by the Clients. Such sales could be adverse to the Clients where the Clients hold the same or overlapping positions and the Other Client provides investors the opportunity to withdraw or otherwise has a different liquidity profile relative to the Client.

## **Conflicts Related to Purchases and Sales**

Investing Parties may buy or sell securities or other instruments that ORIX Advisers has recommended to Clients. In addition, Investing Parties may buy securities in transactions offered to but rejected by Clients, subject to ORIX Advisers' policies and procedures. The investment policies, fee arrangements, and other circumstances of these investments may vary between Clients and the Investing Parties. Investing Parties are expected to invest in and alongside Clients either through a general partner, as direct investors in a Fund, through a direct investment or otherwise, and therefore ORIX Advisers may have additional conflicting interests in connection with these investments.

A particular investment could be bought or sold for Clients in different amounts, prices and times from one (or more than one) other Investing Parties managed by a different Investment Team, even though it could have been bought or sold for such other Investing Parties at the same time. Likewise, a particular investment may be bought for Clients or one or more other Investing Parties when one or more Clients or other Investing Parties are selling the investment. Conflicts also may arise when Clients make investments in conjunction with an investment being made by other Investing Parties, or in a transaction where another Investing Party has already made an investment. Investment opportunities may be appropriate for Clients and other Investing Parties at the same time, at different or overlapping levels of a Portfolio Investment's capital structure. Conflicts may arise in determining the terms of investments, particularly where these Investing Parties may invest in different types of securities in a single Portfolio Investment. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, whether or not or in what manner to exercise a voting or consent right, and the terms of any work out or restructuring may raise conflicts of interest, particularly in Clients and Other Clients that have invested in different securities within the same Portfolio Investment.

Certain Clients of ORIX Advisers and its affiliates invest in bank debt, loans and securities of or other investments in companies in which Investing Parties hold securities, loans or other investments, including equity securities, which may include a controlling position. In the event that such investments are made by Clients, the interests of a Client may be in conflict with the interest of an Investing Party, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels, or in different levels of the debt structure of an issuer, could cause conflicts of interest. In certain circumstances, decisions made with respect to investments held by an Investing Party could adversely affect the investments of the Clients. The involvement of such persons at multiple levels of the capital structure could also inhibit strategic information exchanges among fellow creditors. In certain circumstances, Clients may be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Clients or other Investing Parties may or may not provide such additional capital, and if provided each Client will supply such additional capital in such amounts, if any, as determined by ORIX Advisers. ORIX Advisers and its affiliates may seek to address these conflicts by adopting policies and procedures, which may include limiting investments by Clients which produce such conflicts, limiting voting or roles on creditors' committees, procedures designed to ensure that the team managing the investments make independent decisions through the enforcement of information barriers and similar procedures, or other procedures in the judgment of ORIX Advisers. In addition, investments by more than one Investing Party, including a Client, in a Portfolio Investment may also raise the risk of using assets of a Client of ORIX Advisers or its affiliates to support positions taken by other Investing Parties. Cross Trades and Principal Trades

## Cross Trades and Principal Trades

### *ORIX Advisers causes its Clients to make investments in affiliated or associated entities*

ORIX Advisers and its affiliates at times act in multiple capacities (for example, act as principal or agent as described below in addition to acting as adviser on behalf of a Client or other Investing Parties) and effect transactions with or for an account in instances in which ORIX Advisers and its affiliates and/or their personnel have multiple interests. ORIX Advisers might invest for Clients, or recommend that Clients invest, in an affiliated fund. Investments in an affiliated fund may be of any class or category of shares with the understanding that fees associated with such class or category need not be the lowest fees offered.

ORIX Advisers may be compensated for causing its Clients to make investments in affiliated or associated entities. In addition, ORIX Advisers has no obligation to determine whether investments in other affiliated funds or a comparable, non-affiliated collective investment fund or vehicle, would be subject to lower fees and expenses. In connection with such investments, unless provided otherwise in the Client's advisory agreement, the Client will pay all fees pertaining to the affiliated fund and no portion of the affiliated fund's advisory, administrative or other fees will be offset against fees payable in accordance with the advisory agreement. Accordingly, unless provided otherwise in the Client's advisory agreement, the Client will pay two separate fees and ORIX Advisers will have an incentive to cause the Client to make investments in the other affiliated funds so the affiliate can earn additional fees. The Client may prospectively revoke its consent to invest in affiliated funds at any time by written notice to ORIX Advisers. Additionally, the interests of the Client, as an investor, may conflict with the interests of the underlying affiliated fund or ORIX Advisers or its related persons in their capacity as service providers to the underlying affiliated fund, which would create a conflict of interest for ORIX Advisers.

### *ORIX Advisers causes its Clients to engage in cross trades*

ORIX Advisers, from time to time, causes a Client to buy or sell the same security from or to another Client when it believes, in its sole discretion, that such a transaction would be advantageous or otherwise beneficial to each of the Clients involved. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, and ORIX Advisers could have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. Additionally, in connection with such transactions, ORIX Advisers, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Client that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). ORIX Advisers and its affiliates generally receives management or other fees in connection with their management of the relevant Clients involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Clients.

Depending on the transaction structure, these transactions may disproportionately benefit the purchasing, or selling Client (or ORIX Advisers as a result of its or its affiliates interests in a particular Client), and one Client may incur expenses or forego gains that would have been obtained had it not entered into the transaction. For example, ORIX Advisers may be incentivized to support a less successful Portfolio Investment of an older Client by causing a newer Client with a longer remaining term and investment period to purchase a part or all of such Portfolio Investment in order to provide ORIX Advisers additional time to potentially manage it to a successful exit and increase the likelihood of ORIX Advisers or an affiliate receiving Carried Interest. Conversely, ORIX Advisers may be incentivized to sell an attractive investment in an older Client to a newer Client to increase the amount of fees received by ORIX Advisers or an affiliate with respect to such an investment. Determining the valuation or other terms of such transactions may also create a conflict of interest due to ORIX Advisers' consideration of the specific terms (including the fee terms) of the Clients and ORIX Advisers' interest in such Clients. Such acquisition may result in the



acquiring entity purchasing a Client's Portfolio Investment at a valuation that is: (a) not the highest price that could have been obtained in the market had there been a robust sales process with multiple third party bidders or (b) higher than the value of the company resulting in an overvaluation.

Any costs and expenses associated with any such transaction will be borne by such Clients in accordance with such Clients' Governing Documents. To the extent not addressed in the applicable Governing Documents, ORIX Advisers will allocate such costs and expenses in good faith and in a manner that is fair and reasonable.

*ORIX Advisers expects that it will from time to time engage in principal trades.*

ORIX Advisers will regularly enter into transactions and other arrangements that may be viewed as related party or principal transactions (i.e., transactions between a Client and an affiliate of ORIX Advisers acting for its own account). Pursuant to Section 206(3) of the Advisers Act, ORIX Advisers is required to obtain prior consent from the Client for all such principal transactions on a transaction-by-transaction basis. ORIX Advisers does not expect to enter into such transactions until a principal transaction consent has been obtained. In the event that a Client declines to provide consent to a principal transaction in respect of the purchase of an investment, ORIX Advisers may be unable to consummate the investment for the Client and the opportunity will not be available to the Client. Additionally, the interests of the Client, as an investor, may conflict with the interests of the underlying affiliated fund or ORIX Advisers or its related persons in their capacity as service providers to the underlying affiliated fund, which would create a conflict of interest for ORIX Advisers.

In the event that ORIX Advisers or its affiliates are required to sell any remaining assets in a Client following the expiration of such Client's term, ORIX Advisers and/or its affiliates, including ORIX USA Group (as applicable under the terms of the Client's Governing Documents) will be permitted to bid on such assets on normal commercial terms and on an arm's-length basis; provided, however, that if ORIX Advisers or one of more of its affiliates, including ORIX USA Group, purchases the relevant asset, it will do so at a price at least equal to the market value of the relevant asset (or with respect to assets where a market value is not readily available, at the fair value of the asset, as determined in good faith by ORIX Advisers). Any such transactions would be subject to approval by the Client pursuant to the relevant Governing Documents and applicable law.

Please refer to Item 11 for additional disclosures related to principal trades.

### **Capital Structure Conflict**

Investing Parties will acquire securities, assets, or other investments of an issuer that are senior or junior to the securities, assets or other investments of the same issuer that are held by, or are acquired for, other Investing Parties (e.g., a Client could acquire senior debt while another Investing Party could acquire subordinated debt or preferred equity). In such cases, Investing Parties may have different rights, preferences and privileges than those afforded to other Investing Parties. These capital structure conflicts are exacerbated in circumstances involving issuers in financial distress. If an issuer enters bankruptcy, Investing Parties invested in different parts of the issuer's capital structure will have conflicting interests related to the satisfaction of the issuer's obligations or indebtedness—including, as an example, Investing Parties in the more junior portion of the capital structure will be more interested in the issuer taking greater risk if their securities are already essentially worthless. Investing Parties in the more senior portion of the capital structure will prefer the issuer take fewer risks and convert its remaining assets to cash to preserve whatever value may be remaining in the more senior securities of the issuer's capital structure.

ORIX Advisers may be incentivized to make decisions for the benefit of one Investing Party to the detriment of another, including a Client (e.g., due to the prospect of earning more Carried Interest,

Management Fees or other fees or if dissatisfaction would cause one of the Investing Parties to redeem capital or discontinue its relationship with ORIX Advisers).

In such circumstances, ORIX Advisers faces certain conflicts in making decisions with respect to such investments given their different rights and economic interests in the Portfolio Investment that may have an adverse effect on one or more of the Investing Parties. Generally speaking, ORIX Advisers expects that a Client will make such investments when, at the time of its investment, ORIX Advisers believes that (a) such investment presents an attractive investment opportunity for the Client and (b)(i) the possibility of actual adversity between the Client and other Investing Party is remote or (ii) in light of the particular circumstances, ORIX Advisers believes that such investment is appropriate for the eligible Client, notwithstanding the potential for conflict. In addressing certain of the potential conflicts of interest described herein, ORIX Advisers and/or its affiliates could, but will not be obligated to, take one or more actions on behalf of a Client, including any one or more of the following: (i) causing a Client or other Investing Party to remain passive in a situation in which it is otherwise entitled to vote, which could mean that such Client defers to the decision or judgment of an independent, third-party investor in the same class of equity or debt securities or other financial instruments held by such third-party investor; (ii) referring the matter to one or more persons that is not affiliated with ORIX Advisers to review or approve of an intended course of action with respect to such matter; (iii) consulting with the Client on such matter or otherwise requesting that the Client (or investors or an advisory board) approve such matter; (iv) establishing information barriers to separate ORIX Advisers' investment professionals or assigning different teams of ORIX Advisers' investment professionals, in each case, who may be supported by separate legal counsel (internal or external) or other advisers, to act independently of each other in representing different Investing Parties or Investing Parties that hold different classes, series or tranches of an issuer's capital structure; (v) as between two Investing Parties, ensuring (or seeking to ensure) that the underlying investors therein own interests in the same securities or financial instruments and in the same proportions so as to preserve an alignment of interest; or (vi) causing a Client to divest itself of a security or financial instrument or particular class, series or tranche of an issuer's capital structure it could otherwise have held onto, including causing a Client to sell such interest to one or more other Investing Parties (or vice versa), limited partners or investors in such other Client. There can be no assurance that any of these measures will be feasible or effective, and it is possible that the outcome for the Client will be less favorable than if ORIX Advisers did not have duties to Other Clients or relationships with other Investing Parties, as applicable. The determination to take any of the actions described above will vary based on the particular facts and circumstances surrounding each investment by two or more Clients and/or Investing Parties) in different classes, series or tranches of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure), and as such, investors should expect some degree of variation, and potential inconsistency, in the manner in which potential or actual conflicts are addressed. ORIX Advisers intends to resolve such situations in an impartial manner, but there can be no assurance that their own interests will not influence their conduct.

In addition, Clients invest in different instruments or classes of securities of the same issuer where certain other Investing Parties own the majority of, or otherwise control, one or more different instruments or classes of securities. As a result, one or more Clients and/or other Investing Parties may have different investment objectives or pursue or enforce rights with respect to a particular issuer in which another Investing Party has invested, and those activities could have an adverse effect on a Client. For example, where an issuer experiences financial or operational difficulties, if a Client holds subordinated and unsecured debt, and another Investing Party holds senior secured debt instruments of the same issuer, the latter Investing Party may enforce or help other senior secured creditors enforce their rights against the issuer and as a result, the former Client's investment may be reduced substantially or to zero. If a Client holds voting instruments with respect to any debt or equity of an issuer and another Investing Party does not hold such power, ORIX Advisers or its affiliate, acting on behalf of the former Client, may vote on certain matters in a manner that has an adverse effect on the positions held by the latter Investing Party (e.g.,

regarding whether the Client agrees to waive certain covenants or make certain amendments). Conversely, if a Client holds voting instruments of an issuer, ORIX Advisers or its affiliate's vote on behalf of such Client on certain matters may end up benefiting the other Investing Parties and harming the Client with voting instruments, especially with the benefit of hindsight (e.g., if the Client agrees to certain covenants, waivers or amendments, but the issuer and the Client's investment in such issuer ends up getting further impaired). The conflicts of interest associated with investing in multiple layers of an issuer's capital structure become more acute when the issuer experiences financial or operational challenges and/or if debt tranches owned by one or more Investing Parties become equitized such that certain Investing Parties become borrowers of the other Investing Parties.

To the extent a Client holds securities that are different (including with respect to relative seniority) than those held by another Investing Party in the same issuer, ORIX Advisers may have conflicting loyalties between its duties to such Investing Parties, as well as with respect to the interests of such Investing Parties. There can be no assurance that the term of or return on a Client's investment in an issuer will be equivalent to or better than the term of or returns obtained by the other Investing Parties participating in such investment. Similarly, the ability of ORIX Advisers to implement the Client's strategies effectively may be limited to the extent that contractual obligations entered into in respect of activities of ORIX Advisers and/or other Investing Parties impose restrictions on such Client engaging in transactions that ORIX Advisers may be interested in otherwise pursuing.

Clients may be negatively impacted by the activities by or on behalf of other Investing Parties of another investment strategy, and transactions for Clients that employ one investment strategy may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case had a particular course of action not been pursued by or on behalf of other Investing Parties that employ a different investment strategy. In certain instances, personnel of ORIX Advisers or an affiliate (including in the capacity as a director of a Portfolio Investment) can be expected to obtain information about an issuer thereby limiting ORIX Advisers' ability to buy or sell securities of the issuer on behalf of other Investing Parties. These conflicts are magnified with respect to issuers that undergo restructuring or become insolvent. It is possible that in connection with a restructuring, insolvency, bankruptcy or similar proceeding the Clients may be limited (by applicable law, courts or otherwise) in the positions or actions they may be permitted to take due to other interests held or actions or positions taken by other Investing Parties of a different investment strategy.

When Clients invest alongside one or more Investing Parties, they generally dispose of their interests in an investment in the same proportion as, and on the same terms as, the Investing Parties dispose of their interests in such investment, subject to legal, tax, regulatory or other considerations, as determined by the relevant general partners or investment managers in their sole discretion. However, there can be no assurance that the interests in an investment held by Clients will be harvested on as favorable terms as the interests in such investment held by the Investing Parties. Further, the disposal by another Investing Party may depress the market value of the continuing investment of certain Clients or may reduce the price available to Clients, which may also be disposing of their investment. For example, because ORIX Advisers or its affiliate may have an incentive to show realized returns in connection with other fundraising activities or because one Investing Party's term may expire before the end of another Investing Party's term, such parties may dispose of the investment at different times. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Investing Party may realize different returns as compared to the same investment held by such other Investing Party. The variations in timing may be detrimental to a Client. At the same time, if ORIX Advisers determines it is advisable for a Client to exit an investment at the same time as another Investing Party, the Client may dispose of its interest earlier or later than it ordinarily would have and may, as a result, experience lower returns than it otherwise may have earned on such investments. In addition, investors may receive

different consideration (such as one Client receives cash whereas another Client receives a distribution in-kind) which may impact the realized return ultimately received by each Client.

Finally, in certain circumstances, if more than one Client is participating in an investment, one Client may bear more than its pro rata share of expenses relating to such investment if the other Client or Clients does not have the resources to bear such expenses (including, for instance, as a result of insufficient reserves and/or the inability to call capital to cover such expenses).

In such circumstances, ORIX Advisers could take steps to reduce the potential conflicts of interest between the various Clients, including causing a Client to take certain actions that, in the absence of such conflict, it would not take (e.g., a Client may divest itself of an asset it otherwise may have retained, ORIX Advisers may establish information barriers, certain matters may be referred to an advisory committee or a third-party, or a Client may only invest in securities that seeks to align the interests with other investing Clients). Any such steps could have the effect of benefiting one Client or ORIX Advisers at the expense of another Client.

In addition, the terms of the Clients' investment, including the type of security purchased, may be different from the terms of another Investing Party's investment or the type of security the Client purchases. Conflicts could arise after a Client, on the one hand, and other Investing Parties, on the other hand, make investments in the same issuer with respect to the issuer's strategy, growth and financing alternatives and with respect to the manner and timing of the one Investing Party's exit from the investment compared to the other Investing Party's exit.

#### **Side Letter Agreements**

As described in Item 6, a Client and/or ORIX Advisers expect to enter into Side Letter arrangements to or with one or more investors in the Funds providing such investors with different or preferential rights or terms. Except as otherwise agreed with an investor, ORIX Advisers is not required to disclose the terms of Side Letter arrangements with other investors in the Funds. Investors will have no recourse against a Fund, its general partner, ORIX Advisers or their respective affiliates in the event that certain investors receive additional or different rights or terms pursuant to such Side Letters, some of which rights may impact the rights and/or increase the obligations of other investors. Side Letter arrangements with certain investors impose additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such investors. While these restrictions are intended to apply solely to such investors, they may ultimately restrict the investments made by an applicable Fund.

#### **Affiliated Financing Arrangements**

ORIX USA Group currently act, and may in the future act, as lender, or otherwise provide financing, to the Client and/or certain Portfolio Investments (each, an "Affiliated Financing"). In cases where ORIX USA Group participates as a lender in borrowings by the Client or any Portfolio Investment, ORIX USA Group's interests may conflict with the interests of the Client or such Portfolio Investment. In its capacity as a lender, ORIX USA Group will act in its own interest, without regard for the interests of the Client or the limited partners. In certain circumstances such as an event of default, ORIX USA Group may cause the liquidation of securities held by the Client or foreclose and liquidate such securities or assets of the applicable Portfolio Investment in ORIX USA Group's own name. Such actions may adversely affect the Client and the returns of the limited partners. If ORIX USA Group is a party to a transaction or an agreement with the Client or a Portfolio Investment to provide financing to the Client or such Portfolio Investment, and the Client is required to take an action to implement such agreement, enforce any provisions thereof or any rights of the Client thereunder, give required notices or give or make any approval, consent, decision or waiver under such agreement, or otherwise make a determination in respect of such financing

arrangement without limiting any of the terms or conditions under the Governing Documents or applicable law, ORIX Advisers may, if it determines it to be necessary, take such actions as set forth in the Governing Documents of the Client to approve any such action or inaction to be taken by the Client.

### **Conflicts Regarding Valuation and Other Matters**

ORIX Advisers and/or its affiliates will be responsible for a variety of important matters affecting each Client. Among other matters, ORIX Advisers, with the assistance of an administrator where applicable, will determine the value of the securities and other instruments held by such Client. Such valuation can affect reported Client performance, the calculation of any Carried Interest due to ORIX Advisers as well as the calculation of the related Management Fee.

### **Restrictions Arising under the Securities Laws**

The activities of ORIX Advisers and its affiliates (including, without limitation, the holding of securities positions or having one of its personnel on the board of directors of a company or having board observer rights) could result in securities law restrictions on transactions in securities held by a Client, affect the prices of the investments or the ability of the Client to purchase, retain or dispose of such investments, or otherwise create conflicts of interest for the Client, any of which could have an adverse impact on the performance of the Client.

### **Other Conflicts**

ORIX Advisers could, in its discretion, have, and could, in its discretion, cause Clients to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of ORIX Advisers or ORIX Advisers' affiliates. Clients bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between ORIX Advisers and Clients in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that ORIX Advisers may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

If a Client purchases in the secondary market at a discount debt securities of a company in which another Client has, for example, a substantial equity interest, (i) a court might require the Client or another Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities; or (ii) the Client or other Client might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

ORIX Advisers, its affiliates and Clients will often engage common legal counsel and other advisers in a particular transaction, including transactions in which there may be conflicts of interest. Members of the law firms engaged to represent the Clients may be investors in the Funds or an Other Client and may also represent one or more Portfolio Investments or investors in the Funds or an Other Client. In the event of a significant dispute or divergence of interest between Clients and ORIX Advisers and/or its affiliates, the parties may engage separate counsel in the sole discretion of ORIX Advisers and its affiliates. Moreover, in litigation and certain other circumstances separate representation may be required. Additionally, ORIX Advisers, its affiliates, and the Clients and the Portfolio Investments may engage other common service providers. In such circumstances, there may be a conflict of interest between ORIX Advisers, on the one hand, and Clients and Portfolio Investments, on the other hand, in determining whether to engage such service providers, including the possibility that ORIX Advisers may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it



would not receive absent the engagement of such service provider by Clients and/or the Portfolio Investments.

### **Conflicts Resolution Process**

In the case of all known conflicts of interest and as a general matter, ORIX Advisers' determination as to which factors are relevant, and the resolution of such conflicts, will be made using its best judgment, in its sole discretion. In resolving conflicts, ORIX Advisers considers various factors, including the interests of the applicable Client with respect to the immediate issue and/or with respect to their longer-term courses of dealing. When conflicts arise, the following factors generally will help to mitigate, but will not eliminate, conflicts of interest: (i) ORIX Advisers will consider the appropriateness of an investment from the viewpoint of a Client; (ii) set procedures, restrictions or other provisions contained in the Governing Documents of each Client; (iii) where ORIX Advisers deems appropriate, ORIX Advisers can engage unaffiliated third parties to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; (iv) prior to subscribing for interests in a Fund or signing an investment management agreement or asset management agreement, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund or separately managed account; or (v) where an LPAC is formed, approval to be sought from the LPAC. While ORIX Advisers endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions. There can be no assurance that ORIX Advisers will identify or resolve all conflicts in a manner that is favorable to the Clients and the Clients' investors are not entitled to receive notice or disclosure of the actual occurrence of conflicts or have any right to consent to them as they arise.

### **Other Affiliates**

ORIX Advisers has a supplementary list of related persons who are not listed in Section 7A of Schedule D of Form ADV Part 1A since such affiliated companies are deemed to be "operationally independent" in accordance with applicable federal securities laws and ORIX Advisers has no reason to believe that its relationship with such related persons creates a material conflict of interest for Clients.

ORIX Advisers and its supervised persons will have relationships or arrangements with other affiliated (or other associated) financial services companies that may pose material conflicts of interest.

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

### **Code of Ethics**

ORIX Advisers operates under a Code of Ethics adopted in accordance with Rule 204A-1 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), which establishes guidelines for professional conduct and personal trading procedures, including pre-clearance and reporting obligations for its supervised persons that are adopted and implemented in accordance with Rule 206(4)-7 of the Advisers Act. ORIX Advisers' Chief Compliance Officer administers the Code of Ethics, which is contained in the ORIX Advisers' compliance manual.

Under certain circumstances, ORIX Advisers may recommend to Clients, or buy or sell for Clients, securities at the same time ORIX Advisers or Investing Parties buy or sell the same securities. In addition, ORIX Advisers, as well as Investing Parties, may co-invest with Clients and may invest directly in Funds that ORIX Advisers or its affiliates manage. Additionally, certain employees may be entitled to a portion of the Carried Interest paid by a Client to ORIX Advisers and/or its affiliates. Any of the foregoing could potentially create a conflict of interest between ORIX Advisers and its Clients. These situations and other

conflicts of interest that may arise in the management of its Clients are addressed in ORIX Advisers' Code of Ethics and compliance manual.

ORIX Advisers will provide a copy of its Code of Ethics to any prospective Client or investor upon request.

### **Participation or Interest in Client Transactions**

#### *Conflicts as to ORIX USA*

As described in Item 10, ORIX USA has a substantial investment in Clients. Therefore, ORIX USA may be considered to be participating indirectly in transactions effected for the Clients. The foregoing relationships, fees, and any other actual or potential conflicts of interest arising therefrom are described in the Governing Documents. Please see Item 10—Other Financial Industry Activities & Affiliations for discussion of investment-related potential conflicts.

Under certain circumstances, ORIX Advisers may recommend to Clients or buy or sell for Clients, securities in which ORIX USA Group has a material financial interest. Because of the relationship of ORIX USA Group and its personnel with ORIX Advisers, conflicts of interest exist (or may in the future exist) in connection with ORIX Advisers' allocation of investment opportunities as between ORIX USA Group and other Clients. ORIX Advisers has adopted investment allocation policies and procedures designed to mitigate this conflict.

#### *Conflicts Related to ORIX Persons*

ORIX Persons and other related persons of ORIX Advisers and its affiliates have made and may make capital investments in or alongside certain Clients. These investments can be at different times, in non-pro rata amounts, or in different classes or levels of the capital structure. Such persons therefore have additional conflicting interests in connection with these investments.

In addition, Clients can invest in securities of companies in which ORIX Persons and other related persons of ORIX Advisers and its affiliates have previously invested for their own accounts. Furthermore, ORIX Persons and other related persons of ORIX Advisers and its affiliates can invest for their own accounts in securities of companies in which the Clients have previously invested. Such persons may have differing interests from the Clients with respect to such investments (for example, with respect to the information, availability and timing of liquidity), creating conflicts of interest. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client or ORIX Person or other related persons of ORIX Advisers and its affiliates participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

ORIX Advisers, ORIX Persons, and their affiliates will buy or sell securities or other instruments that ORIX Advisers has recommended to Clients. ORIX Persons will also buy securities in transactions offered to but rejected by Clients. A conflict of interest may arise because such investing ORIX Persons will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by ORIX Advisers on behalf of the Client. In such circumstances, the investing ORIX Persons will not share or reimburse the relevant Client(s) and/or ORIX Advisers for any expenses incurred in connection with the investment opportunity.

ORIX Persons currently have, and in the future may have, family members that are actively involved in industries and sectors in which the Clients invest or have business, personal, financial or other relationships with companies in such industries and sectors, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel or owners of companies which are actual or potential investments of Clients or other counterparties of the Clients. Moreover, in certain instances, the Clients may purchase or sell assets from or to, or otherwise transact with companies that are owned by such family

members or in respect of which such family members have other involvement. The fees for services provided by such service providers may or may not be at the same rate charged by other third-party service providers and ORIX Advisers is not required to select service providers who may have lower rates (or to engage in any benchmarking of such fees).

ORIX Advisers and ORIX Persons have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Client including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Client expenses may result in “miles” or “points” or credit in loyalty/status programs to ORIX Advisers and/or ORIX Persons, and such benefits, rewards and/or amounts (whether or not *de minimis* or difficult to value), will exclusively benefit ORIX Advisers and/or such personnel even though the cost of the underlying service is being borne by the Client. Any such benefits, rewards and/or amounts will not offset any management fee payable by the Client or otherwise shared with such Client.

#### *Possible Future Activities*

ORIX Advisers expects to expand the range of services that it provides over time. ORIX Advisers and its affiliates will not be restricted in the scope of their business or in the performance of their services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest. ORIX Advisers has, and will continue to develop, relationships with a significant number of companies, financial sponsors and Clients.

#### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, and the clients thereof. In general, if an investment adviser or an affiliate proposes to purchase a security from, or sell a security to, a client (commonly referred to as a “principal transaction”), the investment adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. ORIX Advisers enters and may in the future enter into related party or principal transactions (i.e., transactions between a Client and ORIX Advisers or its affiliate acting for its own account) to the extent permitted by applicable law. ORIX Advisers has established policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including requiring ORIX Advisers to make those disclosures required by Section 206 of the Advisers Act to the applicable Client(s) regarding any proposed principal transactions and that any required prior Client consent to the transaction be received. See “Cross Trades and Principal Trades” in Item 10 for additional information.

#### *Service Providers*

Certain advisors and other service providers (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants and investment or commercial banking firms) to Clients or the companies in which Clients invest may also provide goods or services to, or have business, personal, financial or other relationships with, ORIX Advisers or its affiliates. Such advisors and service providers may be investors in a Client, affiliates of ORIX Advisers, sources of investment opportunities or co-investors or commercial counterparties. Additionally, certain employees of ORIX Advisers may have family members or relatives employed by such advisors and service providers. These relationships may influence ORIX Advisers in deciding whether to select or recommend such a service provider to perform services for Clients or, in the case of the Fund, a Portfolio Investment in which the Fund invests. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to ORIX Advisers, its affiliates or Portfolio Investments as compared to services provided to Clients, which could result in more favorable rates or arrangements than those payable by Clients. Neither the Clients nor their investors will receive the benefit of any such favorable rate or any discount provided

to ORIX Advisers, its personnel or its affiliates, and the Management Fee paid by any Client will not be reduced in connection with such favorable rate or discount.

ORIX Advisers has in the past contracted and may in the future contract directly with, or recommend to Clients that it contract for services with, a related person of ORIX Advisers or an affiliate (including but not limited to a Portfolio Investment of another Client). When making such a recommendation, because ORIX Advisers has a financial or other business interest, it has an incentive to recommend such person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Additionally, ORIX Persons, and/or their family members or relatives could have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence ORIX Advisers decision when selecting or recommending service providers to perform services for a Client. ORIX Advisers may favor particular service providers because of these financial or business interests, or for other reasons, even if a better price and/or quality of service could be obtained from another person.

Services required by a Client (including some services historically provided by ORIX Advisers or its affiliates to ORIX Advisers' Clients) can, for reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of ORIX Advisers or its affiliates. This can create a conflict of interest because ORIX Advisers and its affiliates have an incentive to outsource such services at the expense of the Clients to leverage the use of ORIX Persons. Such services may include, without limitation, deal sourcing, asset management, information technology, licensed software, depository, data processing, client relations, administration, custody, marketing and marketing-reviews, accounting, servicing, valuation, trading, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Outsourcing also may not occur universally for all Clients and accordingly, certain costs may be incurred by a Client for a third-party service provider that is not incurred for comparable services by other Clients. The decision by ORIX Advisers to initially perform a service for a Client in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future and ORIX Advisers has no obligation to inform such Clients or investors of such a change. Such services may also supplement or be performed alongside services performed by ORIX Advisers. In addition, certain internal service providers (such as internal accountants) may "shadow" or otherwise review the reports of other services provided by such third parties. The costs and expenses of any such third-party service providers will be borne by the relevant Clients.

ORIX Advisers may cause a Client to bear the full cost and expense of engaging certain third-party service providers on behalf of a Portfolio Investment. In the event a Client is not the sole shareholder of the Portfolio Investment, other shareholders will benefit from the costs incurred by such Client and will not reimburse the Client for their pro rata portion of the cost of any such service provider.

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## **Item 12. Brokerage Practices**

Certain Investment Teams of ORIX Advisers do engage in active trading of publicly-traded securities on behalf of Clients. Signal Peak actively buys and sells broadly syndicated loans on behalf of its Clients. To the extent ORIX Advisers engages in trading activity on behalf of Clients, it will follow the brokerage practices described below.

ORIX Advisers' policy is to seek the best execution of orders on an overall basis, which means that it seeks to ensure that the Client's total cost or proceeds are the most favorable under the circumstances. ORIX Advisers will not adhere to any rigid formulas in making its selection of broker-dealers to effectuate securities transactions on behalf of its Clients but will weigh a combination of factors. For example, the

determination of what is expected to result in best execution on an overall basis involves a number of factors, including but not limited to, broker's reliability, reputation and experience in the industry, financial stability and capital adequacy, and execution capability (e.g., speed of execution, history of securing best price and competitive transaction charges, operational efficiency including the ability to complete the transaction satisfactorily through to clearance, confirmation and delivery, responsiveness and availability of qualified, professional and diligent personnel).

ORIX Advisers may also take into consideration research (such as investment ideas, quantitative analysis, historical data, analytical, statistical and other information) and services provided by the broker (such as research information and periodic electronic reports).

While ORIX Advisers is not obligated to seek the best commission rate for each Client transaction, or to select a broker solely based on a commission rate, it will seek competitive rates and minimize transaction costs consistent with its Clients' interests.

Any brokerage commissions and other compensation to third parties, generated by securities transactions in a Client's account, will be paid by such Client, and not by ORIX Advisers or any of its affiliates.

For many Client transactions involving debt obligations, the markets in which ORIX Advisers trades are dealer-to-dealer over-the-counter markets in which there are no brokerage commissions, although mark-ups, mark-downs and clearing, structuring and other transaction costs are applicable. ORIX Advisers buys and sells securities on behalf of Clients at the prevailing bid-ask spreads. ORIX Advisers believes that each Client has access, through direct contact with primary dealers and financial institutions, to fully competitive prices.

#### Soft Dollars

ORIX Advisers does not intend to enter into any "soft dollar" arrangements with brokers.

#### Directed Brokerage

ORIX Advisers does not intend to enter into any directed brokerage agreements with brokers.

#### Trade Errors

ORIX Advisers' policy with respect to trading generally is that employees must take due care in making and implementing investment decisions on behalf of Clients. However, in the event a trade error occurs, employees are required to (i) correct the error as soon after discovery as reasonably practicable, including taking commercially reasonable steps to attempt to correct and mitigate any losses related to a trade error and (ii) report any such errors to compliance for review and to document appropriately.

#### Trade Aggregation

In general, each Client has its own investment objectives and strategies and ORIX Advisers manages Client assets consistent with each Client's investment objectives and Governing Documents. If ORIX Advisers believe that the purchase or sale of a security is in the best interest of more than one of their respective Clients and is consistent with each Clients' Governing Documents, it may (but is not obligated to) aggregate the orders to be purchased or sold to seek favorable execution or lower brokerage commissions, to the extent permitted by applicable regulation or law. See *Item 10* for further information on trade aggregation.

### **Item 13. Review of Accounts**

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#### Oversight and Monitoring



Client investment portfolios are typically intended for long term hold. As a result, while ORIX Advisers' does not intend on making short-term decisions to sell securities, it does engage in ongoing monitoring of Clients' portfolios.

ORIX Advisers has established processes to monitor and manage the individual investments in, and the overall investment objectives of, each Client. For certain Clients, a trustee acting on behalf of the Client will run periodic tests to ensure compliance with investment objectives and requirements outlined in the Governing Documents. These tests are generally performed when the Client makes a new investment and on required reporting dates set forth in Governing Documents.

ORIX Advisers has established an investment committee (the "Committee") for each Investment Team that is responsible for the investment oversight for each investment and may establish additional committees as it deems appropriate. The Committees meets periodically to review, among other items, investment opportunities and investment performance across all Clients as well as compliance with Client guidelines and objectives.

### Reporting

Governing Documents of each ORIX Advisers Client will generally set out the frequency and content of investor reporting, which can include monthly or quarterly written reports to the Client describing various aspects of a Client's assets and cash distributions.

ORIX Advisers and/or an affiliate thereof generally provides each investor in a Fund with the following reports, subject to the terms of the applicable Governing Documents: (i) annual tax information, in respect to the Client, reasonably necessary to complete any applicable tax returns, if applicable; (ii) the Client's audited annual financial statements prepared in accordance with US generally accepted accounting principles, if applicable; and (iii) quarterly or monthly reports, as stated in such Client's Governing Documents, which will include applicable investment information. ORIX Advisers will, from time to time, in its sole discretion, provide additional information relating to a Client to one or more investors in such Client as it deems appropriate.

ORIX Advisers has developed policies and procedures and appropriate systems and controls to ensure that we are able to meet the specific reporting requirements in the Governing Documents.

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

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ORIX Advisers has in the past and may in the future utilize the services of affiliated or unaffiliated SEC-registered investment advisers, broker-dealers, and placement agents to refer clients for its products. ORIX Advisers compensates such firms for client referrals that result in the provision of investment advisory services to Clients. Compensation related to such arrangements will be calculated and paid in a manner consistent with applicable Governing Documents, SEC rules and relevant disclosures made to Clients. From time to time, ORIX Advisers may enter into additional solicitation arrangements and may compensate persons for client referrals.

## **Item 15. Custody**

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ORIX Advisers is deemed to have "custody" of Clients within the meaning of Rule 206(4)-2 under the Advisers Act when ORIX Advisers has access to or authority over client funds and/or securities (e.g., where ORIX Advisers or an affiliate serves as general partner of a client that is a Pooled Vehicle). For those clients where ORIX Advisers has determined that it is deemed to have custody and to the extent required by Rule 206(4)-2, a Qualified Custodian (as defined in Rule 206(4)-2) will be hired and required to provide the 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 Vehicle, investors will typically receive audited financial statements on an annual basis (within 120 days of the Pooled Vehicle's fiscal year end) in lieu of periodic account statements. The audited financial statements will be prepared in accordance with generally accepted accounting principles. Clients and fund investors should review these statements/reports carefully. Clients that are Securitized Vehicles are not subject to an annual audit, however, each such Client has engaged a third-party bank to serve as trustee to maintain custody of the Clients' assets in accordance with relevant Governing Documents.

Additionally, Clients or fund investors should immediately contact ORIX Advisers using the contact information provided on the Cover Page if they are not provided the applicable statements on a timely basis or if they should discover any discrepancy between the statements and any reports we provide the Client or fund investor.

To the extent ORIX Advisers has custody over the assets of a Client that is not a Fund and such assets of a Client are held by one or more custodial banks, such custodial banks send account statements to such Client. Such Clients should compare the account statement received from the custodial bank to account statements ORIX Advisers delivers to the Client.

To the extent ORIX Advisers engages a sub-adviser in connection with the provision of advisory services to a Client, such sub-adviser will take steps to ensure compliance with the applicable rule consistent with the services provided to the Client and applicable SEC rules.

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**Item 16. Investment Discretion**

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ORIX Advisers is appointed as investment manager or asset manager of each Client pursuant to either an investment management agreement or asset management agreement. The Governing Documents of each Client generally allow ORIX Advisers and its affiliates to exercise discretionary authority (both limited discretion in some case and non-discretionary investment recommendations), subject to the investment guidelines and investor approvals as described in the Governing Documents of such Client, and to perform the day-to-day investment operations of the Client. The Governing Documents also provide the procedures required to be followed prior to assuming authority over a Client (e.g., execution of a power of attorney).

If a Client has retained ORIX Advisers or its affiliates to manage an account on a non-discretionary basis ("Non-Discretionary Client"), there is the potential for the Non-Discretionary Client to be disadvantaged because ORIX Advisers or its affiliate generally must obtain the Non-Discretionary Client's approval prior to effecting investment transactions, including the purchase, extension, renewal and/or disposition of investments (or portion thereof), on their behalf (unless otherwise agreed to with the Non-Discretionary Client). Therefore, in certain instances, a Non-Discretionary Client may be precluded from participating in certain investment opportunities if ORIX Advisers or its affiliate is unable to obtain the Non-Discretionary Client's consent in a timely fashion. As a result of these and other factors, the performance of non-discretionary accounts may be adversely impacted or can be different from (and be better or worse than) the performance of discretionary accounts following the same investment strategy.

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**Item 17. Voting Client Securities**

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While publicly-traded equity securities will generally not be a large portion of Client investments due to the nature of ORIX Advisers' investment strategies, a Client could, own equity investments in which it has the right to vote via a shareholder proxy. ORIX Advisers is expected to have authority to vote Client securities in its discretion. There may be limited situations in which ORIX Advisers does not have the authority to vote Client securities in a certain manner. ORIX Advisers has adopted written policies and procedures in an effort to ensure that any such voting opportunity is exercised with diligence, care and

loyalty. In all cases, ORIX Advisers will seek to vote Client securities in a way that is believed to be in the best interests of such Client and in accordance with the Client's Governing Documents.

ORIX Advisers' 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, ORIX Advisers can 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 would be used to resolve the conflict, including (1) disclosing the conflict to the Client and obtaining their consent as outlined in the Governing Documents before voting, (2) engaging a third party to recommend a vote with respect to the proxy or (3) such other method as is deemed reasonable under the circumstances.

ORIX Advisers may also have to vote with respect to loans or debt securities held by Clients. The issues which ORIX Advisers may have to vote with respect to debt securities generally involve amendments, consents and waivers to loan documentation, borrower compliance with financial covenants, registration rights, prepayments, exercise of rights and remedies, insolvency and other distressed credit situations. ORIX Advisers does not maintain specific proxy voting policies or guidelines regarding these types of issues. ORIX Advisers will vote on these types of issues on a case-by-case basis based on the facts and circumstances. Generally speaking, if ORIX Advisers is accorded voting or consent rights by virtue of any investment, it will be guided by general fiduciary principles and such voting or consent rights will be exercised by ORIX Advisers in a manner believed to be in the best interests of such Client and consistent with efforts to achieve a Client's objective, including maximizing portfolio value. However, certain Clients may retain consent rights with respect to certain types of votes relating to such loans or debt securities, such as extensions of the maturity date, the release of all or substantially all of the collateral, or a reduction of the interest rate.

ORIX Advisers has the responsibility to monitor proxy votes for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions on matters where a conflict exists must be brought to the attention of the compliance department for a mandatory conflicts of interest review in accordance with these policies and procedures, which will include consideration of whether ORIX Advisers or any investment professional or other person recommending how to vote and/or ORIX Advisers' affiliates and their clients have an interest in how the proxy vote is cast that may present a conflict of interest. In addition, all ORIX Advisers' investment professionals are expected to perform their tasks relating to the voting of proxy votes in accordance with the principles set forth above, and in the best interest of the relevant Client. The compliance department will use its best judgment to address any such conflict of interest and ensure that it is resolved in accordance with its independent assessment of the best interests of the Clients.

Where ORIX Advisers deems appropriate in its sole discretion, it may seek the assistance of unaffiliated third parties to help resolve conflicts or to otherwise assist ORIX Advisers in fulfilling all or part of its voting obligations. In this regard, ORIX Advisers can retain, if deemed appropriate, independent fiduciaries, consultants, or professionals to assist with voting decisions and/or to which Voting and/or consent powers may be delegated in accordance with its proxy voting policies and procedures.

Upon written request, investors or Clients can obtain (i) a copy of ORIX Advisers' proxy voting policies and procedures, and (ii) information concerning proxy votes on behalf of Clients. ORIX Advisers maintains the following records relating to proxy voting in its offices:

- Copies of ORIX Advisers' proxy voting policies and procedures and any amendments.
- Proxy statements received for Client securities.

- Records of proxy votes cast on behalf of Clients.

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**Item 18. Financial Information**

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ORIX Advisers does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and thus has not included a balance sheet for its most recent fiscal year. ORIX Advisers is neither subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients nor been the subject of a bankruptcy proceeding.

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**Item 19. Requirements for State-Registered Advisers**

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Item 19 is not applicable to ORIX Advisers.