

# **Obra Capital Management, LLC**

## **Part 2A of Form ADV**

### **Brochure**



835 West 6th Street Suite 1400  
Austin, TX 78703  
[www.obracapitalinc.com](http://www.obracapitalinc.com)

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This brochure provides information about the qualifications and business practices of Obra Capital Management, LLC ("OCM") and its relying adviser, Obra Institutional Credit, LLC (collectively, "Obra"). If you have any questions about the contents of this brochure, please contact us at 512-961-8265. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

OCM is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, such registration does not imply a certain level of skill or training.

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

## **Item 2. Material Changes**

This Brochure contains information about Obra Capital Management, LLC (“OCM”) and its relying adviser, Obra Institutional Credit, LLC (“OIC” and together with OCM, “Obra”). This Brochure has been updated since the last filing of this Brochure on March 31, 2023, to reflect the addition of OIC as a relying adviser and to provide additional information relating to the advisory services provided by OIC.

### **IMPORTANT NOTE ABOUT THIS BROCHURE**

This Brochure is not:

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

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), Obra provides this Brochure to current and prospective investors and clients. Although this Brochure describes the investment advisory services and products offered by Obra, persons who receive this Brochure (whether or not from Obra) should be aware that it is designed solely to provide information about Obra as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in the relevant governing documents or agreement governing your relationship with Obra or any Fund. To the extent that there is any conflict between discussions herein and similar or related discussions in any such governing documents or agreement, the relevant governing documents or agreement, as applicable, shall govern and control.

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## Item 4. Advisory Business

Obra, through OCM and OIC, provides three primary types of services: (i) investment management; (ii) credit research and analysis; and (iii) loan administration and support services. Each of OCM and OIC is a wholly owned subsidiary of Obra Capital, Inc., which is ultimately owned by Lynx Topco LP through various other entities disclosed in Schedule B of Form ADV Part 1.

OCM is a Delaware limited liability company formed in August 2010 and registered with the Securities and Exchange Commission in November 2010. OCM provides investment advice using two principal investment strategies: (i) managing longevity-contingent and/or mortality-related assets, such as life settlements, annuities, loans, and other insurance-linked securities (“ILS”) products; and (ii) investing in the insurance, specialty finance, structured credit, asset-based finance and structured derivative sectors.

OIC is a Delaware limited liability company formed in May 2023 that became a relying adviser of OCM in July 2023. OIC provides (i) investment advice in respect of fixed income mandates with an emphasis on high yield bonds and leveraged loans; (ii) independent research and credit analysis; and (iii) bank loan services.

Additional details about the above strategies and services are included in *Item 8. Methods of Analysis, Investment Strategies and Risk of Loss* below.

### **Investment Management Services**

Obra, through both OCM and OIC, provides discretionary investment management services to affiliated pooled investment vehicles (each a “Fund”<sup>1</sup> or collectively, the “Funds”). Obra has also entered into investment management agreements to provide discretionary and nondiscretionary investment management services to separate account clients (together with the Funds and other institutional and bank clients to whom Obra provides services, the “clients”).

Obra’s services to the clients consist of (i) investigating, identifying, and evaluating investment opportunities; (ii) structuring, negotiating, and making investments on behalf of the clients; (iii) managing and monitoring the performance of such investments; and (iv) exiting such investments on behalf of the clients. Obra’s services to each client are subject to the specific investment objectives and restrictions applicable to such client, as set forth in such client’s investment management agreement, limited partnership agreement, offering memorandum or other relevant governing documents (collectively, the “Governing Documents”).

Investors and prospective investors in each Fund should refer to the Governing Documents of that Fund for information on the investment objectives and investment restrictions with respect to that Fund. There can be no assurance that any of the Funds’ investment objectives will be

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<sup>1</sup> “Fund” means a private investment fund to which Obra provides investment advice and/or which Obra manages on a discretionary or nondiscretionary basis. The individuals and other persons that invest in the Obra private investment funds are generally referred to herein as “investors.” Unless otherwise expressly stated herein, the terms “Fund” and “Client” do not include “investors” and “investors” are not considered to be “clients” of Obra.

achieved. As such, Obra's services are generally not tailored to the individualized needs of any particular investor in any Fund. Since Obra does not provide individualized advice to investors in each Fund (and an investment in any Fund does not, in and of itself, create an advisory relationship between the investor and Obra), investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

Obra also provides advisory services to separate account clients, and the terms of Obra's advisory services to such clients may differ from those of the Funds. Terms of investments, including objectives, limitations and strategies for separate account clients, are governed exclusively by the terms of the applicable investment management agreement or other Governing Documents of each client. A separate account client may impose restrictions on investments for its account.

As of December 31, 2023, Obra had approximately \$2.7 billion in Regulatory Assets Under Management, which is defined as the gross value of all client accounts to which Obra provides continuous and regulatory supervisory or management services and which meet the definition of a "securities portfolio" as defined by the U.S. Securities and Exchange Commission. Only some of the Funds and Client accounts managed by Obra meet the criteria to be included as Regulatory Assets Under Management. Discretionary net assets under management of Obra for all clients, including Funds and Client accounts that are not securities portfolios, totaled approximately \$4.7 billion, and nondiscretionary net assets under management of Obra for all clients totaled approximately \$217 million as of December 31<sup>st</sup>, 2023.

### **Research and Consulting Services**

Obra, through OIC, provides research and consulting services with respect to fixed income investments to institutional clients on a subscription or consulting basis. The breadth and scope of the analysis can be tailored depending on the needs and objectives of the individual client. As a separate service, OIC also provides individual pricing of corporate debt securities.

The cornerstone of OIC's research process is its proprietary default risk rankings system, which is used by research clients to measure relative value, gauge credit risk, and anticipate rating agency moves. As part of its research process, OIC undertakes a detailed analysis of a company's operational outlook, growth prospects, competitive factors, stock price, liquidity assessment, management credibility, and long-term strategy. Besides unbiased ongoing coverage of credits, OIC also offers a daily market commentary.

### **Bank Loan Services**

OIC also seeks to provide banks and other financial institutions with a comprehensive suite of loan management and due diligence services, including analytical and regulatory support, existing loan portfolio surveillance and administration, and trade facilitation.

## Item 5. Fees and Compensation

### **Fees for Funds**

In respect of its investment advisory services for the Funds, Obra (or one of its affiliates) is generally compensated through fees based on a percentage of assets under management, carried interest and performance allocations.

In general, management fees charged by Obra to its clients range up to 2% per annum of the net asset value of each Client's account or, in the case of certain accounts and closed-end Funds, up to 2% of committed capital during the investment period and up to 2% of the unreturned capital balance after the investment period, as set forth in the applicable investment management agreement or other account Governing Documents.

Management fees for advisory services are directly deducted from the assets of each Client account as such fees become payable, either monthly or quarterly, in advance or in arrears depending on the Client, prorated for any period that is less than a full fiscal quarter or month, as applicable, and adjusted for additional capital contributions or commitments occurring during the period. Some Client accounts are structured as commitment-based accounts and, as a result, withdrawals of capital are not permitted, and refunds of any management fees paid in advance will not occur.

In general, a performance allocation charged to a Client account is equal to a percentage, generally up to 20%, of the annual net appreciation of the client's (or each investor's) account, calculated and payable annually in arrears, as set forth in the applicable investment management agreement or other account Governing Documents. A private equity-style carried interest charged to a client account is generally calculated and paid as a percentage, generally up to 20%, of the net distributions to the client or its investors in excess of their invested capital and, in some cases, in excess of an agreed preferred return to the client.

Obra (or one of its wholly owned subsidiaries) may enter into side letter agreements with some investors in the Funds varying the terms of their investment, including lower fee arrangements. Current and prospective clients (as well as current and prospective investors in Funds) should carefully review all fees charged by Obra (or one of its wholly owned subsidiaries).

### **Fees for Separate Accounts**

Fees for separate account clients are negotiable and each account may have a different fee structure and fee schedule. The fees may vary based on account type and the client services required. Separate accounts managed by OCM generally have fee arrangements similar to those for the Funds.

Separate accounts managed by OIC may be charged a flat fee, or a fee based on the value of assets in the accounts, and generally are not charged any performance-based fees. OIC does not deduct fees from a client's assets in these separate accounts managed by OIC, and OIC does not accept payment of asset management fees in advance. Subject to certain exceptions, such accounts are usually billed on a quarterly basis in arrears for fees based on the total market value

on the last day of each quarter. Unless otherwise directed, total market value includes net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest in the Client account on the last day of the month or quarter. OIC is responsible, in some cases, for calculating managed account fees using OIC's pricing of individual issues. Under the pricing policy, OIC prices bonds and loans at the "mid" between the bid and ask prices. A potential conflict of interest may arise in those circumstances where OIC uses the prices determined using its own research, as it receives an asset-based advisory fee based on its own determination of the value of the assets it manages. In these circumstances, OIC prices the assets in good faith in accordance with its internal pricing policy.

### **Fees for Research and Consulting Services**

OIC provides its research services on a subscription basis. Customers are billed in advance for their subscription, which are typically quarterly or annually. In general, either party can cancel the service at the end of any quarterly or annual billing period upon 30 days' written notice, and the agreement will be renewed automatically for additional periods of one year each until terminated. In certain cases, fees may be negotiated. There are no refunds of any fees.

As a separate service, OIC provides individual pricing of corporate debt securities. Fees are negotiated based on the number of bonds being priced, the liquidity of the bonds, the frequency of the pricing, and the amount of security information requested.

OIC also provides independent research and credit analysis on companies. The breadth and scope of the analysis can be tailored depending on the needs and objectives of the individual client, and the fees for such services will vary according to the scope and depth of research required. Fees may be payable by check, wire, or through soft dollar arrangements.

### **Fees for Bank Loan Services**

Fees for bank loan services provided by OIC are dependent on the scope of the services. Invoices for such services are provided to clients at the time of settlement for each transaction.

### **Additional Fees**

In respect of a client account with longevity-contingent and/or mortality-related assets, Obra may in certain instances decide that it is in the best interest of such client to convert a term life insurance policy held by such client into a permanent or universal life insurance policy. In connection with such conversions, the client holding the policy being converted will be required to pay conversion premiums with respect to the policy being converted to the life insurance carrier.

Certain affiliates of Obra are licensed insurance agents and may facilitate such a conversion. In this instance, the client holding the policy would be obligated to pay the conversion premium to the carrier and the carrier would in turn pay a commission to an Obra affiliate for facilitating the conversion. To mitigate any potential conflict of interest, the amount of any such commission received by an affiliate of Obra will be applied to offset the management fee payable by the client that owns the converted policy. If the amount of commission applied to reduce the management

fee exceeds the amount of management fee due in any quarter, Obra shall continue to apply the remaining portion of such commission against the management fee for each succeeding quarter until the full amount of the commission has been so applied. If any excess commission remains at the termination of the Client account or dissolution of the Fund, such excess shall be distributed pro rata to the Client or its limited partners (other than any limited partner that elects in writing upon or prior to admission not to receive such excess).

Obra or its affiliates have in the past received compensation in a form of mark-ups generated due to cross-trades between Client accounts. These trades generally were priced and traded at their net asset value or net asset value plus a markup. Such markups were retained by the Client and any difference between the cost basis and the price traded was retained by Obra or an affiliate. Obra does not intend to engage in such trades as a general course of business, but may continue to have such trades during the course of the Client engagement. All such cross- trades were reviewed and approved by the applicable Fund's Limited Partner Advisory Committee ("LPAC").

Magna Life Settlements, Inc. ("Magna"), an affiliate of Obra, is a licensed originator that facilitates the sale of life insurance policies to Clients. Magna receives origination fees for life settlement assets it facilitates for the Clients. Additionally, for other assets that a Fund or separate account may acquire, there is the potential for Obra or an affiliated entity to receive some form of origination fee based upon the size of the transaction or asset and/or to receive an on-going servicing or administrative fee for the maintenance of such assets (paid potentially from a transaction counterparty or directly from a Client). As discussed below in *Item 12. Brokerage Practices*, any fees paid to Magna or to Obra or an affiliated entity for these activities are considered transaction costs, paid by the Clients, and not offset against the management fees payable by the Clients.

### **Expenses**

Obra and its affiliates generally pay all their own operating and overhead costs and expenses, including salaries, benefits and rent. For the Funds, in addition to the management fees and performance-related compensation payable to Obra or its affiliates, investors' capital accounts bear their proportionate shares of the operating fees and expenses incurred by the Funds. These fees and expenses vary, but typically include, and are not limited to, brokerage commissions; legal and compliance costs; research expenses; audit and accounting fees; commitment fees and interest expenses associated with lines of credit established for the Funds; and administrative fees and custodial and transaction costs paid to custodians, brokers and other third parties. Client accounts may also bear fees and expenses related to the identification, investigation, origination, acquisition and maintenance of investments other than life settlements, including origination or servicing fees, all or part of which may be payable to Obra or its affiliates as described in the Governing Documents of each Client account. Investors should review the Fund operating and offering documents for the relevant Fund for further descriptions of expenses paid by the Fund and all fees charged by Obra, custodians, brokers and other third parties to fully understand the total amount of fees and expenses to be paid by the Funds.

Separate account clients bear similar fees and expenses as the Funds, as agreed upon and set



forth in the applicable investment management agreement or other Governing Documents.

Separate account Clients should review their investment management agreement or other account Governing Documents for further descriptions of applicable fees and expenses.

Obra may be a fiduciary to certain advisory clients that are employee benefit plans or other accounts subject to the Employee Retirement Income and Securities Act (“ERISA”) and, as such, is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Obra may only charge fees for investment advice about products for which Obra and/or its related persons do not receive any commissions or 12b-1 fees, unless Obra waives these fees.

See *Item 12. Brokerage Practices* below for additional information regarding transaction costs and *Item 14. Client Referrals* below for additional information.

The types of other fees and expenses incurred will vary from Client to Client. Please refer to the Governing Documents applicable to each Fund or separate account Client for more complete information.

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

### **OCM Clients**

As discussed in *Item 5. Fees and Compensation*, in connection with Clients advised by OCM, OCM or its affiliates are entitled to receive performance-based compensation from such Clients. The fact that OCM, or one of its affiliates, is compensated based on such profits creates an incentive for OCM to make investments on behalf of the Funds or separate accounts which could be riskier or more speculative than would be the case in the absence of such compensation. Also, since different Clients are subject to different incentive compensation payment obligations, there is an incentive for OCM to make trades for certain Clients over others. Incentive-based compensation creates an incentive for OCM to favor Clients that pay incentive-based compensation over other Clients that do not pay incentive-based compensation, and to favor Clients that pay higher incentive-based compensation over other Clients that pay lower incentive-based compensation.

OCM understands the existence of these conflicts, and therefore seeks to ensure that investment opportunities are allocated to the Funds and separate accounts on a fair and equitable basis over time. For example, OCM has a process for allocating assets among and between Clients to ensure fair and equitable allocation of investment opportunities over time. Assets identified by OCM for purchase which are only eligible for one particular Client, according to the investment criteria and Governing Documents of the relevant Clients, are allocated to such Client if the Client has available capital. If an asset is eligible to be purchased by multiple Clients, then OCM allocates the asset among Client accounts in accordance with its allocation policy.

In the case of life insurance policies, OCM periodically aggregates a list of policies that are eligible for purchase by multiple Clients. All Clients with sufficient capital to purchase policies, and for which the purchase is appropriate, participate in the allocation process. The process then

randomly allocates policies between Clients after taking into account specific restrictions contained in the Governing Documents applicable to each Client and other relevant considerations. These restrictions and considerations include available capital to be spent by the Client, life insurance carrier concentration, age or life expectancy of the insured individual, amount of purchase price or face value, the remaining term and existing investment portfolio of the Client, and other considerations that may be identified from time to time. The OCM Allocation Policy currently in effect will be provided to current or prospective Clients and investors upon request.

### **OIC Clients**

Accounts managed by OIC are not currently charged performance-based fees, although OIC may charge such fees in the future. OIC also does not charge performance-based fees in respect of the research, consulting and bank loan services provided by OIC.

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

As discussed in *Item 4. Advisory Business* above, Obra provides (i) investment advisory services to its Clients, including the Funds; (ii) research and consulting services to institutional clients (including hedge funds, pension plans, mutual funds, sell-side firms, and other financial institutions); and (iii) bank loan services to banks and other institutional investors. Investment advice is provided directly to the Funds, subject to the direction and control of OCM, and not individually to the investors in each Fund. Obra also provides investment advisory services to separate account clients, which may include investment partnerships and corporations, foundations, banks, pension plans, insurance companies, endowments, and high net worth individuals.

Details concerning applicable investor suitability criteria are set forth in each Fund's Governing Documents. Generally, each investor in a Fund is required to meet certain suitability qualifications, such as being (i) an "accredited investor" as defined under Rule 501 of Regulation D of the Securities Act of 1933, as amended; (ii) a "qualified client" as defined in Rule 205-3 under the Advisers Act; and/or (iii) a "qualified purchaser" as defined under the Investment Company Act of 1940, as amended, where appropriate. Certain separate account Clients may be required to meet certain criteria as well, such as the "qualified client" standard.

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

### **Investment Management**

In respect of Obra's investment advisory business, Obra's principal objective is to preserve capital and to seek long-term appreciation in the value of Client accounts. Depending on the investment strategy used to manage each Client account, Obra will attempt to achieve these objectives by investing in (i) life settlements and related assets; (ii) other investments in the insurance, specialty finance, structured credit, asset-based finance and structured derivative sectors; or (iii) high yield bonds and leveraged loans.

### ***Life Settlement Assets***

A life settlement is an existing life insurance policy, sold to a third party for more than its cash surrender value but less than its death benefit. These policies generally insure the lives of elderly individuals or senior leaders in businesses and are no longer wanted or needed by the owners due to changes in the circumstances of the owner since the initial issuance of the policy.

OCM also considers purchasing other “life settlement assets”, such as existing portfolios of life settlements, fractions of life settlements, synthetic instruments and derivative instruments related to life settlements, life settlement-backed notes, and annuities tied to life settlements, and will also evaluate for investment other opportunistic investments in mortality and/or longevity-related instruments or assets. Additionally, OCM might invest a Client’s assets in short-term government obligations, certificates of deposit, commercial paper, various types of liquid or illiquid debt or equity instruments, general insurance or reinsurance related investments, or other liquid or illiquid obligations or assets or other general assets (which may or may not have a longevity or mortality related component and which may take the form of direct lending activity or collateralized loan obligations, amongst others) that OCM deems beneficial, appropriate or consistent with the Client’s objectives.

Some of OCM’s Funds may also invest in funds managed by other private managers that invest in life settlement assets.

### ***Insurance Special Situation and Other Investments***

Investments of Client assets or accounts managed using OCM’s insurance special situations strategy may invest in a wide range of assets, including, without limitation, insurance and reinsurance arrangements, loans, structured solutions, derivative contracts and/or more traditional capital markets instruments. Investments could be made in a wide range of sectors, including, for example, asset-backed loans, life-contingent structured settlements, broker commission streams, specialty and casualty reinsurance, litigation finance, longevity-and non-longevity related assets in a variety of forms, property and casualty reinsurance, structured credit, private credit, and investments in securities of companies engaged in any such activities and/or related businesses.

### ***High Yield Bonds and Leveraged Loans***

OIC managed Client accounts investing in fixed income directives primarily employ one of the following three strategies: (i) defensive high yield strategy; (ii) senior secured bank loan strategy; or (iii) credit strategy.

1. **Defensive High Yield Strategy** – Seeks to provide a prominent level of current income, with an emphasis on principal preservation. Investing in higher-quality high yield bonds, the strategy employs an investment approach based on fundamental analysis and active portfolio and risk management. Portfolios are positioned by OIC in the mid-to-higher quality segment of the U.S. high yield bond market.

2. **Senior Secured Bank Loan Strategy** – Seeks to provide an elevated level of current income, with an emphasis on principal preservation, investing in higher-quality leveraged loans. The strategy employs an investment approach based on fundamental analysis and active portfolio and risk management. Positioning of portfolios by OIC is in the mid-to-higher quality segment of the U.S. leveraged loan market. The bank loan strategy targets syndicated; first lien secured term loans that are senior in the capital structure of non-investment grade issuers. Client accounts pursuing this strategy may also permit allocations to second lien secured term loans as well.
3. **Credit Strategy** – Seeks to obtain attractive annual returns over the long term through a blend of income and capital appreciation by allocating between defensive high yield bonds and senior secured loans. OIC believes that this strategy allows for the flexibility to move into what it assesses to be the optimum asset allocation depending on the prevailing environment.

### ***Risks***

All investing involves a risk of loss. The following risk factors represent some of the risks associated with investing in the Funds and separate accounts managed by Obra. The following risk factors do not purport to be a complete list or explanation of the risks involved. Additional risks and uncertainties not currently known to Obra or that Obra currently believes to be immaterial may also materially and adversely affect Obra's investment strategies and the value of the investments. Investors and Clients should consider an investment in a Fund or separate account managed by Obra as involving a high degree of financial risk and should therefore carefully consider all risk factors set forth in the relevant offering, operational, and/or governing documents or relevant investment management agreements of each Fund or separate account.

Each prospective Client or investor should carefully review such agreements, offering and/or operational documents, as applicable, which contain more detailed descriptions of the risks involved, before deciding to make an investment in any Fund or to engage Obra to manage a separate account.

### ***General Risks***

**Speculative Investments.** A Client's portfolio may be highly speculative. No assurance can be given that a portfolio will successfully achieve the objectives of the Client. There is no assurance that any investment will be successful, and an investor may lose all or a substantial part of its investment. For these and other reasons, an investment in a Fund or a separate account must be considered a highly speculative investment. In addition, a Fund or separate account may invest in assets that are not linked to mortality or longevity, such as various types of liquid or illiquid debt or equity instruments or other liquid or illiquid obligations or assets. Each one of these investments will have their own set of risks associated with them, which Obra will seek to evaluate and mitigate, but for which there can be no assurance that such risks might not negatively impact the value of the investment.

**Limited Transferability of Interests/Interests Not Freely Tradable, Impacting Liquidity.** There will be no public market for a Fund's interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under each Fund's Governing Documents and applicable securities laws. In general, withdrawals of Fund interests are limited. Investors may not be able to obtain cash for a Fund's interests on a timely basis, or at all. There are a number of restrictions on the Funds' interests, including the ability to sell or transfer the interests. An investor is not permitted to sell, assign, or transfer any interest, except under certain limited circumstances and, in each instance, with the prior written consent of the Fund's General Partner. Further, withdrawal of a Fund's interests is subject to certain limitations, including limitations on the amount of withdrawal requests the General Partner is obligated to grant and the aggregate amount of withdrawals that may occur at a given withdrawal date. Additionally, a Fund's interests are restricted as to free tradability under U.S. federal income tax laws. In order to preserve certain Funds' status as a limited partnership and prevent being taxable as a corporation, investors are not free to sell or transfer their Fund interests at will, and they are likely not to be accepted by a lender as security for borrowing.

**LIBOR.** Payment obligations, financing terms, and investments in many financial instruments (including debt securities and derivatives) may be tied to floating rates, such as the London Interbank Offered Rate ("LIBOR"). In 2017, FCA announced its intention to cease compelling banks to provide the quotations needed to sustain LIBOR after 2021. ICE Benchmark Administration, the administrator of LIBOR, ceased publication of most LIBOR settings on a representative basis at the end of 2021 and is expected to cease publication of a majority of U.S. dollar LIBOR settings on a representative basis after June 30, 2023. In addition, global regulators have announced that, with limited exceptions, no new LIBOR-based contracts should be entered into after 2021. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies (e.g., the Secured Overnight Financing Rate for U.S. dollar LIBOR and the Sterling Overnight Interbank Average Rate for GBP LIBOR). Various financial industry groups have been planning for the transition away from LIBOR and markets are developing in response to these new rates, but questions around the liquidity of the new rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a significant concern. It is difficult to predict the full impact of the transition away from LIBOR on the Funds and the separate accounts. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by the Funds and/or the separate accounts or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for the Funds and/or the separate accounts. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur at any time.

**Epidemic/Pandemic Risk.** An epidemic or pandemic outbreak, such as COVID-19, and reactions to such an outbreak could cause uncertainty in markets and businesses, including Obra's business, and may adversely affect the performance of the global economy, including causing market volatility, business uncertainty and closures, supply chain and travel interruptions, the

need for employees and vendors to work at external locations, and extensive medical absences. Obra has policies and procedures to address known business situations, but because a large epidemic or pandemic may create significant market and business uncertainties and disruptions, not all events that could affect Obra's business can be determined and addressed in advance.

**Cybersecurity Risk.** Investment advisers, including Obra, must rely in part on digital and network technologies ("Cyber Networks") to maintain substantial computerized data about activities for Client accounts and otherwise conduct their businesses. Such Cyber Networks might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or Client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. Obra maintains policies and procedures on information technology security, it has certain technical and physical safeguards intended to protect the confidentiality of its internal data and takes other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Obra also conducts quarterly and annual employee cyber-related training as well as periodic phishing campaigns. Nevertheless, despite reasonable precautions, the risk remains that cybersecurity incidents could potentially occur, and such incidents, in some circumstances, might result in unauthorized access to sensitive information about Obra or its Clients or their investors, and/or cause damage to Client accounts or Obra's activities for Clients or their investors. Obra will seek to notify affected Clients and investors of any known cybersecurity incident that may pose a substantial risk of exposing confidential personal data about such Clients or investors to unintended parties.

**Privacy and Data Protection Law Risk.** The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations ("Privacy Laws") in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of a Fund, a separate account Client and/or their investments, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and performance. As Privacy Laws are implemented, interpreted and applied, compliance costs are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund

managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include a Fund, a separate account Client and/or their investments.

### ***Risks of Investing in Life Settlements***

**Uncertainty of Life Settlements Market.** The value of a policy in the life settlements secondary or tertiary market depends significantly on the health and medical condition and life expectancy of the insured, life expectancy tables then in use by the life settlement industry, and any changes in general economic conditions, including interest rates, inflation rates, government regulations, overall industry conditions, competition, litigation experience, political conditions, volatility in the financial markets, and legislation at the time OCM may seek to sell the policy. The demand for the purchase, and the liquidity, of in-force policies is uncertain. Therefore, policies acquired by OCM may be over-priced by OCM or its affiliates and/or may not be readily able to be resold in the tertiary market for life insurance if the need should arise for the liquidation of any of the policies.

**Uncertainty of Life Expectancy/Valuation.** The cost in the life settlements market of the policies that may be obtained by OCM depends, in large measure, upon the life expectancy of the insured life under the policy. The return to the Funds or separate accounts on such purchases is almost entirely dependent upon how accurate the expectancy was as compared to actual life expectancy. Life expectancies are estimates of the expected longevity or mortality of an insured, are based on medical information known at the time of review, and are inherently uncertain. There can be no assurance that the medical information on or condition of an insured is completely current or accurate as of any particular point or that any life expectancy obtained on an insured for a policy will be predictive of the future longevity or mortality of the insured. Market quotations will not be available for virtually all of a Client's life settlement investments (and likely other longevity and non-longevity assets) because, among other things, such assets held by the Funds and/or separate accounts generally will be illiquid and not quoted on any exchange. There can be no assurance that a Fund and/or a General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation determined with respect to a particular investment will represent the value ultimately realized by the relevant Fund or separate account Client on the disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation.

**Insurable Interest Risk.** All states require that the initial owner of a new life insurance policy ensuring the life of an individual has an insurable interest in such individual's life at the time of



original issuance of the policy. Whether an insurable interest exists at the time of the issuance of a life insurance policy is critical because, in the absence of a valid insurable interest at that time, the life insurance policies would be unenforceable under the laws of most states. When a life insurance policy has been issued to a policy holder without an insurable interest in the life of the individual who is insured, the life insurance company is generally not required to pay the death benefit under the policy, but typically must repay to the owner of the policy certain amounts of premium payments, usually without interest. Generally, there are two forms of insurable interests in the life of an individual: familial and financial. Additionally, an individual is deemed to have an insurable interest in his or her own life. Insurable interest is determined at the inception of the policy. Issuing insurance companies and/or the estates of the insured individual may seek to challenge the insurable interest determination on a policy and a loss as a result of such challenge could impact the receipt or retention of payment on the asset. Any determination that a policy purchased by OCM was issued without insurable interest may render the policy void or require a Client to return received death benefits, and thus could potentially impact overall performance.

**Cost of Insurance Increases.** For any policies that may be obtained for the Funds or separate accounts, the Funds or separate accounts will be responsible for maintaining the policies, including paying insurance premiums. If a life insurance company is able to increase the cost of insurance charged for any of the policies, the amounts required to be paid for insurance premiums due for these policies may increase, requiring the Funds or separate accounts to incur additional costs for the policies, which may adversely affect returns on such policies and consequently reduce the resale value of such policies in the tertiary market for life insurance policies.

**Leverage.** OCM may utilize leverage in its management of Funds' or separate account assets, including to make premium payments on life insurance policies purchased by the Funds or the separate account, as well as to pay for operating costs/expenses/liabilities of the Fund or the separate account. While leverage presents opportunities for increasing the Fund's 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 the Funds would be magnified to the extent it is leveraged. The cumulative effect of the use of leverage by the Funds or a separate account in a market that moves adversely to the investments could result in a substantial loss to the Funds or separate account, which would be greater than if the investments were not leveraged. Leverage will increase the exposure of the Funds or the separate account to adverse economic factors such as significantly rising interest rates, severe economic downturns or deterioration in the condition of the investments or their corresponding markets.

**Viatical Settlements Model Act/Legislation.** Groups, including the National Association of Insurance Commissioners ("NAIC"), the National Conference of Insurance Legislators ("NCOIL") and the North American Securities Administrators Association ("NASAA"), had perceived there to be an industry regulatory void and subsequently took action to pass the NAIC & NCOIL Model Acts and subsequent Guidelines Regarding Viatical Investments to protect seniors from over-reaching by less than scrupulous and forthcoming life settlement brokers and providers. In

addition to the states which adopted the guidelines, other states which license insurance purchases follow many of the provisions of the NAIC & NCOIL Model Acts. Most states regulate life settlements through their insurance departments and/or securities administrators. This regulation could change and such change might impact the ability to buy or sell assets.

**Compliance with State Insurance Laws.** Forty-five states have adopted viatical or life settlement laws which require entities that buy or sell life settlement and viatical settlement contracts be licensed in such states. Depending on governmental or judicial interpretation of these laws, it could mean that OCM, its subsidiaries, the Funds or the separate account clients may be required to be licensed as a viatical or life settlement provider, or purchase policies only through such licensed entities. If that were the case, OCM, its subsidiaries, the Funds or the separate account clients may not be able to comply with every state's laws, or to renew or prevent revocation of a previously issued license or approval and may be precluded from doing business in any state in which they are unable to obtain or otherwise maintain a required license or otherwise comply with the laws of that state. In the event OCM, its subsidiaries, the Funds or the separate account clients are not licensed or approved to do business, or has a license suspended, revoked or non-renewed, in any state (or is unable to purchase policies through such a properly licensed entity), OCM, its subsidiaries, the Funds or the separate account clients may not be able to acquire and then resell policies in such states. The inability to purchase policies from the regulated states may significantly diminish the number of policies available for purchase by the Funds and separate account clients.

**Changes in U.S. Insurance Regulation.** Changes in state and federal statutes, laws and regulations might make it more difficult to purchase and sell policies, thereby hindering the implementation of the Funds' and separate accounts' strategies for acquiring, reselling, holding, or securitizing the policies.

### ***Risks of Investing in Insurance Special Situation and Other Investments***

**Macroeconomic Factors.** The performance of each Client's investments could be adversely affected by macroeconomic factors and events, including general economic conditions affecting capital markets and participants therein. Such macroeconomic factors include the risk of economic downturn and uncertainties affecting economies and capital markets worldwide; incidents of terrorism, war, political or social unrest and similar events; concerns about financial performance, accounting and other issues relating to various companies; and changes to laws and regulations affecting the financial industry, including banking, credit default swaps and other derivatives, mortgage lending, accounting and reporting standards.

**Market Volatility Risks.** A variety of unanticipated political and economic disruptions and changes have adversely affected the capital markets in the past, at times causing various market dislocations and unprecedented levels of illiquidity and price volatility for various types of assets and securities. These events could disrupt the mark-to-market valuation of a Client's portfolio. Some investments may be complex, and their market values may be highly sensitive to changes in interest rates, prepayments and/or credit spreads. Returns in many cases may be volatile. Fast-changing, volatile markets may limit or even preclude timely action by OCM in effecting

trades.

**Developments in Credit Markets.** Global credit and equity markets have experienced, and may in the future experience, significant market events, including decreased liquidity, declining market values, tightening of credit, valuation problems, deleveraging and large scale liquidations of investment portfolios, that have at times generated extreme volatility and illiquidity in worldwide capital markets. The duration and ultimate effect of such market conditions cannot be predicted. Market quotations may not potentially be available for many of a Client's insurance special situations and other investments because, among other things, such assets held by the Funds and/or separate accounts generally may be illiquid and not quoted on any exchange. Such conditions could adversely affect the market value of a Client's investments or prevent OCM from successfully executing its investment strategy.

**Interest Rate Risk.** Changes in interest rates may affect the value of a Client's investments. Increases in interest rates may cause the value of credit instruments and other credit-like instruments to decline. Changes in interest rates may also affect the rate at which OCM can obtain financing on behalf of a Client. Certain investments may be particularly sensitive to changes in interest rates, including debt-structured litigation finance investments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

**Risks of Derivative Transactions.** OCM may cause Clients to engage in certain derivative transactions, potentially including annuity-related instruments, total return swaps on individual assets, longevity and mortality-linked swaps, interest rate swaps, index swaps, other swaps, futures and/or other derivative transactions (together, "Derivative Instruments"), either for investment purposes or in order to hedge the Client's investment, currency, interest rate or other exposure. However, there is no obligation to enter into any such transactions. The use of Derivative Instruments, even when used with the intent to reduce the risks associated with a Client's operations, involves additional expenses as well as risks that are likely different than those of the Client's other investments, including the possible default by the counterparty to a transaction and the illiquidity of the Derivative Instrument. Unanticipated changes in securities prices, interest rates or currency exchange rates may result in a poorer overall performance for a Client's account than if it had not entered into any such derivative transaction. In addition, many swaps or other derivative contracts are not traded on exchanges and are not subject to the same type of government regulation as securities traded on exchanges. As a result, many of the protections afforded to participants in a regulated environment may not be available in connection with these transactions. Further, trading in swaps and other derivative instruments may involve a high degree of synthetic leverage, which may magnify the potential losses experienced by a Client.

**Risks Related to Other Insurance-Related Assets.** OCM may cause Clients to invest in other insurance-related investments, including, but not limited to, collateralized reinsurance agreements, quota share agreements, equity or debt obligations of public and private insurance

and reinsurance companies, and other securities and derivatives linked to insurance and reinsurance risks and similar factors. Such investments are subject to all of the numerous inherent risks of the insurance and reinsurance industry. The occurrence or non-occurrence of catastrophic events could have a material adverse effect on a Client's account.

The success of a Client's insurance-related investments is largely dependent on the ability of OCM to forecast the probabilities and risks of various events. However, such probabilities and risks are difficult to forecast accurately, and any such forecasts will require subjective judgments. In addition, models that seek to forecast such probabilities and risks with respect to the type, frequency, and severity of such events may be inaccurate and/or inadequate. Errors or inaccuracies in such forecasts could have a material adverse effect on insurance-related investments that were based in whole or in part on such forecasts.

An investment in insurance-related assets may expose a Client to the credit risk of several parties involved in the reinsurance product chain. For example, a Client may have exposure to the reinsurer that is buying the reinsurance from the issuer of the insurance-related assets in respect of such reinsurer's obligation to make premium payments to the issuer. The issuers of insurance-related assets may also be exposed to the credit risk of reinsurance brokers and other service providers with whom the sponsoring reinsurer conducts business related to the reinsurance policies to which such insurance-related assets have exposure.

There is often only limited price information available in markets for insurance-related investments. There may not be active secondary markets for certain insurance-related investments. Where a secondary market does exist, there is no assurance that it would have a sufficient number of participants to provide efficient or even adequate pricing or liquidity. As a result, insurance-related investments are generally highly illiquid and their prices may be highly volatile, thus resulting in an increased risk of material losses.

**Counterparty Risks.** Each Client account must assume the credit risk associated with the insurance companies, annuity providers, brokers and other intermediaries and counterparties with which the Client account deals. The failure or bankruptcy of any such insurance company, annuity provider, broker or other intermediary or counterparty could have a material adverse impact on the Client's ability to achieve its investment objectives. An insurance company's business tends to track general economic and market conditions that are beyond its control, including economic recessions, interest rate changes, the subprime lending market crisis, or changes in investor perceptions regarding the strength of insurers generally and the policies or annuities they offer. Adverse economic factors and volatility in the financial markets may have a material adverse effect on the ability of an insurance company, annuity provider, broker or other intermediary or counterparty to generate business and sell insurance or annuities.

**Risks of Structured Vehicles and Asset-Backed Securities.** OCM may cause Client accounts to invest in, or otherwise participate in, a variety of different asset-backed securities and structured investment vehicles or products. These investments can take the form of equity or debt investments in special purpose vehicles that own a right to receive payments, such as, for example, payments derived from the settlement of a lawsuit filed by a third party, or group of

third parties, who suffered an injury or an accident, lottery receivable securities, or other assets, including, without limitation, in the insurance, mortality-linked or litigation-related sectors. Accordingly, these asset-backed securities and structured investments may involve not only the risks of the underlying “reference asset” (i.e., the enforceability of the right to receive the underlying settlement payments arising out of a litigation or other event, or a lottery purchaser complying with the terms of a lottery prize transfer statute with respect to the assignment of a lottery receivable) but also other risks including, without limitation, acceleration of any financing embedded in the structure, counterparty credit risk, and/or restrictions imposed on the management and nature of the permissible reference assets and costs of creating the structured vehicle or product.

**Longevity/Mortality Related Risks.** Life contingent structured settlements (“LCSS”), life contingent annuity payment streams and other longevity-related investments, such as, for example, “lifetime” lottery prizes, are paid out only if the recipient is alive at the time of payment. The performance and return of LCSS and other longevity-related investments are therefore likely to depend significantly on one or more risks linked to longevity, life insurance, or otherwise to human life. An investment in longevity-related investments may involve a high degree of risk, including the risk that the entire investment may be lost upon the premature death of the underlying beneficiary. Such investments in many cases may involve investing in a relatively new and developing asset class consisting of relatively illiquid instruments. Additional risks may arise from the illiquidity and difficulty in the valuation of such instruments, risks of catastrophic events and other events giving rise to losses under such instruments, and volatility of capital markets. The evaluation of longevity related risks is based on a vast amount of historical data and actuarial analysis. However, there is no guarantee that any investment will actually turn out to be in line with expectations. Any one or more differences between the estimated and actual severity or frequency of an insurance event to which a Client is exposed pursuant to any one or more LCSS or other longevity-related investments held by the Client could have a material adverse effect on the Client.

**Uncertainty of Life Expectancy.** The cost in the market of LCSS or other longevity-related investments depends, in large measure, upon the life expectancy of the settlement recipient or recipients. The return to an investor on such purchases is largely dependent upon how accurate the expectancy was as compared to actual experience. Life expectancies are estimates of the expected longevity or mortality of an individual. There can be no assurance that any life expectancy obtained on an individual will be predictive of the actual future longevity or mortality of the individual.

## ***Risks of Investing in High Yield and Leveraged Loans***

**Below Investment Grade Securities Risk.** OIC invests in below investment grade securities (sometimes referred to as ‘junk bonds’) and leveraged loans. These issuers have a credit rating equal to or lower than BB+ (Standard & Poors) or Ba1 (Moody’s). These securities may be highly illiquid. Fixed income securities rated below investment grade are especially susceptible to credit risk. No entity should invest that cannot afford to hold the investment for a substantial period or who cannot afford the loss of the entire investment.

**Economic Risk.** High yield issuers are highly leveraged and are prone to be affected negatively by economic downturns and adverse market conditions due to their high leverage or legal uncertainties. Thus, credit risk tends to increase during economic recessions, which usually results in wider credit spreads and price depreciation.

**Credit Risk.** The risk that an issuer of a security will fail to pay interest and or principal in a timely fashion or that negative perceptions of the issuer’s ability to make such payments will cause the price of the security to decline. The credit quality of securities may be lower if an issuer’s financial condition changes. Lower credit quality may lead to greater volatility in the price of a security which may affect liquidity and OIC’s ability to sell the security.

**Interest Rate Risk.** Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities often declines. On the other hand, if interest rates fall, the value of the fixed income unsecured securities often increases. Certain fixed income securities pay interest at floating or variable rates. Variable rate securities reset at specified intervals, while floating rate securities, such as senior secured loans, reset whenever there is a change in a specified index rate or as market conditions and/or issuer conditions warrant. The market prices of these securities may fluctuate significantly when interest rates change.

**Perpetual Call Risk.** There is the risk that future cash flows from existing investments may require reinvestment at lower rates of return than the rates originally achieved. This risk amplifies in the case of securities which have embedded optionality which may cause prepayments to accelerate as rates decline.

**Liquidity Risk.** The markets for fixed income securities can become “illiquid” in many circumstances. In other words, the spread between the “bid” (level where a market participant would sell) and the “ask” (the level at which one would buy) becomes very wide. In these instances, it may become difficult or even impossible to transact in the affected securities. Certain fixed income securities may be less liquid compared to other securities.

The frequency at which prepayments (including voluntary prepayments and accelerations due to defaults) occur on the investments are affected by a variety of factors, including the prevailing level of spreads as well as economic, demographic, geographic, tax, social, legal, and other factors.

**Small and Medium Sized Company Risk.** High yield securities of small and medium-sized companies may be less liquid, and therefore more volatile in price, than those of larger companies. Certain small companies especially are less seasoned, are not well-known to the investing public, not significantly owned by institutions and can have cyclical, static or only moderate growth prospects, as compared to larger companies.

**Senior Secured Bank Loan Risk.** The risks associated with floating rate loans are like the risks of below investment grade securities. In addition, the value of the collateral securing the loan may decline, causing a loan to be unsecured. The sale and purchase of a leveraged loan are subject to the requirements of the underlying credit agreement governing the leveraged loan. These requirements may limit the eligible pool of potential leveraged loan holders by placing conditions or restrictions on sales and purchases of leveraged loans. Leveraged loans do not trade on an exchange and purchasers and sellers of leveraged loans rely on market makers, usually the administrative agent for a particular leveraged loan. These factors, in addition to overall market volatility, may negatively impact the liquidity of leveraged loans. Difficulty in selling a floating rate loan may result in a loss. Bank loan clients are bound by contractual obligations established under the bank debt's loan documentation and the transfer agreements executed when purchasing and selling bank debt. These factors, in addition to overall market volatility, may negatively impact the liquidity of loans. Purchases and sale transactions for this asset class involve heightened risk of extended and delayed settlement times which can result in increased counterparty and liquidity risk. Bank debt is neither registered nor regulated under federal securities laws.

### **Research and Consulting Service**

A key component of OIC's research and consulting services is OIC's Default Risk Ranking ("DRR"). This ranking, which is applied at the issuer level and not to individual bond or loan issues, measures the probability that the issuer will default on its obligations over two and five-year periods. In arriving at this measure, OIC analysts evaluate the issuer's potential for generating cash flow, its financial strength and overall liquidity, the strength of its products and business plan, and the prospects for overall growth of the industry in which the issuer operates. As part of this process, the analysts' model and maintain a three-year financial forecast for the company.

Once the DRR is established, an appropriate recommendation is made by referring to the yield requirements that OIC has assigned to each DRR, given the current market. Issue specific yield requirements for a given DRR are adjusted for maturity, seniority, security, and whether the issue is a discount note or payment in kind. If the yield on the bond or loan issue in question falls within the required range, it receives a HOLD recommendation; if it is lower than the range, it rates a SELL; and if it is higher, a BUY.

OIC's coverage of leveraged loans entails providing bank loan information, including a summary of terms and conditions, collateral, covenants, and current loan pricing in the secondary market. The primary focus is on institutional Term Loan Bs with coverage of second lien loans, revolvers and other term loan tranches as deemed appropriate. OIC's Recovery Ranking ("RR") is applied at the issue level and is independent of the DRR. After assessing recovery risk along with other

relevant factors including current loan pricing, spread and liquidity, refinancing risk and incorporating the DRR, OIC then provides an individual loan recommendation independent of OIC's DRR. Generally, RR focuses on risk of loss and is based primarily on OIC's assessment of asset coverage taking into consideration collateral and covenants.

### ***Risks***

No guarantee or representation is made that any of OIC's recommendations or credit assessments will be successful. General risks associated with high yield and leveraged loan investments may also impact the success of OIC's recommendations and credit assessments. See "Risks of Investing in High Yield and Leveraged Loans" above.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of OFM or the integrity of OFM's management.

Obra Capital-related companies, from time to time, are subject to regulatory examinations by and receive inquiries from different regulatory authorities based on the business conducted by the particular entity. For example, OCM is currently providing information to the SEC in response to a request for information relating to a political contribution made by a former employee to a family member's political campaign before the former employee was employed by OCM.

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

In respect of Client accounts that invest in longevity-contingent and/or mortality-related assets, Obra intends to invest in life settlement assets where it believes that there is an expectation of payment upon policy maturity and that policies will not be subject to challenge by the insurance company or the estate of the insured on insurable interest grounds. Obra believes that the key to ensuring such payment is a due diligence process on the part of licensed and regulated companies that facilitate the sale of policies to investors by identifying, examining, and acquiring the policies as agent for the purchasers (each an "Originator"). Magna, an affiliate of Obra, is a licensed Originator that employs a detailed diligence information review program when evaluating policies. While no process is perfect in every aspect, and acquired assets under this process may still be subject to challenge, by working with an affiliated Originator, Obra believes that this process allows it to verify that the policies it purchases for its Clients are originated in



compliance with state and federal laws and internal due diligence and quality assurance processes. Magna receives origination fees for life settlement assets it facilitates for the Clients. As discussed below in *Item 12. Brokerage Practices*, any fees paid to Magna are considered transaction costs, paid by the Client, and they are not credited to reduce the management fees owed by the Client. Notwithstanding the foregoing, the Clients may also acquire assets through additional, non-affiliated Originators. All prospective investors will be informed of the affiliation between Obra and Magna, and thus be aware of this incentive prior to the time they invest capital in a Fund.

Magna also offers educational information to investment advisers (and other third parties) and their clients about life settlement options for qualified policy owners. Certain third-party investment advisers may have also recommended an investment in the Funds to these same clients. Consequently, there is a possibility that Magna may originate a life settlement asset for purchase by one of Obra's Clients that was sold by an investor in one of the Funds.

Obra or an affiliate may perform activities related to the identification, investigation, origination, acquisition and maintenance of investments other than life settlements, and may charge Clients a fee or fees (including, potentially an origination fee and/or a servicing and/or administration fee) for those activities. Obra will evaluate the facts and circumstances of any such activities and fees, is not under any obligation to use or not to use an outside party to provide such services, and is not obligated to seek or provide the lowest available fees and costs for these services.

Certain of Obra's ultimate owners and their affiliates ("Parent Entities") conduct other investment activities not related to the investment activities of Obra. However, these activities do not present a material conflict of interest for Obra. The Parent Entities and their affiliates generally conduct their investment activities within a different asset class than Obra and do not make any day-to-day investment decisions for Obra.

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

To avoid potential conflicts of interest and mitigate risks involving personal trades, Obra and its affiliates have adopted written personal trading policies and procedures for their employees that include a formal Code of Ethics (the "Code") and insider trading policies and procedures. Procedures have been adopted to ensure compliance with the provisions of the Code, including pre-approval of certain personal securities transactions, annual affirmations of compliance, and regular reviews of personal holdings and transactions. Obra and/or the officers or employees of Obra and its affiliates are generally not permitted to trade in the same asset that has been purchased for Client accounts, except when participating directly through an investment in the Funds or when the matter has been disclosed, reviewed and approved by Obra's compliance group.

In the past, for example, a Fund traded with affiliated parties from time to time, and each such trade was reviewed with and approved by its LPAC. These trades generally were priced and traded at net

asset value or a markup of net asset value plus 1%. The 1% markup in value would be realized by the Fund and any difference in the value sold and cost basis would be retained by Obra, the Fund's general partner, or an affiliate. If such a trade were to occur again, the asset would be expected to be traded at its net asset value and would be reviewed and approved by the applicable LPAC.

Obra's Code of Ethics also describes its fiduciary duties and responsibilities to its clients and sets forth policies governing the giving and receipt of gifts by employees.

A copy of Obra's Code of Ethics will be provided to a Client, an investor or prospective investor upon request.

## **Item 12. Brokerage Practices**

### **Insurance Origination**

As discussed in *Item 10. Other Financial Industry Activities and Affiliations* above, investments in life settlement assets entail a due diligence process on the part of licensed and regulated companies, such as Obra's affiliate, Magna, which facilitate the sale of policies to Clients by identifying, examining, and acquiring the policies as agent for the purchasers. As Clients acquire life settlement policies, the Clients typically pay a market-based origination fee as part of the cost of acquisition of each policy. This is a transaction cost, which is part of the capitalized cost basis of each policy, and is ultimately borne by the relevant Fund or separate account. Where Obra uses a third-party originator, which is rare, Obra attempts to negotiate the best possible price and transaction costs for the Client. If Obra uses Magna, which is typically the case, the transaction costs paid by the Client to Magna are generally 1% of the face value of each life settlement policy. However, fees paid to Magna may be less than 1% of face value in certain situations, and certain Clients have negotiated a lower fee on an asset by asset basis in certain circumstances. Obra generally utilizes Magna to effect purchases and sales of life settlement policies for Clients accounts unless Magna is not licensed to operate in a particular state and thus cannot effectuate a transaction involving a policy holder in that state.

The fact that Magna is affiliated with Obra creates an incentive for Obra to purchase life settlement policies for Clients from Magna due to the common ownership of Obra and Magna, rather than from third parties based on the Clients' interest in receiving most favorable overall execution. In selecting providers or Originators to effect life settlement transactions, Obra seeks best overall execution and considers such factors as life settlement policies offered, origination rates, price, the ability of the Originator to effect the transaction, the due diligence process, the Originator's maintenance of state licenses, the Originator's facilities, reliability and financial responsibility and the provision of, or payment for, the costs of research-related products or services that are of benefit to Obra and the Clients. Obra does not have an obligation to seek the lowest available fees and other costs and considers qualitative factors when considering execution price. Accordingly, if Obra determines in good faith that the amount of any fees and other compensation charged by an Originator are reasonable in consideration of the value and

quality of the execution and/or research-related goods and services provided by such Originator, Clients may pay fees and other compensation to such Originator which are greater than those another might charge.

### **Broker-Dealers**

In respect of security transactions, Obra intends to select brokers and counterparties based upon the broker's and counterparty's ability to provide best execution for the Clients. Obra is generally authorized to determine, subject to each Client's investment objectives and restrictions, without obtaining prior consent from the relevant Client: (i) which securities or other instruments to buy or sell; (ii) the total amount of securities or other instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for transactions.

In selecting broker-dealers to effect securities transactions, Obra may consider factors including, but not limited to, ability to achieve prompt and reliable executions at favorable prices, operational efficiency with which transactions are effected, financial strength, integrity and stability of the broker, any special expertise or capabilities of the broker, competitiveness of commission rates, when applicable, in comparison with other brokers satisfying Obra's other selection criteria, and such other factors as Obra considers relevant and beneficial to its Clients.

Obra may take into account research and other services provided to Obra by brokers. Obra does not necessarily solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Obra may cause a higher commission to be paid to a broker or dealer that furnishes research services than might be charged by another broker or dealer for effecting the same transaction, provided that Obra determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker or dealer.

### **Research and other Soft Dollar Benefits**

Research services provided to Obra by brokers may include written information and analyses concerning specific securities, companies or sectors (whether produced by the broker or a third party); market, financial and economic studies and forecasts (whether produced by the broker or a third party); statistics and pricing services; discussions with research personnel; access to management of issuers; data bases; and other news, technical and telecommunications services utilized by Obra in the investment management and execution process. In particular, OIC may also from time to time participate in certain "soft dollar" arrangements with broker dealers to obtain third-party research and market data services. Additionally, OIC does receive unsolicited research from the broker dealers it trades with during the normal course of business. OIC makes a good faith determination in relation to the value of the brokerage and research service provided by the broker-dealer. Receipt of research or brokerage services from brokers who execute trades involve conflicts of interest with Obra's best execution efforts, given an incentive to transact with those brokers from whom Obra may obtain such research and services. Obra does not expect to receive any benefits outside the safe harbor under Section 28(e) of the Securities Exchange Act

of 1934, as amended, for the use of commissions or “soft dollars” to obtain “research and execution” services. Research services provided by brokers may be used for the benefit of all Clients of Obra.

### **Trade Aggregation**

In respect of trades conducted by OIC, trades are aggregated where possible and advantageous to Clients. Clients will share transaction costs equally on a pro-rata basis. If purchases of securities are considered at the same time for two or more Clients, the transactions in such securities will be allocated among the Clients in a manner deemed to be fair and equitable by Obra. Trade aggregation allocation policies are designed, in part, to prevent conflicts of interest that may arise. These policies consider factors that include but are not limited to, the assets of such accounts, the respective size of such accounts, the amount of securities proposed to be purchased or sold in the accounts, diversification within the respective accounts, the investment objectives of the accounts (including portfolio duration targets, sector allocation and structure relevant to Client benchmark). Each Client that participates in a block trade will receive the average security price and pro-rata portion of the trade transaction cost. Although Obra believes that the ability to aggregate orders for Client accounts will in general benefit its Clients, over time, in any instance, such aggregation may result in a less favorable price or execution for any Client than might have been obtained if a particular transaction had been affected on an un-aggregated basis.

OIC uses electronic platforms through which multiple brokers compete for trading opportunities for trading certain debt securities. This usually results in equal or more favorable overall executions for the transactions.

### **New Issues**

To the extent new issues are available in respect of the separate accounts managed by OIC, Obra’s new issue policy is to allocate all these securities fairly and equitably among OIC’s Clients over time. However, there may be circumstances where a portfolio manager may allocate investments in a way that does not treat all Clients fairly and equitably. The guidelines provide for adjustments to allocation amounts in certain cases as an allocation may not always accommodate all accounts. For example, adjustments may be made: (i) to reallocate considering a participating portfolio’s characteristics, such as available cash, issuer or industry concentration, credit exposure, and duration; (ii) to eliminate de minimis positions; (iii) to give priority to accounts that are ramping up; and (iv) to give priority to accounts with specialized investment guidelines. Also, with private placement transactions, certain conditions required by the Client or issuer may limit availability of allocations to Client accounts.

### **Cross Trades/Principal Trades**

As previously noted, Obra advised Clients, has, on occasion, traded with affiliated parties or other Clients in the past and may do so again in the future. However, Obra does not intend to engage in such transactions as a general course of business or as an investment strategy. Such trades (cross or principal) are reviewed with and approved by an LPAC, or another applicable reviewing source. These trades have

generally been priced and traded at net asset value or a markup of net asset value plus 1%. Separate accounts managed by OIC are not expected to engage in any principal or agency cross securities transactions.

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

### **OCM Funds and Accounts**

OCM generally follows a “buy-and-hold” approach with respect to investments by its Clients in life settlement assets and may or may not take the same approach with other assets in Funds or separately managed accounts. However, in all cases, OCM may sell assets and acquire additional assets when deemed appropriate. The account of each Client is reviewed and monitored by OCM (on a frequency deemed appropriate by OCM) in an effort to decide if additional purchasing or selling actions are warranted.

OCM’s communication with Clients and investors differs from Client to Client. Generally, OCM (or the respective fund administrator) provides Fund investors and separate account clients with a quarterly report and account statements in writing. On an annual basis, OCM provides audited financial statements for each Fund to such Fund’s investors and a copy of the Obra’s Privacy Policy if any changes have occurred since the prior year.

### **OIC Accounts**

In respect of separate accounts advised by OIC, OIC monitors all portfolio activity on a daily, post-trade basis via a proprietary web portal to ensure compliance with client-specified investment criteria and constraints. Account performance is computed monthly and is reviewed by OIC. Clients may receive written monthly report statements that are generated by OIC’s systems. Clients receive these written reports if they are required in their contracts. These reports include performance analysis, portfolio holdings, and transactions.

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

Obra may make payments to third parties for introducing potential investors to the Funds or for separate accounts managed by Obra. Aside from management fees and incentive-based compensation received by Obra and its affiliates and fees paid to Magna (or potential fees for activities and services (e.g., origination, servicing, administration, etc.) relating to non-life settlement assets paid to Obra or an affiliate) from which Obra and its owners indirectly benefit, Obra does not receive any other economic benefits from non-investors or non-Clients in connection with the provision of investment advice to Clients. Fund investors who subscribe through an authorized dealer, placement agent, or other third party may be subject to a sales charge in accordance with a prior written disclosure provided to such investors. All or a portion of any such subscription charge is paid to authorized dealers, placement agents, or independent third parties other than Obra for services provided in connection with the solicitation of subscriptions. Any applicable subscription charge is paid to the recipient out of the investor’s

capital contribution. Such subscription charges paid out the investor's capital contribution amount are disclosed, reviewed, and approved by the investor during the subscription process.

## **Item 15. Custody**

OCM and/or its affiliates are deemed to have custody of certain Funds' cash and securities. OCM maintains custody of such assets in the name of the relevant Fund with unaffiliated qualified custodians who generate account reports and statements for the Funds. These reports are monitored by OCM or its affiliates and, generally, by a third-party administrator to ensure accuracy and consistency with reports generated by OCM or its affiliates.

Fund investors may not receive statements directly from the custodians, but generally will receive them from the respective fund administrators. The Funds are subject to an annual audit and the audited financial statements are distributed to each investor in accordance with certain custody requirements under the Advisers Act. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

With respect to separate account Clients, qualified custodians send quarterly, or more frequent, account statements directly to a separate account Client. Separate account Clients should carefully review these statements. Separate account Clients will also generally receive account statements from Obra. Clients are urged to compare the account statements they receive from qualified custodians with those they receive from Obra.

## **Item 16. Investment Discretion**

Obra generally has discretionary authority to determine, without obtaining specific consent from each Client, the amounts and types of assets, securities, and other instruments to be bought or sold for each Client's account. Any limitations on authority are discussed in detail in the respective private placement memorandum, investment management agreement or other Governing Documents.

## **Item 17. Voting Client Securities**

### **Proxy Voting**

Due to the nature of Obra's investment programs and the types of investments made on behalf of Clients, Obra is rarely requested to vote the proxies of traditional operating companies. Obra, on rare occasions, receives requests related to amendments, consents, and/or resolutions as a result of investments in synthetic and derivative life settlement instruments, life settlement-backed notes, and other assets.

When applicable, Obra will vote proxy proposals, amendments, consents, and/or resolutions (collectively, "proxies") held by each Client in a manner that serves what it believes to be the best interests of that Client in accordance with its fiduciary duty. Obra has adopted the following

proxy voting procedures designed to ensure that proxies are properly identified and voted, and that any conflicts of interest are addressed appropriately:

#### **When Obra has Voting Authority**

If Obra receives a proxy document and when Obra has voting authority, it will consider whether it is subject to any material conflict of interest in connection with each proxy vote. Supervised persons must identify if they are aware of any potential material conflict of interest associated with a proxy vote. If a material conflict of interest is identified in connection with a proxy solicitation, a meeting will be convened with representatives of the Client, such as an advisory committee of a Fund. The vote under consideration and the perceived conflict of interest will be discussed and representatives of the Client will reach a consensus and make a decision regarding the proxy vote.

If Obra has authority to vote and no material conflict of interest is identified, Obra will vote proxies in a manner that it believes maximizes the value of each Client's investment. In so doing, Obra may take into consideration recommendations made by third parties, such as attorneys and independent actuaries.

Obra may abstain from voting if it deems that abstinence is in the relevant Client's best interests or if the proxy matter is a more ministerial or administrative matter that would not have a material impact on the Client's portfolio.

In addition, if class action documents are received by Obra on behalf of its Clients, Obra will take reasonable steps to ensure that the Clients either participate in, or opt out of, any class action settlements received. Obra will determine if it is in the best interest of each Client to participate in and/or recover monies from a class action.

#### **When Clients Retain Voting Authority**

If Obra receives a proxy document, and when a Client has retained voting authority but has instructed Obra to vote on its behalf and no material conflict of interest is identified, Obra will vote the proxies in a manner that it believes maximizes the value of the Client's investment. Obra will abide by any specific proxy voting instructions conveyed by a Client with respect to that Client's assets. When a Client has retained voting authority and Obra inadvertently receives any proxy materials on behalf of a Client, and Obra has not been instructed to vote on behalf of the Client, Obra will forward such materials to the Client.

#### **Disclosures to Clients and Investors**

Investors can contact the Compliance Department to obtain a copy of these policies and procedures and information about how Obra voted with respect to the Client's assets.

Any request for information about proxy voting should be promptly forwarded to the Compliance Department, who will respond to any such requests.

As a matter of general policy, Obra does not disclose how it expects to vote on upcoming proxies. Additionally, Obra does not disclose the way it voted proxies to unaffiliated third parties without a legitimate need to know such information.

## **Item 18. Financial Information**

Obra is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients. Obra has never filed for bankruptcy, does not collect management fees six months or more in advance, and is not aware of any financial condition that is expected reasonably likely to impair its ability to manage accounts or meet its contractual commitments.