

# **Lument Investment Management, LLC**

**CRD # 306487**

**230 Park Avenue, 20th Floor  
New York, New York 10169**

**October 6, 2023**

**This brochure (the “Brochure”) provides information about the qualifications and business practices of Lument Investment Management, LLC, a Delaware limited liability company (“Lument IM”). If you have any questions about the contents of this Brochure, please contact us at 646-957-7784. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

## **Item 2 – Material Changes**

This Brochure was last updated in June 2023. The material changes in this Brochure since the last annual update, dated June 2022, are as follows:

- Michele Halickman replaced Monica Medrano as Chief Compliance Officer on September 11, 2023.

Other changes to this Brochure include additional and clarifying disclosures concerning certain risks, conflicts of interest and the conflicts resolution process.

You may request a current copy of Lument IM's Brochure free of charge at 646-957-7784 or [Michele.Halickman@lument.com](mailto:Michele.Halickman@lument.com).

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## Item 4 – Advisory Business

### *Lument IM's Business*

Lument Investment Management, LLC (“Lument IM”), founded in 2019, is wholly-owned by Lument Real Estate Capital Holdings, LLC (“Lument”), a wholly-owned, through intermediate wholly-owned subsidiaries<sup>1</sup>, by ORIX Corporation USA (“ORIX USA”), which itself is a wholly-owned subsidiary of ORIX Corporation (NYSE: IX, TSE: 8591) (“ORIX Corporation”), a public company. Lument IM provides portfolio management and advisory services to a public company that is traded on a national securities exchange (“Public Company Client”), separately managed accounts (“Managed Accounts”) and intends to do so in the future for US and non-US pooled investment vehicles (the “Funds”)(each a “Client” and collectively “Clients”).

### *Advisory Services*

Lument IM, on behalf of its Client, primarily invests in real estate debt or subordinated assets and both public and private real estate-related instruments, including commercial real estate mortgages and other debt obligations or capital products that fund real estate investments, securitized real estate investments, and other forms of real estate securities. Client’s investments generally take the form of, or include, without limitation: (i) the acquisition of securities in entities that own or invest in one or more real estate debt- related, subordinated financing, or equity assets; (ii) the sponsorship of or investment in real estate investment trusts (“REITs”), pooled investment funds, or other real estate related companies (including management, financing, development, or other operating companies); (iii) the issuance or acquisition of subordinated financing assets, mortgage loans, and other real estate backed indebtedness, or participation in, or ownership of, securities backed by such indebtedness; and (iv) investment in real estate related securities, some of which are relatively illiquid and credit sensitive, including rated and unrated interests in mortgage-backed securities or other structured products collateralized by healthcare, multifamily, and commercial real estate loans, interests in individual loans secured by healthcare, multifamily, and commercial real estate, including subordinated interests, mezzanine loans, and other real estate-related securities, securities resulting from commercial real estate securitizations, and any other real estate debt-related instruments. The terms upon which Lument IM provides its investment management services to a Client are set out in the relevant offering documents, disclosure documents, indentures, limited partnership or limited liability company agreements, investment company agreements, investment management agreements, asset management agreements, collateral management agreements, subscription agreements, loan participation agreements, side letters, or similar documents, as applicable (each a “Governing Document,” and, collectively, the “Governing Documents”).

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<sup>1</sup> The subsidiaries are as follows: Lument, which is a majority shareholder of Lument IM; OREC Holdings, LLC (“OREC Holdings”), which is the sole owner of Lument; OCU Commercial Mortgage Servicing, LLC (“OCMS”), which is the sole owner of OREC Holdings; OCU Equity Holdings, LLC (“OCU EH”), which is the sole owner of OCMS; OCU Opco Holdings, LLC (“Opco”), which is the sole owner of OCU EH; ORIX Capital Markets, LLC (“ORIX CM”) which is the sole owner of Opco, and ORIX Corporation USA, which is the sole owner of ORIX CM.

Lument IM provides investment advisory services to a Public Company Client subject to the oversight of its boards of directors, pursuant to a management agreement, and in accordance with the investment objectives, strategies, and guidelines approved by the board of directors. Investment advice to each Managed Account is tailored to the Managed Account's individual needs pursuant to the investment objectives, strategies, and restrictions, including if applicable, customized investment guidelines, as individually negotiated with such Managed Account and set forth in each Managed Account's Governing Documents. Investment advice provided to any Fund will be provided directly to each Fund and not individually to the investors in such Fund. Accordingly, such services will be tailored to each Fund's investment objectives, strategies, and guidelines, which will be described in the applicable Governing Documents. Investors in a Fund are generally not provided with the right to specify, restrict, or influence such Fund's investment objectives.

The advisory and management services that Lument IM provides to its Clients generally include: (i) general management and administrative services and portfolio management services, including managing day-to-day operations; (ii) the evaluation and selection of investments; (iii) the acquisition, management, and disposition of assets spanning the equity and real estate debt product spectrum, including, but not limited to, whole loans, participation interests, real estate structured products, subordinated assets, leveraged and unleveraged bonds, other forms of real estate securities, and real estate-related corporate loans; (iv) the valuation of assets; (v) ongoing asset management and related reporting; (vi) the development of proactive strategies to resolve operational, financial, and other performance issues; (vii) the provision of executive and administrative personnel; (viii) the communication, on behalf of any applicable Client, with the holders of any such Client's equity or debt securities; (ix) advising Clients as to such Client's capital structure and capital raising efforts; and (x) the generation of income and capital appreciation through asset selection, credit re-underwriting, capital structure relative value, and rate and credit hedging of investments spanning the real estate debt structure.

Lument IM does not participate in any wrap fee programs.

As of March 31, 2023, Lument IM had \$2,669,880,120 of regulatory assets under management.

## **Item 5 – Fees and Compensation**

In connection with its advisory services to Clients, Lument IM and/or its affiliates will generally receive a management fee ("Management Fee") and performance-based compensation through carried interest, performance fees, and/or an allocation of profits or similar method of sharing in profits (collectively referred to as "Performance Fees"). Furthermore, to the extent Lument IM engages a sub-adviser in connection with the provision of advisory services to a Client, the Management Fee and Performance Fee paid by such Client also cover the investment advisory services rendered by the sub-adviser.

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

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

#### *Management Fee*

Lument IM expects to receive a Management Fee from each Client. For certain Clients, the Management Fee is expected to be calculated as a percentage of either the Client's stockholders' equity, net asset value, actively invested capital, or committed capital, as outlined in each applicable Governing Document. Lument IM expects that the rate for Management Fees charged to Clients will vary depending on the applicable investment strategy and the services provided. Lument IM does and may in the future, in its sole discretion, waive, defer or reduce the Management Fee for any Client both voluntarily and on a negotiated basis via Side Letters or other arrangements, which may not be disclosed to other Clients, and does and expects to do so in the future for ORIX Persons. The fee structures described herein may be modified from time to time. Fees may differ from one Client to another, as well as among investors in the same Fund. The timing of fee payments is typically set forth in each Client's Governing Documents. For each Client, the Management Fee is generally payable quarterly in arrears or in advance, or at other agreed-upon intervals.

#### *Performance Fee*

Lument IM and/or its affiliates expects to receive Performance Fees from its Clients. The Performance Fees Lument IM receives from Clients will be generally based on realized proceeds in excess of a targeted internal rate of return, capital committed, earnings exceeding a defined target, or net invested capital. The timing and calculation of performance-based fees are described in the relevant Governing Documents of each Client. To the extent permitted by a Client's Governing Documents, Lument IM does and may in the future, in its sole discretion, waive, reduce, or defer the Performance Fee for the relevant Client and does and expects to do so in the future for investments by ORIX Persons.

#### *Other Fees*

Clients and/or companies in which a Client has an interest pay Lument IM and/or its affiliates servicing and/or special servicing fees in connection with the provision of certain administrative or other services. In addition, in connection with certain investments of a Client, Lument IM's affiliates are retained to provide certain ongoing asset management, loan origination, servicing, and other real

estate-related services and are paid a fee for doing so. Affiliates of Lument IM have also been retained to perform certain administration services and certain back-office services for Clients and also provide such services to Lument IM. These arrangements create a conflict of interest, as Lument IM is incentivized to choose its affiliates to provide these services rather than an unrelated third party, and Lument IM and its affiliates have an interest in obtaining fees and other amounts for such services which are favorable to Lument IM. Lument IM has policies and procedures in place to address these conflicts. Please see Item 10 – Other Financial Industry Activities and Affiliations.

Lument IM generally deducts all asset-based compensation automatically in accordance with a Client's Governing Documents, but Lument IM may also bill a Client directly for any fees incurred or agreed-upon expenses that are subject to reimbursement. Clients typically pay these fees quarterly, in arrears.

With regard to the Public Company Client, upon a vote of a two-thirds majority of such Public Company Client's independent directors or such Public Company Client's public shareholders, Lument IM's services can be terminated (a) upon written notice in connection with the expiration of the term of the management agreement (subject, in certain instances, to certain other requirements) or (b) for cause upon written notice (subject to certain limitations). Different Clients will have different termination rights with respect to Lument IM's advisory services. Lument IM could agree with a Client that, upon termination of the advisory agreement, Lument IM will continue to receive fees on invested assets until their disposition. In many instances, if an agreement is terminated (other than at a previously specified period), fees will be prorated to the termination of the agreement and Lument IM will be entitled to receive fees and expenses incurred through the date of termination.

### *Expenses*

In connection with Lument IM's advisory services, the Public Company Client will bear all of its own expenses (ordinary and extraordinary), which will include, without limitation: (i) all costs and expenses associated with formation and capital raising activities ; (ii) fees, costs, and expenses directly related to the acquisition, issuance, origination, disposition, development, modification, protection, maintenance, financing, negotiation, structuring, trading, settling, refinancing, hedging, administration and ownership of Public Company Client's assets or investments and the evaluation of potential investments regardless of whether the potential investments are made; (iii) all legal, audit, accounting, consulting, underwriting, brokerage, listing, filing, custodian, transfer agent, trustee, rating agency, registration and other fees and charges incurred in connection with the issuance, distribution, transfer, registration, and stock exchange listing of the Public Company Client's equity or debt securities; (iv) expenses of a sub-advisor; (v) all costs and expenses in connection with legal, accounting, due diligence, securitization, property management, brokerage, leasing, and other services; (vi) fees, costs and expenses, and taxes incurred in connection with the (vii) fees, costs, and expenses relating to communications to holders of equity or debt securities of Public Company Clients; (viii) all costs and expenses of money borrowed by the Public Company Client including principal, interest, and costs associated with the establishment of any credit facilities, warehouse loans, and other indebtedness of the Public Company Client; (ix) all taxes and license fees; (x) any insurance, indemnity, or litigation expense; (xi) any fees paid to and expenses of third-party advisors and independent contractors, consultants, managers, and other agents (including real estate

underwriters, brokers, and special servicers) engaged by the Public Company Client; (xii) all costs and expenses related to portfolio accounting system; (xiii) all compensation and fees paid to directors, all expenses of directors, the cost of directors' and officers' liability insurance and premiums for errors and omissions insurance, and any other insurance deemed necessary or advisable by the Public Company Client board of directors; (xiv) all legal, compliance, accounting, and auditing fees, and other fees and expenses related to Public Company Client's operations; (xv) all third-party legal, expert and other fees and expenses of the Public Company Client or Lument IM relating to any actions, proceedings, lawsuits, demands, causes of action and claims, whether actual or threatened, made by or against the Public Company Client; (xvi) all expenses related to any judgment or settlement pending or threatened proceedings against the Public Company Client or Lument IM or any director or officer of the Public Company Client in his or her capacity as such for which the Public Company Client is required to indemnify such director or officer; (xvii) all expenses related to attending meetings of the board of directors; (xviii) all costs and expenses of organizing, modifying or dissolving the Public Company Client or costs preparatory to entering into a business or activity, or of winding up or disposing of a business activity (xix) all costs and expenses related to the payment of dividends or interest or distribution in cash to holders of the Public Company Client's securities; (xx) all costs and expenses related to design and maintenance of the Public Company Client's website and its allocable share of all costs and expenses associated with any computer software, hardware, electronic equipment and the like; (xxi) all costs and expenses related to market information systems and publications; (xxii) costs and expenses with administrating the incentive plans; (xxiii) costs and expenses related to any office or office facilities; (xxiv) rent and other fees relating to office(s), utilities, furniture, equipment, and other office overhead expenses required for the Public Company Client's operations; and (xxv) all other costs and expenses incurred by the Public Company Client relating to the business of investment operations and that are reasonably necessary for performance by Lument IM of its duties and obligations to the Public Company Client. In addition, subject to a reimbursement cap, the Company shall bear all expenses associated with an allocable share of compensation (including annual base salary, bonus, other wages, any related payroll taxes, the cost of employee benefits and insurance of such personnel) paid to certain non-investment management personnel including, but not limited to, the Chief Financial Officer, the General Counsel, and other individuals in corporate finance, tax, accounting, internal audit, legal risk management, operations and compliance, based on each such employee's percentage of time devoted to the Public Company Client's affairs.

In connection with Lument IM's advisory services, Funds and Managed Accounts will bear all of their own expenses (ordinary and extraordinary), which could include, without limitation: (i) organizational expenses; (ii) fees, costs, and expenses directly related to the acquisition, holding, financing, refinancing, and sale or other disposition of Client investments, and the evaluation of potential investments regardless of whether the potential investments are made; (iii) any expenses related to making temporary investments and any interest expenses; (iv) expenses of any administrators, custodians, counsel, accountants (including the audit and certification fees and costs of printing and distributing reports to a Fund's investors), proxy solicitors, brokers, printers, rating agencies, third party advisors, independent contractors, consultants, managers, and transfer agents; (v) fees, costs and expenses, and taxes incurred in connection with the issuance, distribution, transfer, registration, and stock exchange listing of a Client's securities; (vi) any insurance, indemnity, or litigation expense; (vii) out-of-pocket expenses of a Client's investment advisory committee; (viii)



certain taxes; (ix) any fees or other government charges levied against a Client; (x) rent and other fees relating to office(s), utilities, furniture, equipment, and other office overhead expenses required for a Client's operations; (xi) compensation expenses paid to corporate finance, tax, accounting, investor relations and marketing, internal audit, legal, risk management, operations, compliance, and other non-investment personnel; and (xii) all of their investment related expenses such as proxy expenses, topping fees, interest and commitment fees on loans and debit balances, custodial fees, break-up fees, brokerage commissions, travel expenses related to research, underwriting fees, research fees and materials (including online news and quotation services), syndication fees, costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged in connection with specific transactions, bank charges, and other ordinary research expenses.

Detailed information regarding the fees and expenses charged to Clients will be provided in the respective Governing Documents of each Client.

Clients could be required to pay certain brokerage fees as further discussed below under "Brokerage Practices" in Item 12. Any brokerage commissions and other compensation to third parties, generated by securities or loan transactions in a Client's account will be paid by such Client, and not by Lument IM or any of its affiliates (except to the extent advanced by such parties and reimbursed by such Client).

#### *Conflicts Arising from Expense Allocations*

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

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

Lument IM may face a conflict of interest when making such allocations due to the fact that an affiliate of Lument IM has economic interests in a Client. For example, Lument IM may have an incentive to allocate a greater portion of certain expenses to certain Clients that bear higher fees. Lument IM has implemented expense allocation policies and procedures in order to supervise the allocation of expenses and to help to ensure that expenses allocated to Clients comport with what is permitted by the relevant Governing Documents, and makes expense allocation judgments in its fair and reasonable discretion while taking into account factors it considers relevant and appropriate, notwithstanding its interest in the outcome, and makes corrective allocations should it determine that such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an

expense allocated to a Client for a particular service does not reflect the relative benefit derived by such Client from that service in any particular instance.

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

### *Performance-Based Fees*

As described in Item 5 – Fees and Compensation, certain Clients are and will be subject to performance-based fees. To the extent applicable, investors in Funds and Managed Accounts that are subject to performance-based fees will be required to satisfy the eligibility criteria of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

The performance-based compensation arrangements described above create an incentive for Lument IM to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of such compensation, in an effort to achieve higher returns that will increase performance fees. In addition, methods of calculating performance-based fees (including carried interest or incentive fees) create conflicts of interest between Lument IM, on the one hand, and Clients, on the other hand, with respect to the management of investments, including, where relevant the timing and sequencing of dispositions.

In addition, as further discussed in Item 10, to the extent Lument IM provides investment advisory services to more than one Client, conflicts of interest will arise in connection with allocation of investment opportunities and access to investments (some conflicts of which may be mitigated for some or all limited partner investors by a Side Letter (as described below)). The payment by some, but not all, investors in Clients of carried interest or the payment of carried interest at varying rates (including varying effective rates based on the past performance of a Client) creates an incentive for Lument IM to disproportionately allocate time, services, or functions to Clients with investors paying carried interest or Clients with investors paying carried interest at a higher rate or having a higher likelihood of being received, or to allocate investment opportunities to such Clients. To the extent Lument IM provides investment advisory services to more than one Client, Lument IM will develop policies and procedures pursuant to which Lument IM will seek to allocate investment opportunities in accordance with Lument IM’s fiduciary duty to the Client and any future Clients.

Certain Funds may enter in the future, into separate agreements, commonly referred to as “side letters,” or other similar agreements (each a “Side Letter”), with particular investors, in connection with a particular investor’s admission to such Fund, without notice or approval of any other investor. A Side Letter has the effect of establishing rights under, or altering or supplementing, the terms of the Fund’s Governing Documents with respect to such investor in a manner more favorable to such investor than those applicable to other investors of such Fund. Such terms vary by investor but may include, and in some cases do include, but are not limited to, those relating to “most favored nation” status, transparency, information rights, reductions in management fee and/or performance-based fee expenses allocated to such Fund, revenue sharing, carried interest, performance-based fees, Fund distributions, indemnification and exculpation, or other preferential terms, such as access to co-investment opportunities. No Side Letter provided to an investor or a third party by the Fund and/or

Lument IM or its affiliates will necessarily entitle any other investor or third party (who does not otherwise also have in place a Side Letter) to the rights granted in such Side Letter.

Please see Item 10 – Other Financial Industry Activities and Affiliations for additional information regarding LIM’s affiliates and potential conflicts of interest. In addition, Lument IM (or its affiliates) may compete with Clients for investment opportunities, which creates certain conflicts of interest. See Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

## **Item 7 – Types of Clients**

Lument IM provides investment advisory services to a Clients. Lument IM does not provide investment advisory services directly to investors in such Client, except with respect to Clients that are Managed Accounts, some of which are expected to be institutional investors such as banks, insurance companies, pension plans, and proprietary accounts of ORIX USA.

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

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

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

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

The investment strategies employed by Lument IM subject Clients to various risks that an investor in a Client should be prepared to bear, including the loss of some or all of its investment. Investing in a Client involves the risk such Client may not achieve its investment objectives. The value of a Client's investment can vary based on credit performance, market fluctuations caused by such factors as economic and political developments, changes in interest rates, and perceived trends in asset prices.

### **Investment Strategies & Methods of Analysis**

Lument IM's investment strategy generally seeks to generate appropriate risk-adjusted returns by making investments on behalf of Clients in various classes of real estate-related debt. Lument IM manages the investment program within the real estate capital sector according to a Client's investment guidelines, mandates, policies, or needs. Lument IM invests in collateralized loan obligations ("CLO"), individual loans secured by commercial real estate (including subordinated interests, mezzanine loans, and other real estate-related securities), and securities resulting from commercial real estate securitizations or structured product transactions; multifamily, healthcare, and commercial mortgages; construction loans; and may in the future invest in mezzanine, subordinated, and junior assets (for cash flowing, low to non-cash flowing and/or construction assets); commercial mortgage-backed securities ("CMBS") including unrated and/or non-investment grade tranches corporate debt; sub-performing and non-performing loans; preferred equity; equity and equity-related instruments; borrowing/leveraging, including construction, short-term bridge, and/or long term permanent loans.

From time to time, Lument makes short-term investments on behalf of its Client for cash management purposes that will generally include cash, short-term obligations of the United States of America, or fully guaranteed as to interest and principal by the United States of America, interest bearing accounts or certificates of deposit, repurchase agreements, and commercial paper or other short term, liquid AAA rated assets.

### **Summary of Material Risks**

The following is a description of some important risks associated with the investment strategies that Lument IM employs. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in, or made by, a Client. These risk factors include those risks that Lument IM believes to be material or significant and relate to particular significant investment strategies or methods of analysis employed by Lument IM and its investment teams. Prospective clients and Client investors are advised to also review Governing Documents for a description of the risks of investing in the applicable Client.

#### ***General Risks***

Political, Social, and Economic Uncertainty Risks. Social, political, economic, and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts, and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments, and other systems, including the financial markets, to which Clients or obligors are exposed. As global systems, economies, and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region, or financial market will, more frequently, adversely impact issuers in other countries, regions, or markets, including in established markets such as the US. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. Uncertainty can result in or coincide with, among other things: increased volatility in the loan, securities, derivatives, and currency markets; a decrease in the reliability of market prices and difficulty in valuing assets (including mortgage loans and other interests held by Clients); greater fluctuations in spreads on debt investments; increased risk of default (by both government and private obligors and issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; changes to governmental regulation and supervision of the loan, securities, derivatives, and currency markets and market participants, decreased or revised monitoring of such markets by governments or self-regulatory organizations, and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls, and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell, and otherwise fund investments or clear and settle transactions (including, but not limited to a market freeze); substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments. For example, in late 2019 and 2020, the novel coronavirus (SARS-CoV-2) and related respiratory disease (“COVID-19”) emerged in China and spread rapidly across the world, including to the US. This outbreak has led, and for an unknown period of time will continue to lead, to disruptions in local, regional, national, and global markets and economies affected thereby. With respect to the market for investments, this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following among other things: (i) government imposition of various forms of “stay at home” orders and the closing of “non-essential” businesses resulting in significant disruption to many loan borrowers including both supply chains and demand, and in layoffs of employees, which effects are hoped to be temporary but could be permanent for some of these businesses; (ii) increased draws by borrowers on revolving lines of credit; (iii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers, and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iv) volatility and disruption of the loan market including greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues; and (v) rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which may or may not adequately address the problems facing the multi-family real estate business and the loan market. This outbreak is having, and any future outbreaks could have, an adverse impact on the loan market and the economy in general, which could have a material adverse impact on, among other things, the ability of Lument IM in general, on the volume and type of loans originated or held for investment or for sale thereby, and on the volume and type

of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount of loans available to Clients and returns to Clients, among other things. Lument IM has been and may continue to be impacted in its ability to source investments, which could negatively impact the amount of investments available to the Clients and the returns to Clients, among other things. Furthermore, Lument IM's ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate, oversee investments, and travel to the extent necessary to carry out the Clients' investment strategies and objectives and Lument IM's business and to satisfy its obligations to the Clients, their investors, and pursuant to applicable law, has been, and will continue to be, impaired. As of the date of this Brochure, it is impossible to determine the continued scope of this outbreak, or any future outbreaks, how long any such outbreak, market disruption or uncertainties will last, the effect any governmental actions will have or the full potential impact on borrowers, Lument IM, and Clients. Although it is impossible to predict the precise nature and consequences of these events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact Clients' investments, it is clear that these types of events are and will impact Clients and borrowers and in many instances, they will be negatively impacted. The borrowers on the loans in which Clients invest are being significantly impacted by these emerging events and the uncertainty caused by these events. Clients will be impacted if, among other things, (i) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments, (ii) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business permanently, and/or (iii) the value of loans held by Clients decrease as a result of such events and the uncertainty they cause. There can be no assurance that such emerging events will not cause a Client to suffer a loss of any or all of its investments or interest thereon. Clients will also be negatively affected if the operations and effectiveness of ORIX USA Group, Lument IM, obligors, borrowers or their key personnel, or service providers (affiliated or otherwise) are compromised or if necessary beneficial systems and processes are disrupted. Each of the Risks of Loss in this Item 8 of this Brochure is subject to the risks discussed in this section ("Political, Social and Economic Uncertainty Risks"), and should be reviewed and analyzed in light thereof.

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

Russia-Ukraine Conflict. There is currently an ongoing military conflict between the Russian Federation and Ukraine which has caused disruption to global financial systems, trade, and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to the Russian Federation. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition, and performance of any Client or any particular industry or business and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to a Client. Such impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, and reductions in the availability of capital. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal, and regulatory frameworks and systems in ways that are adverse to the investment strategy which a Client intends to pursue, all of which could adversely affect a Client's ability to fulfill its investment objectives.

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

The United States Federal Reserve and non-US governments have taken significant and historic steps to intervene in the financial markets. Future government interventions can lead to a change in valuations of securities that could be detrimental to Clients' investments. Government intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

Lument IM believes that it is possible that emergency intervention will likely take place again in the future and that the regulation of financial markets is likely to be increased in the future. It is impossible to predict the impact of any such intervention and/or increased regulation on the performance of the Clients or the fulfillment of their investment objective.

Coronavirus Outbreak Risks. The ongoing global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and US federal and state and non-US governmental actions, including, without limitation, mandatory business closures, vaccine mandates, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. The global impact of COVID-19 has been evolving over the course of the pandemic and, at different points of time has, and may continue to have ongoing material adverse effects across

many, if not all, aspects of the regional, national and global economy. The spread of COVID-19 among the Adviser's personnel and its service providers would also significantly affect the Adviser's ability to properly oversee the affairs of the Funds (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of a Fund's investment activities or operations. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

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

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



Limited Operating History. Although Lument IM's investment professionals have had prior experience, both together and separately, relating to real-estate investments, mortgage loans, and investments similar to those to be made by Clients, neither Lument IM nor certain of its Clients have a long operating history upon which an evaluation of their prospects can be made.

Risks of Investments Generally. All investments in securities entail a significant degree of risk, including the risk of complete loss; and, therefore, should be undertaken only by investors capable of evaluating the risks associated with the investment and bearing the risks of such investments. Additional risks and uncertainties, including those not currently known to Lument IM or that Lument IM currently believes to be immaterial, may also materially and adversely affect Lument IM's investment strategies and the value of investments. Past performance of any security is not necessarily indicative of future results. Therefore, investors should not assume that future performance of any specific investment or investment strategy will be profitable. Lument IM does not provide any representation or guarantee that investors' goals will be achieved. Depending on the different types of investments, there may be varying degrees of risk.

No guarantee or representation is made that any Client or its related investment programs or strategies will be successful. Lument IM's investment objective for Clients is to create significant capital appreciation or interest income. For defensive and other purposes, Clients invest in cash equivalents, money market funds, US Treasury bonds, and similar instruments, and/or purchase or enter into hedging instruments. Clients' investment programs or strategies involve, without limitation, risks associated with no or limited diversification and high concentration, leverage, investments in speculative assets, the use of speculative investment strategies and techniques, systems risks, and other inherent risks. Certain investment techniques (e.g., use of direct leverage or indirectly through leveraged investments) can, in certain circumstances, magnify the impact of adverse market moves to which the Clients could be subject. Lument IM does not intend to attempt to minimize such risks for Clients and may not manage risk in the traditional sense. Lument IM's efforts and methods of seeking to minimize such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete, or current, and such information may be misinterpreted.

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

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

In addition, general fluctuations in the market prices of securities may affect the value of the investments held by the Client. Instability in the securities markets may also increase the risks inherent in the Client's investments. The possibility of partial or total loss of capital will exist, and investors should not invest unless they can readily bear the consequences of such loss.

Potential Loss of Capital. Investments are exposed to the risk of the loss of capital; investors may lose all, or substantially all, of their investment. No guarantee or representation is made that a Client's investment strategy will be successful. A Client's value may vary based on credit performance, market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in asset prices.

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

Exposure to Material Non-Public Information. Although publicly traded equity securities will not generally be a part of Client investments due to the nature of their respective investment strategies, from time to time, Lument IM could receive material non-public information with respect to an issuer of publicly traded securities. Additionally, there are no information barriers between ORIX USA Group and Lument IM and hence, the receipt of material non-public information by an affiliate may restrict Lument IM from performing certain actions on behalf of its Clients. In such circumstances, Clients would be prohibited, by law, policy, or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer,

and (iii) pursuing other investment opportunities related to such issuer. See “Information Barriers and the Restricted List” in Item 10 below for additional information.

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

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

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

Devotion of Time and Attention. Subject to any key person devotion of time obligations included in a Client’s Governing Documents, Lument IM investment professionals will devote such time and effort in conducting activities on behalf of each Client as Lument IM reasonably determines is appropriate to perform its duties to such Client. It is possible that such time and attention to a particular Client will be insufficient to adequately manage the affairs of such Client, and investment returns for such Client may suffer as a result of this. It is also possible that comparatively more time

and attention will be devoted to a different Client depending on business needs of such Client. In addition, Lument IM personnel may have an incentive to spend greater time with certain Clients that pay higher Management Fees and/or Performance Fees and/or with which Lument IM's personnel have a particular relationship. As a result, the investment returns of such Client may suffer as compared to the other Clients which receive more time and attention.

Competition for Investment Opportunities. Lument IM operates in a highly competitive market for investment opportunities and will compete for investments with various other investors, such as other public and private funds, commercial and investment banks and commercial finance companies. The lending, investment and securities industries, and the various financial markets in which Lument IM participates are extremely competitive and each involves a degree of risk. Lument IM will compete with firms, including many of the larger lending, securities and investment banking firms, which have substantially greater financial resources and research staffs. Such other firms may have investment objectives that overlap with those of Lument IM, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to Lument IM and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and to establish more relationships. These competitive pressures could impair Lument IM ability to take advantage of certain attractive investment opportunities on behalf of Clients.

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

Institutional Counterparty Risk. The institutions and service providers, including brokerage firms and banks, with which the Clients will trade or invest, may encounter financial difficulties that impair the operational capabilities or the capital position of Clients. In addition to the risk of a counterparty or broker defaulting, there also is the risk that major institutional investors could be compelled to withdraw from the Clients or fail to meet capital call obligations or their counterparties or brokers will be required to restrict the amount of credit previously granted due to their own financial difficulties, resulting in forced liquidation of substantial portions of the portfolios.

One or more banks or broker dealers may act as custodians for certain client assets. Custodians could provide certain clearing, including prime brokerage, margin financing or other financing facilities in addition to custodial functions. If a custodian were to become insolvent, Clients would, in respect of financial assets credited to securities accounts and held in street name, have only rights in common with other customers of the custodian and would not have ownership of, or rights with respect to, any specific financial assets maintained by the custodian. If any custodian has insufficient financial assets to satisfy all of its customers and its secured creditors, Clients could suffer losses. Furthermore, if a

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

Cybersecurity Risk. Lument IM, Clients, and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. The computer systems, networks, and devices used by Lument IM, Clients, and their respective service providers to carry out routine business operations employ a variety of protections designed to mitigate damage or interruption from computer viruses, network failures, computer and telecommunication failure, infiltration by unauthorized persons, and security breaches. Despite the various protections utilized, systems, networks, or devices are subject to a number of different threats or risks that could adversely affect Clients and their investors. Lument IM, Clients, and the investors in such Clients could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include: unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Other incidents, such as user errors, power outages, and catastrophic events such as fires, floods, hurricanes, and earthquakes, may also result in cybersecurity breaches. Third parties may also attempt to fraudulently induce employees, investors, third-party service providers, or other users of Lument IM's systems to disclose sensitive information to gain access to Lument IM's data or that of the Client investors. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to the Clients; impediments to trading; the inability of Lument IM and other service providers to transact business; violations of applicable privacy and other laws (including the release of private investor information); regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which Clients invest; counterparties with which Clients engage in transactions; governmental and regulatory authorities; exchange and other financial market operators; and other persons with which Clients, Lument IM, or one of their respective service providers does business. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

Systems Failures. Clients may invest in investments, whose businesses are dependent on third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service provider, could cause delays or other problems in such investment's activities. In addition, events that are wholly or partially beyond the control of such investments, including sudden electrical or telecommunications outages, natural disasters (such as earthquakes, tornadoes and hurricanes), disease pandemics, events arising from local or larger scale political or social matters, including terrorist acts, and cyber-attacks, may cause an investment's financial, accounting, data processing, backup or other operating systems and facilities to fail to operate properly or to become disabled or damaged. These events, in turn, could have a material adverse effect on such investments' operating results and negatively affect Clients' investment returns.

Legal and Regulatory Risk. Changes in US federal, state, and local laws and regulations can occur at any time and include the adoption of new laws and regulations, and the amendment or repeal of existing laws and regulations by governmental regulatory authorities and self-regulatory organizations (such as the SEC, the US Commodity Futures Trading Commission, the Internal Revenue Service, the US Federal Reserve, and the Financial Industry Regulatory Authority). Changes in laws and regulations may adversely impact the investments held in Clients.

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

Tax Reform Risks. Changes to the US Tax Code and related tax laws and interpretations may be adverse to Clients. For example, the Tax Act, which was signed into law on December 22, 2017, subjects Performance Fees and gains from the sales of profits interests in certain partnerships realized in taxable years beginning after December 31, 2017, to higher rates of US federal income tax than under prior law in certain circumstances. These changes could cause Lument IM's investment professionals to incur a material increase in their tax liability with respect to their entitlement to Performance Fees. This might make it more difficult for Lument IM to incentivize, attract and retain these professionals, which may have an adverse effect on Lument IM's ability to achieve the investment objectives of Clients. In addition, this can create a conflict of interest as the tax position of Lument IM may differ from the tax positions of Clients and therefore, these rules have an additional impact on the investment decisions made on behalf of Clients, including with respect to decisions on the timing and structure of investments and dispositions and whether to pursue other realization events during the holding period of an investment such as non-liquidating distributions. For example, the Tax Act gives Lument IM an incentive to cause a Client to hold an investment for

longer than three years in order to obtain lower tax rates on Performance Fees gains even if there are attractive realization opportunities earlier than three years. The Tax Act also creates the incentive for Lument IM to waive receipt of such Performance Fees and recoup such amount from subsequent liquidity events at potentially lower tax rates than the tax rates borne by Client's with respect to the earlier distributions.

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

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

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

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

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

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

LIBOR Replacement and Other Reference Rates Risk. 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, the United Kingdom Financial Conduct Authority ("FCA") announced that it would cease to compel banks to provide the quotations needed to sustain LIBOR after 2021. ICE Benchmark Administration Limited, the administrator of LIBOR, ceased publication of most LIBOR settings on a representative basis at the end of 2021 and announced its intention to cease publication of the remaining US dollar LIBOR settings, including three-month LIBOR, immediately following 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 Oversight Financing Rate for U.S. dollar LIBOR and the Sterling Overnight Index Average Rate for GBP LIBOR). Various



financial industry groups have planned for the transition away from LIBOR, and markets are continuing to develop in response to these rates, but questions around the liquidity of new rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a concern.

The transition from LIBOR to an alternative reference rate may result, among other things, in increased volatility or illiquidity in markets for debt instruments, particularly for those that currently rely on LIBOR. It may also result in a reduction in the value of any investments held by a Client that bear interest at a LIBOR-based rate or at any other replacement benchmark rate that is ultimately not adopted widely by the debt markets, or in the Manager's being unable to identify new investments for a Client that bear interest at benchmark rates that the Manager views as suitable replacements for LIBOR. In addition, to the extent that a Client incurs indebtedness to finance its investments, it is possible that such indebtedness may bear interest at a benchmark rate that is different from the benchmark rate used by some or all of a Client's investments. This discrepancy in benchmark rates could increase the overall cost to the Client of such indebtedness, thus reducing the overall return on the Client's investments. Furthermore, the transition away from LIBOR may adversely affect a Client's ability to manage and hedge exposures to fluctuations in interest rates using derivatives instruments.

Interest Rate Risks. Changes in interest rates may have material negative impacts on Client investments, the financial condition of companies, the valuations for loan investments, unanticipated repayments of loans, and pressure to renegotiate terms on existing loans. Debt investments with fixed interest rate payments generally decline in value when market interest rates rise. Lument IM will attempt to mitigate but may not be able to eliminate this particular risk by primarily extending loans with floating interest rates. When loans are floating rate, rising interest rates increase the amount of interest payments that a borrower will need to pay to its creditors, which may lead to a deterioration in its financial condition and the corresponding valuation for loans that Lument IM has extended to such borrower. When interest rates rise or fall, it can prompt borrowers to decide to refinance their existing debt for a number of reasons, such as improving their interest rates, locking in rates over a longer maturity horizon, or gaining other changes in their debt terms. When borrowers seek to refinance existing loans extended by Lument IM, they may decide to refinance their debt with another lender and repay a loan from Lument IM earlier than anticipated, reducing future investment returns. In cases in which an existing borrower refinances its debt with Lument IM, the new terms may be materially worse than those of the prior loan. Changes in interest rates, both positive and negative, can also lead to changes in the overall market pricing for loans and their spreads above a reference rate. Such changes in spreads can negatively impact the values of loans even if they are floating rate.

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

Valuation. Most of the securities that a Client owns or will own are not publicly traded and are required to be fair-valued by Lument IM. Unlike exchange-listed and other readily tradable securities, real estate-related assets generally cannot be marked to an established market. Lument IM will value loan investments, in good faith, pursuant to Lument IM's valuation policies and procedures. Where applicable, or required by Clients, Lument IM reports investments at estimated market value, or amortized cost basis, as determined in good faith by Lument IM. Lument IM also reports forecasted cash flows for certain investments, as determined in good faith by Lument IM. Such valuations comprise certain good faith determinations made by Lument IM, which are subjective in nature, and where applicable Lument IM will engage qualified valuation professionals to assist in this determination. Actual amounts realized with respect to a loan investment could vary significantly from the value at which the loan is held at any time. The exercise of discretion in valuation by Lument IM gives rise to conflicts of interest. This is because valuations (including, for instance, determination of when an investment should be written down or written off) impact Lument IM's track record and the performance allocation for certain Clients is calculated based, in part, on these valuations and such valuations affect the amount and timing of performance fees, such as carried interest, and calculation of the Management Fee.

With regard to real estate investments, related assets generally cannot be marked to an established market. Instead, an appraisal or a valuation is only an estimate of value and is not a precise measure of realizable value. Accordingly, Lument IM's asset valuations will be subject to numerous assumptions and limitations. Ultimate realization of the market value of a real estate asset depends to a great extent on economic and other conditions beyond Lument IM's control. Further, appraised or otherwise determined values do not necessarily represent the price at which a real estate investment would sell since market prices of investments can only be determined by negotiation between a willing buyer and seller. Generally, appraisals will consider the financial aspects of a project, market transactions and the relative yield for an asset measured against alternative investments. Valuations will generally be based on the discounted cash flows or comparative sales for a Client's assets.

Parallel Investment Risk. At the time that a Client acquires, directly or indirectly through a subsidiary, a portion of a loan under a credit facility, from any Investing Party (as defined in Item 10), the Investing Party will own a portion of such loan under such credit facility in an aggregate amount equal to or greater than the amount of such loan under such credit facility held by such Client, as applicable. In the event that an Investing Party fails to meet certain obligations under such loan by failing to fund the loan, defaulting on the loan or as a result of the Investing Party's financing sources, whether a third party or an ORIX USA Group entity, materially amending the terms of the financing arrangement (including by reducing or terminating the financing arrangement), the Investing Party, either individually or in the aggregate, may not be able to own as much of a particular loan (which may be zero) as desired or expected (either due to a failure to acquire such requisite amount of the loan in the first instance, or due to subsequently selling all or a portion of such Loan) which would negatively impact such Client's ability to acquire or retain all or any portion of such loan.

Non-performing Debt. It is anticipated that certain debt instruments the Lument IM Clients might purchase will be non-performing and possibly in default. Furthermore, the obligor or relevant

guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to these instruments.

Limited Diversification. In the normal course of making investments on behalf of Clients, Lument IM may be concentrated in a limited number or type of financial instruments or assets. Such concentration of risk may increase the losses suffered by Clients or reduce their ability to hedge their exposure and to dispose of depreciating assets. Limited diversity could expose Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments or assets. In Clients that are concentrated in a limited number or type of financial instruments, the overall adverse impact on Clients of adverse movements in the value of their portfolios will be considerably greater than if Clients were not permitted to concentrate their investments in such manner.

### ***Strategy Specific Risks***

Borrower Liquidity May Deteriorate. Negative economic trends nationally as well as in specific geographic areas of the US could result in an increase in loan defaults and delinquencies. Due to the COVID-19 outbreak, economic activity has been and is expected to continue to be volatile or slow, and loans are likely to be significantly and negatively affected by such conditions. Such effects may include an inability for borrowers to obtain refinancing of loans. A decreased ability of borrowers to obtain refinancing (particularly if high levels of required refinancings approach) may result in an economic decline or otherwise increase market volatility and cause a deterioration in loan performance generally and defaults. There is no way to determine whether or when such trends will become or remain stable, improve, or worsen in the future. Given the nature of Client investments, Client assets may be particularly susceptible to economic slowdowns or recessions and borrowers under Client loans may be unable to make scheduled payments of interest or principal on their borrowings or obtain refinancing during these periods.

Debt Instruments Generally. Clients will make investments in debt instruments. Debt could be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which could be secured. Moreover, such debt investments could not be protected by financial covenants or limitations upon additional indebtedness, and there is generally no minimum credit rating for such debt investments. Other factors could materially and adversely affect the market price and yield of such debt investments, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. It is likely that many of the debt instruments in which Clients invest will have speculative characteristics. Generally, such securities offer a higher return potential than higher-rated securities but involve greater volatility of price and greater risk of loss of income and principal. The issuers of such instruments (including sovereign issuers) could face significant ongoing uncertainties and exposure to adverse conditions that could undermine the issuer's ability to make timely payment of interest and repayment of principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these instruments and could have an adverse impact on the value of such instruments. It also is likely that any such

economic downturn could adversely affect the ability of the issuers of such instruments to repay principal and pay interest thereon and increase the incidence of default for such instruments.

Mezzanine Loans. Mezzanine investments are generally unsecured and made in companies whose capital structures have significant indebtedness ranking ahead of Client investments, all or a significant portion of which may be secured. This can result in an above average amount of risk and volatility or a loss of principal. To the extent interest or dividend payments associated with such investments are deferred, such debt can be subject to greater fluctuations in valuations. Mezzanine investments may not benefit from all the similar financial and other covenants and rights as those enjoyed by the indebtedness ranking ahead of such investments.

Unsecured and Subordinated Loans or Debt. Certain unsecured loans or debt that are contractually subordinated in right of payment to at least one other class of obligations of the related debtor (“Subordinated Debt”) and provide that some or all of the payments owed under the Subordinated Debt cannot be paid unless and until the senior debt is paid in full. As a result, any amounts that might be realized as a result of collection efforts or in connection with a bankruptcy or insolvency proceeding involving Subordinated Debt must generally be turned over to the senior lender until such senior debt has been paid in full. In addition, scheduled payments of principal and interest on the Subordinated Debt may be suspended in the event the senior debt is in default, and the holder of the Subordinated Debt may be prohibited from exercising any creditor enforcement remedies during such time. Subordinated Debt can contain provisions requiring the Subordinated Debt’s interest in the collateral (if secured) to be released in certain circumstances. These subordination provisions could materially and adversely affect the ability to realize value from the Subordinated Debt. Subordinated Debt generally has greater price volatility than secured loans and may be less liquid.

Secured Loans. Secured loans are relatively illiquid, meaning that a secured loan may not be able to be sold quickly or at a fair price. In addition, secured loans, like most other debt obligations, are subject to the risk of default. This risk of default is greater than with many other types of debt obligations because secured loans are often obligations of below-investment-grade companies. A borrower’s default on principal or income payments may result in a reduction of the value of the applicable secured loan, the income produced by the secured loan investment and possibly Client’s net asset value. Secured loans are subject to interest rate risk. Interest rates on secured loans will adjust periodically, based on a base rate (typically SOFR) plus a premium or spread over the base rate. In general, the value of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Secured loans are also subject to prepayment risk because borrowers typically have option prepayment rights. Because of prepayments, the actual remaining maturity of secured loans may be considerably less than their stated maturity.

Risk of Default. The return of principal of loans will depend in large part on the creditworthiness and financial strength of borrowers. Lument IM intends to monitor on an ongoing basis borrower creditworthiness. If there is a default by the borrower under a loan, Lument IM will under most circumstances have contractual remedies pursuant to the loan agreements, including, in many cases, the sale of collateral. However, exercising such contractual rights may involve delays or costs, and any available collateral may prove to be unsaleable or saleable only at a price less than the loaned amount, which could result in a loss to Clients. There can be no guarantee that legal action will allow

for the recovery of all outstanding loan balances due to Clients. Defaulted loans can require substantial workout negotiations or a restructuring that could entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal and a substantial change in the terms, conditions and covenants with respect to such defaulted loan. Lument IM may choose to enter into forbearance agreements or delay legal action if it believes that such action improves the opportunity for a better outcome. The pursuit or delay of legal action may significantly increase the amount of time required to collect principal balances or lead to principal losses. Additionally, if a borrower issues equity investments in connection with a bankruptcy re-organization or the restructuring of any loan owned by a Client, the Client would subsequently own equity investments or similar interests in the obligor. Loans have significant credit risk and material losses could occur.

Value of Collateral. Lument IM believes borrowers generally will be able to repay their loans from their available capital, future capital-raising transactions, sales to strategic or financial acquirers or cash flow from operations. However, to mitigate credit risks, loans will typically be secured by all or a portion of the assets of the borrower. There is a risk that the collateral securing loans may decrease in value over time, may be difficult to appraise or sell in a timely manner and/or may fluctuate in value based upon business and market conditions, including as a result of the inability of the borrower to raise additional capital. In some circumstances, liens could be subordinated to claims of other creditors. Consequently, although a loan is secured, principal and interest may not be paid according to the loan's terms and the value of the collateral may not be sufficient to recover investments should remedies need to be enforced.

Difficult Economic Conditions. Many borrowers are susceptible to adverse economic conditions, such as slowdowns or recessions, which could be economy-wide or specific to individual geographic regions or industries and are unable to repay their loans during these periods. Adverse economic conditions may also decrease the value of collateral securing some loans and the value of any related equity investments. Economic slowdowns or recessions could lead to financial losses in, and a decrease in value of, Clients' portfolios. A borrower's failure to satisfy financial or operating covenants imposed by other lenders during periods of adverse economic conditions could lead to defaults under certain loan arrangements and, potentially, foreclosure on its secured assets. Such failures could also trigger cross-default provisions under other agreements and generally jeopardize the borrower's ability to meet its obligations under the loans held by Clients. Clients may incur expenses in recovering their investments upon borrower default or in negotiating new terms with a defaulting borrower.

Originated Investments. Lument IM or an affiliate is expected to seek to originate investments, either on its own or with co-lenders. Loan origination involves a number of particular risks that may not exist in the case of secondary debt purchases, including that when originating loans, Lument IM or its affiliate will generally have to rely more on its own resources and assessments to conduct due diligence of the borrower, which may be different or more limited than the diligence conducted for a broadly syndicated transaction involving an underwriter. Originators of loans may be entitled to certain rights and fees not available to secondary purchasers of loans. Loan origination may involve additional regulatory risks and expenses, given the requirement to hold a license for certain types of lending in some jurisdictions, which may be applicable to Clients, the general partners of such Clients, Lument IM or their affiliates, as well as additional disclosure requirements. In certain

circumstances, originators of a loan may be subject to risks as an originator if the Client has sold a participation to other persons. Also, the ability of Lument IM or its affiliates to identify co-lenders to serve as syndicate partners could decrease due to increased regulation of certain types of potential partners (such as banks) or decreased liquidity in the loan market.

Lender Liability and Equitable Subordination. A number of judicial decisions in the US have upheld the right of borrowers to pursue claims against lending institutions and others on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that a lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower that creates a fiduciary duty owed to the borrower or its other creditors or shareholders.

Under common law principles in the US that in some cases form the basis for lender-liability claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court can elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “equitable subordination”). Lument IM and the seller, however, do not intend to engage in conduct that would form the basis for a successful cause of action for lender liability, including the equitable subordination doctrine. However, because of the nature of the debt obligations, the seller could be subject to claims from creditors of a borrower that debt obligations of such borrower with respect to the loan should be equitably subordinated or that the lender should have lender liability. In such a case, the value of the Client’s investment with respect to the loan could be materially adversely affected.

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

Variable and Floating Rate Instruments. Lument IM makes investments on behalf of Clients in floating rate debt instruments (“floaters”). The interest rate on a floater is a variable rate which is tied to another interest rate, such as the prime rate or another recognized benchmark rate (e.g. LIBOR, SOFR, etc.). The interest rate on floaters reset periodically, typically monthly or every three months. Because of the interest rate reset feature, floaters provide the Clients with a certain degree of protection against rises in interest rates, although the Clients also will participate in declines in interest rates (although Lument IM may attempt to mitigate risks of declines in interest rates by using minimum rate features).

Preferred Equity Investments. Real estate-related preferred equity securities may involve a higher degree of risk than traditional debt financing due to a variety of factors, including that such investments are subordinate to traditional loans and are not secured by property underlying the

investment. Furthermore, should the issuer default on a Client's investment, the Client would be able to proceed only against the entity in which it has an interest, and not the property owned by such entity and underlying Client's investment. As a result, the Client may not recover some or all of its investment.

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

Risks Resulting from the United Kingdom's Exit from the European Union. The UK left the European Union on January 31, 2020 (commonly referred to as "Brexit"). During an 11-month transition period, the UK and the European Union agreed to a Trade and Cooperation Agreement, which sets out the agreement for certain parts of the future relationship between the European Union and the UK from January 1, 2021. The Trade and Cooperation Agreement does not provide the UK with the same level of rights or access to all goods and services in the European Union as the UK previously maintained as a member of the European Union and during the transition period. In particular, the Trade and Cooperation Agreement does not include an agreement on financial services, which is yet to be agreed. Accordingly, uncertainty remains in certain areas as to the future relationship between the UK and the European Union.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks, or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted, or exchanged. Convertible securities generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics, and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to withdrawal at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Client is called for redemption, the Client will be required to permit the issuer to redeem the security, convert it into the underlying common

stock, or sell it to a third party. Any of these actions could have an adverse effect on the Client's ability to achieve its investment objectives.

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

Investment in Distressed Assets. Distressed investment strategies generally involve investing in the securities and other assets of issuers or loans or debt assets collateralized by properties in weak financial condition (perhaps having a negative net worth or cashflow in the case of issuers and properties, respectively), experiencing poor operating results, needing substantial capital investment, or with respect to the related borrowers or issuers, involved in various stages of bankruptcy or reorganization proceedings. Investments of this type involve substantial financial and business risks that can result in significant or even total losses. The market prices of such securities, loans, or assets are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such assets may be greater than those prevailing in other asset markets. It may take a number of years before the market price of the assets reflect their perceived intrinsic value. Distressed assets also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments and lender liability, as well as bankruptcy and other judicial courts' power to disallow, reduce, subordinate or disenfranchise particular claims. Employees of Lument IM or an affiliate, on behalf of a Client, may elect to serve on creditors' committees or other groups to ensure preservation or enhancement of the Client's position as a creditor.

In addition, where mortgage loans are involved, Clients may purchase mortgage loans on which the borrowers are or were having trouble making payments. These mortgage loans may be in default or may have a greater than normal risk of future defaults, delinquencies, bankruptcies or losses due to fraud. Returns on investments in mortgage loans depend on a borrower's ability to make required payments and, if a borrower defaults, the ability of the loan's servicer to foreclose and liquidate the mortgage loan.

RMBS. Investments in residential mortgage-backed securities ("RMBS") present risks due to the unique economic conditions surrounding them, including increased interest rates and lower home prices. In the past, residential mortgage loans have experienced, and may again in future periods, experience increased rates of delinquency, foreclosure, bankruptcy and loss. In addition to the risks



shared with asset-backed securities, commercial mortgage-backed securities may bear significantly greater price and yield volatility than traditional fixed-income securities. During periods of declining interest rates, prepayments can be expected to accelerate, and such prepayments may shorten these securities' weighted average lives and may change their projected return. Conversely, in a rising interest rate environment, a declining prepayment rate may extend the weighted average lives of these securities which generally would cause their values to fluctuate more widely in response to changes in interest rates and credit spreads.

In addition, residential mortgage loans underlying RMBS are subject to various federal and state laws, public policies, and principles of equity that protect consumers, delay foreclosures, or permit or encourage modifications, which could have an adverse effect on the value of a mortgage loan and the corresponding RMBS. Violation of such laws, public policies, and principles may limit the servicer's ability to collect all or part of the principal or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

In addition, it is not expected that RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

**CFIUS & Foreign Investment Clearance Considerations.** In some cases, investments involving the acquisition of, or investment in, a US business (including a US branch or subsidiary of a company domiciled outside of the US) may be subject to review and approval by the Committee on Foreign Investment in the US ("CFIUS"). Notably, new regulations to reform CFIUS, which became effective on February 13, 2020, make CFIUS filings relating to certain investments in critical technology, critical infrastructure or personal data-intensive businesses mandatory. Any failure to make a mandatory filing could lead to adverse scrutiny and legal penalties. There is an increased risk that CFIUS filings will be mandatory for a Client as Lument IM and its affiliates are all indirect wholly-owned subsidiaries of ORIX Corporation, a Japanese company. Regardless, Lument IM may decide for a Client to make CFIUS filings for reasons related to Lument IM's general strategy that are not specific to the Client, even if such filings are not mandatory.

Moreover, countries outside of the US are increasingly taking action to strengthen their own foreign investment clearance ("FIC") regimes. CFIUS and other FIC regulatory practices are evolving rapidly, and CFIUS and other FIC regulators have substantial discretion in deciding how to interpret, apply, and enforce the relevant regulations. If an investment is subject to review and approval by CFIUS or another FIC regulator, this may have outsized impacts on transaction certainty, timing, feasibility, and cost, among other things.

A Client may invest in borrowers that have previously taken capital from, or may in the future take capital from, third-party investors that are considered "foreign persons" for CFIUS purposes. In some cases, notifications to CFIUS in connections with such third-party investments may be mandatory, and failure to make a notification may result in the imposition of fines or penalties on the investor and/or the borrower. In the event that CFIUS reviews such investments, CFIUS may impose

limitations or restrictions on the investors or the companies that may adversely impact such companies' performance and thus the performance of a Client.

Moreover, heightened scrutiny of foreign direct investment worldwide may make it more difficult for a Client to identify suitable buyers for investments upon exit and may constrain the universe of exit opportunities for investments or cause the Client to favor buyers that it believes are less likely to require or warrant CFIUS or other FIC review, even in circumstances where other buyers may offer better terms or more consideration. As a result, a Client may incur significant delays and costs or be altogether prohibited from making a particular investment, all of which could adversely affect a Client's ability to meet its investment objectives.

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

In addition, the recurrence of an economic downturn could adversely affect the financial resources of the Client's investments and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Client could lose both invested capital in and anticipated profits from affected investments. Such a marketplace would likely impair the Client's ability to consummate certain transactions or cause the Client to enter into certain transactions on less attractive terms.

No Control of Investments. The investment teams do not expect to control, nor do they expect their Clients will control, investments, even though loan agreements may contain certain restrictive covenants that limit the business and operations of certain investments. The investment teams also do not intend that its Clients will maintain a control position to the extent they own equity interests in any investment. As a result, Clients are subject to the risk that an investment in which it invests may make business decisions with which the investment teams disagree, and the management of such investment may take risks or otherwise act in ways that do not serve Client's interests as debt investors. Due to the lack of liquidity of the investments that will typically be held by Clients, the investment teams may not be able to dispose of investments in the event it disagrees with the actions of management and Clients may therefore suffer a decrease in the value of their investments.

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

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

Liquidity Risk. The investments made by the investment teams are expected to be illiquid, with no public market available for their sale, and in many cases will be held to maturity. The majority of loans owned by Clients are generally not traded in organized markets but are sometimes traded by banks and other institutional investors engaged in loan syndications. Historically, the trading volume in the market for loans has been small relative to the high-yield debt securities market. In addition, the private loan market is less liquid and, unlike more broadly syndicated loans, have no established trading market. Given the limited trading market for loans, and the uncertainty as to their fair value at any point in time, if a Client seeks to sell a loan it might not be able to do so at a favorable price or at all.

Risk Retention Rules. Under certain risk retention rules involving the issuance of Collateralized Loan Obligations, an entity acting as a “sponsor” or “originator” will be required to retain a portion of the credit risk of the assets it securitizes. Lument IM could be deemed to be engaging in the types of investments and activities that would subject it to the requirements of certain risk retention rules. Additionally, the potential impact of risk retention rules on the securitization market is unclear and such rules may negatively impact the value of CLOs, CDOs, securitizations and the underlying assets. Failure to comply with applicable risk retention rules may result in significant negative reputational consequences and may adversely affect the ability of Lument IM to perform its obligations under the

relevant Governing Documents, which may, in turn affect the market value and liquidity of the securities issued by the securitized vehicles.

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

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

Usury Considerations. The loans made by Clients are subject to the provisions of various laws, including state usury laws, which may limit the amount of interest, broadly defined, that may be charged with respect to a loan. The violation of applicable usury laws may lead to financial penalties, rescission rights or other borrower remedies. Although Clients do not intend to engage in conduct that they expect would violate any applicable usury laws, the potential exists for a borrower to assert that the usury laws of particular jurisdiction apply to a loan transaction.

Licensing Requirements. Certain federal, state, local banking and/or other regulatory bodies or agencies in or outside the US may require Clients and/or certain Lument IM affiliates to obtain licenses or authorizations to engage in many types of investment activities including the types of investment activities contemplated by Clients. It may take a significant amount of time and expense to obtain such licenses or authorizations and Clients may be required to bear the cost of obtaining such licenses and authorizations. There can be no assurance that any such licenses or authorizations would be granted or, if granted, whether any such licenses or authorizations would impose restrictions on Clients. Such licenses may require the disclosure of confidential information about

Clients, investors or their respective affiliates, including financial information and/or information regarding officers and directors of certain significant investors. Clients may not be willing or able to comply with these requirements. The inability of Clients, Lument IM or its affiliates to obtain necessary licenses or authorizations, or changes in licensing regulations, could adversely affect the Clients' ability to implement their investment program and achieve their intended results. Neither Lument IM nor any of its affiliates is responsible for a separately managed account ("SMA") Clients' obligation to obtain a license or for advising such SMA Client on the need for any license. Each SMA Client is solely responsible for making that determination regarding the need for a license based on their own unique and specific facts and circumstances.

Prepayment Risk. Loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon and without any additional prepayment fee or penalty. The rate of prepayments, refinancings, amortization, defaults, and recoveries with respect to loans are influenced by various factors including: (i) changes in obligor or property performance and requirements for capital; (ii) the level of interest rates and the shape of the yield curve; (iii) the availability of credit being extended and/or credit underwriting standards applied in the commercial and/or real estate lending industries; (iv) natural disasters such as hurricanes, earthquakes, floods, or other natural disasters, which could result in uninsured losses; and (v) changes in the overall economic environment. Lument IM cannot predict the actual rate of prepayments, refinancing, accelerated amortization, or defaults and recoveries which will be experienced with respect to the loans held by Clients. Consequently, there exists a risk that loans acquired by a Client at a price greater than par could experience a capital loss as a result of such a prepayment. Any inability of Lument IM to reinvest payments or other proceeds in loans with comparable interest rates in an expedient manner could result in a Client realizing a return that is less than the return the Client would have realized with respect to the prepaid loan had such loan been held to maturity. There is no assurance that a Client will be able to reinvest proceeds in loans with comparable interest rates or (if it is able to make such reinvestments) as to the length of any delays before such investments are made. In addition, certain of the loans could include excess cash flow capture and other mandatory prepayment provisions which can accelerate the amortization of the applicable loans.

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

Controlling Person Liability. Clients may hold controlling interests in some of their investments in real estate companies. The exercise of control over an entity can create additional risks of liability for environmental damage, failure to supervise management, violation of government regulations

(including securities laws), or other types of liability in which the limited liability characteristics of business ownership may be ignored. If these liabilities were to arise, Clients might suffer significant losses.

Competition for Investment Opportunities. Lument IM operates in a highly competitive market for investment opportunities and will compete for investments with various other investors, such as other public and private funds, commercial and investment banks and commercial finance companies. The lending, investment and securities industries, and the various financial markets in which Lument IM participates are extremely competitive and each involves a degree of risk. Lument IM will compete with firms, including many of the larger lending, securities and investment banking firms, which have substantially greater financial resources and research staffs. Such other firms may have investment objectives that overlap with those of Lument IM, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to Lument IM and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and to establish more relationships. These competitive pressures could impair Lument IM ability to take advantage of certain attractive investment opportunities on behalf of Clients. There can be no assurance that Lument IM will be able to identify or successfully pursue attractive investment opportunities in such environment. In addition, competitive investment activity by other firms and institutions will reduce a Client's opportunity for profit by generally increasing price pressure on desired assets, reducing mis-pricings in the market as well as the margins available on those mis-pricings that can still be identified.

Real Estate Debt-Related Investment. The risks generally incidental to ownership and operation of income-producing real estate debt-related assets can affect a Client's investments, including: (i) the illiquidity of real estate debt, subordinated products or equity investments; (ii) the possibility that cash generated from operations of a property will not be sufficient to meet fixed or variable obligations, including obligations under any debt in which Clients are invested; (iii) changes in economic conditions affecting real estate ownership directly or the demand for real estate; (iv) unavailability of certain types of insurance, and increases in insurance costs; (v) changes in tax rates and other operating expenses; (vi) adverse changes in laws, governmental rules, and fiscal policies; and (vii) terrorism, acts of God, including earthquakes and fire (which can result in uninsured losses), environmental and waste hazards, and other factors that are beyond Lument IM's control.

REIT Securities and Real Estate Securities. Clients may invest in real estate investment trusts (REITs) and the securities of other companies primarily engaged in real estate activities, such as real estate development and management. Investment in REITs can have very similar risks to those described above relating to other real estate investments. Investments in REITs are also subject to special risks, such as restrictions on ownership and tax risks, including the risk of a REIT losing its status as a REIT. In addition, many REITs have small-to-medium sized market capitalizations, which may be more volatile than prices of large-capitalization securities and, if so, an investment in such securities would be less liquid.

Multifamily and Commercial Loans. Multifamily and commercial loans generally entail risks of delinquency and foreclosure, and risks of loss in the event thereof, that are greater than similar risks

associated with loans secured by single family residential property. Multifamily and commercial loans generally are non-recourse loans and in the event of a default generally there will be recourse only against the specific properties and other assets that have been pledged to secure such mortgage loans. Also, even if a multifamily or commercial loan provides for recourse to a borrower or its affiliates, a Client is unlikely to ultimately recover any amounts not covered by the commercial property. Therefore, the ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced (for example, if rental or occupancy rates decline or real estate tax rates or other operating expenses increase), the borrower's ability to repay the loan may be impaired. The value of an income-producing property is directly related to the net operating income derived from such property. Net operating income of an income-producing property can be affected by, among other things, tenant mix, success of tenant businesses (for those multifamily properties that have a retail or office component), property management decisions (including responding to changing market conditions, planning and implementing rental or pricing structures, and causing maintenance and capital improvements to be carried out in a timely fashion), property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, and the occurrence of any uninsured casualty at the property. Furthermore, the value of any commercial property and the net operating income may be adversely affected by risks generally incident to interests in real property, including various events which the related borrower and/or manager of the commercial property and other service providers may be unable to predict or control, such as changes in general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations, and fiscal policies, including environmental legislation, acts of God, environmental hazards, and social unrest and civil disturbances.

Risks Particular to Multifamily Properties. A large number of factors may adversely affect the value and successful operation of a multifamily property, including the physical attributes of the apartment or student housing building (e.g., its age, appearance, and construction quality); the quality of property management; the location of the property (e.g., a change in the neighborhood over time or increased crime in the neighborhood); the ability of management to provide adequate security, maintenance, and insurance; the types of services and amenities the property provides; the property's reputation; the level of mortgage interest rates (which may encourage tenants to purchase rather than rent housing); the generally short terms of residential leases and the need for continued re-letting; rent concessions and month to month leases, which may impact cash flow at the property; in the case of student housing facilities, which may be more susceptible to damage or wear and tear than other types of multifamily housing, the reliance on the financial well-being of the college or university to which it relates, competition from on campus housing units, which may adversely affect occupancy, the physical layout of the housing, which may not be readily convertible to traditional multifamily use, and that student tenants have a higher turnover rate than other types of multifamily tenants, which in certain cases is compounded by the fact that student leases are available for periods of less than 12 months; restrictions on the age of tenants who may reside at the property; state and local regulations and changes thereto, including rent control and rent stabilization; whether the property is

subject to low income housing use restrictions that limit income of tenants and rent for units; the presence of competing properties and residential developments in the local market; the existence of corporate tenants renting large blocks of units at the property, which in the event such tenant vacates would leave the property with a significant percentage of unoccupied space, and in the event such tenant was renting at an above market rent may make finding replacement tenants difficult; the tenant mix, particularly if the tenants are predominantly students, personnel from or workers related to a military base or workers from a particular business or industry; adverse local, regional, or national economic conditions, which may limit the amount of rent that can be charged and may result in a reduction in timely rent payments or a reduction in occupancy; government assistance/rent subsidy programs; and national, state, or local politics.

Tax credit, city, state, and federal housing subsidies, rent stabilization, elder housing, or similar programs may apply to multifamily properties. The limitations and restrictions imposed by these programs could result in realized losses on the mortgage loans. These programs may include rent limitations that could adversely affect the ability of borrowers to increase rents to maintain the condition of their mortgaged properties and satisfy operating expenses; and tenancy and tenant income restrictions that may reduce the number of eligible tenants in those mortgaged properties and result in a reduction in occupancy rates. In addition, the differences in rents between subsidized or supported properties and other multifamily properties in the same area may not be a sufficient economic incentive for some eligible tenants to reside at a subsidized or supported property that may have fewer amenities or be less attractive as a residence.

Fixed Income Investments. The value of fixed income financial instruments will change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed income financial instruments can be expected to rise. Conversely, when interest rates rise, the value of such financial instruments can be expected to decline. To the extent that interest rates move in a direction contrary to the direction anticipated by Lument IM the overall investment performance of a Client will be affected. The market value of fixed income financial instruments also varies according to the relative financial condition of the issuer. Investments in lower rated or unrated fixed income financial instruments, while generally providing greater opportunity for gain and income than investments in higher rated financial instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such financial instruments).

B-Notes and A/B Structures. Certain Clients invest to a certain extent in B-notes, which investments are subordinate to the A-note portion of the same loan. Certain additional risks apply to B-note investments, including those described herein. The B-note portion of a loan is typically smaller relative to the overall loan, and vis-à-vis the A-note portion of the loan, is in the first loss position with respect to any losses incurred on the underlying loan. In any investment constituting a B-note, Lument IM generally will not directly or indirectly hold any control rights regarding the underlying loans and such control rights will be held by the holders of the A-note portion of such loan. Such holders may have economic or business interests or goals that are inconsistent with those of the Client and will be in a position to take actions in a manner contrary to the Client's investment objectives and make decisions that are detrimental to the Client (including, without limitation, decisions regarding amendments to the underlying loan documents, enforcement of remedies, and workouts).



As a means to protect against the holder of the A-note from taking certain actions or receiving certain benefits to the detriment of the holder of the B-note, the holder of the B-note may have the right to purchase the A-note from its holder. If available, this right may not be meaningful to the Client. For example, the Client may not have the capital available to consummate such purchase, or such purchase may alter the Client's overall portfolio and risk/return profile to the detriment of investors.

Yield Characteristics. The yield characteristics of mortgage-related securities differ from traditional debt securities. The major differences include more frequent interest and principal payments, usually monthly, and the possibility that prepayments of principal may be made at any time. Prepayment rates are influenced by changes in current interest rates and a variety of other factors. In general, changes in the rate of prepayments will change the yield to maturity of the security. These differences can result in significantly greater price and yield volatility than is the case with traditional debt securities. The risk management techniques which may be utilized by a Client cannot provide any assurance that the Client will not be exposed to risks of significant trading losses. The prices of other derivatives, futures contracts, and options used for hedging purposes may not correlate with price movements of the underlying securities being hedged.

Credit Ratings. Credit ratings of debt securities are not a guarantee of quality. A credit rating represents only the applicable rating agency's opinion regarding credit quality based on the rating agency's evaluation of the safety of the principal and interest payments. In determining a credit rating, rating agencies do not evaluate the risks of fluctuations in market value. As a result, a credit rating may not fully reflect the risks inherent in the relevant security. Rating agencies may fail to make timely changes to credit ratings in response to subsequent events. In addition, to the extent that a rating agency rates a security at the request of an issuer, the rating agency has a conflict of interest in providing such rating.

Management of the Investment Strategy and Processes. The Lument IM team has generally been involved in the entire "life cycle" of each investment from pre-deal origination such as due diligence (e.g., initial deal qualification diligence), deal negotiation (e.g., term sheet negotiation), internal approval and documentation (e.g., required approval memos and legal documentation) to post-deal management, monitoring and loan amendments. However, Lument IM investment process has been materially supported by other ORIX USA employees and departments to a significant extent, including support in sourcing, negotiations, due diligence (including both pre-investment and post-investment diligence, such as loan amendment diligence) and post-investment monitoring. In addition, loans have generally required the approval of ORIX USA and the ORIX USA Investment Committee. ORIX USA's approval authority, as well as support from, and interaction of Lument IM with, ORIX USA throughout the investment process likely impacted which loans were presented for final approval as well as loan terms, due diligence priorities, loan amendments and the overall investment supervision of the portfolio. In addition, Lument IM, certain ORIX USA departments have provided support services to Lument IM including loan servicing, loan workout assistance and legal and borrower referrals. In the area of loan defaults or other credit risk events (e.g., workout situations), Lument IM would typically take the lead with respect to management of the loan and ORIX USA would provide input to the team. In certain more serious cases of non-performing loans (e.g., primarily foreclosure or bankruptcy), the ORIX USA workout team would take the lead in efforts to mitigate losses and preserve investment value. The team's process going forward will

continue to involve business support from, and interaction with, ORIX USA that has existed historically (including, subject to applicable law, retaining ORIX personnel to assist in certain aspects of the investment process).

Environmental Risks of Real Estate. Under various federal, state, and local environmental laws, ordinances, and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up any hazardous or toxic substances or petroleum product releases at such property and may be liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with contamination. These laws typically impose clean up responsibility and liability without regard to whether the owner knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The cost of investigation, remediation, or removal of such substances may be substantial, and the presence of such substances or the failure to properly remedy the contamination on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances or petroleum products at a disposal or treatment facility may also be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at such disposal or treatment facility, whether or not the facility is owned or operated by such person. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with contamination. The owner of a site may also be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site.

In connection with its indirect ownership and operation of real estate, Clients may incur liability for such environmental costs. Additionally, changes in environmental laws or in the environmental condition of an asset may create liabilities that did not exist at the time of acquisition and that could not have been foreseen.

Repurchase Agreements and Reverse Repurchase Agreements. Clients may enter into repurchase and reverse repurchase agreements. Repurchase agreements entail the purchase of a security, loan, or other financial assets (together, the "Repo Assets") from a bank or broker-dealer that agrees to repurchase the Repo Assets at cost plus interest within a specified time. If the party agreeing to repurchase should default, as a result of bankruptcy or otherwise, a Client may seek to sell the Repo Assets which it holds, which action could involve costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Client's ability to dispose of the underlying Repo Assets may be restricted. Similarly, entering into reverse repurchase agreements involves certain risks. A reverse repurchase agreement involves the sale of a Repo Asset by a Client and its agreement to repurchase such Repo Asset at a specified time and price. Under a reverse repurchase agreement, a Client continues to receive any principal and interest payments on the underlying financial instrument during the term of the agreement.

Credit Default Swaps. Clients may enter into credit default swap agreements. The "buyer" in a credit default swap contract is obligated to pay the "seller" a periodic stream of payments over the term of

the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay, obligation acceleration, or modified structuring. A Client may either be the buyer or the seller in the transaction. As a seller, a Client receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, a Client typically must pay the contingent payment to the buyer, which typically is the “par value” (full notional value) of the reference obligation. The contingent payment may be a cash settlement or by physical delivery of the reference obligation in return for payment of the face amount of the obligation. If a Client is a buyer and no credit event occurs, the Client may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value.

Credit default swap agreements may involve greater risks than if a Client had invested in the reference obligation directly. Credit default swap agreements are subject to general market risk, liquidity risk, counterparty risk, and credit risk. As noted above, if the Client is a buyer and no credit event occurs, it will lose its investment. In addition, the value of the reference obligation received by the Client as a seller if a credit event occurs, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the Client.

CMBS. CMBS are securities backed by obligations (including participation interests in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, land, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes, and senior living centers. CMBS may be collateralized by one asset, a portfolio of assets, related assets or a portfolio of loans to unrelated borrowers. CMBS have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior, and subordinated classes. CMBS securities may be fixed or floating, rated or unrated and domestic or foreign based, whether by issuer, properties, collateral, or otherwise. As the total broader market is smaller than the RMBS and ABS (each as defined below) markets, CMBS securities values may be materially influenced by changes in larger and unrelated markets.

Risks affecting commercial real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry, and changes in prevailing interest rates. The cyclicity and leverage associated with commercial real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally are nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans, and may provide for the payment of all or substantially all of the principal only at maturity. In some cases, the properties securing commercial mortgage loans may be subject to additional debt, either senior, *pari passu*, or subordinate, that may affect the related borrower’s ability to refinance the loan or result in reduced cash flow and deferred maintenance. Additional risks are presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hotels present special risks to lenders and CMBS securities holders because they are often operated pursuant to franchise management or operating agreements which may be

terminable by the franchisor or operator. In addition, the transferability of a hotel's operating, liquor, and other licenses upon transfer of a hotel, whether through purchase or foreclosure, is subject to local law requirements. As another example, retail properties are affected by retail trends, including e-commerce. Multifamily properties are affected by demographic trends of new housing supply and the availability of governmental financing. Senior housing has significant governmental regulations which affects ownership, licensing, operations, maintenance, and financing. These examples are illustrative of the factors and circumstances that increase the risks involved with commercial real estate investing and lending but is in no way intended to represent a complete list of risks related to commercial real estate sub-sectors or the CMBS market as a whole. Commercial properties tend to be unique and are more difficult to value than single family residential properties. Commercial lending is generally viewed as exposing an investor to a greater risk of loss than residential lending since it typically involves larger loans to a single borrower or related borrowers than residential lending.

RMBS. Clients may invest in residential mortgage-backed securities ("RMBS") including subordinated tranches of RMBS and certain Clients invest in mortgage servicing rights. Investments in residential mortgage-backed securities present risks due to the unique economic conditions surrounding them, including increased interest rates and lower home prices. In the past, residential mortgage loans have experienced, and may again in future periods, experience increased rates of delinquency, foreclosure, bankruptcy, and loss. In addition to the risks shared with asset-backed securities, commercial mortgage-backed securities may bear significantly greater price and yield volatility than traditional fixed-income securities. During periods of declining interest rates, prepayments can be expected to accelerate, and such prepayments may shorten these securities' weighted average lives and may change their projected return. Conversely, in a rising interest rate environment, a declining prepayment rate may extend the weighted average lives of these securities which generally would cause their values to fluctuate more widely in response to changes in interest rates and credit spreads.

In addition, residential mortgage loans underlying RMBS are subject to various federal and state laws, public policies, and principles of equity that protect consumers, delay foreclosures, or permit or encourage modifications, which could have an adverse effect on the value of a mortgage loan and the corresponding RMBS. Violation of such laws, public policies, and principles may limit the servicer's ability to collect all or part of the principal or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

In addition, it is not expected that RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

Healthcare Loans. Clients invest in asset-based loans to individuals and businesses in the healthcare industry, such as for-profit hospitals, providers in the areas of skilled nursing, assisted living, memory care, home healthcare, physical therapy, healthcare product delivery, and other healthcare-related businesses.

Such loans are subject to the risks associated with operating in the healthcare industry. Healthcare facilities are highly regulated by federal, state, and local law. They are subject to numerous factors which can increase the cost of operation, limit growth, and, in extreme cases, require or result in suspension or cessation of operations or otherwise adversely affect the values of the mortgaged properties and the borrowers' ability to repay the related mortgage loans. Such factors include federal and state licensing requirements; facility inspections; rate setting; reimbursement policies; and laws relating to the adequacy of medical care, distribution of pharmaceuticals, use of equipment, staffing, and maintenance of and additions to facilities and services. Any changes in federal, state, or local laws governing healthcare facility operators may also adversely affect a healthcare facility operator's revenues and reimbursement for operating, capital, and property expenses. The failure of an operator to comply with applicable laws, regulations, requirements, rules, policies, and guidelines could lead to the suspension or termination of the operator from the Medicare and/or Medicaid programs or other insurance programs, or the denial of Medicare and/or Medicaid payments for new admissions, which could have serious and adverse effects on the operator's ability to operate the related facility located at the related mortgaged property, and thus severely impair the applicable tenant's ability to pay rent due to the borrower(s) and the borrower(s)' ability to make required payments on the related mortgage loan.

Under applicable federal and state laws and regulations, Medicare and Medicaid reimbursements generally may not be made to any person other than the provider who actually furnished the related material goods and services. Accordingly, in the event of foreclosure on a healthcare property, neither a lender nor other subsequent lessee or operator of the property would generally be entitled to obtain from federal or state governments any outstanding reimbursement payments relating to services furnished at the property prior to foreclosure. Furthermore, in the event of foreclosure, there can be no assurance that a lender or other purchaser in a foreclosure sale would be entitled to the rights under any required licenses and regulatory approvals. The lender or other purchaser may have to apply in its own right for those licenses and approvals. There can be no assurance that a new license could be obtained or that a new approval would be granted.

Total Return Swaps and Index Swaps. Certain Clients may enter into total return and index swaps. Total return and index swaps are used as substitutes for owning or shorting the physical securities that comprise a given market index, or to obtain long or short exposure in markets where no physical securities are available, such as an interest rate index. Total return refers to the payment (or receipt) of an index's total return, which is then exchanged for the receipt (or payment) of a floating interest rate. Total return swaps provide Clients with the additional flexibility of gaining or shedding exposure to a market or sector index by using the most cost-effective vehicle available. There can be no assurance that the price relationship between the cash-market security or index and the total return or index swap will remain constant, and events unrelated to the underlying securities or index (such as those affecting availability of borrowed money and liquidity, or the creditworthiness of a counterparty) can cause the price relationship to change. This risk is known as "basis risk." Basis risk may cause Clients to realize a greater loss on an investment in synthetic form than might otherwise be the case with cash-market securities. To the extent Clients use total return or index swaps to hedge risk, basis risk may cause the hedge to be less effective or ineffective.

Hedging Generally. Clients may invest in various securities, derivatives, indexes, and cash equivalents and related instruments both to hedge their portfolio positions and to seek to meet Clients' investment objectives opportunistically as more fully described above. The success of Clients' hedging strategy is subject to the ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many instruments change as markets change or time passes, the success of the instances when Clients hedge portfolio positions is also subject to the ability for hedges to be continually recalculated, readjusted and executed in an efficient and timely manner. While Clients may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for Clients than if it had not engaged in any such hedging transactions. For a variety of reasons, a perfect correlation may not be established between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent Clients from achieving the intended hedge or expose Clients to risk of loss. Moreover, the portfolio will always be exposed to certain risks that may not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of Clients' portfolio holdings. Clients will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally.

Use of Interest Rate Swaps. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary investment transactions. Interest rate swaps do not typically involve the delivery of financial interest rate caps. Lument IM may enter into interest rate caps (i.e., call options on interest rates). The risks in trading options are different from the risks in trading the underlying instruments. For example, if a Client buys an option, it will be required to pay a "premium" representing the market value of the option. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset or any combination thereof. Unless the price of the underlying instrument or product changes and it becomes profitable to exercise or offset the option before it expires, the Client may lose the entire amount of the premium.

Geographic Concentration of Mortgage Loans. The mortgage loans and securities backed by mortgage loans in which Clients invest are sometimes concentrated in a specific state or states. Weak economic conditions in these locations or any other location (which may affect real property values) may affect the ability of borrowers to repay their mortgage loans on time. Such inability of borrowers to repay their mortgage loans on time would also increase rates of loss and delinquency and reduce servicing fee revenues. Properties in certain jurisdictions may be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, floods, hurricanes, wildfires, mudslides, and other natural disasters. Declines in the real estate market of a particular jurisdiction may reduce the values of properties located in that jurisdiction, which would result in an increase in the loan-to-value ratios. Any increase in the market value of properties located in a particular jurisdiction would reduce the loan-to-value ratios of the mortgage loans and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the mortgage loans and reduce servicing fee revenues. Natural disasters, such as wildfires, severe storms, tornadoes, hurricanes, and flooding affecting regions of the US from time to time may also result in prepayments of mortgage

loans. These factors and others may adversely affect the value of mortgage properties in some geographic regions and affect the performance of Clients.

Risk of Developing Property Collateralizing Construction Loans. Property development activities include the risk that borrowers under debt held by Clients may abandon development projects after expending resources, constructions costs of a project may exceed original estimates, occupancy rate and rents at a newly complete property may be less than anticipated, and the construction and leasing of a property may not be completed on schedule. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use building, occupancy, and other required government permits and authorizations.

## **Item 9 – Disciplinary Information**

Item 9 is not applicable to Lument IM.

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

In managing its Clients, Lument IM faces certain conflicts of interest, including as a result of its financial industry relationships and arrangements. Such relationships, arrangements, and conflicts are summarized below. In managing future Clients, Lument IM may face the same, similar or different conflicts. Any such conflicts will be disclosed in the relevant Client's Governing Documents.

### *Affiliated Service Providers*

Lument IM uses the services of ORIX USA Group for certain investment and non-investment related services including but not limited to, underwriting, credit risk, legal and compliance and related support services, general services, human resources, portfolio transaction services, finance and accounting, audit, administrative services, back office services, and information and technology support services, without specific consent by Clients, except to the extent explicitly restricted by a Client in or pursuant to its Governing Documents, or inconsistent with applicable law. The agreement documenting these arrangements is a services agreement between Lument IM and ORIX USA. Lument IM remains fully responsible for Clients from a legal and contractual perspective. Subject to a Client's Governing Documents and other than reimbursement for certain expenses, no additional fees will be charged for the affiliates' services. When engaging an affiliate, Lument IM, because of its financial or other business interest, has an incentive to recommend its affiliate even if another person is more qualified to provide the applicable services. Arrangements such as these can create potential conflicts of interest in that Lument IM could be viewed as placing its interests and the interests of its affiliates ahead of Clients' interests.

### *Affiliated Mortgage Providers*

Certain of Lument IM's affiliates are providers of mortgage financing for commercial real estate, conventional and affordable multifamily and seniors housing, and healthcare providers, and originate and service loans for different types of multifamily properties, including apartment buildings, student

housing, and manufactured housing communities (“Affiliated Mortgage Providers”). The majority of the loans are structured for funding through the Fannie Mae Delegated Underwriting and Servicing program, Freddie Mac Program Plus, and Federal Housing Administration (“Agency Loans”).

Affiliated Mortgage Providers provide mortgage financing or other services to the Client and certain third parties or affiliates that seek to acquire assets from the Client. In addition, Lument IM frequently (i) shares information about the Client and its assets with the Affiliated Mortgage Providers for purposes of facilitating such activities and (ii) assists the Affiliated Mortgage Providers with the marketing of their services to prospective third-party clients.

#### *Affiliated Broker-Dealers*

Lument Securities, LLC (“Lument Securities”) is an affiliated broker-dealer registered with the SEC and is a member of FINRA. Lument Securities currently does not, but may in the future, maintain Clients or execute securities transactions on behalf of Clients and Lument IM currently does not, but may in the future, execute trades on behalf of Clients through Lument Securities.

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

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

ORIX Corporation and ORIX USA Group, separately from Lument IM and its other affiliated investment advisers, invests and trades in securities or other financial interests and makes other investments for its own proprietary accounts utilizing strategies and types of securities that, from time to time, will compete or be in conflict with Lument IM’s activities on behalf of its Clients. Lument IM and its personnel will be incentivized by virtue of its relationship with Lument and ORIX USA Group to compete less vigorously with Lument and ORIX USA Group for investment opportunities, or otherwise conduct its activities (e.g., with respect to the timing of its transactions) in a manner that disadvantages Lument IM or its Clients. Lument IM and its other affiliated investment advisers may also give advice and take action in the performance of their respective duties to one Client, which may differ from the timing and nature of actions taken with respect to another Client. In fact, such actions may at times be adverse to its Clients, and Lument IM has an incentive to favor the interests of its affiliate in such circumstances. In addition, the portfolio strategies that Lument IM and/or its affiliates, including ORIX USA Group, use could conflict with the transactions and strategies Lument IM employs in managing its Clients and may affect the prices and availability of the securities and other financial instruments in which Lument IM invests on behalf of a Client.

ORIX Corporation and/or ORIX USA Group does, and will likely in the future, invest in the same securities as Clients, sometimes at the same time and as part of the same transaction and other times before or after Clients invest. At times, decisions with respect to ORIX Corporation and/or ORIX USA Group proprietary accounts will be made by ORIX Corporation and/or ORIX USA Group in a manner that differs from decisions made for the Clients (or decisions made by Clients or other clients



in the case of non-discretionary accounts). These decisions could result in Clients' accounts having a different outcome than proprietary accounts and such outcome could be that the Clients' account's value is adversely impacted in comparison to the proprietary account's value. However, decisions for Clients and decisions for the ORIX Corporation and/or ORIX USA Group proprietary accounts are made by different investment committees. Nonetheless, there may be an overlap in the composition of membership between the ORIX USA investment committee and the investment committees of Lument IM and certain members of the ORIX USA investment committee will also be observers of the investment committees of Lument IM and vice versa.

In addition, from time to time, a Client may make an investment in, or a loan to, a company in which one or more of ORIX Corporation, ORIX USA Group, ORIX Persons, Lument IM, and its other affiliates, Employee Vehicles (as defined below), Clients, other clients, or other clients managed by affiliated investment advisers (collectively, "Investing Parties" and each an "Investing Party") is expected to invest, already has invested, or may in the future invest in a different part of the capital structure, which may mean that another Investing Party's interest in that company may have different rights, preferences and privileges than the company interests held by a Client. There may be instances where such a company may become insolvent or bankrupt and where an Investing Party's interests in such company may otherwise conflict with the interests of other Investing Parties. To the extent that Clients hold securities or other financial interests (e.g., bank debt) in a company with rights, preferences, and privileges that are different than interests held by another Investing Party in the same company, Lument IM and its affiliates may be presented with decisions when and/or where the interests of the other Investing Parties and the Clients are in conflict. It is possible that a Client's interest may be subordinated or otherwise adversely affected by virtue of other Investing Parties' involvement and actions relating to such investment, in a bankruptcy proceeding or otherwise. In addition, a Client can be expected, from time to time, to hold an interest in the more senior portion of an issuer's capital structure while another Investing Party holds a more junior security of that issuer. Because ORIX USA is the indirect owner of Lument IM, Lument IM would experience a conflict of interest in making determinations regarding the senior securities held by the Client, as decisions on behalf of such Client to enforce remedies or take other actions against the obligors under such senior securities or the related collateral could adversely impact the value of the more junior securities held by another Investing Party. In such situation, Lument IM is incentivized to decline to enforce such remedies or take such actions on behalf of the senior securities held by the Client in order to protect the value of the junior securities held by the other Investing Party, which could adversely affect the returns to such Client. See "*Capital Structure Conflict*" below for additional information regarding the conflicts discussed above.

ORIX USA Group is currently, and is expected to remain, an investor in certain Clients. As noted above, Lument is the owner of Lument IM and is owned by ORIX USA. ORIX Persons (or vehicles established for certain ORIX Persons, referred to herein as "Employee Vehicles") are also expected to invest in certain Clients. Lument IM may feel obligated to permit ORIX USA to invest on terms (for example, preferential investment, withdrawal and distribution rights, favorable trade allocations and pricing, lower fees and transparency) that are better than those available to other unaffiliated investors. In addition, ORIX USA's investment (and the investment of any ORIX Persons or Employee Vehicles) in certain Clients creates an incentive for Lument IM to allocate investment opportunities to Clients in which ORIX USA (or such ORIX Persons or Employee Vehicles) invests

or to ORIX USA Group (or ORIX Persons) itself, instead of other Clients in which ORIX USA may have a lesser, or no, investment.

In addition to responsibilities with respect to the management and investment activities of its Clients, Lument IM, its affiliates and their personnel may have similar responsibilities with respect to accounts other than its Clients and may have other business commitments from time to time. Such accounts may have investment programs and/or objectives that overlap with or otherwise compete with that of its Clients. In addition, subject to the terms of the Governing Documents, Lument IM, its affiliates and ORIX Persons may engage in or possess an interest in other business ventures of every nature and description for their own account, independently or with others, whether or not such other enterprises are in competition with any activities of its Clients or could otherwise be adverse to one or more Client. Neither a Client nor an investor in such Client will have any right by virtue of the Governing Documents or otherwise to invest such independent ventures or to any income or profits derived there from. Conflicts may arise as a result of such other activities. ORIX Persons may engage in transactions that would be suitable for a Client.

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

Conflicts of interest may also arise as a result of certain ORIX Persons having roles both with respect to Lument IM and a Client and with respect to other ORIX Corporation or ORIX USA Group entities. Other similar dual role situations exist across the business and there could be more such roles in the future. See "Conflicts Resolution Process" for further information regarding the conflicts resolution processes utilized by Lument IM.

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

Certain Clients are expected to enter into borrowing arrangements that require Clients and other clients to be jointly and severally liable for the obligations. If one Client defaults on such arrangement, the other Clients, may be held responsible for the defaulted amount.

In general, limits on investments by ORIX USA Group or decisions by ORIX USA Group not to participate in certain investments will, in certain cases, significantly constrain Lument IM's ability to make Investments on behalf of a Client, particularly in opportunities involving the extending of larger loans. These restrictions could prevent a Client from participating in attractive investment opportunities in which it would have otherwise participated without such restrictions. Lument IM, or affiliates of Lument IM, from time to time originate loans in which participations and/or assignments may be purchased by a Client. The ability of a Client to invest in such loans will be dependent upon the ability of Lument IM, or the Investment Team (or affiliates) to secure financing for such origination, either from another affiliate of Lument IM or from a third party. There can be no guarantee that any affiliate of Lument IM will be willing or able to make such financing available or that financing from a third party will be available on commercially reasonable terms. If such financing is not available or is not available on terms that are commercially reasonable for purposes of the origination of the loans, Lument IM or its affiliates will be unable to originate loans, which may have a material adverse effect on the Client.

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

Lument IM and ORIX USA Group, with the exception of the ORIX Advisers Signal Peak team, currently operate without information barriers that other firms from time to time implement to separate persons who make investment decisions from others who could possess confidential and/or material non-public information that could influence such decisions. In an effort to manage possible risks arising from Lument IM's decision not to implement any barriers, Lument IM maintains a Code of Ethics, as described in Item 11, and provides training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Lument IMs' policies and procedures. In addition, Lument IM compliance maintains a list of publicly traded restricted issuers as to which Lument IM and its affiliates could have access to material non-public information and in whose securities Clients are not permitted to trade without prior approval from compliance. In the event that any employee of ORIX USA Group, including Lument IM, obtains material non-public information, Lument IM could be restricted in acquiring or disposing of investments on behalf of Clients, which could impact the returns generated for Clients. Similarly, if one ORIX USA Group entity acquires confidential or material non-public information or enters into confidentiality agreements or non-disclosure agreements with standstill provisions, all other ORIX USA Group entities, including Lument IM, may be restricted in acquiring or disposing investments on behalf of their clients, including Clients. Lument IM may encounter conflicting duties to the various Lument Clients, Other Clients, ORIX Persons and ORIX USA Group entities, or have an incentive to avoid taking actions that would impede the operation of the foregoing, and those companies and the Clients may be restricted in their ability to participate in transactions involving the applicable issuer (including the sale of existing investments in the applicable issuer or declining to receive non-public information or pursue an investment opportunity that would prevent another of such companies from trading securities of an issuer). The inability to sell securities of such issuers in these circumstances could materially adversely affect the investment results of a Client, including, but not limited to, a material loss with respect to an individual investment or differing results than those obtained by another client or ORIX USA Group with respect to the same investment. Notwithstanding the maintenance of a restricted list and other internal controls, it is possible that the internal controls relating to the management of material non-public information could fail and result in Lument IM,

or one of its investment professionals, buying or selling a security while ORIX USA Group or its employees is in possession of material non-public information. Inadvertent trading while ORIX USA Group or its employees is in possession of material non-public information could have adverse effects on the reputation of Lument IM, resulting in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact Lument IM's ability to perform investment management services on behalf of Clients. In addition, while Lument IM and ORIX USA Group currently operate without information barriers, ORIX USA Group and Lument IM could be required by certain regulations, or decide that it is advisable, to establish information barriers. In such event, ORIX USA Group's ability to operate as an integrated platform could change, which would limit access to certain of Lument IM's personnel and impair their ability to manage Clients' investments in the manner in which they currently manage investments.

#### *Allocation of Investment Opportunities*

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

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

Subject to the terms of a Client's Governing Documents, the Client will have no right to participate in any investment opportunities sourced by ORIX USA Group, ORIX Corporation or any of its affiliates. In addition, Clients will generally not have the right to participate in investment opportunities sourced by Lument IM's investment teams, other than the investment team directly

managing the Client account or as described in the applicable Governing Documents as being the source of the Client's investment opportunities (referred to as the "responsible investment team"). To the extent there is ambiguity as to which investment team sourced a particular investment opportunity, for example, if Lument IM's employee assists with two different investment teams, which can occur from time to time, Lument IM will in its sole discretion make a good faith determination regarding identification of the relevant investment team that sourced the investment opportunity. Subject to the terms of the Client's Governing Documents, such other ORIX entities, including ORIX USA Group, will continue to invest for other accounts (including on their own behalf), without regard to whether any investment might be appropriate for another client.

As a general matter, it is expected that each Client account will participate primarily in investments sourced by the responsible investing team, allocated across the responsible investment team's Clients in accordance with Lument IM's Allocation Policy and each investment team's specific allocation policies. While the investment program of certain Client accounts may permit the making of investments sourced by investment teams other than the responsible investment team, such Client accounts have no right or entitlement to receive an allocation of any such investment opportunity from such other investment team. As a result, Client accounts managed by the responsible investment team will have priority over the other Client accounts not managed by such investment team with respect to investment opportunities sourced by the responsible investment team that might otherwise be appropriate for the other Client accounts not managed by such investment team unless as noted above, a Client has a mandate that includes allocations to multiple investment team strategies. In any event, the other Client accounts not managed by the responsible investment team or that do not have a mandate to strategies managed by such responsible investment team will have no right or entitlement to, and such other Client accounts' investors should have no expectation that any such other Client account will receive an allocation of, such investment opportunities. In addition, unless otherwise specified in its Governing Documents, a Client account will not have exclusivity over investment opportunities sourced by the responsible investment team and such investment opportunities will in certain cases instead be allocated, in whole or in part, to other Investing Parties that are managed by the responsible investment team in accordance with Lument IM's Allocation Policy and each investment team's specific allocation policies. Therefore, subject to the terms of the Client's Governing Documents and each investment team's specific allocation policies, investment opportunities will generally be first allocated to ORIX USA Group and other ORIX Persons and then will be allocated among Client accounts for which the responsible investment team sourcing the applicable investment opportunity are directly responsible and, thereafter, as determined by Lument IM in its sole discretion. For discretionary Client accounts, investment opportunities will generally be allocated among ORIX USA Group, other ORIX Persons and Client accounts for which the responsible investment team sourcing the applicable investment opportunity are directly responsible on a pro rata basis based on demand, with demand in such instance being determined in the sole discretion of the responsible investment team, taking into account factors that it deems appropriate in light of the circumstances, including relative size of the accounts of the potential Investing Parties and, to the extent applicable, any other factors noted below. In many cases, the accounts of ORIX USA Group and other ORIX Persons are materially larger and have a greater demand than the applicable Client accounts and, therefore, it is expected that a pro rata allocation based on demand could result in ORIX USA Group or other ORIX Persons being entitled to, and allocated, a materially larger portion of such investment opportunities than the unaffiliated Client (or in many cases

receiving substantially all of the opportunity). It should also be recognized that absent a capital commitment from a discretionary Client or a specific instruction from a Client as to its level of demand, Lument IM's determination of Client demand will be based on the facts and circumstances related to each investment opportunity and Lument IM's good faith application of the factors noted herein.

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

Because ORIX USA Group and other ORIX Persons are affiliated with Lument IM, Lument IM may have an incentive to retain more favorable investment opportunities for ORIX USA Group and other ORIX Persons and offer less attractive opportunities to unaffiliated Clients and certain of the allocation principles noted above are likely to result in a materially greater portion of certain opportunities being allocated to ORIX USA Group and other ORIX Persons. In addition, as described above, ORIX USA Group and other ORIX Persons often have a higher demand than unaffiliated Clients and Lument IM may have an incentive to fulfil ORIX USA Group or other ORIX Persons first prior to unaffiliated Clients. Further, other Investing Parties now, or may, in the future, have investment programs and/or objectives that overlap with or otherwise compete with that of a Client and/or may otherwise adversely affect the Client. It is expected that there will be investment opportunities that are suitable to one or more Investing Party. Subject to the terms of the Client's Governing Documents, Lument IM's Allocation Policy and any team's specific allocation policy, Lument IM will make allocation decisions between or among Clients and other Investing Parties' accounts in its discretion, consistent with its fiduciary duties and contractual commitments, and taking into account the respective investment programs, current portfolios and available capital commitments of each Client and such other accounts (and any other factors it may deem relevant, including some or all of the following, where applicable: Client investment guidelines and restrictions, tax and regulatory considerations, minimum size requirements, a Client's tolerance for volatility and risk, a Client's liquidity needs, domicile of the investment, and other factors that the team determines are consistent with the fair and equitable treatment of all Clients over time).

However, given the considerations outlined herein, there can be no guarantee that a Client will be allocated any investments or that, to the extent any Client does make investments, as to the portion of any such investment that will be made available to any Client. The application of the allocation requirements set forth in the Clients' Governing Documents and the factors set forth above can result in allocation at times on a non-pro rata basis and there can be no assurance that a Client will participate in all investment opportunities that fall within its investment objectives.

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

In addition, to the extent that Lument IM has discretion over approving a secondary transfer of interests for Clients pursuant to the relevant Governing Documents, or is asked to identify potential purchasers in a secondary transfer, Lument IM will do so in its sole discretion, and is permitted to take into account a variety of factors, including but not limited to its own interests including: (i) Lument IM's evaluation of the financial resources of the potential purchaser, including its ability to

meet capital contribution obligations; (ii) Lument IM's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future funds and/or Lument IM and the expected amount of negotiations required in connection with a potential purchaser's investment; (iii) whether the potential purchaser would subject Lument IM, the Clients, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens; (iv) requirements in the Clients' Governing Documents; (v) a purchaser's potential investment into a fund managed or advised by Lument IM (including any commitment to a future fund); and (vi) such other facts as it deems appropriate under the circumstances in exercising such discretion. Similarly, Lument IM and its affiliates have the authority to, in anticipation of the end of the term of a Client, cause the sale of certain or all of the Client's assets to a third party or Investing Parties. Lument IM may take into account a wide variety of different considerations in determining whether or not to cause such a sale to Investing Party, or investor, or other third party, including its own interests, and including such factors as set forth in the list above or other factors such as Lument IM or any Clients' interests in continuing to hold all or a controlling portion of an investment. In addition, as Lument IM and its affiliates could continue to receive compensation following such a sale, including with respect to increases in value of such investments, Lument IM and its affiliates would be subject to conflict with respect to such transactions and related valuations of the sale price.

Lument IM and its affiliates furnish investment management and advisory services to numerous other Clients and accounts and Lument IM and its affiliates may, consistent with applicable law, make investment recommendations to other Clients or accounts (including proprietary accounts and accounts which are private funds or separately managed accounts which have management fees and performance fees or allocations at higher or varying rates paid to Lument IM or one or more of its affiliates, or in which portfolio managers or other personnel of Lument IM have a personal interest in the receipt of such fees or have personal investments), which may be the same as or different from those made for each Client and may cause conflicts of interest in the allocation of investment opportunities. In addition, conflicts of interest or legal or regulatory requirements applicable to the Clients may result in Lument IM and its affiliates limiting other Clients' participation (or the Client being unable to participate) in certain attractive investment opportunities.

#### *Trade Aggregation*

As a general matter, each Client has its own investment objectives or investment strategies (hereinafter collectively referred to as "Investment Objectives"). Notwithstanding that fact, two or more Clients may share the same or substantially similar Investment Objectives. It is the policy of Lument IM to manage Client assets consistently with each Client's Investment Objectives and Governing Documents. Consistent with that policy, trades initiated by Lument IM on behalf of Clients are to be allocated fairly and equitably among the Clients over time.

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



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

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

### *Conflicts Related to Purchases and Sales*

Investing Parties may buy or sell securities or other instruments that Lument IM has recommended to Clients. Such transactions are subject to the policies and procedures adopted by Lument IM from time to time. The investment policies, fee arrangements, and other circumstances of these investments may vary from those of Lument IM's other Clients or Clients of its affiliates. Lument IM, its affiliates, certain of its officers, principals and employees, and their relatives are expected to invest in and alongside Clients either through a general partner of a Fund, as direct investors in a Fund, through a direct investment or otherwise, and therefore may have additional conflicting interests in connection with these investments.

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

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

In addition, investments by more than one Investing Party, including a Client, in an investment may also raise the risk of using assets of a client of Lument IM or its affiliates to support positions taken by other Investing Parties.

#### *Transactions Related to Affiliates of and Clients Advised by Lument IM*

Clients may seek to refinance loans or extend new credit to a borrower that has a current loan with an affiliate of or a Client advised by Lument IM where the loan is nearing maturity or the borrower is seeking alternative financing, or in certain circumstances another such affiliate or Client of Lument IM may lend to an existing borrower of Clients. While the terms of such financing are negotiated with such borrowers, in certain circumstances it may be customary or may otherwise be beneficial for legal, tax, regulatory or other reasons for such transactions to involve both Clients and an affiliated lender or proceeds from one such transaction may pay off another such transaction.

Certain loans of the Public Company Client provide for the payment of an exit fee by the borrower. With respect to any loans of the Public Company Client providing for the payment of an exit fee by the borrower, the Public Company Client has agreed to waive such exit fees if such borrower refinances the applicable loan with permanent financing provided by Lument IM or any of its affiliates. To the extent such an exit fee is waived as a result of such borrower refinancing the applicable loan with permanent financing from Lument IM or any of its affiliates, the expenses reimbursable to Lument IM for such quarter in which such exit fee was waived shall be reduced by an amount equal to 50% of the amount of any such waived exit fee.

#### *Cross Trades and Principal Trades*

Lument IM may cause Clients to make investments in affiliated or associated entities.

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

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

Lument IM may, from time to time, cause its Clients to engage in cross trades.

Lument IM can cause a Client to buy or sell the same security from or to another Client when it believes, in its sole discretion, that such a transaction would be advantageous or otherwise beneficial to each of the Clients involved. For example, a cross trade may be effected in a less liquid or otherwise difficult to transact in security (for example, difficult to locate or hard to borrow short), when, in the opinion of Lument IM personnel, it would reduce the risk of market impact or otherwise reduce the costs associated with the contemplated trade. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, or Lument IM might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. Additionally, in connection with such transactions, Lument IM, its affiliates, and/or their professionals (i) may have significant investments, or intentions to invest, in the Client that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). Lument IM and its affiliates generally receives management or other fees in connection with their management of the relevant Clients involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Clients.

Depending on the transaction structure, these transactions may disproportionately benefit the purchasing, selling, or merging Client (or Lument IM as a result of its or its affiliates interests in a particular Client), and one Client may incur expenses or forego gains that would have been obtained had it not entered into such transaction. For example, Lument IM may be incentivized to support a less successful investment of an older Client by causing a newer Client with a longer remaining term and investment period to purchase a part or all of such investment in order to provide Lument IM additional time to potentially manage it to a successful exit and increase the likelihood of Lument IM or an affiliate receiving Performance Fees. Conversely, Lument IM may be incentivized to sell an attractive investment in an older Client to a newer Client to increase the amount of fees received by Lument IM or an affiliate with respect to such an investment. Determining the valuation or other terms of such transactions may also create a conflict of interest due to Lument IM's consideration of the particular terms (including the fee terms) of the Clients and Lument IM's interest in such Clients. Such acquisition or merger may result in the acquiring entity purchasing a Client's investment at a valuation that is: (a) not the highest price that could have been obtained in the market had there been a robust sales process with multiple third party bidders or (b) higher than the value of the company resulting in an overvaluation.

Under certain circumstances, Lument IM may wish to reduce the investment of one or more Clients in an investment and increase the investment of other Client(s) in such investment, and may, therefore, effect such transactions by directing the transfer of such investment between such Clients or through any other transaction structure. Any costs and expenses associated with any such transaction will be borne by such Clients in accordance with such Clients' Governing Documents and to the extent not addressed in the applicable Governing Documents, on an allocation that Lument IM deems in good faith to be fair and reasonable.

Lument IM engages in principal trades.

The Client's investments in loans sourced by Lument will be purchased from affiliates of Lument. As such, Lument IM will regularly enter into transactions and other arrangements that may be viewed as related party or principal transactions (i.e., transactions between the Client and an affiliate of Lument IM acting for its own account) when purchasing such loans on behalf of the Client from the affiliated entity. Pursuant to Section 206(3) of the Advisers Act, Lument IM is required to obtain prior consent from the Client for all such principal transactions on a transaction-by-transaction basis. In the event that a Client declines to provide consent to a principal transaction in respect of the purchase of a loan, Lument IM may be unable to consummate the investment for the Client and the opportunity will not be available to the Client.

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

#### *Continuation Transactions*

From time to time Lument IM may determine that it is in the best interest of a Client holding an investment (the "selling Client") to transact with another Client (the "purchasing Client") in order to provide the selling Client's investors with an option to either: (1) receive cash proceeds from the

selling Client's sale or transfer of such Portfolio investment and/or (2) "roll" (i.e., retain) their interest in such Portfolio Investment. These types of transactions are often referred to as "continuation transactions". In connection with such continuation transactions, Lument IM may require the investors in the purchasing Client to make an additional investment in a Client or commit to invest in a future Client. In addition to those conflicts of interest described above under "Cross Trades and Principal Trades", conflicts of interest arise in these continuation transactions because (i) Lument IM and its affiliates are charging investors in the purchasing Client a Management Fee and Performance Fees (which economics are likely to be different than the selling Client) and the transactions have the potential to result in the receipt of additional Management Fees and Performance Fees by Lument IM and its affiliates; (ii) Lument IM and ORIX Persons are expected to have the ability to make material investments in the purchasing Client, which may cause them to take actions that benefits the purchasing Client; (iii) Lument IM is actively involved in negotiating the terms of the sale on behalf of the selling Client, on the one hand, and the purchasing Client, on the other hand (including allocation of expenses incurred in the transaction); and/or (iv) of the requirement for an investor in the purchasing Client to make an investment in a Client or a commitment to invest in a future Client, which (a) incentivizes Lument IM to favor such investors because of the potential for Lument IM and its affiliates to earn additional Management Fees with respect to any such investment or commitment to invest, and (b) could affect the price such investors offer to purchase the asset from the selling Client. Additionally, conflicts of interest arise in continuation transactions as a result of the allocation of fees and expenses, because fees and expenses will be incurred in connection with the transaction, and Lument IM might determine to allocate bankers' fees and certain other fees and expenses solely to selling investors and not to the "rolling investors" or "new investors" in the purchasing Client or vice versa.

To the extent not addressed in a Client's Governing Documents, Lument IM will address conflicts of interest that arise in connection with continuation transactions as set forth below under "Conflicts Resolution Process."

### *Capital Structure Conflict*

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

Lument IM may be incentivized to make decisions for the benefit of one Investing Party to the detriment of another, including a Client (e.g., due to the prospect of earning more carried interest, management fees or other fees, if dissatisfaction would cause one of the Investing Parties to redeem capital or discontinue its relationship with Lument IM, or if the Investing Party is affiliated with Lument IM and, therefore, Lument IM has an incentive to increase returns to such Investing Party).

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

In addition, Clients may invest in different instruments or classes of securities of the same issuer where certain other Investing Parties own the majority of, or otherwise control, one or more of such different instruments or classes of securities. As a result, one or more Clients and/or other Investing Parties may have different investment objectives or pursue or enforce rights with respect to a particular issuer in which another Investing Party has invested, and those activities may have an adverse effect on a Client. For example, where an issuer experiences financial or operational difficulties, if a Client holds subordinated and unsecured debt, and another Investing Party holds senior secured debt instruments, of the same issuer, the latter Client or Investing Party may enforce or help other senior secured creditors enforce their rights against the issuer and as a result, the former Client's investment may be reduced substantially or to zero. If a Client holds voting instruments with respect to any debt or equity of an issuer and another Investing Party does not hold such power, Lument IM or its affiliate, acting on behalf of the former Client, may vote on certain matters in a manner that has an adverse effect on the positions held by the latter Investing Party (*e.g.*, regarding whether the Client agrees to waive certain covenants or make certain amendments). Conversely, if a Client holds voting instruments of an issuer, Lument IM or its affiliate's vote on behalf of such Client on certain matters may end up benefiting the other Investing Parties and harming the Client with voting instruments, especially with the benefit of hindsight (*e.g.*, if the Client agrees to certain covenants, waivers or amendments, but the issuer and the Client's investment in such issuer end up getting further impaired). The conflicts of interest associated with investing in multiple layers of an issuer's capital structure become more acute when the issuer experiences financial or operational challenges and/or if debt tranches owned by one or more Investing Parties become equitized such that certain Investing Parties become borrowers of the other Investing Parties.

As described above, to the extent a Client holds securities that are different (including with respect to relative seniority) than those held by another Investing Party in the same issuer, Lument IM may have conflicting loyalties between its duties to such Investing Parties, as well as with respect to the interests of such Investing Parties. There can be no assurance that the term of or return on a Client's investment in an issuer will be equivalent to or better than the term of or returns obtained by the other Investing Parties participating in such investment.

Similarly, the ability of Lument IM to implement the Client's strategies effectively may be limited to the extent that contractual obligations entered into in respect of activities of Lument IM and/or other Investing Parties impose restrictions on such Client engaging in transactions that Lument IM may be interested in otherwise pursuing.

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

take due to other interests held or actions or positions taken by other Investing Parties of a different investment strategy.

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

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

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

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



### *Side Letter Agreements*

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

### *Conflicts Regarding Valuation and Other Matters*

Lument IM will be responsible for a variety of important matters affecting Clients. Among other matters, Lument IM will determine the value of the investments held by Clients. Such valuations affect reported Client performance, the calculation of any performance fee due to Lument IM as well as the calculation of any related Management fee.

### *Pre-existing Relationships*

Lument IM and its Related Persons have pre-existing relationships with a significant number of Loan obligors. In servicing and administering the Loans, each of Lument IM and its Related Persons may take into account its relationship or the relationships of its affiliates with obligors or issuers and their respective affiliates, which can create conflicts of interest. Various Lument IM Related Persons also have relationships with numerous investors, including institutional investors and their senior management. The existence and development of these relationships can potentially influence whether or not Lument IM undertakes a particular investment and, if so, the form and level of such investment. Furthermore, Lument IM, in connection with actions taken in the ordinary course of business in accordance with its fiduciary duties to its Clients (including affiliated Clients), may take or refrain from taking, or be required to take, or be prohibited from taking, certain actions. Accordingly, certain investments or strategies involving the management or realization of particular investments that Lument IM would possibly not be undertaken on behalf of a Client in view of such relationships.

### *Restrictions Arising under the Securities Laws*

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

### *Other Conflicts*

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

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

Lument IM, its affiliates and Clients will often engage common legal counsel and other advisers in a particular transaction, including transactions in which there may be conflicts of interest. Members of the law firms engaged to represent the Clients may be investors in the Funds or an other Client and may also represent one or more investments or investors in the Funds or an other Client. In the event of a significant dispute or divergence of interest between Clients and Lument IM and/or its affiliates, the parties may engage separate counsel in the sole discretion of Lument IM and its affiliates. Moreover, in litigation and certain other circumstances, separate representation may be required. Additionally, Lument IM, its affiliates and the Clients may engage other common service providers. In such circumstances, there may be a conflict of interest between Lument IM, on the one hand, and Clients, on the other hand, in determining whether to engage such service providers, including the possibility that Lument IM may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by Clients.

### *Conflicts Resolution Process*

In the case of all known conflicts of interest and as a general matter, Lument IM's determination as to which factors are relevant, and the resolution of such conflicts, will be made using its best judgment, but in its sole discretion. In resolving conflicts, Lument IM considers various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer-term course of dealing. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest: (i) Lument IM will consider the appropriateness of an investment from the viewpoint of a Client; (ii) many important conflicts of interest will generally be resolved by set procedures, restrictions, or other provisions contained in the Governing Documents of each Client; (iii) where Lument IM deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness

of a purchase or sale price; and (iv) prior to subscribing for interests in a Fund or signing an investment management agreement or asset management agreement, each investor will receive information relating to significant potential conflicts of interest arising from the proposed activities of the Fund or Managed Account. There can be no assurance that Lument IM will identify or resolve all conflicts in a manner that is favorable to the Clients and the Clients' investors are not entitled to receive notice or disclosure of the actual occurrence of conflicts or have any right to consent to them as they arise.

While Lument IM endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions.

#### *Other Affiliates*

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

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

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

#### *Code of Ethics*

Lument IM operates under a code of ethics (the "Code of Ethics") adopted in accordance with Rule 204A-1 of the Advisers Act, which establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations for its supervised persons that are adopted and implemented in accordance with Rule 206(4)-7 of the Advisers Act. The Code of Ethics is administered by Lument IM's chief compliance officer ("CCO") and contained in Lument IM's compliance manual.

Under certain circumstances, Lument IM may recommend to Clients, or buy or sell for Clients, securities at the same time Lument IM, or Investing Parties buy or sell the same securities. In addition, Lument IM as well as Investing Parties may co-invest with Clients and may invest directly in a Fund that Lument IM or its affiliates manage. Additionally, certain employees may be entitled to a portion of the carried interest paid by a Fund to Lument IM and/or its affiliates. Any of the foregoing could potentially create a conflict of interest between Lument IM and a Client. These situations and other conflicts of interest that may arise in the management of the Clients are addressed in Lument IM's Code of Ethics and compliance manual as described above.

Lument IM will provide a copy of its Code of Ethics to any prospective client or investor upon written request.

### *Participation or Interest in Client Transactions*

As described in Item 10 – Other Financial Industry Activities and Affiliations, ORIX USA has a substantial investment in the Client. Therefore, ORIX USA may be considered to be participating indirectly in transactions effected for the Client. Please see Item 10 – Other Financial Industry Activities & Affiliations for discussion of investment-related potential conflicts.

Under certain circumstances, Lument IM may recommend to Clients, or buy or sell for Clients, securities in which ORIX USA Group has a material financial interest. Because of the relationship of ORIX USA Group and its personnel with Lument IM, conflicts of interest may exist in connection with Lument IM's allocation of investment opportunities as between ORIX USA Group and other Clients. Lument IM has adopted investment allocation policies and procedures designed to mitigate this conflict. However, for real estate debt related investments, including certain types of transitional floating-rate loans, Lument IM is required to give priority to a particular Client. In all cases, allocation requirements (if any) set forth in a Client's Governing Documents will control. Following this priority allocation, if the investment opportunities are suitable for one or more Client, transactions will be allocated on a fair, equitable and consistent basis over time.

### *Conflicts Related to ORIX Persons*

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

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

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

otherwise transact with companies that are owned by such family members or in respect of which such family members have other involvement. The fees for services provided by such service providers may or may not be at the same rate charged by other third party service providers and Lument IM is not required to select service providers who may have lower rates (or to engage in any benchmarking of such fees).

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

#### *Possible Future Activities*

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

#### *Principal Transactions & Cross Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. Lument IM enters into transactions and other arrangements with Clients that are related party or principal transactions (i.e., transactions between a Client and Lument IM or its affiliate acting for its own account) to the extent permitted by applicable law, including, if required or appropriate, the making of appropriate disclosure to and receipt of consent from the applicable Client. Lument IM has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

In addition, when certain mortgage loans are originated, they are often accompanied by different types of fees including an exit fee that will be paid under certain circumstances. In certain instances when Lument IM engages in a principal transaction with a Client, Lument IM may determine not to transfer all the fees associated with a particular loan when such loan is transferred to a Client subject to consent from such Client. Instead, the fees or a portion of the fees will be retained by Lument IM

or an affiliate and Lument IM or such affiliate will earn the fees in the event it becomes due. To the extent a participation interest is involved, a pro rata portion of any fees associated with the underlying mortgage loan will be included with such participation. If the Client receives less than a pro rata portion of the fees, Lument IM will disclose such arrangement and seek consent from the Client prior to transfer.

Lument IM buys and sells the same security between Clients when it believes, in its sole discretion, that such a transaction is advantageous or otherwise beneficial to each of the Clients involved. For example, a cross trade may be effected in a less liquid or otherwise difficult to transact in security (for example, difficult to locate or hard to borrow short), when, in the professional opinion of Lument IM, it would reduce the risk of market impact or otherwise reduce the costs associated with the contemplated trade.

### *Service Providers*

Lument also originates, for a fee from borrowers or Clients, debt investment opportunities for Clients. As a result, Lument IM or one of its affiliates receive origination or disposition fees for the acquisition or sale of real estate and mortgage investments.

Certain advisors and other service providers (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, and investment or commercial banking firms) to the Clients may also provide goods or services to, or have business, personal, financial, or other relationships with, Lument IM or its affiliates. Such advisors and service providers may be affiliates of Lument IM, sources of investment opportunities or commercial counterparties. Additionally, certain employees of Lument IM may have family members or relatives employed by such advisors and service providers. These relationships may influence Lument IM in deciding whether to select or recommend such a service provider to perform services for Clients. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to Lument IM or its affiliates as compared to services provided to Clients, which in certain circumstances may result in more favorable rates or arrangements than those payable by Clients. Neither the Clients nor their investors will receive the benefit of any such favorable rate or any discount provided to Lument IM, its personnel or its affiliates, and the management fee paid by any Client will not be reduced in connection with such favorable rate or discount.

Lument IM has in the past contracted and may in the future in its discretion, contract directly with, or recommend to a Client that it contract for services with, a related person of Lument or an affiliate. When making such a recommendation, Lument IM, because of its financial or other business interest, has an incentive to recommend such person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Additionally, ORIX Persons, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence Lument IM in determining whether to select or recommend such service provider to perform services for a Client. Lument IM, because of financial, business interest, or other reasons,

may favor such retention even if a better price and/or quality of service could be obtained from another person.

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

#### *Other Activities of Lument IM and Lument IM Related Persons*

Lument IM, its affiliates or its personnel and Lument IM Related Persons can provide services to or serve as officers (whether supervisory or managing), directors, principals, employees, partners, managers, members, agents, nominees or signatories of, entities that operate in the same or a related line of business as a Client, including affiliated Clients and other investment funds managed by Lument IM or its affiliates. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities (including Related Entities), the fulfillment of which may not be in the best interests of other Clients. A Client may compete with these and other entities managed by Lument IM and its affiliates for capital and investment opportunities. Although the personnel of Lument IM will devote as much time to a Client as Lument IM deems appropriate to perform its duties in accordance with the applicable Client Agreements and reasonable commercial standards, the personnel could have conflicts in allocating its time and services among the Client and other Clients, funds or other investment accounts managed by Lument IM or its affiliates or the other accounts of a Related Entity as to which such person is a shared personnel. See “Devotion of Time and Attention by Management” in Item 8.

#### **Item 12 – Brokerage Practices**

Because Client investments are made on a negotiated basis, opportunities for trade executions are less common than, for example, accounts that trade primarily in public equities. To the extent

Lument IM engages in trading activity on behalf of a Client, it will follow the brokerage practices described below.

Lument IM's policy will be to seek the best execution of orders on an overall basis, which means that it seeks to ensure that the Client's total cost or proceeds are the most favorable under the circumstances. Lument IM will not adhere to any rigid formulas in making its selection of broker-dealers to effectuate securities transactions on behalf of Clients but will weigh a combination of factors or criteria. For example, in selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution on an overall basis involves a number of factors, including but not limited to, broker's reliability, reputation and experience in the industry, financial stability and capital adequacy, and execution capability (e.g., speed of execution, history of securing best price and competitive transaction charge, operational efficiency including the ability to complete the transaction satisfactorily through to clearance, confirmation and delivery, responsiveness, and availability of qualified, professional, and diligent personnel).

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

Lument IM will not have a duty or obligation to seek the most favorable commission rate applicable to any particular Client transaction or to select any broker on the basis of its purported or "posted" commission rate but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting Client transactions to the extent consistent with the interests of Clients. Although Lument will generally seek competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent.

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

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

#### *Research and Soft-Dollar Benefits*

Lument IM does not use Client commissions to acquire brokerage and research services pursuant to soft dollar transactions.

#### *Brokerage for Client Referrals*



In limited circumstances, Lument IM will use a broker where a division or affiliate of the broker may have referred or may refer investors to Clients. In such circumstances, Lument IM will have a potential conflict of interest in receiving referrals in that Lument IM will have an incentive to select those brokers. In order to mitigate such a conflict, Lument IM focuses on the criteria set forth above when selecting brokers.

#### *Directed Brokerage*

In limited cases, Clients can direct Lument IM to effect transactions through specific brokers. Lument IM will seek to use those brokers when the best price and execution are not sacrificed; however, a Client's insistence on the use of one or more particular brokers can have a materially adverse effect on the quality of execution that is available to such Client and therefore can negatively impact the performance of the Client over time. Among other things, Clients that direct Lument IM's use of brokers may pay higher transaction costs, be excluded from aggregated orders, and trade after other Clients have traded. It should also be noted that because certain investments are made on a negotiated basis, opportunities for trade aggregation in those instances do not generally exist.

#### **Item 13 – Review of Accounts**

Lument IM maintains comprehensive review procedures for the ongoing monitoring of Clients and their financial plans. Personnel of Lument IM and its affiliates serve on the investment committee of the Client, and they routinely monitor the portfolio investments. Their reviews focus on changes in economic, political, or market conditions, as well as each asset's performance. Lument IM reviews each Client's portfolios quarterly, or more frequently in the event of a material event affecting a portfolio.

Lument IM frequently monitors portfolio investments for events that have a material impact on its original investment thesis. Any change to an investment thesis necessitates a review by the managers of the merits of the investment.

Investors in Clients, other than Public Company Clients, generally receive quarterly unaudited financial statements and investor reports along with annual audited financial statements. In addition, a portfolio management's discussion letter regarding the results of operations, management, market environment, investment performance and other matters of a Client may be sent to investors in Clients. Additional reports are available upon request.

Public Company Clients will file all reports required by the Securities Exchange Act of 1934, as amended, and the other securities laws, including quarterly reports on Form 10-Q and annual reports on Form 10-K. In addition, Public Company Clients report certain material events more frequently on Form 8-K. These reports are available on the SEC's website: [www.SEC.gov](http://www.SEC.gov). In addition, investors in Public Company Clients will receive annual reports together with audited financial statements and other information in the annual report and proxy statement for each Public Company Client.

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

Lument IM has in the past and may in the future utilize the services of affiliated or unaffiliated SEC registered investment advisers, broker-dealers, and placement agents to refer clients for its products. Lument IM compensates such firms for client referrals that result in the provision of investment advisory services by Lument IM. This compensation may be paid directly by a Client as part of the operating expenses. Compensation under these solicitation arrangements is determined by means of an asset-based fee. From time to time, Lument IM may enter into additional solicitation arrangements and may compensate persons for client referrals.

## **Item 15 – Custody**

In connection with its investment advisory activities, Lument IM has custody of certain Client assets. Rule 206(4)-2 (the “Custody Rule”) under the Advisers Act defines custody as holding client securities or assets or having any authority to obtain possession of them, including if the adviser (or such affiliate) acts as a general partner of a client limited partnership or a managing member of a client limited liability company or if it has the authority to withdraw funds or securities from a client’s account or ownership of or access to client funds or securities (such as through fee deductions).

In accordance with the Custody Rule, if Lument IM has custody of Client assets, Lument IM will maintain such Client assets with qualified custodians. For any Client for which Lument IM will be deemed to have custody, such funds, vehicles, or accounts will be subject to an annual audit and the audited financial statements will be distributed to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Client’s fiscal year end.

For Clients that invest in certain privately offered securities, custody rules do not require that Lument IM maintains securities at a qualified custodian, if the securities are uncertificated, ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the Client, and can only be transferred with the consent of the issuer. In addition, the financial statements of Clients that hold privately offered securities must be audited annually and the audited financial statements prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Client’s fiscal year end.

## **Item 16 – Investment Discretion**

Lument IM’s investment decisions and advice with respect to each Client are subject to such Client’s Governing Documents. Any limitation on Lument IM’s authority on behalf of a Client, and the procedures Lument IM follows before assuming authority over a Client (e.g., execution of a power of attorney), are set forth in each Client’s Governing Documents.

Lument IM is appointed investment manager or asset manager of each of the Clients pursuant to either an investment management agreement, asset management agreement, or collateral management agreement. The Governing Documents of each Client generally allow Lument IM and

its affiliates to exercise discretionary authority (both limited discretion in some case and non-discretionary investment recommendations), subject to the investment guidelines and investor approvals as described in the Governing Documents of such Client, and to perform the day-to-day investment operations of the Client.

### **Item 17 – Voting Client Securities**

Lument IM generally invests Client assets in debt securities or companies that issue non-voting securities; therefore, Lument IM does not often receive proxies and is not called upon to vote proxies. However, if a company in which Lument IM invests Client assets solicits proxies from its investors, Lument IM will vote its proxies according to its proxy voting policy. Lument IM has adopted written policies and procedures in an effort to ensure that any such voting opportunity is exercised with diligence, care, and loyalty. In all cases, Lument IM will seek to vote Client securities in a way that is believed to be in the best interests of such Client.

One of the primary factors Lument IM considers when determining the desirability of investing in the securities issued by a particular company is the quality and depth of its management. Accordingly, Lument IM believes that the recommendation of management on any issue should be given substantial weight in determining how proxy issues are resolved. As a matter of practice, Lument IM will vote on most issues presented in a proxy statement in accordance with the position of the company's management, unless Lument IM determines that voting in accordance with management's recommendation would adversely affect the investment merits of owning the stock. However, Lument IM will consider each issue on its own merits, and will not support the position of the company's management in any situation where, in Lument IM's judgment, it would not be in the best interests of the Client to do so.

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

Lument IM has the responsibility to monitor proxy votes for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions on matters where a conflict exists must be brought to the attention of Compliance for a mandatory conflicts of interest review in accordance with policies and procedures, which will include considerations of whether Lument IM or any investment professional or other person recommending how to vote and/or Lument IM affiliates and

their clients has an interest in how the proxy vote is voted that may present a conflict of interest. In addition, all Lument IM investment professionals are expected to perform their tasks relating to the voting of proxy votes in accordance with the principles set forth above, according first priority to the best interest of the relevant Client. Compliance will use its best judgment to address any such conflict of interest and ensure that it is resolved in accordance with its independent assessment of the best interests of the Clients.

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

Upon request, investors in Clients can obtain (i) a copy of Lument IM's proxy voting policies and procedures, and (ii) information concerning proxy votes on behalf of Clients. Lument IM maintains the following records relating to proxy voting in its office.

- Copies of Lument IM's proxy voting policies and procedures and any amendments.
- Proxy statements received for Client securities.
- Records of proxy votes cast on behalf of Clients.

#### **Item 18 – Financial Information**

Item 18 is not applicable to Lument IM.

#### **Item 19 – Requirements for State-Registered Advisers**

Item 19 is not applicable to Lument IM.