

None of the Transaction Parties (other than the Issuer or, in the case of the Senior Notes, the Co-Issuers) or any Affiliates of the Issuer or Co-Issuer or of any other Transaction Party or any other person or entity (other than the Issuer or, in the case of the Senior Notes, the Co-Issuers) will be obligated to make payments on the Securities. To the extent any losses are suffered by any holders of the Securities, such losses will be borne by the holders of the Securities, beginning with the Subordinated Securities as the most junior Classes.

**Equity Status of Preferred Shares.** The Preferred Shares will be equity interests in the Issuer and are not secured by the Collateral. Accordingly, Shareholders will rank behind all creditors, whether secured or unsecured and known or unknown, of the Issuer, including, without limitation, the holders of the Notes and any Hedge Counterparties. Except with respect to the obligations of the Issuer to pay the amounts in accordance with the Priority of Payments, the Issuer does not expect to have any creditors. The Issuer is also subject to limitations with respect to the business that it may undertake. See "Issuer and Co-Issuer — General." Dividends on the Preferred Shares will be payable in accordance with applicable law out of distributable profits of the Issuer and/or out of the Issuer's share premium account. No payments (including redemption payments) may be paid to the Shareholders if the Issuer (as determined by its board of directors) is not able to pay its debts as they fall due in the ordinary course of business at the time of and immediately following such payment.

**Leveraged Credit Risk.** The Issuer will utilize a high degree of investment leverage. The use of leverage is a speculative investment technique that increases the risk to holders of the Securities, particularly holders of the Subordinated Securities. In certain scenarios, the Rated Notes may not be paid in full and the Subordinated Securities may be subject to up to 100% loss of invested capital. The Subordinated Securities represent the most junior Classes in a highly leveraged capital structure. As a result, any deterioration in performance of the Collateral, including defaults and losses, a reduction of realized yield or other factors, will be borne first by holders of the Subordinated Securities. In addition, the use of leverage can magnify the effects on the Subordinated Securities of deterioration in the performance of the Collateral. The Collateral is expected to consist of below investment grade debt obligations. Such obligations have greater liquidity risk and credit risk than investment grade debt obligations. Failure of any Coverage Test or the existence of a Continuing Effective Date Ratings Confirmation Failure will result in cash flows (if any) otherwise available for interest payments being applied to make principal payments on Higher Ranking Classes of Rated Notes. Interest Proceeds will be diverted, in accordance with the Priority of Payments, to purchase additional Collateral Obligations, during the Reinvestment Period (a) if an Effective Date Ratings Confirmation Failure has occurred, to the extent necessary to obtain Rating Agency Confirmation; (b) if the Supplemental Diversion Test is not satisfied as of the related Determination Date, to the extent necessary to satisfy such test as of the Determination Date; or (c) to the extent of Designated Proceeds. In addition, if an Event of Default has occurred and has not been cured or waived and acceleration has occurred, Interest Proceeds and Principal Proceeds will be applied to pay both principal of and interest on each Higher Ranking Class until each such Class is paid in full before any further payment or distribution will be made on any Lower Ranking Class. This will likely reduce returns on the Subordinated Securities and cause a temporary or permanent suspension of payments on the Subordinated Securities. Furthermore, if additional securities are issued after the Closing Date, such securities may not be issued in the same proportion as existing Classes of Notes, which may reduce the Issuer's level of investment leverage. This would likely adversely affect returns on the Subordinated Securities. In addition, certain expenses (including the Investment Management Fees) are generally based on a percentage of the Portfolio Principal Balance, which includes the Collateral obtained through the use of leverage. Accordingly, expenses attributable to the Subordinated Securities will be higher because such expenses will be based on the Portfolio Principal Balance.

A significant amount of the initial proceeds of the sale of the Securities will be applied to pay organizational and other expenses incurred by the Issuer in connection with the offering of the Securities rather than to make investments in Collateral Obligations. As a result, the aggregate principal balance of the Collateral Obligations will be less than the initial Aggregate Outstanding Amount of the Securities. In addition, during the lifetime of the transaction, except as described herein, Excess Interest will be paid to the holders of the Subordinated Securities, rather than being invested in additional Collateral Obligations. Therefore, it is highly likely that after payments of the Rated Notes and the other amounts payable prior to the Subordinated Securities under the Priority of Payments, Principal Proceeds will be insufficient to return the initial investment made in the Subordinated Securities. Therefore, over the passage of time, holders of Subordinated Securities will have to rely on Excess Interest for their ultimate return.