

Closing Date, obtain from the Initial Purchaser upon request additional information regarding average life and prepayment considerations. See *"Security for the Notes—Sales and Purchases of Collateral Obligations."*

Tax Considerations. The Issuer expects to conduct its affairs so that it will not be treated as engaged in a trade or business within the United States (including as a result of lending activities). As a consequence, the Issuer expects that its net income will not become subject to United States federal income tax. There can be no assurance, however, that its net income will not become subject to United States federal income tax as a result of unanticipated activities, changes in law, contrary conclusions by the United States tax authorities or other causes. If the Issuer were determined to be engaged in a United States trade or business, its income (possibly computed without any allowance for deductions) would be subject to federal income tax at the usual corporate rate, and possibly to a branch profits tax of 30%. The imposition of unanticipated taxes could materially impair the Issuer's ability to make payments on the Senior Notes and make distributions with respect to the Income Notes.

An investment in the Securities involves complex tax issues. Delays in distributing important tax information may occur. See *"Certain Income Tax Considerations."*

The Issuer expects that all payments in respect of the Notes by the Issuer will ordinarily not be subject to any withholding tax or certain withholding requirements of the Cayman Islands, the United States or any other jurisdiction. In the event that withholding or deduction of taxes of any nature whatsoever from payments in respect of the Notes is required by law in any jurisdiction, the Issuer will be under no obligation to make any additional payments to the holders of the Notes in respect of such withholding or deduction. See *"Certain Income Tax Considerations."*

The Issuer is expected to be a passive foreign investment company, which means that a U.S. holder of Income Notes (other than a person or entity treated as a U.S. shareholder in a controlled foreign corporation) may be subject to adverse tax consequences unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. A holder that makes a qualified electing fund election (or that is required to include Subpart F income as a U.S. shareholder in a controlled foreign corporation) may recognize income in amounts significantly greater than the payments received from the Issuer. Taxable income may exceed cash payments when, for example, the Issuer uses earnings to repay principal on the Senior Notes or accrues income on the Collateral Obligations prior to the receipt of cash. A holder that makes a qualified electing fund election will be required to include in current income its pro rata share of such earnings, income or amounts whether or not the Issuer actually makes any payments to such holder.

Diversion of Interest Proceeds. During the Reinvestment Period, if the Class D Overcollateralization Ratio is less than 102.4 %, an amount equal to 50% of the remaining Interest Proceeds will be diverted to the Collection Account for the purchase of additional Collateral Obligations. This diversion of Interest Proceeds may reduce distributions otherwise available to Holders of the Income Notes.

Nature of Collateral. The Collateral will consist primarily of non-investment grade loans and interests in non-investment grade loans. The Collateral may also include Bonds, Structured Finance Obligations and Synthetic Securities. These assets are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that the Collateral generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular types of Collateral Obligations.

Prices of the Collateral may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Collateral.

Loans. Loans and interests in loans have significant liquidity and market value risks as they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities.