

investment has returns linked to credit performance of a reference obligor or one or more reference obligations.

“Target Return”: With respect to any Distribution Date, the amount that, together with all amounts paid to the Holders of the Subordinated Securities pursuant to the Priority of Payments prior to such Distribution Date, would cause the Holders of the Subordinated Securities to first achieve an Internal Rate of Return of 13%.

“Tax Event”: Any new, or change in any, U.S. or non-U.S. tax statute, treaty, regulation, rule, ruling, practice, procedure or judicial decision or interpretation which results in (a) any portion of any payment due from any issuer under any Pledged Collateral Obligation becoming subject to the imposition of U.S. or non-U.S. withholding tax (other than withholding tax with respect to (i) commitment and similar fees associated with Credit Facilities or Pre-Funded Letters of Credit or (ii) dividends in respect of Equity Securities), which withholding tax is not compensated for by a “gross up” payment or (b) any jurisdiction imposing net income, profits, or a similar tax on the Issuer, and, as to any Due Period, such non-compensated withholding tax or net tax imposed on the Issuer equals an amount equivalent to 5% or more of the aggregate scheduled interest distributions on Collateral Obligations during such Due Period. Withholding taxes imposed under Sections 1471 through 1474 of the Code shall be disregarded in applying the definition of Tax Event, except that a Tax Event will also occur if (i) FATCA Compliance Costs over the remaining period that any Notes or Preferred Shares would remain outstanding (disregarding any redemption of Notes or Preferred Shares arising from a Tax Event under this sentence), as reasonably estimated by the Issuer (or the Investment Manager acting on behalf of the Issuer) are expected to be incurred in an aggregate amount in excess of \$250,000, and (ii) any such withholding taxes are imposed (or are reasonably expected by the Issuer or the Investment Manager acting on its behalf to be imposed) in an aggregate amount in excess of \$500,000.

“Tax Jurisdiction”: Any of the tax advantaged jurisdictions of the Cayman Islands, the Bahamas, Bermuda, the Isle of Man, the Jersey Islands, Curaçao and the Channel Islands (in each case, except with respect to an Excepted Company that is a bankruptcy remote special purpose vehicle, so long as such country has a foreign currency rating of at least “Aa2” from Moody’s and a foreign currency issuer rating of at least “AA” from S&P), and any other tax advantaged jurisdiction for which Rating Agency Confirmation is obtained.

“Tax Subsidiary”: Any special purpose subsidiary wholly owned by the Issuer that (a) meets S&P’s then current published criteria for bankruptcy remote special purpose entities established to receive and hold one or more Equity Workout Securities or transfer such securities, (b) has purposes and permitted activities restricted solely to the acquisition, holding and disposition of (i) any such Equity Workout Securities or (ii) any Collateral Obligations in respect of which Equity Workout Securities are to be received by the Issuer, (c) subject to applicable law, is required to distribute 100% of any distributions on, and proceeds of, any such security, net of any tax liabilities, to the Issuer and (d) is at all times treated as a corporation for United States federal income tax purposes. Any Tax Subsidiary may have a subsidiary (which will be treated as a Tax Subsidiary) so long as each such subsidiary satisfies all of the conditions set forth in clauses (a) through (d) of this definition of “Tax Subsidiary” (except that, for such purpose, references to the “Issuer” shall be deemed to be references to the owner of all of the equity interests in such subsidiary).