

rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the likelihood that the obligor will make principal and interest payments and do not evaluate the risks of fluctuations in market value. Therefore, credit ratings may not fully reflect all of the risks of an investment. In addition, rating agencies may not make immediate changes in credit ratings in response to events that impact an obligor, so that an obligor's current financial condition may be worse than a rating indicates when compared with other obligors with equivalent ratings.

#### **Risk Factors Relating to the Issuer and its Service Providers**

*Certain Conflicts of Interest Related to the Investment Manager.* On the Closing Date, the Investment Manager and/or one or more of its Affiliates are expected to purchase approximately \$2.2 million of the Subordinated Notes. Such Subordinated Notes may be transferred to related or unrelated parties at any time after the Closing Date. The Investment Manager and its Affiliates may purchase other Classes of Securities. The Initial Purchaser will waive the payment of its fee for such sales to the Investment Manager and its Affiliates, which will be in the form of a discount on the purchase price. On the Closing Date, the Investment Manager will be reimbursed by the Issuer for certain of its expenses incurred in connection with the organization of the Issuer (including legal fees and expenses). The Investment Manager has provided and, prior to the Closing Date, will continue to provide financing to the Issuer for the purchase of Collateral Obligations for which it is being paid a financing fee. See “—Pre-Closing Collateral Accumulation.”

Various potential and actual conflicts of interest may arise from the overall investment activities of the Investment Manager, its Affiliates and their respective clients and employees. The Investment Manager and its Affiliates may invest, on behalf of themselves and other clients, in securities that would be appropriate as Collateral. The Investment Manager and its Affiliates may give advice or take action for their own account or their other client accounts with similar strategies that may differ from advice given or action taken for the Issuer. The Investment Manager and its Affiliates may also have ongoing relationships with companies whose securities are included in the Collateral, and may own, directly or through other funds that they manage, equity or debt securities issued by obligors of obligations included in the Collateral. The Investment Manager and its Affiliates may also provide certain services for a negotiated fee to companies whose obligations are pledged by the Issuer as Collateral. In addition, the Investment Manager, its Affiliates and their respective clients and employees may invest, or have already invested, in obligations and/or other securities that are identical to or senior to, or have interests different from or adverse to, the Collateral Obligations. In addition, the Investment Manager or any of its Affiliates may serve as a general partner, adviser, officer, director, sponsor or manager of partnerships or companies organized to issue collateralized bond or loan obligations secured by non-investment grade bank loans. The Investment Manager may at certain times be engaged in seeking investments to purchase for the Issuer while at the same time the Investment Manager or one or more Affiliates is also seeking to purchase or has already purchased similar or identical investments for its own account or clients or Affiliates or another entity for which it serves as a general partner, adviser, officer, director, sponsor or manager. By reason of the various activities of the Investment Manager and its Affiliates, the Investment Manager and such Affiliates may acquire confidential or material non-public information or be restricted from effecting transactions in certain Collateral Obligations or other Collateral that otherwise might have been initiated or prevented from liquidating a position. At times, the Investment Manager, in an effort to avoid restrictions for the Issuer and its other clients, may elect not to receive information that other market participants or counterparties are eligible to receive or have received.

Neither the Investment Manager nor any of its Affiliates has any affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Investment Manager or any of its Affiliates manage or advise. The Investment Manager and its Affiliates may also make investments on their own behalf without offering such investment opportunities to the Issuer. Furthermore, the Investment Manager and its Affiliates may be bound by affirmative obligations at present or in the future, whereby it or they are obligated to offer certain investments to funds or accounts that it or they manage or advise before or without the Investment Manager or its Affiliates offering those investments to the Issuer. Alternatively, the Investment Manager and its Affiliates may offer certain investments to funds or accounts that it or they manage or advise simultaneously with or in addition to offering those investments to the Issuer. Thus, other funds or accounts that it or they manage or advise could become co-investors with the Issuer.

The Investment Manager will endeavor to resolve conflicts with respect to investment opportunities in a manner that it deems equitable to the extent possible under the prevailing facts and circumstances. Further, the Investment