



Risk Factors¹ (continued)

CONFIDENTIAL FOR DISCUSSION PURPOSES ONLY

Limited Rights of Issuer to Sell Assets

The Issuer is structured to comply with the exclusion from registration as an "investment company" under the Investment Company Act provide by Rule 3a-7 thereunder ("Rule 3a-7"). As a result of restrictive contractual provisions contained in the Senior Note documents intended to maintain the Issuer's compliance with Rule 3a-7, the Issuer will, in certain instances, be precluded from purchases and sale of its assets that may, if permitted, have resulted in higher returns on the Preferred Shares.

Dependence on Portfolio Advisor

Preferred Shares holders will have no opportunity to control the day-to-day operations of the Issuer. Investors in the Preferred Shares must rely entirely on the Portfolio Advisor and its personnel to evaluate, purchase and oversee the Issuer's assets and to generally administer affairs of the Issuer.

Incentive Advisory Fees

The Portfolio Advisor's right to receive the incentive advisory fee may create an incentive to make more speculative investments on behalf of the Issuer than would otherwise be made in the absence of such fee as the payment of such fee will be dependent to a large extent on the yield earned on the Issuer's assets.

Significant Restrictions on the Portfolio Advisor

The transaction agreements place significant restrictions on the Portfolio Advisor's ability to advise the Issuer to buy and sell assets. As a result of such restrictions, the Issuer may be unable to buy or sell assets or to take other actions which the Portfolio Advisor may consider to be in the interest of the Issuer and the holders of the Preferred Shares.

Reliance on the Originator and Other Third-Party Originators

The Issuer expects to acquire assets originated by the Originator from time to time and with respect to assets acquired from the Originator, the Issuer will be dependent upon the Originator's origination credit policies and procedures and on the performance of its obligations under the related asset purchase agreement, and with respect to assets originated by third parties, the Issuer will be dependent upon the performance of any third-party originator that retains an ongoing role in the administration of any credit facility related to an asset owned by the Issuer.

Participation on Creditors' Committees

The Issuer, or the Portfolio Advisor, may participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Issuer may seek to negotiate directly with the debtors with respect to restructuring issues.

Third Party Litigation; Limited Funds Available

The Issuer's investment activities may subject it to the risk of becoming involved in litigation by third parties, particularly where the Issuer exercises control or significant influence over a company's activities or participate on creditor committees.

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Insolvency Risks

From time to time, the Issuer will acquire assets from the Originator. If the Originator were to become subject to a bankruptcy, delinquency, rehabilitation, liquidation or similar insolvency proceeding (a "**Proceeding**"), an argument could be made that the transfer of the assets by the Originator to the Issuer should be recharacterized as a pledge of the assets to secure a loan from the Issuer to the Originator rather than being treated as a sale. Recharacterization of any such transfer as other than a true sale in the event of a bankruptcy of the Originator or any affiliate could result in the delay, reduction or elimination of distributions to holders of the Preferred Shares.

Investment Company Act Risks

The Issuer has not registered with the SEC as an investment company pursuant to the Investment Company Act.

(1) A more detailed description of risk factors will be contained in a definitive Private Placement Memorandum of the Issuer with respect to the Preferred Shares.