

events, so that the current financial condition of an obligor at any given time may be better or worse than what the current rating indicates. Consequently, credit ratings of the obligors and Collateral Obligations included in the Collateral cannot be definitive indicators of investment quality. See also "Ratings of the Notes" for a discussion of the ratings of the Senior Notes.

Collateral Manager; Past Performance Not Indicative. The past performance of the Collateral Manager in other portfolios or investment vehicles may not be indicative of the results that the Collateral Manager may be able to achieve with the Collateral Obligations. Similarly, the past performance of the Collateral Manager over a particular period may not necessarily be indicative of the results that may be expected in future periods. Furthermore, the nature of, and risks associated with, the Issuer's investments may differ substantially from those investments and strategies undertaken historically by the Collateral Manager. There can be no assurance that the Issuer's investments will perform as well as past investments of the Collateral Manager, that the Issuer will be able to avoid losses or that the Issuer will be able to make investments similar to the past investments of the Collateral Manager. In addition, such past investments may have been made utilizing a leveraged capital structure, an asset mix and fee arrangements that are different from the anticipated capital structure, asset mix and fee arrangements of the Issuer. Moreover, because the investment criteria that govern investments in the Issuer's portfolio do not govern the Collateral Managers' investments and investment strategies generally, such investments conducted in accordance with such criteria, and the results they yield, are not directly comparable with, and may differ substantially from, other investments undertaken by the Collateral Manager.

Dependence on Key Personnel; Replacement of Key Personnel; Replacement of Collateral Manager. The performance of the Issuer's portfolio depends heavily on the skills of the Collateral Manager in analyzing, selecting and managing the Collateral Obligations. As a result, the Issuer will be highly dependent on the financial and managerial experience of certain investment professionals associated with the Collateral Manager, none of whom is under any contractual obligation to the Issuer to continue to be associated with the Collateral Manager for the term of this transaction. The loss of one or more of these individuals could nonetheless have a material adverse effect on the performance of the Issuer and the Notes. In addition, loss of a specified key manager may result in the removal of the Collateral Manager, and/or termination of the Reinvestment Period, at the election of certain Securityholders. Furthermore, the Collateral Manager has informed the Issuer that these investment professionals are also actively involved in other investment activities and will not be able to devote all of their time to the Issuer's business and affairs. In addition, individuals not currently associated with the Collateral Manager may become associated with the Collateral Manager and the performance of the Collateral Obligations may also depend on the financial and managerial experience of such individuals. See "*The Collateral Manager and The Collateral Management Agreement.*"

In addition, any replacement of the Collateral Manager may lead to increased costs, if a replacement collateral manager conditions its acceptance of the appointment as collateral manager on an increase of any or all of the management fees paid to the current Collateral Manager. In this case such increased costs will lead to a reduction of amounts available to make payments on or distributions to the Notes.

Certain Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall investment activity of the Collateral Manager, its clients and its Affiliates and the Initial Purchaser and the Placement Agent and its Affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

Collateral Manager Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Collateral Manager and any of its Affiliates and their respective clients. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

In addition to the Senior Management Fee, the Collateral Manager is entitled to receive a Subordinate Management Fee and an Incentive Management Fee after all other distributions (other than certain distributions with respect to the Income Notes and certain administrative expenses) are made, which is dependent in large part on the performance of the assets purchased by the Collateral Manager on behalf of the Issuer. This could create an incentive for the Collateral Manager to manage the Issuer's investments in such a manner as to seek to maximize the return on such assets. This could result in increasing the volatility of the Collateral and could contribute to a decline