

ARTICLE XII
SALE OF COLLATERAL OBLIGATIONS; SUBSTITUTION

Section 12.1. Sale of Collateral Obligations and Reinvestment.

(a) Provided that no Event of Default has occurred and is continuing and, during the Reinvestment Period subject to Section 12.1(d), the Investment Manager, on behalf of the Issuer, may direct the Trustee to sell:

- (i) any Defaulted Obligation;
- (ii) any Equity Security;
- (iii) any Credit Risk Obligation;
- (iv) any Appreciated Obligation; and

(v) any Collateral Obligation (other than an obligation being sold pursuant to clauses (i) through (iv) above); provided that (A) after the Effective Date, the Aggregate Principal Balance of Collateral Obligations sold pursuant to this clause (v) shall not exceed the Discretionary Sale Percentage of the Portfolio Principal Balance (which calculation shall be based on the Portfolio Principal Balance on the first day of each calendar year or, in the case of the calendar year in which the Effective Date occurs, the Effective Date) (each, a “Discretionary Sale”) and (B) the Restricted Trading Condition does not apply. For purposes of this clause (v), “Discretionary Sale Percentage” shall mean, in the case of (a) the calendar year in which the Effective Date occurs, the percentage calculated by multiplying 20% by a ratio, the numerator of which is the number of partial and full calendar months in such year after the Effective Date and the denominator of which is 12, and (b) in each calendar year thereafter, 20%.

(b) On behalf of the Issuer, the Investment Manager will, without regard to whether an Event of Default has occurred,

- (i) use commercially reasonable efforts to sell:

(A) each Defaulted Obligation within 36 months of the date on which it became a Defaulted Obligation; and

(B) each Equity Security or Pledged Collateral Obligation that constitutes Margin Stock not later than 45 days after the later of (x) the date of the Issuer’s acquisition thereof or (y) the date such Equity Security or Pledged Collateral Obligation became Margin Stock; and

(ii) transfer to a Tax Subsidiary the ownership, as determined for United States federal income tax purposes, of any Collateral Obligation or portion thereof with respect to which the Issuer will receive an Equity Workout Security prior to the receipt of such Equity Workout Security.