

outstanding prior to March 19, 2012 (as discussed in more detail below, and such withholding or gross income taxes may not be grossed up). In addition, there can be no assurance that income derived by the Issuer will not become subject to withholding or gross income taxes as a result of changes in law, contrary conclusions by the IRS, or other causes. In that event, such withholding or gross income taxes could be applied retroactively to fees or other income previously received by the Issuer. To the extent that withholding or gross income taxes are imposed and not paid through withholding, the Issuer may be directly liable to the taxing authority to pay such taxes. If the Issuer owns a Pre-Funded Letter of Credit and withholding tax is not being withheld with respect to the Pre-Funded Letter of Credit fee, the amount required to cover the full amount of withholding tax that would have been withheld with respect to such fee if it had been determined that such fee were subject to withholding tax at the time of such payment (the "Pre-Funded Letter of Credit Reserve Amount") is required to be deposited into the Pre-Funded Letter of Credit Reserve Account. Such amounts will be unavailable for distribution as Interest Proceeds under the Priority of Payments until such time as no Notes rated by any Rating Agency remain Outstanding or the Issuer or the Investment Manager (on behalf of the Issuer) has received an opinion of nationally recognized tax counsel that such payments are not subject to withholding or a public pronouncement or ruling to that effect has been made by the relevant tax authority.

A U.S. law enacted in 2010 imposes a withholding tax of 30% on certain payments made to the Issuer after December 31, 2012, including potentially all interest paid on, and proceeds of sale of, U.S. Collateral Obligations not outstanding prior to March 19, 2012, unless the Issuer enters into and complies with an agreement with the IRS to collect and provide to the U.S. tax authorities substantial information regarding direct and indirect holders of the Securities. In some cases, the ability to avoid such withholding tax will depend on factors outside of the Issuer's control. In addition, the law may subject payments on a particular Security (including principal payments) to a withholding tax of 30% unless (i) each foreign financial intermediary through which such Security is held enters into such an information reporting agreement; and (ii) the direct and indirect holders thereof supply the Issuer and each foreign financial intermediary through which such Security is held, if any, with information necessary to comply with such information reporting agreements. The Issuer intends to enter into an appropriate information reporting agreement with the IRS as discussed above. Each holder of Securities will be required to provide the Issuer and the Trustee with information necessary to comply with such information reporting agreements as discussed above, and holders that do not supply required information may be subjected to punitive measures, including forced transfer of their Securities. There can be no assurance, however, that these measures will be effective, and that the Issuer and holders of the Securities will not be subject to the noted withholding taxes. The imposition of such taxes could materially affect the Issuer's financial ability to make payments on the Securities or could reduce such payments.

The Issuer also expects that payments on the Securities ordinarily will not be subject to any withholding tax (other than United States backup withholding tax). If the Issuer were determined to be engaged in a trade or business within the United States, however, and had income effectively connected therewith, then interest paid on the Securities to a non-U.S. holder could be subject to a 30% U.S. withholding tax.

In the event that withholding or deduction of taxes of any nature whatsoever from payments on the Securities is required by law in any jurisdiction, the Issuer will be under no obligation to make any additional payments to the holders of the Securities in respect of such withholding or deduction.

Upon the occurrence of a Tax Event, whether during or after the Non-Call Period, if directed by the Required Redemption Percentage, the Issuer shall cause a redemption of the Rated Notes (and, if directed, a redemption of the Subordinated Securities) or a Refinancing of one or more Classes of Rated Notes in accordance with the procedures described under "Description of Certain Terms of the Securities — Optional Redemption."

The Issuer is expected to be a passive foreign investment company for U.S. federal income tax purposes, which means that a U.S. holder of Subordinated Securities may be subject to adverse tax consequences unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. In addition, depending on the overall ownership of the Subordinated Securities, a U.S. holder of more than 10% of the Subordinated Securities may be treated as a U.S. shareholder in a controlled foreign corporation and required to recognize currently its proportionate share of the "subpart F income" of the Issuer. A U.S. holder that makes a qualified electing fund election, or that is required to include subpart F income in the event that the Issuer is treated as a controlled foreign corporation, may recognize income in amounts significantly greater than the payments received from the Issuer. Taxable income may exceed cash payments when, for example, the Issuer uses earnings to repay principal on the Notes or accrues income on the Collateral Obligations prior to the receipt of cash or the Issuer