

**Defaults; Market and Credit Spread Volatility.** To the extent that a default occurs with respect to any Collateral Obligation and the Issuer sells or otherwise disposes of that Collateral Obligation, it is likely that the proceeds will be less than its unpaid principal and interest or its purchase price. This could have a material adverse effect on the payments on the Securities. The Issuer also may incur additional expenses to the extent it is required to seek recovery after a default or participate in the restructuring of an obligation. Even in the absence of a default with respect to any of the Collateral Obligations, the market value of the Collateral Obligation at any time will vary, and may vary substantially, from the price at which that Collateral Obligation was initially purchased and from the principal amount of such Collateral Obligation, due to market volatility, changes in relative credit quality, availability of financial information and remedies under the Underlying Instruments of such Collateral Obligation, general economic conditions, the level of interest rates, changes in exchange rates, the supply of below investment grade debt obligations and other factors that are difficult to predict. In addition, the Indenture places significant restrictions on the Investment Manager's ability to buy and sell Collateral Obligations.

The market price of below investment grade debt obligations may from time to time experience significant volatility. During certain periods, this market has experienced significant volatility with respect to market prices, including as a result of recent deterioration of the subprime mortgage industry in the U.S. and asset-backed securities backed by U.S. mortgage collateral, a significant increase in issues trading at distressed levels, a significant increase in default rates, and a significant decrease in recovery rates. No assurance can be given as to the levels of volatility in the below investment grade debt market in the future. Such volatility may adversely impact the liquidity, market prices and other performance characteristics of the Collateral Obligations.

In addition to default frequency, recovery rate and market price volatility, Leveraged Loans may experience volatility in the spread that is paid on such Leveraged Loans. Such spreads will vary based on a variety of factors, including, but not limited to, the level of supply and demand in the Leveraged Loan market, general economic conditions, levels of relative liquidity for Leveraged Loans, the actual and perceived level of credit risk in the Leveraged Loan market, regulatory changes, changes in credit ratings and the methodology used by credit rating agencies in assigning credit ratings, and such other factors that may affect pricing in the Leveraged Loan market. Since Leveraged Loans may generally be prepaid at any time without penalty, the obligors of such Leveraged Loans would be expected to prepay or refinance such Leveraged Loans if alternative financing were available at a lower cost. For example, if the credit ratings of an obligor were upgraded, the obligor were recapitalized or if credit spreads were declining for Leveraged Loans, such obligor would likely seek to refinance at a lower credit spread. The rates at which Collateral Obligations may prepay or refinance and the level of credit spreads for Leveraged Loans in the future are subject to numerous factors and are difficult to predict. Declining credit spreads in the Leveraged Loan market and increasing rates of prepayments and refinancings will likely result in a reduction of portfolio yield and interest collections on the Collateral Obligations, which would have an adverse effect on the amount available for distributions on Notes, beginning with the Subordinated Securities as the most junior Classes.

**Illiquidity of Collateral.** The lack of an established, liquid secondary market for some of the Collateral Obligations may have an adverse effect on the market value of the Collateral Obligations and on the Issuer's ability to dispose of them. The market for below investment grade debt obligations may become illiquid from time to time as a result of adverse market conditions, regulatory developments or other circumstances. Additionally, Collateral Obligations will be subject to certain other transfer restrictions that may contribute to illiquidity. Therefore, no assurance can be given that, if the Issuer determined to dispose of all or a substantial portion of a particular investment, it could dispose of such investment, particularly at any previously prevailing market price or any specific valuation level.

**Securities Lending.** The Collateral Obligations may be loaned to counterparties such as banks, broker-dealers or other financial institutions. In the event that the related counterparty defaults on its obligation to return loaned Collateral Obligations, because of insolvency or otherwise, the Trustee could experience delays and costs in gaining access to any collateral posted by the counterparty. The realized value of such collateral could be less than the amount required to purchase the loaned Collateral Obligations in the open market. Either Rating Agency may downgrade the Rated Notes if the Issuer is no longer in compliance with the securities lending counterparty guidelines described herein. The loaned Collateral Obligations will not be available to fund payments on the Securities. The Initial Purchaser, the Investment Manager and/or any of their respective Affiliates may borrow Collateral Obligations from the Issuer.

**Credit Ratings.** A credit rating is not a recommendation to buy, sell or hold a security, and it may be subject to revisions or withdrawal at any time by the assigning rating agency. Credit ratings of debt obligations represent the