

of Payments. Preferred Shareholders will not have any rights under the applicable Facility documentation except to the extent provided therein. Remedies pursued by the holders of Facility, following an acceleration or otherwise, could have a material adverse effect upon the Preferred Shares, particularly if the Collateral Obligations are subject to liquidation.

In particular, with respect to the Initial Facility, (i) the Instructing Party may designate an Optional Early Maturity Date as early as [•], which would require repayment of the Initial Facility on such date, (ii) the Issuer's ability to borrow under the Initial Facility requires approval of each Collateral Obligation by the Instructing Party, (iii) the absence of a Material Adverse Change with respect to the Portfolio Advisor and passing certain tests based on the Market Value of the Collateral Obligations and (iv) a Portfolio Advisor Event of Default would also result in an Event of Default under the Initial Facility.

Leveraged Investment

The Preferred Shares will represent a highly leveraged investment in the Assets. Therefore, the Preferred Shares will be subject to greater volatility and will be significantly affected by the performance of the Collateral Obligations, including any non-payment or other defaults, recoveries and gains and losses on sales of the Issuer's Assets, as well as by prepayments and the availability, prices and interest rates on Collateral Obligations and other risks associated with the Assets. See "—Risks Relating to the Collateral Obligations". Accordingly, the amount of distributions paid on the Preferred Shares, if any, may vary significantly from Payment Date to Payment Date. If there are losses on Collateral Obligations, the Preferred Shares may not be paid in full and may be subject to a loss of up to the entire amount invested therein.

It is anticipated that the cash proceeds received by the Issuer from the issuance of the Preferred Shares and from the proceeds under the applicable Facility, net of fees and expenses, will be less than the aggregate principal amount of Facility and invested amount in the Preferred Shares. Consequently, it is anticipated that if an acceleration were to occur early under the applicable Facility documentation, the Preferred Shareholders would receive less than the aggregate amount of their investment.

Uncertain Redemption Timing of Preferred Shares

The term of the Issuer is expected to be shorter than the term of certain Collateral Obligations. This may vary due to various factors affecting the early retirement of Collateral Obligations, the timing and amount of sales of such Collateral Obligations, the ability and rights of the Portfolio Advisor to invest collections and proceeds from Collateral Obligations in additional Collateral Obligations, and the occurrence of any required liquidation of the Collateral Obligations in connection with the redemption of the Facility. After the Non-Call Period related to the Refinancing, the Issuer at its option may, in each case acting at the direction of the Majority Preferred Shareholders, effect an [[Optional Principal Prepayment]] in connection with an Asset liquidation or a refinancing. Repayment of the Collateral Obligations prior to their respective final maturities will depend, among other things, on the financial condition of the Obligors of the underlying Collateral Obligations and the characteristics of such Collateral Obligations, including the existence and frequency of exercise of any Optional Principal Prepayment or mandatory redemption features, prevailing levels of interest rates, redemption prices, default rates and recoveries on Defaulted Obligations. In particular, many Collateral Obligations will be subject to early prepayment in whole. The ability of the Issuer to reinvest proceeds in Collateral Obligations with comparable interest rates that satisfy the Investment Criteria may affect the timing and amount of distributions on the Preferred Shares and the actual Internal Rate of Return on the Preferred Shares.

Optional Principal Prepayment Risk

Subject to certain conditions set forth in the Initial Facility Agreement, the Issuer or the Portfolio Advisor may direct a liquidation of some or all remaining Assets pursuant to an Optional Principal Prepayment [and, in the case of an Optional Principal Prepayment in full, cause final distributions to be made on the Initial Facility pursuant to its priority of payments]. Preferred Shareholders will have no rights to cause or prevent the occurrence of an Optional Principal Prepayment. The