

Portfolio Advisor's investment discretion is constrained by investment restrictions set forth in the Portfolio Advisory Agreement and the applicable Facility documentation such incentive could result in the Issuer investing in riskier or more speculative investments with higher yields than would otherwise be the case, which may result in a higher rate of defaults or volatility on the Collateral Obligations.

Restrictions on the Portfolio Advisor

The applicable Facility documentation and the Portfolio Advisory Agreement place significant restrictions on the Portfolio Advisor's ability to advise the Issuer to buy and sell Collateral Obligations and to invest or reinvest Interest Proceeds or Principal Proceeds, and the Portfolio Advisor is required to comply with the terms of the applicable Facility documentation and the Portfolio Advisory Agreement, including the requirement to obtain consent from the Majority Preferred Shareholders to certain types of affiliate transactions as described in Section 11, "Summary of Principal Terms—Preferred Shares—Asset Sourcing". As a result of such restrictions, the Issuer may be unable to buy or sell Collateral Obligations, invest or reinvest Interest Proceeds or Principal Proceeds, or to take other actions which the Portfolio Advisor may consider to be in the interest of the Issuer and the Preferred Shareholders, and the Portfolio Advisor may be required by the terms of the applicable Facility documentation or the Portfolio Advisory Agreement to make investment decisions on behalf of the Issuer that are different from those made on behalf of its other clients. In addition, the Portfolio Advisor may, in its sole discretion and from time to time, pursue differing or changed investment strategies for the Issuer as long as its actions are consistent with the terms of the applicable Facility documentation and the Portfolio Advisory Agreement.

Reliance on Third-Party Originators

The Issuer, acting through the Portfolio Advisor, is expected to source and acquire Collateral Obligations through third-party originators and dealers unaffiliated with the Issuer or the Portfolio Advisor or other third parties, including any Preferred Shareholder or Preferred Share Purchaser, and may acquire further Collateral Obligations from or through the Initial Facility Lenders or one or more of its affiliates. [In addition, the purchase of further Collateral Obligations by the Issuer is subject to the restrictions on the Portfolio Advisor under the Portfolio Advisory Agreement, including the requirement to obtain the consent of the Majority Preferred Shareholders to any transaction between the Issuer and an affiliate of the Portfolio Advisor.] The Issuer will be dependent upon the performance of any third-party originator that retains an ongoing role in the administration of any credit facility related to a Collateral Obligation owned by the Issuer.

Reliance upon US Bank

The Issuer will be dependent on the performance of various administrative, calculation and reporting services by US Bank in its various capacities as the Portfolio Administrator and the Portfolio Information Agent. Such appointment of US Bank is being established pursuant to first-time arrangements between the Issuer and US Bank having no prior operating history, and in the case of the Portfolio Information Agent US Bank will be performing functions which are customarily performed by a portfolio advisor or manager. US Bank is being appointed to perform a number of such third party roles for the Issuer, and a failure by US Bank in any such capacities to perform could have a material adverse effect on the Issuer.

Participation on Creditors' Committees

Subject to compliance with the Tax Guidelines, the Issuer or the Portfolio Advisor, may participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Issuer may seek to negotiate directly with the debtors with respect to restructuring issues. The participants on such a committee will seek to achieve an outcome that is in their respective individual best interests and there can be no assurance that results favorable to the Issuer will be obtained in such proceedings. By participating on such committees, the Issuer may be deemed to have duties to other creditors represented by the committees, which may thereby expose the Issuer to liability to such other creditors.