

prevailing interest rates, prepayments of principal, developments or trends in any particular industry, changes in the financial condition of the obligors of such loans, the timing of purchases during the pre-closing period and a number of other factors beyond the Issuer's control, including the condition of certain financial markets, general economic conditions and U.S. and international political events, could adversely affect the market value of the assets purchased during this pre-closing period. To the extent that any losses are realized on the Collateral after the Closing Date, such losses will be borne by the holders of the Securities, beginning with the Lowest Ranking Classes.

**No Operating History.** The Co-Issuers are recently incorporated companies and have not commenced operations (other than those activities incidental to its incorporation or formation and, in the case of the Issuer, the acquisition of Collateral Obligations in anticipation of the Closing Date and activities incidental thereto). Accordingly, neither of the Co-Issuers has a performance history for prospective investors to consider. The performance of other entities organized to issue collateralized debt obligations secured by obligations that are similar to the Collateral Obligations ("CDO Vehicles") advised by the Investment Manager should not be relied upon as an indication or prediction of the performance of the Collateral. Such other CDO Vehicles may have significantly different characteristics, including structures, composition of the collateral pool, investment objectives, management personnel and terms when compared to the Issuer.

**Limited Funds Available to the Issuer to Pay its Operating Expenses.** The funds available to the Issuer to pay certain fees and expenses of the Trustee, the Collateral Administrator, the Investment Manager and the Administrator and for payment of the Issuer's other accrued and unpaid Administrative Expenses are limited as described in "Description of Certain Terms of the Securities—Priority of Payments." In the event that such funds are not sufficient to pay the expenses incurred by the Issuer, the ability of the Issuer to operate effectively may be impaired, and the Issuer, Trustee, Collateral the Investment Manager and/or Administrator may not be able to defend or prosecute legal proceedings that may be brought against them or that they might otherwise bring to protect the interests of the Issuer. In addition, service providers who are not paid in full, including the Administrator which provides the directors to the Issuer, have the right to resign. This could lead to the Issuer being in default under the Companies Law and potentially being struck from the register of companies and dissolved.

**Third Party Litigation.** The activities of the Co-Issuers and any Tax Subsidiary subject them to the normal risks of becoming involved in litigation by third parties. This risk would be somewhat greater if either of the Co-Issuers or any Tax Subsidiary were to exercise control or significant influence over a company's direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, absent bad faith, willful misconduct or gross negligence in the performance, or reckless disregard, of the Investment Manager's obligations under the Investment Management Agreement and the terms of the Indenture applicable to the Investment Manager, be borne by the Issuer and would reduce amounts available for distribution and the Issuer's net assets.

**Rating Agency Confirmation.** Historically, many actions by issuers of collateralized debt obligation vehicles (including but not limited to issuing additional securities and amending relevant agreements) have been conditioned on receipt of confirmation from the applicable rating agencies that such action would not cause the ratings on the applicable securities to be reduced or withdrawn. Recently, certain rating agencies have changed the manner and the circumstances under which they are willing to provide such confirmation and have indicated reluctance to provide confirmation in the future, regardless of the requirements of the applicable indenture and other transaction documents. If the Transaction Documents require that Rating Agency Confirmation be obtained before certain action may be taken and an applicable Rating Agency is unwilling to provide the required confirmation, it may be impossible to effect such action, which could result in losses being realized by the Issuer and, indirectly, by holders of Notes. Moreover, if either Rating Agency has made a public announcement or informs the Issuer, the Investment Manager or the Trustee that it believes Rating Agency Confirmation is not required with respect to an action or its practice is not to give such confirmations, or if a rating agency no longer is considered a Rating Agency under the Indenture, the requirements for Rating Agency Confirmation with respect to that Rating Agency will not apply.

### **Risk Factors Relating to Regulatory and Other Legal Considerations**

**Recent Legal and Regulatory Developments.** In response to the recent downturn in the credit markets and the global economic crisis, various agencies and regulatory bodies of the United States federal government have taken or are considering taking actions to address the financial crisis. These actions include, but are not limited to, the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law on July