RISK FACTORS

Prospective Noteholders should consider, among other things, the following factors in connection with the purchase of the Notes.

General Economic Risks

General market and credit risk

Debt instruments are subject to credit and interest rate risks. Credit risk refers to the likelihood that an obligor will default in the payment of principal or interest on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and debt instruments that are rated by rating agencies are often reviewed and may be subject to downgrade. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate obligations) or directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price, while the income from such instrument will remain fixed. Conversely, income generated by floating rate debt instruments will generally rise and fall as interest rates rise and fall, but the price of such asset will usually not vary due to changes in interest rates.

General Economic Conditions

Significant risks may exist for the Issuer and investors in the Notes as a result of uncertain general economic conditions. These risks include, among others, (i) the possibility that the prices at which Portfolio Assets can be sold by the Issuer will have deteriorated from their effective purchase price, (ii) the illiquidity of the Notes, as there may be no secondary trading in the Notes and (iii) the possibility of a decline in the market value of the Notes. These risks may affect the returns on the Notes to investors and the ability of investors to realize their investment in the Notes prior to the Stated Maturity Date, if at all. This may increase reinvestment or refinancing risk in respect of maturing Portfolio Assets. These additional risks may affect the returns on the Notes to investors and could further slow, delay or reverse an economic recovery and cause a further deterioration in performance of the Portfolio Assets generally. Limitations on the amount of available credit in the market may have an adverse impact on general economic conditions that affect the performance of the Portfolio Assets. The slowdown in growth or commencement of a recession would be expected to have an adverse effect on the ability of businesses to repay or refinance their existing debt. Adverse macroeconomic conditions may adversely affect the rating, performance and the realization value of the Portfolio Assets. It is possible that the Portfolio Assets will experience higher default rates than anticipated and that performance will suffer.

The market value and performance of the Portfolio Assets and the Notes may be adversely impacted by current and future economic conditions, including perceptions of potential, current or future conditions, market trading imbalances or technical dislocation. To the extent that economic and business conditions deteriorate, the levels of defaults and delinquencies are likely to increase and market values may decrease or not fully recover, which may adversely affect the amount of sale proceeds that could be obtained upon the sale of the Portfolio Assets and could adversely impact the ability of the Issuer to make payments on the Notes.

The bankruptcy or insolvency of a major financial institution may have an adverse effect on the Issuer, particularly if such financial institution is the administrative agent of one or more of the Portfolio Assets. In addition, the bankruptcy, insolvency or financial distress of one or more additional financial institutions, or one or more sovereigns, may trigger additional crises in the global credit markets and overall economy which could have a significant adverse effect on the Portfolio Assets, and consequently on the Issuer and the Notes.

Illiquidity in the fixed income markets may affect the Portfolio Assets

The financial markets have experienced and may, in the future, experience substantial fluctuations in prices for fixed income securities and limited liquidity for such instruments. During periods of limited liquidity and higher price volatility, the Issuer's ability to dispose of Portfolio Assets (for which there is limited liquidity even in favorable market conditions) at a price and time that the Collateral Manager deems advantageous may be severely impaired. Such inability may impair the Issuer's ability to dispose of investments in a timely fashion and for a fair price.

The recent economic crisis and the leveraged finance markets

Among the sectors of the global credit markets that have experienced particular difficulty during the most recent financial crisis of 2008 – 2010 were the collateralized debt obligations and leveraged finance markets. There continue to exist significant risks for the Issuer and investors should economic conditions deteriorate again. These risks include, among others, (i) the likelihood that the Issuer will find it more difficult to sell any of its assets in the secondary market, thus rendering it more difficult to dispose of such assets, (ii) the possibility that, on or after the Closing Date, the price at which assets can be sold by the Issuer will have deteriorated from their effective purchase price and (iii) the illiquidity of the Notes, as there is currently little or no secondary trading in securities issued in connection with collateral debt obligation transactions. These risks may affect the returns on the Notes to investors and the ability of investors to realize their investment in the Notes prior to their stated maturity, if at all. In addition, obligors on Portfolio Assets may be more likely to exercise any rights they may have to redeem or refinance such Portfolio Assets when interest rates or spreads are declining. These additional risks may affect the returns on the Notes to investors. A slowdown in growth or commencement of a recession in the global economy will have an adverse effect on the ability of consumers and businesses to repay or refinance their existing debt. Adverse macroeconomic conditions may adversely affect the rating, performance and the realization value of the Portfolio Assets. It is possible that the Portfolio Assets will experience higher default rates than anticipated and that performance will suffer. During the financial crisis, some leading global financial institutions were forced into mergers with other financial institutions, were partially or fully nationalized or became bankrupt or insolvent.

Legal, Regulatory and Other Risks Relating to the Offering

Investment Company Act

The Co-Issuers have not registered and do not expect to register, and the pool of Portfolio Assets has not been registered and is not expected to be registered, with the U.S. Securities and Exchange Commission (the "**SEC**") as investment companies pursuant to the Investment Company Act in reliance on Rule 3a-7 of the Investment Company Act, although there may be additional exclusions available to the Co-Issuers.

Certain restrictions under Rule 3a-7 limit the transferability of the Classes of Notes affected thereby. In addition, certain restrictions under Rule 3a-7 limit the Issuer's ability to acquire or dispose of Portfolio Assets, which restrictions may have an adverse effect on the ability of the Issuer to make payments on the Notes. In particular, to the extent that the Issuer is permitted under the Indenture to acquire, sell or otherwise dispose of Portfolio Assets, the Issuer, in connection with its reliance on Rule 3a-7, must determine that such acquisition, sale or disposition will satisfy the Portfolio Acquisition and Disposition Requirements, which determination will require the Issuer to conclude, among other things, that such acquisition does not result in a reduction or withdrawal of the then-current rating issued by the Rating Agency on any Class of Notes then Outstanding and that such acquisition, sale or disposition is not made for the primary purpose of recognizing gains or decreasing losses resulting from market value changes. This could result in the Issuer being unable to acquire or dispose of Portfolio Assets in certain situations where it otherwise would be in the interests of the Issuer to do so, which could adversely affect the Notes.

If, as a result of any acquisition and/or disposition of a Portfolio Asset by the Issuer failing to satisfy the Portfolio Acquisition and Disposition Requirements or for any other reason, the SEC or a court of competent jurisdiction were to find that the Issuer or the Co-Issuer is required, but in violation of the Investment Company Act had failed, to register as an investment company, this will constitute an Event of Default under the Indenture which, in turn, could lead to acceleration of the Notes and/or liquidation of the Portfolio Assets. Other possible consequences of a finding that the Issuer or the Co-Issuer is required but in violation of the Investment Company Act had failed to register as an investment company include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Issuer or the Co-Issuer could sue the Issuer or the Co-Issuer, as the case may be, to recover any damages caused by the violation; and (iii) any contract to which the Issuer or the Co-Issuer, as the case may be, is a party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. In addition, such a finding would constitute an Event of Default. Should the Issuer or the Co-Issuer be subjected to any or all of the foregoing, the Issuer or the Co-Issuer, as the case may be, would be materially and adversely affected and, as a result, the Notes would be materially and adversely affected.

Changes in the legislative and regulatory environment may adversely affect the ability of the Co-Issuers to make payments on the Notes.

Legislation and regulations adopted by the U.S. federal government following the financial crisis continue to create uncertainty in the credit and other financial markets. These actions include, but are not limited to, the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which imposed a new regulatory framework over the U.S. financial services industry and the consumer credit markets in general, and the adoption of its related regulations. Significant questions remain regarding the proper interpretation of many of these regulations, including the Volcker Rule and U.S. Risk Retention Rules as they relate to collateralized bond obligation vehicles ("**CBOs**") and other asset-backed securities (other than certain collateralized loan obligations transactions described in the Appeals Court Ruling in the LSTA Case). In addition, there is also uncertainty regarding the nature and timing of additional regulations that are required under the Dodd-Frank Act but have yet to be promulgated. Given the broad scope and sweeping nature of these changes, significant unresolved questions regarding the proper application of the regulations that have been adopted and the fact that final implementing rules and regulations have not yet in certain cases been enacted or come into effect, the potential impact of these actions on the Issuer, any of the Notes or any holders of Notes are not yet fully known, and no assurance can be made that the impact of such changes would not have a material adverse effect on the prospects of the Issuer or the value or marketability of the Notes. In particular, if existing transactions are not exempted from any such new rules or regulations, the costs of compliance with such rules and regulations could have a material adverse effect on the Issuer and the holders of Notes. If the Issuer were unable to comply with such rules and regulations (because of excessive cost, unavailability of information or otherwise), an Event of Default could result. Liquidation of the Portfolio Assets as a result of an Event of Default could have a material adverse effect on the holders of Notes.

Furthermore, no assurance can be made that the U.S. federal government or any U.S. regulatory body (or other authority or regulatory body) will not continue to take further legislative or regulatory action, and the effect of such actions, if any, cannot be known or predicted.

The Volcker Rule may negatively affect the liquidity and value of certain Classes of Notes.

Section 619 of the Dodd-Frank Act added a provision, commonly referred to as the "**Volcker Rule**," to federal banking laws to generally prohibit various banking entities from engaging in proprietary trading or acquiring or retaining an ownership interest in, sponsoring or having certain relationships with a "covered fund" (defined in final regulations adopted on December 10, 2013 (the "**Final Volcker Regulations**"), as, among other things, any entity relying on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act to be exempt from registration under the Investment Company Act), subject to certain exclusions. The Volcker Rule also provides for certain supervised nonbank financial companies that engage in such activities or have such ownership interests in covered funds or relationships to be subject to additional capital requirements, quantitative limits or other restrictions. The Co-Issuers have not been registered as investment companies under the Investment Company Act in reliance on the exemption contained in Rule 3a-7 under the Investment Company Act and, as a result of the foregoing, are not expected to be treated as "covered funds" under the Final Volcker Regulations. If, as a result of any acquisition and/or disposition of a Portfolio Asset by the Issuer failing to satisfy the Portfolio Acquisition and Disposition Requirements or for any other reason, the Co-Issuers do not qualify for the exemption from registration under Rule 3a-7, they would likely be treated as "covered funds" under the Final Volcker Regulations and there would be limitations on the ability of banking entities to purchase or retain any Class of Notes that is deemed to be ownership interests, which would be expected to include the then-Controlling Class of Notes, but could also potentially include other Classes. Depending on market conditions, this could significantly and negatively affect the liquidity and market value of the affected Classes. Moreover, the ability of either Placement Agent to make a market in the affected Classes would be subject to certain limitations, which could, if either Placement Agent otherwise had decided to make a market in such securities, further negatively affect liquidity and market value of the affected Classes. In addition, if the Co-Issuers were determined to be covered funds and either Placement Agent were determined to have sponsored or organized and offered the Notes, the Placement Agent and its Affiliates may not be permitted to engage in certain transactions with the Co-Issuers, possibly including the sale of Portfolio Assets to the Issuer. This could negatively affect the Issuer and the Collateral Manager's ability to manage the Portfolio Assets.

On May 30, 2018, the Federal Reserve Board approved a notice of proposed rulemaking regarding the Volcker Rule which could potentially ease restrictions on CBOs. While the ultimate outcome of such proposed rulemaking is unknown, the ability of the Co-Issuers and the Trustee to enter into a supplemental indenture to make changes to the Indenture in response to any changes in law which may be beneficial to this transaction is subject to compliance with various conditions precedent set forth in the Indenture and therefore is uncertain.

European Legal Investment Considerations and Retention Requirements.

Regulation (EU) 2017/2402 of the European Parliament and of the Council of December 12, 2017 (the "**EU Securitization Regulation**") came into force on January 1, 2019. It has a direct effect in member states of the European Union (the "**EU**") and is to be implemented by national legislation in other countries in the European Economic Area ("**EEA**"). One of the purposes of the EU Securitization Regulation is to consolidate the due diligence requirements applicable to certain types of investors investing in securitizations, including collateralized debt obligation transactions (the "**EU Retention and Due Diligence Requirements**"). Article 5 of the EU Securitization Regulation places certain conditions on investments in "securitizations" (as defined in the EU Securitization Regulation) by "institutional investors", defined to include (a) a credit institution or an investment firm as defined in and for purposes of Regulation (EU) No 575/2013, as amended, known as the Capital Requirements Regulation (the "**CRR**"), (b) an insurance undertaking or a reinsurance undertaking as defined in Directive 2009/138/EC, as amended, known as Solvency II, (c) an alternative investment fund manager as defined in Directive 2011/61/EU that manages or markets alternative investment funds in the EU, (d) an undertaking for collective investment in transferable securities ("**UCITS**") management company, as defined in Directive 2009/65/EC, as amended, known as the UCITS Directive, or an internally managed UCITS, which is an investment company that is authorized in accordance with that Directive and has not designated such a management company for its management, and (e) with certain exceptions, an institution for occupational retirement provision falling within the scope of Directive (EU) 2016/2341, or an investment manager or an authorized entity appointed by such an institution for occupational retirement provision as provided in that Directive. Pursuant to Article 14 of the CRR, those conditions also apply to investments by certain consolidated affiliates, wherever established or located, of institutions regulated under the CRR.

Prior to investing in (or otherwise holding an exposure to) a securitisation, an institutional investor, other than the "originator", "sponsor" or "original lender" (each as defined in the EU Securitization Regulation) must, among other things: (a) verify that, where the originator or original lender is established in a third country (that is, not within the EU or the EEA), the originator or original lender grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness, (b) verify that, if established in a third country, the originator, sponsor or original lender retains on an ongoing basis a material net economic interest which, in any event, shall not be less than 5%, determined in accordance with Article 6 of the EU Securitization Regulation, and discloses the risk retention to institutional investors, (c) verify that the originator, sponsor or securitisation special purpose entity ("**SSPE**") has, where applicable, made available the information required by Article 7 of the EU Securitization Regulation (which sets out transparency requirements for originators, sponsors and SSPEs) (the "**Transparency Requirements**"), and (d) carry out a due diligence assessment which enables the institutional investor to assess the risks involved, considering at least (i) the risk characteristics of the securitization position and the underlying exposures, and (ii) all the structural features of the securitization that can materially impact the performance of the securitization position.

While holding a securitization position, an institutional investor must also (a) establish appropriate written procedures in order to monitor, on an ongoing basis, its compliance with the foregoing requirements and the performance of the securitization position and of the underlying exposures, (b) regularly perform stress tests on the cash flows and collateral values supporting the underlying exposures, (c) ensure internal reporting to its management body to enable adequate management of material risks, and (d) be able to demonstrate to its regulatory authorities that it has a comprehensive and thorough understanding of the securitization position and its underlying exposures and has implemented written policies and procedures for managing risks of the securitization position and maintaining records of the foregoing verifications and due diligence and other relevant information.

The EU Retention and Due Diligence Requirements apply in respect of the Notes and the Preferred Shares. Failure by an investor or investment manager to comply with any applicable EU Retention and Due Diligence Requirements with respect to an investment in the Notes may result in the imposition of a penalty regulatory capital charge on that investment or of other regulatory sanctions. The EU Risk Retention Requirements and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of affected investors and investment managers and have an adverse impact on the value and liquidity of the Notes offered pursuant to this Offering Circular. Prospective investors should analyze their own regulatory position, and are encouraged to consult with their own investment and legal advisors, regarding application of and compliance with any applicable EU Risk Retention Requirements or other applicable regulations and the suitability of the Notes for investment.

Certain aspects of the requirement for an "originator", "sponsor" or "original lender" to retain a material net economic interest in accordance with Article 6 of the EU Securitization Regulation are to be further specified in regulatory technical standards to be prepared by the European Banking Authority and adopted by the European Commission as a delegated regulation. The European Banking Authority published a final draft of those regulatory technical standards on July 31, 2018, but they have not yet been adopted by the European Commission or published in final form. It remains unclear what will be required for institutional investors to demonstrate compliance with various due diligence requirements under Article 5 of the EU Securitization Regulation.

For purposes of the EU Risk Retention Requirements, the Retention Holder, as "originator", will agree to retain a material net economic interest (in the form of Preferred Shares) of not less than 5.0% of the Retention Basis Amount. See "The EU Retention Holder and EU Risk Retention Requirements".

In relation to originator credit granting standards, the Retention Holder will represent in the EU Risk Retention Letter that it has originated or acquired every Portfolio Asset on the basis of the same sound and well-defined criteria that it applies to any other assets; and (ii) has and shall maintain clearly established processes for approving, amending or modifying the assets and has effective systems in place to apply those criteria and processes to ensure that its credit granting in relation to the assets is based on a thorough assessment of each obligor's creditworthiness. See "The EU Retention Holder and EU Risk Retention Requirements".

Except as described or referred to in the preceding paragraph, no party to the securitization transaction described in this Offering Circular is required, or intends, to take or refrain from taking any action with regard to such transaction in a manner prescribed or contemplated by the EU Risk Retention Requirements, or to take any action for purposes of, or in connection with, compliance by any investor with any applicable EU Retention and Due Diligence Requirements. In particular, the securitization transaction described in this Offering Circular is not being structured to ensure compliance by any person with the Transparency Requirements (in reliance on the interpretation of Article 5(1)(d) of the EU Securitization Regulation and relevant EU commentary) on the basis that the Co-Issuers, the Collateral Manager and the Retention Holder are each established outside of the European Union. However, the territorial scope of the Transparency Requirements remains unclear and none of the Co-Issuers, the Collateral Manager, the Placement Agent, the Retention Holder or any other Person makes any representation or gives any assurance as to whether, and to what extent, the information in this Offering Circular generally and in any investor report provided in relation to the transaction is sufficient for the purpose of satisfying the EU Retention and Due Diligence Requirements.

Each prospective investor is required to independently assess and determine whether the agreement by Retention Holder to retain the EU Retention Interest as described herein, the other information in this Offering Circular and the information to be provided in the monthly reports are sufficient for the purposes of complying with the EU Risk Retention Requirements and any corresponding national measures which may be relevant, including the due diligence obligations thereunder, and none of the Placement Agents, the Trustee, the Administrator, the CM Sellers, the Services Provider, the Collateral Manager, the Retention Holder, their respective affiliates nor any other party to the transaction described in this Offering Circular makes any representation that such agreement and such information are sufficient in all circumstances for such purposes.

U.S. Risk Retention Requirements.

On October 21st and 22nd, 2014, six federal agencies (the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Department of Housing and Urban Development, and the Federal Housing Finance Agency (collectively, the "**U.S. Regulators**") adopted joint final rules implementing the credit risk retention requirements of Section 941 of the Dodd-Frank Act, which were published in the Federal Register on December 24, 2014 (together with any additional requirements, rules, regulations and guidance promulgated thereunder from time to time, the "U.S. Risk Retention Rules"). The U.S. Risk Retention Rules became fully effective on December 24, 2016. The discussion in this risk factor is (and statements contained elsewhere in this Offering Circular regarding the U.S. Risk Retention Rules are) based solely on publicly available information (including the LSTA Case and the U.S. Risk Retention Rules as published in the federal register) as of the date of this Offering Circular.

Except with respect to asset-backed securities transactions that satisfy certain exemptions and to certain collateralized loan obligations transactions described in the Appeals Court Ruling in the LSTA Case, the U.S. Risk Retention Rules require that either the "sponsor" of a "securitization transaction" or a "majority-owned affiliate" thereof (in each case as defined therein) retain an "eligible vertical interest" or an "eligible horizontal residual interest" (in each case as defined therein) or any combination thereof in the securitized assets in the manner required by the U.S. Risk Retention Rules. The U.S. Risk Retention Rules define "eligible vertical interest" to mean, with respect to any securitization transaction, a single vertical security or an interest in each class of ABS interests in the issuing entity issued as part of such securitization transaction that constitutes the same proportion (and at least five percent (5.0%)) of each such class. The U.S. Risk Retention Rules define "eligible horizontal residual interest" to mean, with respect to any securitization transaction, an ABS interest in the issuing entity (1) that is an interest in a single class or multiple classes in the issuing entity, *provided* that each interest meets, individually or in the aggregate, all of the requirements of the definition of "eligible horizontal residual interest"; (2) with respect to which, on any payment date or allocation date on which the issuing entity has insufficient funds to satisfy its obligation to pay all contractual interest or principal due, any resulting shortfall will reduce amounts payable to the "eligible horizontal residual interest" prior to any reduction in the amounts payable to any other ABS interest, whether through loss allocation, operation of the priority of payments, or any other governing contractual provision (until the amount of such ABS interest is reduced to zero); and (3) that, with the exception of any non-economic REMIC residual interest, has the most subordinated claim to payments of both principal and interest by the issuing entity. In the context of the transaction described herein, the term "ABS interests" would include each Class of Notes and the Preferred Shares.

On February 9, 2018, a three judge panel (the "**DC Circuit Panel**") of the U.S. Court of Appeals for the District of Columbia Circuit (the "**Appeals Court**") held in the legal action captioned *The Loan Syndications and Trading Association v Securities and Exchange Commission and Board of Governors of the Federal Reserve System*, No. 1:16-cv-0065 (the "**LSTA Case**"), that CLO managers of "open market CLOs" are not "securitizers" under Section 941 of the Dodd-Frank Act and, therefore, are not subject to risk retention, and ordered the U.S. District Court for the District of Columbia (the "**Trial Court**") to vacate the U.S. Risk Retention Rules insofar as they apply to CLO managers of "open-market CLOs" (the "**Appeals Court Ruling**"). On April 3, 2018, the Appeals Court issued a formal mandate with respect to the Appeals Court Ruling (the "**Mandate**"), and on April 5, 2018, the Trial Court issued an order vacating the U.S. Risk Retention Rules insofar as they apply to investment managers of open-market CLOs (the "**Vacating Order**"). The applicable governmental agencies could have challenged the Appeals Court Ruling by filing a petition for rehearing by the DC Circuit Panel or by an *en banc* panel of the Appeals Court by March 26, 2018 or by petitioning the U.S. Supreme Court for a writ of certiorari by May 10, 2018, but they did not do so and may no longer do so now that the deadlines for submission of a petition for rehearing and for petitioning the U.S. Supreme Court for a writ of certiorari have passed.

There is no established line of authority or precedent that provides definitive guidance on the U.S. Risk Retention Rules (except for the Appeals Court Ruling in the LSTA Case) and the U.S. Risk Retention Rules may change or may be superseded by changes in law, guidance from the applicable government agencies or any additional guidance or views any particular regulator may provide that would result in consequences materially different from the statements herein. No assurance can be made whether or not any governmental authority will take further legislative or regulatory action in response to past or future economic crises or otherwise, and the effect (and extent) of such actions, if any, cannot be known or predicted.

The Retention Holder will retain an eligible horizontal residual interest in compliance with the U.S. Risk Retention Rules, as further described under the heading "*Credit Risk Retention*." If, consistent with the U.S. Risk Retention Rules, the EU Risk Retention Requirements and any other applicable law, the Retention Holder would be permitted to retain, for purposes of the U.S. Risk Retention Rules and the EU Risk Retention Requirements, Preferred Shares in an amount that is less than the amount described under the heading "*Credit Risk Retention*" (such reduced required retention amount, the "**Minimum Required Retention Amount**"), the Retention Holder will be permitted (but not required), to reduce the amount of Preferred Shares retained by it to the Minimum Required Retention Amount.

However, if the U.S. Regulators were to take the view that Buckhead One or any series thereof was not the sponsor of the collateralized bond obligations transaction ("**CBO**") described herein or that the form of risk retention described in "*Credit Risk Retention*" does not comply with the U.S. Risk Retention Rules, such a determination could have an adverse effect upon the market value of any of the Notes or their liquidity in the secondary market. None of the Issuer, the Co-Issuer, either Placement Agent, the Trustee or the Collateral Administrator makes any representation to any prospective investor or purchaser of the Notes regarding this transaction's compliance with the U.S. Risk Retention Rules.

In addition, the U.S. Risk Retention Rules contain provisions that may have adverse effects on the Issuer and/or the holders of the Notes. The U.S. Risk Retention Rules would apply to any additional issuance of notes by the Co-Issuers or any Refinancing that, in each case, constitutes an offer and sale of securities. The SEC has indicated in contexts separate from the U.S. Risk Retention Rules that an "offer" or a "sale" of securities may arise when amendments to securities are so material as to require holders to make an "investment decision" with respect to such amendment. Thus, if the SEC were to take a similar position with respect to the U.S. Risk Retention Rules, they could apply to material amendments to the Indenture and the Securities to the extent such amendments require investors to make an investment decision. The Collateral Manager may not consent to any amendment in order to avoid being subject to additional compliance obligations under the U.S. Risk Retention Rules. This may have an adverse effect on the ability of the Co-Issuers to consummate any such material amendment. In this transaction it is a pre-condition to the Issuer undertaking any such additional issuance, Refinancing or certain material amendments that the Collateral Manager consent thereto. Accordingly, the Collateral Manager may not consent to any of the foregoing transactions in order to avoid being subject to additional compliance obligations under the U.S. Risk Retention Rules, such as the obligation to retain a portion of any additional or replacement notes issued in such transactions. All of the foregoing may have an adverse effect on the ability of the Co-Issuers to consummate an additional issuance, an Optional Redemption by Refinancing or any such material amendment.

In addition, the impact of the U.S. Risk Retention Rules on the debt securitization market and the Insurance Senior Note, Bank Senior Note and Bank Subordinated Note markets generally are uncertain. It is possible that the U.S. Risk Retention Rules may reduce the number of collateral managers active in the market, which may result in fewer new issue CBOs and reduce the liquidity provided by CBOs to the Insurance Senior Note, Bank Senior Note and Bank Subordinated Note markets generally. A contraction or reduced liquidity in the debt market could reduce opportunities for the Collateral Manager to sell Portfolio Assets when it believes it is in the Issuer's interest to do so, which in turn could negatively impact the return on the collateral and reduce the market value or liquidity of the Notes. Any reduction in the volume and liquidity provided by CBOs to the Insurance Senior Note, Bank Senior Note and Bank Subordinated Note markets could also reduce opportunities to redeem the Notes in an Optional Redemption by Refinancing or an Optional Redemption by Liquidation, and could negatively affect the ability of the obligors to obtain refinancing of their Portfolio Assets, which could result in an increase in Defaulted Securities above historical levels. In addition, if there are fewer collateral managers in the debt market, this will further limit the opportunity to select a successor Collateral Manager should one be needed at any time for this transaction.

Other than the Retention Securities and the EU Retention Interest, none of the Retention Holder, the Collateral Manager, its Affiliates or any funds or other investment vehicles advised by the Collateral Manager and/or its Affiliates will have any obligation to purchase or retain any Securities and may, in the future, transfer or otherwise dispose of all or a portion of such other Securities.

Recent Developments Concerning Japanese Risk Retention Requirements.

The Japanese Financial Services Agency (the "**JFSA**") recently published a risk retention rule as part of the regulatory capital regulation of certain categories of Japanese investors seeking to invest in securitization transactions (the "**JRR Rule**"). The JRR Rule mandates an 'indirect' risk retention compliance requirement, meaning that certain categories of Japanese investors will be required to apply higher risk weighting to securitization exposures they hold unless (i) the relevant originator commits to hold a retention interest equal to at least 5% of the exposure of the total underlying assets in the transaction (the "**Japanese Retention Requirement**") or (ii) such investors determine that the underlying assets were not "inappropriately originated." In the absence of such a determination with respect to the Portfolio Assets by such investors, the Japanese Retention Requirement as set out in the JRR Rule will apply to an investment by such investors in the Notes. The Japanese investors to which the JRR Rule applies include banks, bank holding companies, credit unions (*shinyo kinko*), credit cooperatives (*shinyo kumiai*), labour credit unions (*rodo kinko*), agricultural credit cooperatives (*nogyo kyodo kumiai*), ultimate parent companies of large securities companies and certain other financial institutions regulated in Japan (such investors, "**Japanese Affected Investors**"). Such Japanese Affected Investors may be subject to punitive capital requirements and/or other regulatory penalties with respect to investments in securitizations that fail to comply with the Japanese Retention Requirement.

The JRR Rule became effective on March 31, 2019. At this time, each Person receiving this Offering Circular should understand that there are a number of unresolved questions and no established line of authority, precedent or market practice that provides definitive guidance with respect to the JRR Rule, and no assurances can be made as to the content, impact or interpretation of the JRR Rule. In particular, the basis for the determination of whether an asset is "inappropriately originated" remains unclear, and therefore unless the JFSA provides further specific clarification, it is possible that this transaction may contain assets deemed to be "inappropriately originated" and as a result may not be exempt from the Japanese Retention Requirement. The JRR Rule or other similar requirements may deter Japanese Affected Investors from purchasing Notes, which may limit the liquidity of the Notes and adversely affect the price of the Notes in the secondary market. Whether and to what extent the JFSA may provide further clarification or interpretation as to the JRR Rule is unknown.

Each purchaser or prospective purchaser of Notes is itself responsible for monitoring and assessing any changes to Japanese risk retention laws and regulations, including any delegated or implementing legislation made pursuant to the JRR Rule, and for analyzing its own regulatory position. Each purchaser or prospective purchaser of Notes is advised to consult with its own advisers regarding the suitability of the Notes for investment and the applicability of the JRR Rule and the Japanese Retention Requirement to this transaction. None of the Issuer, the Co-Issuer, the Placement Agents, the CM Sellers, the Services Provider, the Collateral Manager, the Retention Holder, the Trustee or any of their respective Affiliates makes any representation or agreement regarding compliance with the JRR Rule or the consequences of the JRR Rule for any Person, including any Japanese Affected Investor, and none of the Issuer, the Co-Issuer, the Placement Agents, the CM Sellers, the Services Provider, the Collateral Manager, the Retention Holder, the Trustee or any of their respective Affiliates intends to take any steps to comply (or facilitate compliance by any Person, including any Japanese Affected Investor) with the JRR Rule or makes any representation, warranty or agreement regarding compliance with the JRR Rule or the consequences of the JRR Rule for any Person.

Other Changes.

No assurance can be made that the U.S. federal government or any U.S. regulatory body (or other authority or regulatory body) will not continue to take further legislative or regulatory action in response to the most recent financial crisis or otherwise, and the effect of such actions, if any, cannot be known or predicted.

All prospective investors in the Notes whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements, or review by regulatory authorities should consult with their own legal, accounting and other advisors in determining whether, and to what extent, the Notes will constitute legal investments for them or are subject to investment or other restrictions, unfavorable accounting treatment, capital charges, reserve requirements or other consequences.

Withdrawal of the United Kingdom or other countries from the European Union could adversely affect the ability of the Co-Issuers to make payments on the Notes.

A referendum on the United Kingdom's membership in the European Union was held on June 23, 2016. Under the referendum, the United Kingdom voted by a majority to withdraw from the European Union. On March 29, 2017, the United Kingdom formally notified the European Council under Article 50 of the Treaty on European Union (previously known as the Treaty of Maastricht) of the United Kingdom's intention to withdraw from the European Union ("**Brexit**"). In accordance with Article 50, the European Union has been negotiating a withdrawal agreement with the United Kingdom. On March 19, 2018, it was announced that the United Kingdom and European Union agreed in principle to a 21-month transition period, to commence on March 29, 2019 (being the proposed date of withdrawal by the United Kingdom from the European Union) (the "**Withdrawal Date**") and ending on December 31, 2020 (the "**Transition Period**"). On November 14, 2018, the European Commission published the draft agreement on withdrawal from the European Union ("Draft Withdrawal Agreement") in relation to, among other things, the proposed Transition Period, and the Draft Withdrawal Agreement was approved by the European Council on November 25, 2018. The Draft Withdrawal Agreement proposed that the United Kingdom would, during the Transition Period, in effect, continue to be part of the EU Single Internal Market and Customs Union. On January 15, 2019 and again on March 12, 2019 and March 29, 2019, the United Kingdom's Parliament rejected the Draft Withdrawal Agreement. The Withdrawal Date has, accordingly, been postponed to at least April 12, 2019 whereupon either the Draft Withdrawal Agreement will, having been approved by the UK Parliament, be formally entered into or, where this is not the case, the Withdrawal Date will be postponed further or the United Kingdom will immediately cease to be a member of the European Union.

As a result, there is increasing uncertainty as to the scope, nature and terms of the relationship between the United Kingdom and the European Union after Brexit. Brexit could adversely affect economic and market conditions in the United Kingdom, in the European Union and its member states and elsewhere, and could introduce potentially significant uncertainty and instability in global financial markets.

The results of these events may significantly impact the volatility, liquidity and/or market value of securities and other financial instruments, including the Notes. These uncertainties could also have a material adverse effect on the business, financial condition, results of operations and prospects of the obligors under the Portfolio Assets, and therefore their ability to make the payments due under the Portfolio Assets, which would affect the Issuer's ability to make payments on the Notes. In addition, it is unclear at this stage what the consequences of the United Kingdom's withdrawal from the European Union will ultimately be for the Issuer, the Collateral Manager (in its capacity as collateral manager) or any other transaction party both during the period prior to the United Kingdom's exit from the European Union and following such departure.

It is possible that other members of the European Union will elect or be asked to leave the European Union or that countries that have adopted the euro could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The effects of a country's abandonment of the euro or a country's departure from the European Union are impossible to predict, but are likely to be negative and would likely have a destabilizing effect on all eurozone countries and their economies and a negative effect on the global economy as a whole. The effect of such potential events on the obligors, the Portfolio Assets, the Issuer or the Notes is impossible to predict but could have a material adverse effect on the Issuer's ability to make payments on the Notes.

Recharacterization of the transfer of Portfolio Assets from the CM Sellers to the Issuer as other than a true sale or a substantive consolidation of the Issuer with any of the CM Sellers could result in the delay, reduction or elimination of payments to the Holders of the Notes

A portion of the Portfolio Assets will be transferred to the Issuer through one or more sale transactions between the Issuer, on the one hand, and the CM Sellers, on the other. If any CM Seller were to become subject to a bankruptcy, delinquency, rehabilitation, liquidation or similar insolvency proceeding (a "**Proceeding**"), an argument could be made that the sale of the applicable Portfolio Assets by such CM Seller to the Issuer should be recharacterized as a pledge of such Portfolio Assets to secure a loan from the Issuer to such CM Seller, rather than being treated as a sale. If such an argument were successful, the Issuer (or the Trustee) would have a secured claim against the applicable CM Seller, with respect to the applicable Portfolio Assets. In such a case, the Issuer (or the Trustee) might be delayed or prohibited from exercising remedies with respect to the applicable Portfolio Assets, other collateral might be substituted for such Portfolio Assets, collections on such Portfolio Assets or other collateral might be applied to the payments on the Notes at different times than those required by the Indenture, and post-Proceeding interest might be limited and, to the extent any distributions on such Portfolio Assets were paid to the relevant CM Seller, the security interest of the Issuer (and the Trustee) in such distributions might be avoidable. Even if such an argument were not successful, it is possible that payments on the Notes would be subject to delays while the claim was being resolved. Furthermore, during the period of delay, the costs associated with collecting the amounts receivable under the applicable Portfolio Assets could be charged against such Portfolio Assets, including the Issuer's interest therein. If the applicable CM Seller were subject to a Proceeding, an argument could also be made that the separate existence of the Issuer should be ignored, and accordingly that the assets and liabilities of the Issuer should be considered assets and liabilities of the applicable CM Seller. If this argument were successful, the Trustee on behalf of the Noteholders would be considered to be a secured creditor in the consolidated proceeding with respect to the applicable CM Seller, and the Trustee would be subject to the delays, prohibitions and other possible effects described above. Even if this argument were not successful, it is possible that payments on the Notes would be subject to delays while the claim was being resolved. Respecting the possibility that the assets and liabilities of the Issuer could be consolidated with those of one or more CM Sellers, the parties have taken steps in structuring the transactions that are intended to minimize the risk that the separate identity of the Issuer would not be respected. These steps include the creation of the Issuer as a separate, special purpose company and restrictions on the nature of its business and an undertaking by the Issuer to observe material legal formalities. See "*The Issuer and the Co-Issuer—The Issuer*."

Regulatory and Accounting Treatment

From time to time, the Applicable Regulator of a Portfolio Asset Issuer of Portfolio Assets may issue rules or regulations that may impact the regulatory capital treatment of the Portfolio Assets, as described below. There can be no assurance that such rules or regulations, if issued, would not adversely affect the regulatory capital treatment of the Portfolio Assets. Such action may permit a Portfolio Asset Issuer of Portfolio Assets, upon the receipt of any required regulatory approval, to directly or indirectly cause a redemption of the Portfolio Assets. In addition, there can be no assurance that such rules or regulations, if issued, would not provide an incentive for an issuer of Portfolio Assets to redeem, directly or indirectly, the Portfolio Assets in accordance with their terms. Any such redemptions would result in earlier payments on the Notes.

Money laundering prevention laws may require certain actions or disclosures.

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended (the "**USA PATRIOT Act**"), signed into law on and effective as of October 26, 2001, requires that financial institutions, a term that includes banks, broker dealers and investment companies, establish and maintain compliance programs to guard against money laundering activities. The USA PATRIOT Act requires the Secretary of the Treasury to prescribe regulations in connection with anti-money laundering policies of financial institutions. The U.S. Federal Reserve Board, the Treasury and the SEC are currently studying what types of investment vehicles should be required to adopt anti-money laundering procedures, and it is unclear at this time whether such procedures will apply to pooled investment vehicles such as the Co-Issuers. Future rules and regulations regarding money laundering or proceeds of crime could regulate the Issuer or the Co-Issuer. In addition, in April 2000, the Treasury published proposed regulations that would require certain investment advisors to establish an anti-money laundering program. It is possible that there could be promulgated legislation or regulations that would require the Issuer, the Co-Issuer, the Lead Placement Agent, the Co-Manager, the Collateral Manager or other service providers to the Co-Issuers, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Notes. Such legislation and/or regulations could require the Co-Issuers to implement additional restrictions on the transfer of the Notes. The Co-Issuers reserve the right to request such information as is necessary to verify the identity of investors in the Notes, and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by Financial Crimes Enforcement Network and/or the SEC. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of the Notes and the subscription monies relating thereto may be refused. See "*Anti-Money Laundering.*"

Cayman Islands Anti-Money Laundering Legislation

Each of the Administrator and the Issuer is subject to the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands (together with The Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands (or equivalent legislation and guidance, as applicable), and each as amended and revised from time to time, "**Cayman AML Regulations**"). The Cayman AML Regulations apply to anyone conducting "relevant financial business" in or from the Cayman Islands intending to form a business relationship or carry out a one-off transaction. The Cayman AML Regulations require a financial service provider to maintain certain anti-money laundering procedures including those for the purposes of verifying the identity and source of funds of an "applicant for business"; e.g. an investor, as well as the identity of the beneficial owner/controller of the investor, where applicable. Except in certain circumstances, including where an entity is regulated by a recognized overseas regulatory authority and/or listed on a recognized stock exchange in an approved jurisdiction, the Administrator will likely be required to verify each investor's identity and the source of the payment used by such investor for purchasing the Notes or Preferred Shares in a manner similar to the obligations imposed under the laws of other major financial centers. Application of an identity verification exemption at the time of purchase of the Notes or Preferred Shares may nevertheless require verification of identity prior to payment of proceeds from the Notes or Preferred Shares. In addition, if any person in the Cayman Islands knows or suspects, or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering, or is involved with terrorism or terrorist financing and property, and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands ("**FRA**"), pursuant to the Proceeds of Crime Law (2018 Revision) of the Cayman Islands ("**PCL**"), if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Law (2018 Revision) of the Cayman Islands ("**Terrorism Law**"), if the disclosure relates to involvement with terrorism or terrorist financing and property. If the Issuer were determined by the Cayman Islands authorities to be in violation of the PCL, the Terrorism Law or the Cayman AML Regulations, the Issuer could be subject to substantial criminal penalties and/or administrative fines. The Issuer may be subject to similar restrictions in other jurisdictions. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the holders of the Notes or Preferred Shares.

Risks Relating to the Notes

Investor suitability

An investment in the Notes will not be appropriate for all investors. Structured investment products like the Notes are complex instruments, and typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. In recent years, securities issued in securitization transactions have experienced historically high volatility and significant fluctuations in market value. Any investor interested in purchasing Notes should conduct its own investigation and analysis of the product and consult its own professional advisers as to the risks involved in making such a purchase.

The Notes are limited recourse obligations; investors must rely on available collections from the Trust Estate and will have no other source for payment

The Co-Issued Notes will be limited recourse obligations of the Co-Issuers and the Issuer-Only Notes will be limited recourse obligations of the Issuer; therefore the Notes are payable solely from the Trust Estate (including the Portfolio Assets pledged to secure the Notes) as applied in accordance with the Priority of Payments. The Issuer, as a special purpose company, will have no significant assets other than the Portfolio Assets and the Accounts. The Co-Issuer will have no significant assets. Except for the applicable Co-Issuers, no person or entity will be obligated to make any payments on the Notes. The Notes are not deposits or other obligations of any bank or other depository institution and are not insured by the Federal Deposit Insurance Corporation (the “**FDIC**”) or any governmental agency or instrumentality thereof. Consequently, Noteholders must rely solely upon collections on the Portfolio Assets for the payment of amounts payable in respect of the Notes. If collections on the Portfolio Assets are insufficient to make payments on the Notes, no other assets of the Issuer, the Co-Issuer or any other person or entity will be available for the payment of the deficiency and, following liquidation of all of the Trust Estate, the obligations of the Co-Issuers on the Notes will be extinguished and will not thereafter be revived. Each owner of Notes or Preferred Shares by its acceptance of such Notes or Preferred Shares will agree or be deemed to have agreed not to take any action or institute any proceedings against the Co-Issuers or any Blocker Subsidiary under any insolvency law applicable to the Co-Issuers or any Blocker Subsidiary or which would be likely to cause the Co-Issuers or any Blocker Subsidiary to be subject to, or to seek the protection of, any insolvency law applicable to the Co-Issuers or any Blocker Subsidiary.

The Notes are not guaranteed by the Co-Issuers, the Placement Agents, the Collateral Manager, the Retention Holder, the Services Provider, the Collateral Administrator, the Administrator or the Trustee

None of the Co-Issuers, the Placement Agents, the Collateral Manager, the Retention Holder, the Services Provider, the Collateral Administrator, the Administrator or the Trustee or any Affiliate thereof makes any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) to any investor of ownership of the Notes, and no investor may rely on any such party for a determination of expected or projected success, profitability, return, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) to any investor of ownership of the Notes. Each holder will be required to represent (or, deemed to represent) to the Co-Issuers, the Collateral Manager, the Retention Holder, the Services Provider and the Placement Agents, among other things, that it has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors regarding investment in the Notes as it has deemed necessary and that the investment by it is within its powers and authority, is permissible under applicable laws governing such purchase, has been duly authorized by it and complies with applicable securities laws and other laws.

Subordination, Remedies

Payments on the Notes are subordinated to the payment of certain fees and expenses of the Issuer and are subject to the Priority of Payments. Except as otherwise described herein, the order of priority of right to payment of the Classes of Notes and the Preferred Shares, from most senior to most junior, shall be in accordance with the Order of Seniority. Notwithstanding the Order of Seniority, so long as acceleration has not occurred following an Event of Default, interest on Notes and distributions of Excess Collections to the Holders of the Preferred Shares, will be payable prior to principal on Notes more senior in the Order of Seniority, except that if any Coverage Test is not satisfied, payments of interest on the Notes (other than the Class X Notes and the Class A Notes) and distributions of Excess Collections to the Holders of the Preferred Shares, will be subordinated to payments of principal on Notes that are more senior in the Order of Seniority until such Coverage Test has been satisfied. See "*Description of the Notes—Priority of Payments*."

Certain Coverage Tests and other requirements of the Indenture may require an early repayment of the more senior Classes of Notes, which will reduce or even eliminate amounts available to make payments on more junior Classes of Notes, resulting in a deferral of interest or loss of interest and principal.

In addition, so long as Notes that are more senior in the Order of Seniority are Outstanding, the Class B Notes, the Class C Notes and the Class D Notes provide for deferral of interest if the amounts available for payment of interest on such Notes in accordance with the Priority of Payments is insufficient to pay such interest in full. Any such deferred interest will be added to the principal amount of such Notes and will bear interest at the Applicable Interest Rate, and such deferral will not be an Event of Default under the Indenture.

If a Default or an Event of Default occurs, certain remedies and other rights under the transaction documents will only be exercisable by holders of a specified percentage of the aggregate outstanding amount of one or more Classes of Notes. The exercise of such rights could be adverse to holders of Notes that do not have the ability to exercise such rights, and the failure to exercise a right because holders of a Class or a portion of a Class must act in concert with one or more other Classes to exercise such right and insufficient holders are willing to do so could also be adverse to holders of one or more Classes of Notes. When exercising its rights under the transaction documents, a holder has no obligation to take into account the effect on other holders. If one or more other affiliated owners hold a significant percentage of the aggregate outstanding amount of one or more Classes of Notes at any time, it may be more difficult for other holders to take certain actions.

Once an Event of Default and acceleration have occurred, no Class of Notes (other than the Class X Notes and the Class A Notes) will be entitled to receive any payments until the Holders of all Classes of Notes that are more senior in the Order of Seniority have been paid in full.

The Co-Issuers may modify the Indenture by supplemental indentures and some supplemental indentures do not require consent of holders of Notes

The Indenture provides that the Co-Issuers and the Trustee may enter into supplemental indentures to modify various provisions of the Indenture. Execution of supplemental indentures is subject to various conditions precedent. In certain cases, the consent of holders of Notes is required, but, in certain other cases, such consent is not required or is only required from less than 100% of a Class that would be materially and adversely affected by the amendment or supplemental indenture. Accordingly, the Notes of a Class may be materially and adversely affected by an amendment or supplemental indenture that is entered into following consent thereto by less than 100% of such Class.

Issuance of Additional Securities

The Issuer or the Co-Issuers, as applicable, are permitted, subject to certain restrictions, to issue additional Notes of any Class, additional Preferred Shares, and/or any new class of securities that is subordinate to the Notes but senior to the Preferred Shares. If additional Notes of an existing Class are issued, it is possible for existing holders to have their voting and control power diluted by such additional issuance.

The U.S. Risk Retention Rules and the EU Risk Retention Requirements may impair the ability of the Issuer to effect an additional issuance, which may adversely affect the Issuer and the performance of the Notes and/or the Preferred Shares.

Additional issuances may have different terms and may have the effect of preventing the failure of the Coverage Tests and the occurrence of an Event of Default

On any Business Day, the Co-Issuers (or the Issuer) at the direction of the Collateral Manager, may issue and sell (i) additional Notes of any one or more Classes on a pro rata basis with any other Class of Notes, (ii) additional Preferred Shares, and/or (iii) additional securities of one or more new classes that are fully subordinated to the outstanding Classes of Notes (but that are senior to the Preferred Shares) and use the net proceeds to purchase additional Portfolio Assets or for other purposes permitted under the Indenture if the conditions for such additional issuance described under "*Description of the Notes—The Indenture—Additional Issuance*" are met, including with respect to any such additional issuance pursuant to clause (i), (1) the Collateral Manager consents to such issuance, (2) other than in the case of a Risk Retention Issuance, such issuance is approved by a Majority of the Preferred Shares, and (3) if the Retention Holder Approval Condition is satisfied, such issuance is consented to by the Retention Holder. No assurance can be given that the issuance of additional securities having different interest rates than existing Classes of Notes may not adversely affect the holders of any Class of Notes. The use of such issuance proceeds as Principal Collections may have the effect of causing a Coverage Test that was otherwise failing to be cured or to modify the effect of events that would otherwise give rise to an Event of Default and permit the Controlling Class to exercise remedies under the Indenture.

Determining the fair value of the Securities involves significant elements of subjective judgment and analysis, and, as a result, such fair values are inherently uncertain

For a description of certain risks related to the determination of the fair value of the Securities, see "*Credit Risk Retention—Fair Value Determination*".

Each Person receiving this Offering Circular should understand that any fair value determinations made in reliance on Level 3 inputs and assumptions may be difficult to make and are inherently uncertain. A differing opinion regarding the appropriate inputs and assumptions could materially change the determination of the range of the fair value of the Securities (including the Retention Securities). Further, the actual characteristics of the Portfolio Assets owned by the Issuer on the Closing Date and thereafter will likely differ from the assumptions used in such determinations and the actual performance of the Portfolio Assets is likely to differ from the assumed performance (such as the actual timing and amount of defaults and recoveries). Accordingly, the present value of the projected cash flows on the Securities (including the Retention Securities) is expected to vary (in ways that may be material) from the discounted actual cash flows on the Portfolio Assets, and prospective investors should not assume that the fair value of the Securities (including the Retention Securities) will be equal to or greater than the present value of the actual cash flows on the Securities (including the Retention Securities). In addition, discounted cash flow models are complex, making them inherently imperfect predictors of actual results. Accordingly, no assurance can be given that the fair value of the Securities (including the Retention Securities) set forth under the heading "*Credit Risk Retention—Fair Value Determination*" will not be materially different from quoted or published prices, from the fair value determinations made by other Persons for the Securities (including the Retention Securities) and/or from the actual value that could be or is realized upon the sale of any Securities (including the Retention Securities). For various reasons, the price at which any Securities (including the Retention Securities) might be sold in a specific transaction between specific parties on a specific date may be significantly different than the fair value thereof set forth under the heading "*Credit Risk Retention—Fair Value Determination*".

Future actions of the Rating Agency and other NRSROs can adversely affect the market value or liquidity of the Notes

The Rating Agency may change its published ratings criteria or methodologies for securities such as the Notes at any time in the future. Further, the Rating Agency may retroactively apply any such new standards to the ratings of the Notes. Any such action could result in a substantial lowering, suspension or withdrawal of any rating assigned to any Note, despite the fact that such Note might still be performing fully to the specifications set forth for such Note in this Offering Circular and the related transaction documents. Additionally, the Rating Agency may, at any time and without any change in its published ratings criteria or methodology, lower, suspend or withdraw any rating assigned by it to any class of Notes. If any rating initially assigned to any Note is subsequently lowered, suspended or withdrawn for any reason, Holders of the Notes may not be able to resell their Notes without a substantial discount.

Probability of default credit ratings; below investment-grade Portfolio Assets involve particular risks

The Portfolio Asset Issuers of the Portfolio Assets will not be publicly rated as of the Closing Date. Instead, Moody's RiskCalc will be used to assign a default probability rating pursuant to Moody's then current methodology ("**Moody's Default Probability Rating**") to each Portfolio Asset for purposes of calculating the Moody's Weighted Average Rating Factor of the portfolio of Portfolio Assets. The assessment of the risk that such a Portfolio Asset Issuer will, within the next five years, be unable to meet any of its payment obligations within 90 days after such obligation falls due ("probability of default") generated by Moody's RiskCalc is derived from a statistical analysis that relies in part on financial statements of such Portfolio Asset Issuer that have been provided to Moody's. It does not include any qualitative assessment of the Portfolio Asset Issuers such as the market position of its products and services, its competitive position or the quality of its management. Furthermore, Moody's RiskCalc does not take into account, on an individual Portfolio Asset Issuer basis, particular risk-enhancing circumstances, such as the Portfolio Asset Issuer forming part of a group of companies. The statistical analysis involves only a comparison of the financial data provided to Moody's by such Portfolio Asset Issuer against benchmark financial ratios generated by Moody's RiskCalc on the basis of a database of historical financial information of a large number of companies. The Moody's Default Probability Ratings derived from Moody's RiskCalc are therefore not comparable to public ratings of issuers assigned by Moody's.

The Moody's Default Probability Ratings assigned using Moody's RiskCalc are based in part on financial statement data of the Portfolio Asset Issuers of the Portfolio Assets that have been provided to Moody's. The financial statement data of such Portfolio Asset Issuers provided to Moody's have not and will not be independently reviewed by any other party, and none of the parties gives any statement as to the accuracy of such financial statement data. Moreover, there can be no assurance that the actual probability of some or all of the Portfolio Asset Issuers of the Portfolio Assets becoming unable to meet their payment obligations prior to the full repayment of the Notes is not higher than is implied by the Moody's Default Probability Rating derived from Moody's RiskCalc.

It is anticipated that the Portfolio Assets will be subject to greater risks than publicly rated investment grade corporate obligations. Prices of the Portfolio Assets may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the Portfolio Asset Issuers.

Also, under Rule 17g-5 promulgated under the Exchange Act, nationally recognized statistical rating organizations ("**NRSROs**") not currently rating the Notes will be able to have access to the information that the Co-Issuers have provided to the Rating Agency to allow it to rate, or undertake credit rating surveillance on, the Notes. Any NRSRO accessing such information may, in its sole discretion, provide an unsolicited rating on any of the Notes. There can be no assurance that any such unsolicited rating assigned by an NRSRO (other than the Rating Agency) on any of the Notes will not be lower than the ratings of such Notes then assigned by the Rating Agency, and any such unsolicited rating may be lowered, suspended or withdrawn at any time. If such unsolicited rating is lower than the ratings then assigned by the Rating Agency, the market value of such Notes may be adversely affected and the liquidity of such Notes may be significantly reduced.

Hedge Agreements are not permitted

The Issuer is not permitted to enter into hedge agreements. This may prevent the Issuer from hedging certain interest rate risks and exposure the Issuer to interest rate mismatches or other adverse outcomes.

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 relating to the Notes require that Rating Agency Confirmation is obtained before certain action may be taken and the Rating Agency is unwilling to confirm such satisfaction, it may be impossible to effect such action, which could result in losses being realized by the Issuer and, indirectly, by holders of Notes. In addition, because the purchase of additional Portfolio Assets with APAI Security Sales Proceeds is conditional, among other things, on Rating Agency Confirmation, if the Rating Agency is unwilling to confirm such satisfaction in connection with a proposed purchase of a Portfolio Asset with APAI Security Sales Proceeds, the Issuer will not be able to effect such purchase and will instead be required to pay most if not all of the APAI Security Sales Proceeds as principal, which would result in earlier repayment of the Notes, particularly the Class X Notes and the Class A Notes.

If the Rating Agency (a) makes a public announcement or informs the Issuer, the Collateral Manager or the Trustee that (i) it believes that Rating Agency Confirmation is not required with respect to an action or (ii) its practice is to not give such confirmations, or (b) no longer constitutes the Rating Agency under the Indenture, the requirement to obtain Rating Agency Confirmation with respect to the Rating Agency will not apply. There can be no assurance that the Rating Agency will not subsequently withdraw or downgrade its ratings on one or more Classes of Notes as a result of such actions, and any such withdrawal or downgrade could adversely affect the value or liquidity of the Notes.

Limited Liquidity of Notes; Restrictions on Transfer; Non-Petition

There is no market for any of the Notes being offered hereby and, as a result, a purchaser must be prepared to hold the Notes for an indefinite period of time or until the maturity thereof. The Notes will be owned by a relatively small number of investors and it is unlikely that an active secondary market for the Notes will develop. Neither of the Placement Agents are under any obligation to make such a market, and if either Placement Agent does make such a market, they may discontinue any market-making activities with respect to the Notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Furthermore, during the recent financial crisis, securities issued in securitization transactions experienced historically high volatility and significant fluctuations in market value. Additionally, following the financial crisis, some potential buyers of such securities view securitization products as an inappropriate investment, thereby reducing the number of potential buyers and/or potentially affecting liquidity in the secondary market. Accordingly, no assurances can be made as to the liquidity of or the trading market for the Notes. Purchasers of the Notes may find it difficult or uneconomic to liquidate their investment at any particular time. Defaults or deferrals of interest with respect to the Portfolio Assets may negatively impact the liquidity of or the trading market for the Notes. The Notes have not been and will not be registered under the Securities Act or under any U.S. state securities or "Blue Sky" laws or the securities laws of any other jurisdiction and are being issued and sold in reliance upon exemptions from registration provided by such laws.

No Note may be sold or transferred unless such sale or transfer (i) is exempt from the registration requirements of the Securities Act and applicable state securities laws, (ii) will not constitute or result in a non-exempt "prohibited transaction" under ERISA or Section 4975 of the Code (or a violation of any Similar Law), (iii) does not cause either of the Co-Issuers to become subject to the regulatory requirements of the Investment Company Act, and (iv) is made to (a) except for the Class D Notes (which may only be sold or transferred to U.S. Persons), a non-U.S. Person that is also either a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) or a Rule 3a-7 Person, in either case, in a transaction outside the United States in reliance on Regulation S, or (b) a U.S. Person that is both a "qualified purchaser" (for purposes of the Investment Company Act) and a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act). Prospective transferees of Certificated Notes will be required pursuant to the terms of the Indenture to deliver a certificate to the Trustee and the Co-Issuers relating to compliance with the Securities Act, applicable state securities laws, ERISA, Section 4975 of the Code and the Investment Company Act and transferees of beneficial interests in a Rule 144A Global Note or Regulation S Global Note will be deemed to have made certain representations set forth in the Indenture and described herein. The Co-Issuers will not provide registration rights to any purchaser of the Notes and none of the Co-Issuers, the Trustee, or any other person may register the Notes under the Securities Act or any state securities or "Blue Sky" laws.

The Notes are subject to early redemption by Optional Redemption by Liquidation, Optional Redemption by Refinancing and Global Clean Up Call

Optional Redemption by Liquidation

The Notes may be optionally redeemed in whole but not in part, by the Co-Issuers or the Issuer, as applicable, at the applicable Redemption Prices with any available funds (i) on any Business Day (which will be the related Redemption Date) after the Non-Call Period, or (ii) upon the occurrence of a Tax Event, on any Payment Date during or after the Non-Call Period, in either case, at the direction of the Collateral Manager; *provided* that if a Supermajority of the Preferred Shareholders objects to such redemption within 2 Business Days of notice thereof, such redemption shall be subject to the consent of the Supermajority of the Preferred Shareholders.

Optional Redemption by Refinancing.

On any Business Day after the Non-Call Period, the Collateral Manager may direct that a redemption of one or more (including all) Classes of Notes occur by an Optional Redemption by Refinancing; *provided* that if a Supermajority of the Preferred Shareholders objects to any Optional Redemption by Refinancing within 2 Business Days of notice thereof, such Optional Redemption by Refinancing shall be subject to the consent of the Supermajority of the Preferred Shareholders. A more junior Class of Notes may be fully redeemed in connection with an Optional Redemption by Refinancing even if a more senior Class of Notes remains outstanding.

Global Clean Up Call.

At the written direction of the Collateral Manager to the Issuer, the Preferred Shares Paying Agent and the Trustee, with copies to the Rating Agency, not later than 20 days prior to the proposed redemption date, the Notes will be subject to redemption by the Issuer, in whole but not in part, at the redemption price therefor, on any Business Day after the Non-Call Period on which the aggregate Principal Balance of the Portfolio Assets is equal to or less than 20% of the Effective Date Balance. Any Global Clean Up Call is subject to the sale of the Portfolio Assets for the Clean Up Call Redemption Price.

In the event of an early redemption, including by Optional Redemption by Liquidation, Optional Redemption by Refinancing or Global Clean Up Call, the holders of the Notes will be repaid prior to their Stated Maturity Dates. Any such redemption may result in a shorter term investment than an investor in Notes may have anticipated and there is no assurance that holders will find suitable investments with comparable yields, maturity or credit profile in which to invest the proceeds.

In addition, an Optional Redemption by Liquidation could require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Portfolio Assets sold.

Stated Maturity Date, Average Life and prepayment or optional redemption Considerations; APAI Securities

The Stated Maturity Date of each Class of Notes is the Payment Date occurring in March 2030. Because the Insurance Senior Note, the Bank Senior Note and all of the Bank Subordinated Notes mature before the Stated Maturity Date (and the stated maturity date of additional Portfolio Assets (if any) that may be purchased with APAI Security Sales Proceeds may not have a stated maturity date that is later than the stated maturity date of the related APAI Security) and the Portfolio Assets may prepay under certain circumstances, the average life of the Class A Notes and the Class X Notes is expected to be, and the average lives of the other Notes may be, shorter than the number of years until the Stated Maturity Date. See "*Risk Factors—Risks Relating to the Notes—The Notes are subject to early redemption by Optional Redemption by Liquidation, Optional Redemption by Refinancing and Global Clean Up Call*" and "*Risk Factors—Risks Relating to the Notes—Optional Redemptions and Prepayments of the Portfolio Assets.*" The Class X Notes will be paid from Interest Collections and are expected to be paid in full on the 10th Payment Date.

All of the Portfolio Assets have maturity dates that occur prior to the Stated Maturity Date; therefore significant principal payments on the Notes could be made on Payment Dates prior to the Stated Maturity Date.

Market developments may increase the likelihood that issuers of Portfolio Assets elect to prepay such securities prior to their maturity date to the extent permitted. Such prepayments will be distributed in accordance with the Priority of Payments and will result in prepayments of the Notes.

Coverage Prepayments will be made on certain Notes if any Coverage Test is not satisfied as of any Calculation Date, which may occur, for example, if defaults occur with respect to the Portfolio Assets.

The Holders of the Notes will have no control over the timing or amount of any prepayment or optional redemptions on the Portfolio Assets. Prepayment or optional redemptions and repayments at maturity of the Portfolio Assets may result in the remaining portfolio of Portfolio Assets having a greater concentration of risk due to the smaller number of issuers of Portfolio Assets represented in the portfolio causing a possible decrease in regional diversity or a lower overall credit quality, which could have a material adverse effect on the Notes.

In addition, Portfolio Assets that become APAI Securities may be sold by the Collateral Manager and the Collateral Manager may use some or all of the related APAI Security Sales Proceeds to purchase additional Portfolio Assets as described in "*Security for the Notes—Activities of the Collateral Manager with respect to Portfolio Assets and Eligible Investments—Disposition of Portfolio Assets; Additional Portfolio Assets and Reinvestment Criteria*".

The Holders of the Notes will have no control over whether a Portfolio Asset becomes an APAI Security, whether any APAI Security is sold and/or whether any or all of the APAI Security Sales Proceeds thereof are used to purchase additional Portfolio Assets. The sale of any APAI Security may result in the remaining portfolio of Portfolio Assets having a greater concentration of risk due to the smaller number of issuers of Portfolio Assets represented in the portfolio causing a possible decrease in regional diversity or a lower overall credit quality, which could have a material adverse effect on the Notes. Similarly, purchases of additional Portfolio Assets with APAI Security Sales Proceeds may result in the portfolio of Portfolio Assets having a greater concentration of risk, a decrease in regional diversity or a lower overall credit quality, which could have a material adverse effect on the Notes. To the extent the Collateral Manager chooses not to or is unable to purchase additional Portfolio Assets with APAI Security Sales Proceeds (for example, due to market conditions, the unavailability of suitable obligations or an inability to satisfy the Reinvestment Criteria or the Portfolio Acquisition and Disposition Requirements), an amount equal to at least the lesser of the amount of such Unapplied APAI Security Sales Proceeds and the Required Principal Collections Deposit portion thereof shall be designated by the Collateral Manager on the applicable Reinvestment Cut-Off Date (or if such date is not a Business Day, the next following Business Day) as Principal Collections and, to the extent there are any remaining Unapplied APAI Security Sales Proceeds in excess thereof, the Collateral Manager may designate out of such remaining proceeds up to the lesser of the amount of such remaining proceeds and an amount equal to the APAI Security Maximum Excess as Interest Collections (and any remaining excess as Principal Collections) on the applicable Reinvestment Cut-Off Date (or if such date is not a Business Day, the next following Business Day), which designations will result in prepayments of the Notes.

The Interest Rate on the Notes is subject to change

The index used to compute the interest rate on each Class of Notes during such period as such Class pays a floating-rate of interest will be LIBOR. However, as more fully described under "*Description of the Notes—Interest*," such index may be changed to an Alternative Index designated by the Collateral Manager. As of any given date, any such Alternative Index may materially deviate from what the corresponding LIBOR rate would have been on such date. Any such Alternative Index may be more volatile than LIBOR. There can be no assurance that any such Alternative Index will become widely adopted in the marketplace. Any such Alternative Index will expose the holders of the Notes to same risks as set forth above under "*—The Notes may be affected by interest rate risks, including mismatches between the Notes and the Portfolio Assets*." Any or all of the foregoing factors may adversely affect the liquidity of, or market value of, the Notes.

The Notes may be affected by interest rate risks, including mismatches between the Notes and the Portfolio Assets

The Notes (other than the Floating Rate Notes) will bear interest at a fixed rate until the Conversion Date and thereafter will bear interest at a floating rate. The Floating Rate Notes will bear interest at a floating rate from the Closing Date. Approximately 3.16% of the aggregate Principal Balance of the Portfolio Assets will bear interest at a fixed rate to maturity and approximately 96.84% of the aggregate Principal Balance of the Portfolio Assets will bear interest at a combination of a fixed rate for a period of time followed by a floating rate thereafter. While on the Closing Date all of the Portfolio Assets will pay interest at a fixed rate, the interest rates on approximately 96.84% of the aggregate Principal Balance of the Portfolio Assets will convert to floating rate about 5 years after the Closing Date. The Notes (other than the Floating Rate Notes), however, will continue to pay interest at a fixed rate until the Conversion Date. To the extent that LIBOR rates are very low on or after some or all of the fixed/floating rate Bank Subordinated Notes convert to floating rate, interest earned on the Portfolio Assets may be less than interest due on the Notes, which could lead to an interest shortfall on the Notes. Interest rate mismatch may also occur as a result of, among other things, decline in the value of Portfolio Assets as a result of a rising interest rate environment, defaults or deferrals in respect of certain Portfolio Assets, differences in the number of days in the related accrual periods for the Notes and differences in the timing of payments required to be made on the Portfolio Assets and the timing of payments required to be made on the Notes or the Portfolio Assets each having a different coupon rate. The transaction does not include or permit interest rate hedges to address potential interest rate mismatch. Any such mismatches may adversely affect the Issuer's ability to pay amounts due in respect of the Notes and may adversely affect the ratings on the Notes. There can be no assurance that the Portfolio Assets and the Eligible Investments will generate sufficient Interest Collections to make timely payments of interest on the Notes.

The Notes may be affected by changes in LIBOR

Prior to the Conversion Date, interest on the Floating Rate Notes, and after the Conversion Date, interest on each Class of Notes will be based upon LIBOR and therefore may fluctuate from one Interest Accrual Period to another in response to changes in LIBOR. From 2007 to 2009, LIBOR experienced historically high volatility and significant fluctuations. LIBOR may experience additional future fluctuations and may be discontinued as a benchmark interest rate and the Issuer makes no representation as to what LIBOR will be in the future. Because the Notes will bear interest based upon three-month LIBOR, there may be an index mismatch between the Notes and the underlying Portfolio Assets with interest rates based on LIBOR for a different period of time or even three-month LIBOR for a different accrual period. It is possible that LIBOR payable on the Notes may rise (or fall) during periods in which LIBOR with respect to the various Portfolio Assets is stable or falling. Some Portfolio Assets, however, may have LIBOR floor arrangements that may help mitigate this risk, but there is no requirement for any Portfolio Asset to have a LIBOR floor and there is no guaranty that any such LIBOR floor will fully mitigate the risk of falling LIBOR. If LIBOR payable on the Notes rises during periods in which LIBOR with respect to the various Portfolio Assets is stable or is falling, the Issuer may not receive enough Interest Collections to make current payments of interest on the Notes. There may also be a timing mismatch between the Notes and the underlying Portfolio Assets as the LIBOR on such Portfolio Assets may adjust more frequently or less frequently or on different dates than LIBOR on the Notes. Such a mismatch could result in the Issuer not collecting sufficient Interest Collections to make interest payments on the Notes.

Ongoing investigations concerning LIBOR could adversely affect an investment in the Notes

Regulators and law-enforcement agencies from a number of governments, including entities in the United States, Japan, Canada and the United Kingdom, are conducting civil and criminal investigations into whether the banks that contribute to the British Bankers' Association (the "**BBA**") in connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. On June 27, 2012, Barclays Bank PLC ("**Barclays**") announced that it had reached settlements with the U.S. Commodity Futures Trading Commission, the U.S. Department of Justice Fraud Section and the United Kingdom Financial Services Authority in connection with investigations by such authorities into submissions made by Barclays to the bodies that set LIBOR and other interbank offered rates. In such settlements, Barclays admitted to submitting rates to the BBA that were lower than the actual rates at which Barclays could borrow funds from other banks. Actions by the BBA, regulators or law-enforcement agencies may affect LIBOR (and/or the determination thereof) in unknown ways, including, among other ways, by changing the methodology of setting LIBOR. Based on a review conducted by the Financial Services Authority of the United Kingdom (the "**FSA**"), legislation has been proposed which would alter the manner in which LIBOR is determined. Specifically, it is contemplated that the BBA would no longer be involved in the compilation of LIBOR submissions and that a new administrator would be selected by appropriate regulatory authorities. If the determination of LIBOR is subject to additional regulatory oversight, it is possible that fewer banks will actively participate in the LIBOR submission process which could result in erratic swings in LIBOR. The review commissioned by the FSA also encouraged market participants to evaluate whether LIBOR was an appropriate benchmark for their transactions and whether adequate contingency provisions existed in contracts in the event that LIBOR was no longer available. The implementation of the proposed legislation to change the process for determining LIBOR or additional regulatory oversight over LIBOR could lead to the reduction or elimination of LIBOR as a global benchmark going forward which could adversely affect the value of the Notes. As noted above, if the interest rate on an increased proportion of Portfolio Assets is based on a rate other than LIBOR, the Issuer could have interest rate mismatches which could lead to shortfalls in available proceeds to make payments on the Notes. Any of such actions or other effects from such investigations could adversely affect the liquidity and value of the Notes. For example, any uncertainty in the value of LIBOR or the development of a market view that LIBOR has been or is being manipulated by BBA member banks may adversely affect the liquidity of the Notes in the secondary market and their market value. Additional investigations remain ongoing and there can be no assurance that there will not be additional admissions or findings of rate-setting manipulation or that future manipulation of LIBOR or other similar interbank offered rates will not occur.

On February 1, 2014, the ICE Benchmark Administration ("**ICE**") assumed the role of administering LIBOR from the BBA. While ICE has confirmed in its January 17, 2014 press release that it does not currently intend to make any change to the methodology of calculating LIBOR from that used by the BBA, no assurance can be given that ICE or any successor administrator of LIBOR will not make methodological changes that could change the calculation of LIBOR, which in turn may adversely affect the value of the floating rate Portfolio Assets. ICE or any successor administrator of LIBOR may also alter, discontinue or suspend calculation or dissemination of LIBOR. No administrator of LIBOR will have any obligation to any investor in respect of any floating rate Portfolio Assets.

In addition, on July 27, 2017, Andrew Bailey, the chief executive of the United Kingdom Financial Conduct Authority, the UK banking regulator (the "**FCA**") gave a speech in which he questioned the sustainability of LIBOR and announced that the FCA would no longer require banks to submit rates for calculation of LIBOR after the end of 2021. The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary. The FCA has decided not to ask, or to require, that panel banks continue to submit contributions to LIBOR beyond the end of 2021. The FCA has indicated that the current panel banks will voluntarily sustain LIBOR until the end of 2021. The FCA does not intend to sustain LIBOR through using its influence or legal powers beyond that date. The FCA's intention is that after 2021, it will no longer be necessary for the FCA to ask, or to require, banks to submit to LIBOR due to the development of alternative benchmark rates, which the FCA suggested should be based on transactions and not on reference rates that do not have active underlying markets to support them. As of the date of this Offering Circular, no specific alternative rates have been selected in the markets for debt obligations similar to the Notes or the Portfolio Assets.

It is possible that the LIBOR administrator, ICE, and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so, but there is no assurance that LIBOR will survive in its current form, or at all. If LIBOR in its current form does not survive, the market value and/or liquidity of the Notes or the Portfolio Assets could be adversely affected.

If LIBOR is discontinued as a benchmark rate, it may cause one or more of the following to occur: (i) increase the volatility of LIBOR prior to the consummation of any such change, (ii) increase the portion of Portfolio Assets and Eligible Investments that calculate interest based on a benchmark rate other than LIBOR or bear interest at a fixed rate, (iii) increase pricing volatility with respect to Portfolio Assets, and (iv) negatively impact the liquidity of the Notes. If LIBOR is eliminated as a benchmark rate, it is uncertain whether broad replacement conventions in the leveraged loan and CBO markets will develop and, if conventions develop, what those conventions will be and whether they will create adverse consequences for the Issuer or the holders of any Class of Notes. If no such conventions develop, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets may have on the price and liquidity of Portfolio Assets or the Notes and the ability of the Collateral Manager to effectively mitigate interest rate risks. While the Co-Issuers and the Trustee may enter into a supplemental indenture to change the reference rate used to calculate interest on the Notes from LIBOR to an Alternative Index subject to the conditions described in the Indenture, there can be no assurance that any such supplemental indenture (a) will be entered into, (b) that if entered into, will effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes, (c) will be entered into prior to any date on which the Issuer suffers adverse consequences from the elimination or modification or potential elimination or modification of LIBOR or (d) will not have a material adverse effect on the holders of any Class of Notes, including the liquidity of such Notes.

Projections, forecasts and estimates are forward looking statements and are inherently uncertain

Estimates of the average lives of the Notes, together with any projections, forecasts and estimates provided to prospective purchasers of the Notes, are forward-looking statements. Projections are necessarily speculative in nature, and it should be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results. Accordingly, actual results will vary from the projections, and such variations may be material. Some important factors that could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates, exchange rates and default and recovery rates; market, financial or legal uncertainties; mismatches between the time of accrual and receipt of Interest Collections from the Portfolio Assets. None of the Co-Issuers, the Placement Agents, the Collateral Manager, the Services Provider, the Trustee, the Collateral Administrator or any other party to this transaction or any of their respective Affiliates has any obligation to update or otherwise revise any projections, forecasts or estimates, including any revisions to reflect changes in economic conditions or other circumstances arising after the date of this Offering Circular or to reflect the occurrence of unanticipated events.

The Issuer is recently formed and has a limited operating history; the Co-Issuer has no operating history and has no assets; and each of the Issuer and the Co-Issuer is limited in its permitted activities.

The Issuer is a recently formed entity and has little prior operating history or prior business experience. The Issuer will have no significant assets other than the Portfolio Assets and the Accounts, which, in each case, will be pledged to secure the Notes. The Issuer will not engage in any business activity other than the issuance of the Notes and Preferred Shares as described herein, the acquisition and sale of Portfolio Assets, certain activities conducted in connection with the payment of amounts in respect of the Notes and Preferred Shares and other activities incidental to the foregoing. The Issuer is an exempted company with limited liability incorporated under the laws of the Cayman Islands and all of its directors reside in the Cayman Islands. Because the Issuer is a Cayman Islands company, it may not be possible for investors to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the United States securities laws.

The Co-Issuer is a recently formed entity and has no prior operating history or prior business experience. The Co-Issuer does not have and will not have any assets. The Co-Issuer will not engage in any business activity other than the co-issuance of the Notes.

The Issuer is subject to the risk of third party litigation and has limited funds available

The Issuer's investment activities may subject it to the risks of becoming involved in litigation by third parties. This risk may be greater where the Issuer exercises control or significant influence over a company's direction. The expense of defending against claims against the Issuer by third parties and paying any amounts pursuant to settlements or judgments would be borne by the Issuer and would reduce the amounts available for distribution to holders of the Notes and on the Issuer's net assets. The funds available to the Issuer to pay certain fees and expenses of the Trustee, the Collateral Administrator, the Administrator and any Blocker Subsidiaries and for payment of the Issuer's other accrued and unpaid Administrative Expenses are limited as described in "*Description of the Notes—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 may not be able to defend or prosecute legal proceedings that may be brought against it or that the Issuer might otherwise bring to protect its interests. 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 Cayman Islands Companies Law (as amended) and potentially being struck from the Cayman Islands companies register and dissolved.

The Issuer and/or payments on the Notes may be subject to various U.S. and other taxes

An investment in the Notes involves complex tax issues. See "*Certain Income Tax Considerations*", below, for a more detailed discussion of certain tax issues raised by an investment in the Notes.

The Issuer expects to conduct its affairs so that it should not be treated as engaged in a trade or business within the United States (including as a result of the manner in which it acquires, holds, and disposes of its assets). Although the Issuer does not expect to be treated as engaged in a U.S. trade or business or to be deriving income effectively connected therewith, if the Issuer were found to be engaged in a trade or business within the United States and had income effectively connected therewith, interest paid on the Notes to a non-U.S. holder would nevertheless not be expected to be subject to U.S. federal withholding tax (assuming certain form delivery requirements are complied with), although such a withholding could be imposed as a result of unanticipated activities, changes in law, contrary conclusions by the U.S. Internal Revenue Service (the "**IRS**"), or other causes. Further, non-U.S. Persons that are investors in any Class of Notes that are recharacterized as equity in the Issuer for U.S. federal income tax purposes could be subject to net income or withholding taxes.

If the Issuer is treated as a publicly traded partnership taxable as a corporation and is found to be both engaged in a trade or business in the United States for U.S. federal income tax purposes and deriving income effectively connected therewith, the Issuer could be subject to U.S. federal income tax on a net income basis at normal corporate tax rates (and possibly a 30% branch profits tax) and payments on the Notes may become subject to a 30% withholding tax. The imposition of such taxes would materially affect the Issuer's financial ability to make payments on the Notes.

Assuming compliance with the transfer restrictions requiring that all Preferred Shares and Class D Notes be beneficially owned by U.S. Persons, and assuming that certain transfer restrictions and documentation delivery requirements are complied with and are adequate to prevent the Issuer from constituting a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, under current law, income derived by the Issuer in respect of such Portfolio Assets is not expected to be subject to withholding tax. However, income derived by the Issuer in respect of the Portfolio Assets could become subject to withholding or gross income taxes as a result of a change in applicable law, treaty, rule or regulation or interpretation thereof, possibly with retroactive effect. In that case, there can be no assurance that amounts available, after withholding or gross income taxes, would be sufficient to make payments of interest and principal on the Notes.

See "*Risks Relating to the Notes – Holders may be subject to withholding or forced sale for failure to provide certain tax information*" and "*Certain Income Tax Considerations*," each below, for a more detailed discussion of certain withholding tax issues raised by an investment in the Notes.

No Gross-Up

All payments on the Notes will be made without any deduction or withholding for or on account of any taxes of any nature whatsoever unless such deduction or withholding is required by any applicable law, including in connection with FATCA (including a voluntary agreement entered into with the IRS), as modified by the practice of any relevant governmental revenue authority, then in effect. If the Issuer is so required to deduct or withhold, then no such person will be obligated to pay any additional amounts in respect of such withholding or deduction.

Holders may be subject to withholding or forced sale for failure to provide certain tax information

Under FATCA, the Issuer may be subject to a 30% withholding tax on certain income and on the gross proceeds from the sale, maturity, or other disposition of certain of its assets. Under an intergovernmental agreement entered into between the United States and the Cayman Islands, the Issuer will not be subject to withholding under FATCA if it complies with the Cayman FATCA Legislation, which requires the Issuer to provide the name, address, and taxpayer identification number of, and certain other information with respect to, certain holders of Notes to the Tax Information Authority of the Cayman Islands, which would then provide this information to the IRS. There can be no assurance that the Issuer will be able to comply with the Cayman FATCA Legislation. In addition, FATCA could be amended to require the Issuer to withhold on "passthru" payments to holders that fail to provide certain information to the Issuer or are certain "foreign financial institutions" that do not comply with FATCA.

If an investor fails to provide the Issuer or its agents with any correct, complete and accurate information or documentation that may be required for the Issuer to comply with FATCA, the Cayman FATCA Legislation and to prevent the imposition of U.S. federal withholding tax under FATCA on payments to or for the benefit of the Issuer, or if the investor's ownership of any Notes would otherwise cause the Issuer to be subject to any tax under FATCA, the Issuer (and any agent acting on its behalf) is authorized to withhold amounts otherwise distributable to the investor, to compel the investor to sell its Notes, and, if the investor does not sell its Notes within 10 Business Days after notice from the Issuer, to sell the investor's Notes on behalf of the investor.

OECD Common Reporting Standard

The Cayman Islands has also signed, along with over 80 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the "**CRS**"), which requires "Financial Institutions" such as the Issuer to identify, and report information in respect of, specified persons in the jurisdictions which sign and implement the CRS and to adopt and implement written policies and procedures setting out how it will address its obligations under the CRS.

The Issuer may form Blocker Subsidiaries that would be subject to tax

To reduce the risk that the Issuer will be engaged in a trade or business within the United States for U.S. federal income tax purposes, in certain circumstances set forth in the Indenture, certain Portfolio Assets may be transferred to one or more Blocker Subsidiaries wholly owned by the Issuer that will be treated as either U.S. or foreign corporations for U.S. federal income tax purposes. Any foreign Blocker Subsidiary may be treated as engaged in a trade or business within the United States and may be subject to U.S. federal income tax on a net income basis at normal corporate tax rates (and possibly a 30% branch profits tax), and may file U.S. tax returns and reports (or protective U.S. tax returns and reports), and/or the Blocker Subsidiary may be subject to a 30% U.S. withholding tax on some or all of its income. In the case of a U.S. Blocker Subsidiary, the Blocker Subsidiary would be subject to U.S. federal income tax on a net income basis at normal corporate tax rates, and would be required to file U.S. tax returns and reports. In addition, distributions from a U.S. Blocker Subsidiary to the Issuer may be subject to a 30% U.S. withholding tax. Prospective investors should consult their tax advisors regarding their consequences if the Issuer organizes a Blocker Subsidiary.

Recent Changes to U.S. Federal Income Tax Rules and Regulatory Changes

New U.S. federal tax laws were recently enacted by The Tax Cuts and Jobs Act. The Tax Cuts and Jobs Act provides for significant changes to U.S. tax law, some of which could have an adverse impact on the business, financial condition and results of operations of the Issuer or its affiliates, or an adverse impact on holders. The Tax Cuts and Jobs Act is complex and new (and it lacks administrative guidance); thus, the impact of certain aspects of its provisions on the Issuer or its affiliates, or on holders, is currently unclear.

Risks Related to Banks, Thrifts and the Banking Industry

General

Payments under the Portfolio Assets, and in turn under the Notes, are highly dependent upon payments received from the Portfolio Asset Issuers. As such, the ability of the Co-Issuers to make payments under the Notes, as well as the credit ratings of Notes, may be adversely affected by the performance and earnings of and defaults and deferrals by such entities. Furthermore, adverse developments with respect to the banking and thrift industry in general may adversely affect the ability of the Co-Issuers to make payments under the Notes and may also adversely affect the rating, market value and/or liquidity of the Notes.

Bank institutions are heavily regulated and further restrictive regulation may reduce the profitability and growth of bank institutions, which may adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes

In 2013, the federal banking agencies approved revisions to their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to implement the Basel III capital framework (the "**Basel III Rule**"). The Basel III Rule introduced new risk-based capital and leverage ratios, which became effective January 1, 2015, and narrowed the definition of what constitutes "capital" for purposes of calculating those ratios. The Basel III Rule applies to all depository institutions and to top-tier bank holding companies and top-tier savings and loan holding companies with total consolidated assets of at least U.S. $1 billion, and thus applies to some or all of the Portfolio Asset Issuers of the Bank Portfolio Assets. In general, the Basel III Rule requires subject institutions to hold a greater level of capital by increasing certain minimum capital requirements and capital ratios, and requiring greater amounts of capital to offset the ownership of assets that are delinquent or are secured by certain types of collateral, including certain commercial real estate. The Basel III Rule also makes a number of changes relating to the treatment of trust preferred securities. Specifically, trust preferred securities will no longer be counted towards a bank's Tier 1 capital, although banks with consolidated assets of U.S.$15 billion or less may continue to treat trust preferred securities issued prior to May 19, 2010 as Tier 1 capital. On the other hand, the amount of Tier 2 capital held by a banking institution (such as the Bank Subordinated Notes included in the Issuer's investment portfolio) is no longer limited to the amount of Tier 1 capital included in total capital. Finally, the Basel III Rule requires certain additional deductions from capital if certain types of assets (e.g., mortgage servicing rights, certain deferred tax assets and common stock in unconsolidated financial institutions) are above certain levels. As a result of these changes, subject banking organizations will be required to make certain changes to their asset portfolios and general business practices over time, and it is difficult to predict the impact that such changes will have on the overall performance of such institutions, including the Portfolio Asset Issuers of the Bank Portfolio Assets.

In the event that such any Bank Portfolio Asset Issuer falls below certain of these capital adequacy standards, it may become subject to regulatory intervention including, but not limited to, being placed into a United States Federal Deposit Insurance Corporation (the "**FDIC**") administered receivership or conservatorship. The effect of inadequate capital can have a potentially adverse consequence on any Bank Portfolio Asset Issuer's financial condition, its ability to operate as a going concern and its ability to operate as a regulated financial institution, and may have a material adverse impact on the ability of the Issuer to collect on any related Bank Portfolio Asset.

Furthermore, no assurance can be given that the U.S. federal government or any U.S. regulatory body (or other authority or regulatory body) will not continue to take further legislative or regulatory action, and the effect of such actions, if any, cannot be known or predicted.

Risks Related to Insurance Companies and the Insurance Industry

General

Payments under the Portfolio Assets, and in turn under the Notes, are highly dependent upon payments received from the Portfolio Asset Issuers. As such, the ability of the Co-Issuers to make payments under the Notes, as well as the credit ratings of Notes, may be adversely affected by the performance and earnings of and defaults and deferrals by such entities. Furthermore, adverse developments with respect to the insuance industry in general may adversely affect the ability of the Co-Issuers to make payments under the Notes and may also adversely affect the rating, market value and/or liquidity of the Notes.

The insurance industry is heavily regulated and further restrictive regulation may reduce the profitability and growth of insurance companies, which may adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes

Insurance companies are subject to extensive regulation and supervision in the jurisdictions in which they do business, which may reduce the profitability and growth of insurance companies and adversely affect the ability of the Issuer and the Co-Issuer to make payments under the Notes. Each jurisdiction has a unique and complex set of laws and regulations. Furthermore, certain federal laws impose additional requirements on businesses, including insurers. Regulation generally is designed to protect the interests of policyholders, as opposed to stockholders and non-policyholder creditors. Such regulations, among other things, impose restrictions on the amount and type of investments insurance subsidiaries may hold. Certain states also regulate the rates insurers may charge for certain products. Legislation and voter initiatives have expanded, in some instances, the states' regulation of rates and have increased data reporting requirements. Consumer-related pressures to roll back rates, even if not enacted by legislation or upheld upon judicial appeal, may affect an insurance company's ability to obtain timely rate increases or operate at desired levels of profitability. Changes in insurance regulations, including those affecting the ability of insurance subsidiaries to distribute cash to insurance holding companies and those affecting the ability of insurance subsidiaries to write profitable insurance policies in one or more states, may adversely affect the financial condition and results of operations of insurance subsidiaries. An insurance company's ability to comply with laws and regulations, at a reasonable cost, and to obtain necessary regulatory action in a timely manner, is and will continue to be critical to its success.

Regulation that could adversely affect insurance subsidiaries also includes statutory surplus and risk-based capital requirements. Maintaining appropriate levels of surplus, as measured by statutory accounting principles, is considered important by state insurance regulatory authorities and the private agencies that rate insurers' claims-paying abilities and financial strength. The failure of an insurance subsidiary to maintain levels of statutory surplus that are sufficient for the amount of its insurance written could result in increased regulatory scrutiny, action by state regulatory authorities or a downgrade by rating agencies.

Similarly, the National Association of Insurance Commissioners' has adopted a system of assessing minimum capital adequacy that is applicable to insurance subsidiaries. This system, known as risk-based capital, is used to identify companies that may merit further regulatory action by analyzing the adequacy of the insurer's surplus in relation to statutory requirements.

Because state legislatures remain concerned about the availability and affordability of insurance and the protection of policyholders, insurance subsidiaries will continue to face efforts by those legislatures to expand regulations to address these concerns. Resulting new legislation could adversely affect the financial condition and results of operations of insurance subsidiaries.

In the event of the insolvency, liquidation or other reorganization of any insurance subsidiaries, creditors and stockholders would have no right to proceed against any such insurance subsidiary or to cause the liquidation or bankruptcy of any such insurance subsidiary under federal or state bankruptcy laws. The insurance laws of the domiciliary state would govern such proceedings and the relevant insurance commissioner would act as liquidator or rehabilitator for the insurance subsidiary. Creditors and policyholders of any such insurance subsidiary would be entitled to payment in full from the assets of the insurance subsidiary before the insurance holding company, as a stockholder, would be entitled to receive any distribution.

The financial position of an insurance subsidiary also may be affected by court decisions that expand insurance coverage beyond the intention of the insurer at the time it originally issued an insurance policy.

The Dodd-Frank Act created the Federal Insurance Office (the "FIO") within the U.S. Department of the Treasury. The FIO studies the current insurance regulatory system and is charged with monitoring and providing specific reports on various aspects of the insurance industry. However, the FIO does not have general supervisory or regulatory authority over the business of insurance. In December 2013, the FIO released a report recommending ways to modernize and improve the system of insurance regulation in the U.S. While the report did not recommend full federal regulation of insurance, it did suggest an expanded federal role in some circumstances. It is unclear whether this report, any subsequent reports released by the FIO or any reports the FIO may release in the future will affect the manner in which insurance is regulated in the United States. In the future, if the Financial Stability Oversight Council were to determine that a certain insurance company is a "systemically important" nonbank financial company, such insurance company would be subject to regulation by the Federal Reserve Board.

In addition, legislation has been introduced that, if enacted, could result in the federal government assuming a more direct role in the regulation of the insurance industry, including federal licensing in addition to or in lieu of state licensing and requiring reinsurance for natural catastrophes. No assurances can be made regarding the potential impact of state or federal measures that may change the nature or scope of insurance and financial regulation.

A downgrade in the financial strength rating of any insurance company could adversely impact such company's business volume, ability to access additional debt or equity financing and competitive position, which may adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes

Financial strength ratings have become increasingly important to an insurer's competitive position and a downgrade in the financial strength rating of any insurance company could adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes. Additionally, such downgrade in the financial strength rating may also impact business volume, the ability to access additional debt or equity financing and competitive position. On an ongoing basis, rating agencies review their ratings, and the current ratings for insurance companies may not be maintained in the future. For example, a change in an insurance company's statutory capital; a change in a rating agency's determination of the amount of risk-adjusted capital required to maintain a particular rating; an increase in the perceived risk of the insurance company's investment portfolio; a reduced confidence in management or an insurance company's business strategy; as well as a number of other considerations that may or may not be under an insurance company's control may affect an insurance company's rating.

A downgrade in rating could negatively impact insurance companies' business volumes as it is possible that demand for products in certain markets may be reduced as a result of a downgrade or ratings could fall below minimum levels required to maintain existing business. Additionally, it may make it more difficult for insurance companies to access the capital markets and may result in higher borrowing costs. If significant losses, such as those resulting from one or more major catastrophes, or significant reserve additions were to cause an insurance company's capital position to deteriorate significantly, or if one or more rating agencies substantially increase their capital requirements, it is possible that an insurance company may need to raise equity capital in the future to maintain the insurance companies' ratings or limit the extent of a downgrade. For example, a trend of more frequent and severe weather-related catastrophes or pandemics may lead rating agencies to substantially increase their capital requirements.

Insurance financial strength ratings from A.M. Best, Standard & Poor's and Moody's are subject to continuous review, and the retention of current ratings cannot be assured. A downgrade in any of these ratings could have a material effect on an insurance company's sales, competitiveness, the marketability of an insurance company's product offerings, liquidity, operating results and financial condition, which may adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes.

The occurrence of natural or man-made disasters could adversely affect the operations, results of operations and financial condition of insurance companies, which may adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes

The occurrence of natural disasters, including hurricanes, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism, security breaches, cyber-attacks, and military actions, could adversely affect the operations, results of operations or financial condition of insurance companies, including in the following respects:

- Catastrophic loss of life due to natural or man-made disasters could cause an insurance company to pay benefits at higher levels and/or materially earlier than anticipated and could lead to unexpected changes in persistency rates.

- A man-made or natural disaster, such as an earthquake, could result in the disruptions of operations, losses in the investment portfolio of insurance companies or the failure of their counterparties to perform, or cause significant volatility in global financial markets.

- A terrorist attack affecting financial institutions in the United States or elsewhere could negatively impact the financial services industry in general and the business operations, investment portfolio and profitability of insurance companies.

- Computer viruses, hackers, employee misconduct and other external hazards could expose the systems of insurance companies to security breaches, cyber-attacks or other disruptions, which may result in legal claims, regulatory scrutiny and liability, reputational damage, the incurrence of costs to eliminate or mitigate further exposure, or other damage to their businesses.

- Pandemic disease could have a severe adverse effect on life and health insurance companies. The potential impact of such a pandemic on the results of operations and financial position of life and health insurance companies is highly speculative, and would depend on numerous factors, including: the effectiveness of vaccines and the rate of contagion; the regions of the world most affected; the effectiveness of treatment for the infected population; the rates of mortality and morbidity among various segments of the insured population; the collectability of reinsurance; the possible macroeconomic effects of a pandemic on the insurance company's asset portfolio; the effect on lapses and surrenders of existing policies, as well as sales of new policies; and many other variables.

There can be no assurance that business continuation plans and insurance coverage many insurance companies have in place would be effective in mitigating any negative effects on their operations or profitability in the event of a terrorist attack, security breach, cyber-attack or other disaster.

Finally, climate change may increase the frequency and severity of weather related disasters. In addition, climate change regulation may affect the prospects of companies and other entities whose securities such insurance company holds and their other counterparties, including reinsurers, and affect the value of investments, including real estate investments held by such insurance company. Insurance companies cannot predict the long term impact on their business from climate change or related regulation.

Reinsurance may be unavailable at current levels and prices, which may be inadequate to protect against losses and may limit an insurance company's ability to write new business, which may adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes

Market conditions beyond an insurance company's control impact the availability and cost of the reinsurance purchased, which may affect the level of an insurance company's business and profitability and which may adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes. No assurances can be made that reinsurance will remain continuously available to insurance companies to the same extent and on the same terms and rates as is currently available. For example, the ability to afford reinsurance to reduce an insurance company's catastrophe risk in designated areas may be dependent upon the ability to adjust premium rates for its cost, and there are no assurances that the terms and rates for the current reinsurance program will continue to be available in future years. If an insurance company is unable to maintain its current level of reinsurance or purchase new reinsurance protection in amounts that were considered sufficient and at prices that were considered acceptable, such insurance company would have to either accept an increase in its catastrophe exposure, reduce insurance writings, or develop or seek other alternatives. Any decrease in the amount of reinsurance will increase the risk of loss of insurance companies and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce an insurance company's earnings. Accordingly, insurance companies may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect an insurance company's ability to write future business or result in the assumption of more risk with respect to those policies insurance companies' issue.

Reinsurance subjects an insurance company to the credit risk of its reinsurers and may not be adequate to protect such insurance company against losses arising from ceded insurance, which could have a material effect on its operating results and financial condition and which may adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes

The collectability of reinsurance recoverables is subject to uncertainty arising from a number of factors, including changes in market conditions, whether insured losses meet the qualifying conditions of the reinsurance contract and whether reinsurers, or their affiliates, have the financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract. An insurance company's inability to collect a material recovery from a reinsurer could have a material effect on its operating results and financial condition, which may adversely affect the ability of the Issuer and Co-Issuer to make payments under the Notes.

The insurance industry is highly cyclical and competitive

The results of companies in the insurance industry historically have been subject to significant fluctuations due to competition, economic conditions, interest rates, credit spreads, liquidity and other factors. In particular, companies in the property and casualty insurance segment of the industry historically have experienced pricing and profitability cycles. With respect to these cycles, the factors having the greatest impact include significant and/or rapid changes in losses and costs, including changes in loss frequency and/or severity; prior approval and restrictions in certain states for price increases; intense price competition; less restrictive underwriting standards; aggressive marketing; and increased advertising, which have resulted in higher industry-wide combined loss and expense ratios.

An environment of rising interest rates may materially affect the liquidity and financial condition of insurance companies

Periods of rising interest rates may cause policyholders to seek financial instruments with higher returns, leading to net cash outflows, and the resulting liquidity demands may require insurance companies to sell investment assets when the prices of those assets are adversely affected by the increase in interest rates, which may result in realized investment losses. Further, investment portfolios of insurance companies often contain commercial mortgage loans and privately placed securities, which are relatively illiquid, thus increasing liquidity risk. During periods of rising interest rates, insurance companies may offer higher rates on new sales of products to maintain or enhance product competitiveness, but may not be able to purchase enough higher yielding assets necessary to fund such higher rates and maintain desired spreads, which could result in lower profitability on their businesses. Alternatively, if insurance companies seek to maintain profitability of their products in rising interest rate environments, it may be difficult for them to position their products to offer attractive rates and benefits to customers which may limit sales growth of interest sensitive products.

A persistent environment of low interest rates may negatively affect the results of operations and financial condition of insurance companies

Prolonged periods of low interest rates may have a negative impact on the ability of insurance companies to offer attractive rates and benefits to customers while maintaining profitability, which may limit sales growth of interest sensitive products. In addition, sustained declines in interest rates may subject insurance companies to lower returns on their invested portfolios. This may reduce future net investment income and compress the spread on some of their insurance products. Further, borrowers may prepay fixed maturity securities and commercial mortgage loans in order to borrow at lower market rates. Any related prepayment fees would be recorded in net investment income and may create income statement volatility.

Risks Relating to the Portfolio Assets

Nature of the Insurance Senior Note

The obligations of the Insurance Senior Note Issuer under its Insurance Senior Notes are unsecured and generally rank equally in right of payment with all of the Insurance Senior Note Issuer's other unsecured and unsubordinated indebtedness. However, the Insurance Senior Note is effectively subordinated to any secured indebtedness of the Insurance Senior Note Issuer to the extent of the value of the assets securing that indebtedness.

There are no terms in the Insurance Senior Note that limit the ability of the Insurance Senior Note Issuer to incur additional indebtedness (although the total amount of secured indebtedness is limited to a percentage of total indebtedness of the Insurance Senior Note Issuer), liabilities and obligations or that afford the Issuer, as the holder of the Insurance Senior Note, protection in the event of a highly leveraged transaction or other similar transaction involving a related obligor that may adversely affect the Issuer. In addition, the Insurance Senior Note Issuer is a holding company and conducts substantially all of its operations through its subsidiaries. The obligations of the Insurance Senior Note Issuer under the Insurance Senior Note are effectively subordinated to all of the liabilities of any subsidiaries of the Insurance Senior Note Issuer, to the extent of their assets, since they are separate and distinct legal entities with no obligation to pay any amounts due under the Insurance Senior Note Issuer's indebtedness, including the Insurance Senior Note, or to make any funds available to make payments on the Insurance Senior Note, whether by paying dividends or otherwise.

Prospective purchasers of the Notes should consider and assess for themselves the likely level of defaults, the likely level and timing of recoveries on the Insurance Senior Note, and the likely levels of interest rates during the term of the Notes.

Nature of the Bank Senior Notes

The obligations of any Bank Senior Note Issuer under its Bank Senior Notes are unsecured and generally rank equally in right of payment with all of such Bank Senior Note Issuer's other unsecured and unsubordinated indebtedness. However, Bank Senior Notes are effectively subordinated to any secured indebtedness of the Bank Senior Note Issuer to the extent of the value of the assets securing that indebtedness. Furthermore, the obligations of any Bank Senior Note Issuer under its Bank Senior Notes are effectively subordinated to all of the liabilities of any subsidiaries of such Bank Senior Note Issuer, to the extent of their assets, since they are separate and distinct legal entities with no obligation to pay any amounts due under the Bank Senior Note Issuer's indebtedness, including the Bank Senior Notes, or to make any funds available to make payments on the Bank Senior Notes, whether by paying dividends or otherwise.

Prospective purchasers of the Notes should consider and assess for themselves the likely level of defaults, the likely level and timing of recoveries on the Bank Senior Notes in the Trust Estate, and the likely levels of interest rates during the term of the Notes.

Nature of the Bank Subordinated Notes

The obligations of any Bank Subordinated Note Issuer under its Bank Subordinated Notes are unsecured and generally rank subordinate and junior in right of payment to all present and future secured or unsecured Senior Indebtedness of such Bank Subordinated Note Issuer existing now or incurred in the future. "**Senior Indebtedness**" generally includes all obligations of the Bank Subordinated Note Issuer with respect to any of its liabilities, except for (i) liabilities to trade creditors arising in the ordinary course of business and (ii) obligations that are neither superior to nor *pari passu* in right of payment with the Bank Subordinated Notes. Typically, no payment of principal of or premium, if any, or interest on any Bank Subordinated Note, and no redemption, exchange, retirement, purchase or other acquisition of any Bank Subordinated Note, may be made if (i) any Senior Indebtedness of the issuing Bank Subordinated Note Issuer has not been paid when due and any applicable grace period with respect to such default has ended with such default not having been cured or waived or ceasing to exist or (ii) the maturity of any Senior Indebtedness of the issuing Bank Subordinated Note Issuer has been accelerated because of a default and such acceleration has not been rescinded or cancelled. In the event of the bankruptcy, liquidation or dissolution of a Bank Subordinated Note Issuer, its assets would be available to pay obligations under its Bank Subordinated Notes only after all payments have been made on its Senior Indebtedness. Typically, any Bank Subordinated Note Issuer or any subsidiary of any Bank Subordinated Note Issuer may incur additional indebtedness, liabilities and obligations, including Senior Indebtedness and other indebtedness ranking senior to the related Bank Subordinated Notes. In addition, Bank Subordinated Note Issuers may be parties to agreements with holders of Senior Indebtedness that have the practical effect of further subordinating the rights of holders of the related Bank Subordinated Notes to such holders of Senior Indebtedness under certain circumstances. The Bank Subordinated Note Indentures or Bank Subordinated Note Purchase Agreements do not afford the Issuer, as the holder of the Bank Subordinated Notes, protection in the event of a highly leveraged or other transaction involving the related Bank Subordinated Note Issuer that may adversely affect it. See "*Security for the Notes—Description of Bank Subordinated Notes—Subordination*."

Upon the bankruptcy, liquidation or dissolution of a Bank Subordinated Note Issuer, and subject to the applicable subordination provisions, generally the principal of and unpaid interest on the Bank Subordinated Notes of such Bank Subordinated Note Issuer may be accelerated by the holders of such Bank Subordinated Notes with the approval of the Applicable Regulator, if required. However, holders of Bank Subordinated Notes will not have any right to accelerate payment in the case of a default of principal thereof or premium or interest thereon or breach in the performance of any other covenant contained in such Bank Subordinated Notes or the related Bank Subordinated Note Indenture or Bank Subordinated Note Purchase Agreement. Furthermore, the Issuer will own less than 100% of the Principal Balance of the Bank Subordinated Notes of certain of the individual Bank Subordinated Note Issuers and therefore may not be able to control any matters as to which holders thereof are entitled to vote, give their consent or take action.

Prospective purchasers of the Notes should consider and assess for themselves the likely level of defaults, the likely level and timing of recoveries on any Bank Subordinated Notes in the Trust Estate, and the likely levels of interest rates during the term of the Notes.

The Insurance Senior Note is not insured or guaranteed by any insurance regulatory authority, any governmental agency or instrumentality or any insurance guaranty fund

The Insurance Senior Note is not insured or guaranteed by any insurance regulatory authority, any governmental agency or instrumentality or any insurance guaranty fund. The regulation and authority for the issuance of Insurance Senior Notes are governed by the laws of the states having jurisdiction over the Insurance Senior Note Issuer. Certain states' insurance statutes and regulations do not specifically authorize the issuance of surplus notes or their accounting treatment or repayment terms. Nevertheless, authority for the issuance of surplus notes in such states may be relied upon in light of the adoption by such states of the Statutory Accounting Principles ("**SAP**") accounting guidelines, which provide for accounting treatment of surplus notes. In all states, an Insurance Senior Note can only be issued pursuant to the approval of the applicable state regulator.

The approval of the issuance of the Insurance Senior Note by the applicable regulator does not constitute a guarantee or recommendation of the Insurance Senior Note by the applicable regulator or approval of any payments to be made in respect of the Insurance Senior Note.

The Bank Portfolio Assets are not insured or guaranteed by any regulatory authority, any governmental agency or instrumentality or any guaranty fund

The Bank Portfolio Assets are not deposits or other obligations of any bank institution and are not insured or guaranteed by the FDIC or any other governmental agency or instrumentality.

The ability of Bank Portfolio Asset Issuers that are holding companies of banks, thrifts or other depository institutions to pay and discharge their obligations, including payment of principal of and interest on the Bank Portfolio Assets depends on the dividends paid and distributions and other payments made to such issuers by their subsidiaries and on obtaining funds from corporate borrowings or by selling their securities

The principal source of funds of a Bank Portfolio Asset Issuer that is a holding company to service its debts, including its Bank Portfolio Asset, are dividends, interest, distributions and other payments from its subsidiaries. Federal and state banking regulations limit dividends from bank subsidiaries to their holding companies. Dividend limitations vary, depending on the jurisdiction of formation of the subsidiary and state law. Generally, banks, thrifts and other depository institutions are prohibited from paying dividends when doing so would cause them to fall below regulatory minimum capital levels. In addition, all depository institutions must maintain a capital conservation buffer which can be satisfied only with CETI (Common Equity Tier 1) capital. If a depository institution's risk-based capital ratios were to fall below the applicable buffer levels, it would face graduated constraints on dividends, stock repurchases and other capital distributions based on the amount of the shortfall. Additionally, limits exist on banks and depository institutions paying dividends in excess of net income for specified periods. Federal bank regulatory agencies also have the authority to prohibit subsidiary banks from engaging in unsafe or unsound practices in conducting their business. The payment of dividends or other transfers of funds to a holding company, depending on the financial condition of the bank, could be deemed an unsafe or unsound practice. Dividend payments from subsidiary banks would also be prohibited under the "prompt corrective action" regulations of the federal bank regulators if any subsidiary is, or after payment of such dividends would be, undercapitalized under such regulations.

In addition, subsidiary banks are subject to restrictions under federal law that limit their ability to transfer funds or other items of value to their holding company whether in the form of loans and other extensions of credit, investments and asset purchases, or as other transactions involving the transfer of value. A bank's transactions with its non-bank affiliates also are required generally to be on arm's-length terms. Regulatory restrictions limiting the aggregate amount of loans to, and investments in, any single affiliate limit and may prevent bank holding companies from borrowing from their depository institution subsidiaries and generally require that any such borrowings be collateralized. All such legal and regulatory limitations and restrictions may change at any time with respect to any bank institution. If consent were to be required from, and were to be withheld by, an Applicable Regulator with respect to any matter described in this paragraph, such affiliated bank holding company would likely exercise its rights to defer interest payments on its Bank Portfolio Assets, and the Issuer may not have funds available to make anticipated distributions on the Notes during such, and in subsequent periods.

A bank's transactions with its non-bank affiliates also are required generally to be on arm's-length terms. Accordingly, there is no assurance that any Bank Portfolio Asset Issuer that is a holding company will receive dividends or other distributions from its subsidiary banks, thrifts or other depository institution in an amount sufficient to pay interest on or principal of the Bank Portfolio Assets issued by it.

The Bank Subordinated Notes of a Bank Subordinated Note Issuer are subordinated to such Bank Subordinated Note Issuer's existing and future senior debt and to the obligations of its subsidiaries

The Bank Subordinated Notes of a Bank Subordinated Note Issuer are subordinated, unsecured obligations and, consequently, are junior in right of payment to all of such Bank Subordinated Note Issuer's secured and unsecured senior debt now existing or that may be incurred in the future. As a result, if such Bank Subordinated Note Issuer were to become subject to any receivership, conservatorship, termination, winding up, liquidation or reorganization, including as a result of any liquidation, reorganization or other insolvency proceeding under bankruptcy laws or any other applicable insolvency law (including the Federal Deposit Insurance Act), make any assignment for the benefit of its creditors or otherwise engage in any marshalling of its assets and liabilities, the holders of the senior debt would be entitled to have the senior debt paid in full prior to the holders of the Bank Subordinated Notes receiving any payment of principal of, or interest on, the Bank Subordinated Notes. In addition, if a default in the payment of principal of, or premium, if any, or interest on, any senior debt occurs and is continuing past any applicable grace period or if any event of default occurs and is continuing with respect to any senior debt or would occur with respect to any senior debt if the Bank Subordinated Note Issuer were to pay the principal of, or any interest on, the Bank Subordinated Notes and that event of default would allow the holders of such senior debt to accelerate the maturity of such senior debt, the Bank Subordinated Note Issuer may not pay the principal of, or any interest on, the Bank Subordinated Notes until such default or event of default is cured or waived or otherwise ceases to exist. The types of senior debt to which the Bank Subordinated Notes may be subordinated are described below under "*Security for the Notes — Description of Bank Subordinated Notes—Subordination*."

The underlying documents which govern the Bank Subordinated Notes included in the Trust Estate generally do not limit the amount of additional indebtedness or senior debt that the related Bank Subordinated Note Issuer may incur. In the future, a Bank Subordinated Note Issuer may incur other indebtedness, which may be substantial in amount, including senior debt and debt ranking *pari passu* with the Bank Subordinated Notes. As a consequence of the subordination of the Bank Subordinated Notes to senior debt, the Issuer, as an investor in the Bank Subordinated Notes, may lose all or some of its investment should such bank liquidate or become insolvent. In such an event, the assets of the Bank Subordinated Notes Issuer would be available to pay the principal of and accrued and unpaid interest on Bank Subordinated Notes only after all of its senior debt has been paid in full. In the event of a Bank Subordinated Note Issuer's liquidation, reorganization or other insolvency proceedings under the U.S. Bankruptcy Code or any other insolvency law (including the Federal Deposit Insurance Act), any general, unsecured obligations of such Bank Subordinated Note Issuer that do not constitute senior debt will share pro rata with the related Bank Subordinated Notes in the assets remaining for payment of such obligations after payment in full of all senior debt.

Regulatory guidelines may restrict the ability of a Bank Subordinated Note Issuer or a Bank Senior Note Issuer that is a holding company from paying the principal of, and accrued and unpaid interest on, the Bank Portfolio Assets issued by it, regardless of whether such holding company is subject to an insolvency proceeding

The ability of a Bank Senior Note Issuer or a Bank Subordinated Note Issuer that, in each case, is a bank holding company to pay the principal of, and interest on, Bank Senior Notes or Bank Subordinated Notes issued by it (as applicable) is subject to the guidelines of the Federal Reserve regarding capital adequacy. If such bank holding company intends to treat the Bank Subordinated Notes issued by it as "Tier 2 Capital" under the Federal Reserve's regulatory capital rules and guidelines, the Federal Reserve guidelines generally require review of the effects of the cash payment of Tier 2 Capital instruments on the holding company's overall financial condition. The guidelines also require review of net income for the current and past four quarters, and the amounts paid on Tier 2 Capital instruments for those periods, as well as projected rate of earnings retention. Moreover, under the Dodd-Frank Act, a bank holding company, savings and loan holding company or any other depository holding company is required to act as a source of financial strength to its banking subsidiaries and commit resources to their support, including the guarantee of capital plans of an undercapitalized bank subsidiary. Such support may be required at times when a holding company may not otherwise be inclined to provide it. As a result of the foregoing, a Bank Senior Note Issuer or Bank Subordinated Note Issuer that is a bank holding company may be unable to pay accrued interest on the Bank Senior Notes or Bank Subordinated Notes issued by it (as applicable) on one or more of the scheduled interest payment dates or at any other time or to pay the principal of such notes at maturity.

No limit or restriction exists on the amount or type of further securities or indebtedness that a Bank Subordinated Note Issuer may issue, incur or guarantee

No limit or restriction typically exists on the amount of securities or other liabilities that a Bank Subordinated Note Issuer may issue, incur or guarantee and that rank senior in right of payment to, or *pari passu* with, the Bank Subordinated Notes issued by it. The issuance or guarantee of any such securities or the incurrence of any such other liabilities may reduce the amount, if any, recoverable by holders of the Bank Subordinated Notes in any insolvency proceeding of the related Bank Subordinated Note Issuer and may limit such Bank Subordinated Note Issuer's ability to meet its obligations under the Bank Subordinated Notes. In addition, typically there are no restrictions on the Bank Subordinated Note Issuer's ability to issue securities that may have preferential rights to the Bank Subordinated Notes or securities with provisions similar to or different from the provisions under which a Bank Subordinated Note was issued. Moreover, there are typically no covenants prohibiting a Bank Subordinated Note Issuer from, or limiting its right to, incur additional indebtedness or obligations, to grant liens on its assets to secure its indebtedness or other obligations, to issue or repurchase stock or other securities, including any of the Bank Subordinated Notes, or to pay dividends or make other distributions to shareholders. The incurrence of additional debt or liabilities could adversely affect the ability to pay obligations on the Bank Portfolio Assets. In addition, the Bank Subordinated Note Indenture and/or Bank Subordinated Note Purchase Agreement do not contain, among other things, provisions that would afford holders of the Bank Subordinated Notes protection in the event of a recapitalization transaction, a change of control of the holding company or a highly leveraged transaction involving the holding company which could adversely affect the holders of the Notes.

The investment portfolio is concentrated by geography and asset size

Approximately 11.15% of the aggregate Principal Balance of the Initial Portfolio Assets were issued by Portfolio Asset Issuers that are located in Illinois, approximately 10.91% of the aggregate Principal Balance of the Initial Portfolio Assets were issued by Portfolio Asset Issuers that are located in Texas, approximately 8.20% of the aggregate Principal Balance of the Initial Portfolio Assets were issued by Portfolio Asset Issuers that are located in California, approximately 7.67% of the aggregate Principal Balance of the Initial Portfolio Assets were issued by Portfolio Asset Issuers that are located in Florida, approximately 7.67% of the aggregate Principal Balance of the Initial Portfolio Assets were issued by Portfolio Asset Issuers that are located in New York, approximately 5.99% of the aggregate Principal Balance of the Initial Portfolio Assets were issued by Portfolio Asset Issuers that are located in Wisconsin, and approximately 5.51% of the aggregate Principal Balance of the Initial Portfolio Assets were issued by Portfolio Asset Issuers that are located in Ohio. As a result, credit deterioration in Illinois, Texas, California, Florida, New York, Wisconsin or Ohio could have a significantly greater negative impact on the Trust Estate, which could have a material adverse effect on the Notes.

Portfolio Assets of non-U.S. Portfolio Asset Issuers may expose the Issuer to different economic risks, legal and regulatory uncertainties and potential impairment of enforcement actions against such obligors

One of the Initial Portfolio Assets (a Bank Subordinated Note with a Principal Balance of $5,000,000) was issued by a Portfolio Asset Issuer domiciled in the Bahamas. Portfolio Assets of obligors located outside the United States and its territories may involve greater risks than Portfolio Assets of obligors located in the United States and its territories. These risks include: (a) less publicly available information about the related obligor; (b) varying levels of governmental regulation and supervision; and (c) the difficulty of enforcing legal rights in a foreign jurisdiction and related uncertainties as to the status, interpretation and application of laws. Moreover, foreign entities are generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

Historically, there has been less governmental supervision and regulation of exchanges, brokers and issuers in foreign countries than there is in the United States. For example, there may be no comparable provisions under certain foreign laws with respect to insider trading and similar investor protection securities laws that apply with respect to securities transactions consummated in the United States.

In certain foreign countries there is the possibility of expropriation, nationalization, or confiscatory taxation; limitations on the convertibility of currency or the removal of securities, property, or other assets of the Issuer; political, economic, or social instability; or adverse diplomatic developments, each of which could have an adverse effect on the Issuer's investments in the foreign countries (which may make it more difficult to pay U.S. dollar denominated obligations). The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as the effect of a global recession, growth or contraction of the gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency, and balance of payments position. Accordingly, Portfolio Assets of non-U.S. obligors could face risks which would not pertain to Portfolio Assets of U.S. obligors, which could expose the Issuer to losses on such Portfolio Assets.

Balloon and bullet payments present refinancing risk

The Issuer’s investment portfolio will consist of Portfolio Assets that require bullet and balloon payments. These payment structures involve a greater degree of risk than other types of transactions because they are structured to allow for no principal payments over the term of the bond, requiring the obligor to make a large final payment upon the maturity of the Portfolio Asset. The ability of such obligor to make this final payment upon the maturity of the Portfolio Asset typically depends upon its ability either to refinance the Portfolio Asset prior to maturity or to generate sufficient cash flow to repay the Portfolio Asset at maturity. The ability of any obligor to accomplish any of these goals will be affected by many factors, including the availability of financing at acceptable rates to such obligor, the financial condition of such obligor, the marketability of the collateral (if any) securing such Portfolio Asset, the operating history of the related business, tax laws and the prevailing general economic conditions. Consequently, such obligor may not have the ability to repay the Portfolio Asset at maturity, and the Issuer could lose all or most of the principal of the Portfolio Asset. Given their relative size and limited resources and access to capital, some obligors may have difficulty in repaying or refinancing their bullet Portfolio Asset on a timely basis or at all.

Impact of Defaults, Deferrals and Payment Restrictions Relating to the Portfolio Assets

A default in the payment of principal of or premium, if any, or interest on any Portfolio Asset or a deferral of distributions on any Portfolio Asset will decrease the amount of cash available to the Issuer to make payments on the Notes and therefore may result in a default in or deferral of the amount due on the Notes. In such event, the Noteholders may incur a loss on their investment in the Notes.

Limited Disclosure about Portfolio Assets

Holders of Notes will receive limited information with regards to the Portfolio Assets and none of the Issuer, the Trustee, the Collateral Manager, the Placement Agents or their respective Affiliates will be required to provide any information it receives pursuant to the Portfolio Assets and related documents other than what is required in the Indenture and the Collateral Management Agreement. In particular, the Collateral Manager will not have any obligation to keep any of these parties informed as to matters arising in relation to any Portfolio Asset, except as may be required in connection with the regular reports provided in accordance with the Indenture.

Limited Liquidity of Portfolio Assets; Restrictions in the Indenture to sell Portfolio Assets and purchase additional Portfolio Assets

The Indenture only allows the Collateral Manager to sell certain types of Portfolio Assets (which include a Defaulted Security, a Credit Risk Security or an APAI Security) in very limited circumstances and only if such sales satisfy the Portfolio Acquisition and Disposition Requirements. Accordingly, during certain periods or in certain circumstances, the Collateral Manager may be unable as a result of such restrictions to sell Portfolio Assets or purchase additional Portfolio Assets (with APAI Security Sales Proceeds) or to take other actions which it might consider to be in the best interests of the Issuer and the holders of the Notes and/or experience delays in selling, purchasing or otherwise taking actions. In the event a Defaulted Security or a Credit Risk Security is sold, the Indenture does not permit any reinvestment of the Sale Proceeds in additional Portfolio Assets. In the event a Portfolio Asset becomes an APAI Security, the Collateral Manager may, but is not obligated to, sell such APAI Security and may, but is not obligated to, reinvest the proceeds from such sales up to the full amount of the APAI Security Sales Proceeds in additional Portfolio Assets, in each case, subject to the requirements described in "*Security for the Notes—Activities of the Collateral Manager with respect to Portfolio Assets and Eligible Investments—Disposition of Portfolio Assets; Additional Portfolio Assets and Reinvestment Criteria*", including the requirement that any sale of an APAI Security and any purchase of additional Portfolio Assets with APAI Security Sales Proceeds must satisfy the Portfolio Acquisition and Disposition Requirements and that any purchase of additional Portfolio Assets satisfy the Reinvestment Criteria.

Most of the Portfolio Assets securing the Notes will be privately issued securities, and all of the Portfolio Assets were either (i) acquired by the Issuer or a CM Seller upon original issuance or (ii) acquired by the Issuer or a CM Seller in the secondary market. Significant restrictions apply to the transfer of Portfolio Assets.

Little or no publicly available information may be available with respect to Portfolio Asset Issuers that are not reporting companies under the Exchange Act. As a result, the Portfolio Assets will be extremely illiquid investments. If any Portfolio Asset becomes a Defaulted Security or Credit Risk Security, the Trustee will sell such Portfolio Asset at the direction of the Collateral Manager; *provided* that no Event of Default has occurred and is continuing. In addition, with respect to Defaulted Securities, the Collateral Manager may, with the written consent of the Requisite Noteholders, and will, at the direction of the Requisite Noteholders, direct the Trustee to take such action as the Collateral Manager may deem advisable, including engaging in a restructuring, bringing enforcement proceedings and/or taking other measures, subject to the remedial provisions in the underlying documentation. Such actions will subject the Issuer and the Noteholders to greater uncertainties with respect to the timing and amount of any ultimate recovery than a sale of the Defaulted Securities. In the event that any such sale is made, the Issuer generally expects that the proceeds from such sale of such Portfolio Asset will be less than the outstanding Principal Balance thereof (plus any unpaid accrued interest). In addition, because the Portfolio Assets are extremely illiquid investments, there can be no assurance that any sale will be consummated in connection with an attempted Redemption by Liquidation.

Negative Carry

The payment dates with respect to Portfolio Assets may be several weeks or months prior to the Payment Dates with respect to the Notes. In addition, the number of days between the payment dates on the Portfolio Assets and the Payment Dates with respect to the Notes may be less than the number of days in the cure period for late payments of interest with respect to the Portfolio Assets. As such, it is possible that interest on Portfolio Assets may be paid after the Payment Date with respect to the Notes yet before its late payment has matured into an event of default with respect to such Portfolio Assets.

Payments received on Portfolio Assets after the end of the applicable Due Period will be invested in Eligible Investments that mature on or prior to the next succeeding related Payment Date pending distribution on such Payment Date. The rate of interest earned on Eligible Investments is expected to be significantly less than the rate of interest payable on the Portfolio Assets or the Notes.

Credit ratings are not a guarantee of quality

Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality or performance. Credit ratings address the timely payment of interest on non-deferrable Classes and the ultimate payment of principal by the Stated Maturity Date. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. If a rating assigned to any Portfolio Asset is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such Portfolio Asset. Rating agencies attempt to evaluate the relative future creditworthiness of an obligation and do not address other risks, including but not limited to, the likelihood of principal prepayments (both voluntary and involuntary), liquidity risk, market value or price volatility; therefore, ratings do not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Further, rating agencies may change credit rating methodology in response to recent legislative and regulatory initiatives and legal actions directed against rating agencies. Consequently, credit ratings of any Portfolio Asset (as is also the case in respect of the Notes) should be used only as a preliminary indicator of perceived investment quality and should not be considered a reliable indicator of actual investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time, with material adverse effects upon the Notes. It is possible that many credit ratings of assets included in or similar to the Portfolio Assets will be subject to significant or severe adjustments downward. See "*—Relating to the Notes—Future Actions of the Rating Agency and other NRSROs can adversely affect the market value or liquidity of the Notes*."

Concentration of Credit Risk Over Time

The portion of the Issuer's portfolio represented by any one Portfolio Asset Issuer or located in any one geographic region may increase over time as other Portfolio Assets are repaid or due to sales of Defaulted Securities, Credit Risk Securities and/or APAI Securities and may increase over time due to any reinvestment in additional Portfolio Assets with some of all of the APAI Security Sales Proceeds. There are no geographic restrictions on reinvestments in additional Portfolio Assets with APAI Security Sales Proceeds. See "*Security for the Notes—Activities of the Collateral Manager with respect to Portfolio Assets and Eligible Investments—Disposition of Portfolio Assets; Additional Portfolio Assets and Reinvestment Criteria*".

Optional Redemptions and Prepayments of the Portfolio Assets

Collections from optional redemptions or prepayments of Portfolio Assets will be deposited in the Collection Account and will be applied in accordance with the Priority of Payments on the Payment Date following the Due Period in which such optional redemption or prepayment occurs; *provided* that any premiums received in connection with such optional redemptions or prepayment will be deposited in the Reserve Account. Optional redemption or prepayment on the Portfolio Assets will be influenced by, among other things, the prevailing levels of interest rates and spreads (which is expected to affect the incentive of the Portfolio Asset Issuers to voluntarily prepay the Portfolio Assets), the business prospects, financial condition and results of operation of the Portfolio Asset Issuers and the availability of alternative financing in the form of equity, debt or hybrid instruments (which is expected to affect the ability of the Portfolio Asset Issuers to refinance the Portfolio Assets), changes in regulatory or accounting treatment of the Insurance Senior Note, Bank Senior Notes or Bank Subordinated Notes, the occurrence of changes or prospective changes involving tax law, the Investment Company Act or Applicable Regulator capital adequacy guidelines (any of which could permit the redemption of the Portfolio Assets), and whether permission of the Applicable Regulator is required, directly or indirectly, for prepayment of any Portfolio Assets under regulatory capital adequacy guidelines and, if so, whether the Applicable Regulator grants such permission. Prepayments and optional redemptions may adversely affect the timing and amount of payments received by holders of Notes and the yield to maturity of the Notes.

While on the Closing Date, all of the Portfolio Assets will pay interest at a fixed rate, the interest rate on approximately 96.84% of the aggregate Principal Balance of the Portfolio Assets will convert to floating rate about 5 years after the Closing Date. The weighted average spread over LIBOR with respect to the fixed/floating rate Bank Subordinated Notes during the period they pay interest at a floating rate is expected to be approximately 3.572% although a significant portion of such Portfolio Assets will have spreads over LIBOR that are less than 3.25%. To the extent that optional redemptions or prepayments of Portfolio Assets and/or sales of Defaulted Securities, Credit Risk Securities and/or APAI Securities are concentrated among Portfolio Assets with relatively higher spreads (and, in the case of sales of APAI Securities, the sale proceeds from such sales are not reinvested in additional Portfolio Assets with comparable or higher spreads), the lower weighted average spread of the remaining Portfolio Assets will result in reduced Interest Collections. Any such concentration could adversely affect the ability of the Issuer to make interest payments on the Notes.

Relating to the Collateral Manager and the Services Provider

Limited Operating and Management History of the Collateral Manager

The Collateral Manager is a recently formed series of a recently formed Delaware series limited liability company and has a limited prior operating history and track record. The Issuer will be the second CBO managed by the Collateral Manager and the first CBO managed by the Collateral Manager – BFNS 2017-1 – has only been managed by the Collateral Manager since January 11, 2018. In addition, the Collateral Manager acts as the collateral manager for the Issuer in connection with the NCFA Warehouse and manages and administers certain assets similar to the Portfolio Assets for itself and an Affiliate. Accordingly, the Collateral Manager has limited performance history for prospective investors to evaluate in making a decision whether or not to invest in the Notes.

The Collateral Manager is a registered investment adviser under the Investment Advisers Act of 1940. The Collateral Manager is an Affiliate of Angel Oak Capital Advisors, an SEC registered, employee-owned, alternative asset management firm that manages approximately $8.9 billion of assets as of December 31, 2018 across a diverse group of alternative asset strategies. See "*Collateral Management*" and "*The Collateral Management Agreement*."

Past performance of the Collateral Manager and the Services Provider not indicative

Although the Services Provider is an affiliate of the Collateral Manager and will provide services to the Collateral Manager under the Services Agreement, the past performance of the Services Provider and Affiliates thereof in managing other portfolios or investment vehicles and of the Collateral Manager in managing assets of Collateral Manager affiliated entities and other portfolios or investment vehicles, may not be indicative of the results that the Collateral Manager may be able to achieve with the Portfolio Assets with the services provided by the Services Provider under the Services Agreement. In relation to such services, the past performance of the Collateral Manager and Affiliates thereof over a particular period may not be indicative of the results that may occur in future periods. Furthermore, the nature of, and risks associated with, the Issuer's investments, as selected by the Collateral Manager, may differ from those investments and strategies undertaken historically by the Collateral Manager, the Services Provider and Affiliates thereof. There can be no assurance that the Issuer's investments will perform as well as past investments of the Collateral Manager, the Services Provider or of Affiliates thereof, that the Issuer will be able to avoid losses or that the Issuer will be able to make investments similar to such past investments. In addition, such past investments may have been made utilizing a leveraged capital structure and an asset mix and fee arrangements that are different from the anticipated capital structure, asset mix and fee arrangements of the Issuer, and some past investments by the Collateral Manager and/or the Services Provider may not have been subject to the Retention Requirements as the Issuer and the Collateral Manager will be. Moreover, because the investment criteria and regulatory requirements (including the Retention Requirements) that govern investments in the Portfolio Assets do not govern certain of the Collateral Manager's and the Services Provider's investments and investment strategies generally, such investments conducted in accordance with such criteria, and the results they yield, are not directly comparable with, and may differ substantially from, other investments undertaken by the Services Provider, the Collateral Manager and Affiliates thereof.

The Collateral Manager will be dependent on the Services Provider for its employees and for the provision of certain services

Although the Issuer's activities will be directed by the Collateral Manager, the Collateral Manager will depend on the Services Provider to provide services to the Collateral Manager under the Services Agreement. Consequently, while the success of the Issuer will depend, in large part, on the skill and expertise of the Collateral Manager's investment professionals to whom the task of managing the Portfolio Assets has been assigned, the Collateral Manager's ability to carry out its obligations to the Issuer will depend in part on the performance by the

Services Provider under the Services Agreement. The Services Agreement may be terminated by any of Buckhead One, Buckhead One Management Series, Buckhead One Investment Series or the Services Provider at any time. The Collateral Manager may not be able to perform its duties and obligations under the Collateral Management Agreement if the Services Agreement is terminated. The Issuer will not be a party to the Services Agreement and none of the Issuer, the Trustee or any holder of Notes will have recourse to the Services Provider, or any officer, director, employee, partner or member of the Services Provider.

While investment professionals associated with the Services Provider will devote such time as they determine in their discretion is reasonably necessary to fulfill the Collateral Manager's obligations to the Issuer effectively, they are actively involved in other investment activities not concerning the Issuer or the Collateral Manager, and none of them will devote all of their professional time to the affairs of the Issuer or the Collateral Manager. Any such investment professionals may cease to be associated with the Services Provider after the date hereof. In addition, individuals not currently associated with the Services Provider may become associated with the Services Provider in the future, and the performance of the Portfolio Assets may also depend on the financial and managerial experience of such individuals.

Dependence on Key Personnel

The performance of the Portfolio Assets depends in part on the skills of the Collateral Manager in selecting and acquiring the Portfolio Assets as well as monitoring the Portfolio Assets. In addition, the Collateral Manager will direct the Trustee on behalf of the Issuer as to the disposition of any Defaulted Securities, Credit Risk Securities or APAI Securities (including with respect to the pricing thereof) and will make certain decisions with respect to the exercise of rights by the Issuer as holder of the Portfolio Assets. As a result, the Issuer will be dependent on the financial and managerial experience of the Collateral Manager and certain of the Collateral Manager personnel to whom the task of managing the Collateral has been assigned. In the event that one or more of the Collateral Manager personnel were no longer available to provide services to the Collateral Manager, the Collateral Manager would have to reassign responsibilities, contract for additional personnel and/or hire one or more employees, each of which could have a material adverse effect on the performance of the Issuer. See "*Collateral Management*" and "*The Collateral Management Agreement*."

Formation of Buckhead One

Buckhead One is a Delaware limited liability company with separate series of limited liability company interests (each a "**Series**") and has established each of Buckhead One Management Series and Buckhead One Investment Series as a designated Series of Buckhead One. Under the terms of the Buckhead One Operating Agreement, Buckhead One performs its origination and collateral management activities through Buckhead One Management Series and its retention obligations through Buckhead One Investment Series, but neither Series is a separately registered legal entity under Delaware law. Buckhead One is a legal entity of which each of Buckhead One Management Series and Buckhead One Investment Series is a Series and therefore is considered to be the legal entity that is the "originator" and "retention holder" for the purposes of the EU Risk Retention Requirements.

If Buckhead One satisfies certain requirements of the Delaware Limited Liability Company Act, then the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to a particular Series are enforceable against the assets of such Series only, and not against the assets of Buckhead One generally or against the assets of any of the other Series, and, unless otherwise provided in the limited liability company agreement of Buckhead One, none of the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to Buckhead One generally or any other Series thereof shall be enforceable against the assets of such Series.

To establish a Delaware limited liability company with separate series of limited liability company interests and maintain the separateness of its series, Buckhead One must adhere to specific statutory requirements regarding its certificate of formation, limited liability company agreement and books and records. As a Delaware limited liability company with separate series of limited liability company interests, the failure of Buckhead One to strictly adhere to these statutory requirements may result in the loss of the benefits of the Delaware law regarding segregation of assets and liabilities.

In addition Buckhead One may be subject to claims in jurisdictions that may not recognize the segregation of assets and liabilities among series. It is uncertain as to how the segregation of assets and liabilities will be treated by courts inside or outside of Delaware. There is a risk that a court, including a Bankruptcy Court, could chose to either disregard Delaware law or to consolidate one or more Series and determine that the assets of any one Series should be applied to meet the liabilities of any other Series or Buckhead One generally, particularly if the assets of such other Series or Buckhead One generally are insufficient to meet their respective liabilities. Such consolidation could have a material adverse impact on the performance of a Series of Buckhead One.

Potential Conflicts of Interest

Various potential and actual conflicts of interest may arise from the overall business and investment activities of the Collateral Manager, the Placement Agents, their respective Affiliates (including their respective partners, directors, officers and employees) and their respective clients, which include issuers of Portfolio Assets and their Affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive discussion of all potential conflicts.

Conflicts of Interest Involving the Collateral Manager and the Services Provider

Various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Collateral Manager, the Services Provider and their respective Affiliates for their own accounts or for their respective client accounts. Neither the Collateral Manager nor the Services Provider has an obligation, except in the limited circumstances set forth in the Collateral Management Agreement, to disclose these conflicts on an ongoing basis. The Collateral Manager, the Services Provider and/or their respective Affiliates may have ongoing relationships with, render services to, engage in transactions with and, in the case of such Affiliates, invest in other issuers of collateralized debt obligations that invest in assets of a similar nature to those securing the Notes, and with companies whose securities are pledged to secure the Notes. Affiliates of the Collateral Manager and/or the Services Provider may also own equity or debt securities issued by issuers of and other obligors on Portfolio Assets. As a result, officers or Affiliates of the Collateral Manager and/or the Services Provider may possess information relating to issuers of Portfolio Assets that is not known to the individuals at the Collateral Manager and/or the Services Provider that are responsible for monitoring the Portfolio Assets and performing the other obligations under the Collateral Management Agreement. The Collateral Manager and/or the Services Provider will not be required to share such information with the Issuer or any Holder of any Note. Neither the Collateral Manager nor the Services Provider will have any liability to the Issuer or any Holder of any Note for failure to disclose such information or for taking, or failing to take, any action based upon such information. The Collateral Manager and/or the Services Provider may in the future serve as collateral manager or adviser or sub-adviser for other securitization vehicles (or similar entities) on terms materially different from those applicable between the Collateral Manager and the Issuer and, accordingly, the Collateral Manager and/or the Services Provider may have incentives to favor any one or more other securitization vehicles (or similar entities) over the Issuer. In addition, Affiliates and clients of the Collateral Manager and/or the Services Provider may invest in securities that are senior to, or have interests different from or adverse to, the securities that are pledged to secure the Notes. The Collateral Manager, the Services Provider and/or their respective Affiliates may at certain times be simultaneously seeking to purchase or dispose of investments for its respective account, the Issuer, any similar entity for which it serves as manager or adviser and for its other clients or Affiliates.

None of the Collateral Manager, the Services Provider or any of their respective Affiliates is under any obligation to offer investment opportunities of which they become aware to the Issuer or to account to the Issuer for (or share with the Issuer or inform the Issuer of) any such transaction or any benefit received by them from any such transaction or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager, the Services Provider and/or any of their respective Affiliates manage or advise. Furthermore, the Collateral Manager, the Services Provider and/or any of their respective Affiliates may make an investment on behalf of any account that they manage or advise without offering the investment opportunity or making any investment on behalf of the Issuer. The Collateral Manager, the Services Provider and/or any of their respective Affiliates have no affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager, the Services Provider and/or any of their respective Affiliates manage or advise. Furthermore, the Collateral Manager, the Services Provider and/or any of their respective Affiliates may make an investment on their own behalf without offering the investment opportunity to the Issuer or the Collateral Manager making any investment on behalf of the Issuer.

Affirmative obligations may exist or may arise in the future, whereby the Collateral Manager and/or any of its Affiliates are obligated to offer certain investments to funds or accounts that they manage or advise before or without the Collateral Manager offering those investments to the Issuer. The Collateral Manager, the Services Provider and their respective Affiliates have no affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before engaging in any investments for themselves. The Collateral Manager may make investments on behalf of the Issuer in securities, or other assets, that it has declined to invest in for its own account, the account of any of its Affiliates or the account of its other clients or in which the Services Provider has declined to invest in for its own account, the account of any of its Affiliates or the account of its other clients. The Collateral Manager will endeavor to resolve conflicts with respect to investment opportunities in a manner that it deems equitable under the facts and circumstances.

Although the Collateral Manager personnel will devote as much time to the Issuer as the Collateral Manager deems appropriate, the Collateral Manager personnel may have conflicts in allocating their time and services among the Issuer and the Collateral Manager's other accounts and clients. In addition, as employees of the Collateral Manager, the Collateral Manager personnel will have substantial responsibilities outside of their responsibilities to perform services for the Collateral Manager. Although the personnel of the Services Provider will devote as much time to performing responsibilities of the Services Provider under the Services Agreement as the Services Provider deems appropriate, such personnel may have conflicts in allocating their time and services among the Services Provider's other accounts and clients. In addition, as employees of the Services Provider, the personnel of the Services Provider will have substantial responsibilities outside of their responsibilities to perform services under the Services Agreement.

As of the Closing Date, it is expected, but no assurance can be given, that the Retention Holder and one or more Affiliates of the Collateral Manager will purchase 100% of the Preferred Shares. The Collateral Manager or the Retention Holder will retain, for so long as any Securities remain outstanding and the Collateral Manager or the Retention Holder is required to do so under the U.S. Risk Retention Rules, at a minimum, an amount of Preferred Shares equal to no less than 5% of the fair value of all ABS interests (as defined in the U.S. Risk Retention Rules) issued by the Issuer as of the Closing Date. In addition, during such period, the beneficial owner of the Collateral Manager will remain the same as, or be a majority-owned affiliate of, the beneficial owner of the Retention Holder. Subject to certain restrictions (including, but not limited to, the obligations of the Retention Holder under the EU Risk Retention Letter), the Collateral Manager, the Retention Holder and their respective Affiliates may sell any Preferred Shares in excess of the Retention Securities at any time without notice to any party and at its sole discretion. If, consistent with the U.S. Risk Retention Rules, the EU Risk Retention Requirements and any other applicable law, the Retention Holder would be permitted to retain, for purposes of the U.S. Risk Retention Rules and the EU Risk Retention Requirements, Preferred Shares in an amount that is less than the amount described under the heading "*Credit Risk Retention*" (such reduced required retention amount, the "**Minimum Required Retention Amount**"), the Retention Holder will be permitted (but not required), to reduce the amount of Preferred Shares retained by it to the Minimum Required Retention Amount. As a result of the ownership of Preferred Shares by the Retention Holder and its Affiliates, the Collateral Manager may be incentivized to engage in transactions with the intention of increasing the expected return on the Preferred Shares, even if it increases the riskiness of the Portfolio Assets pool and potentially exposes the Notes to higher probabilities of loss.

The Collateral Manager and Affiliates of the Collateral Manager may (for their own accounts or for the accounts of others) purchase or sell any Notes in the initial offering thereof or at any time thereafter without notice to any party and at its sole discretion.

At all times that Buckhead One Management Series or any of its Affiliates is acting as Collateral Manager, Securities held by, or with respect to which discretionary voting rights are held by, Buckhead One Management Series or any of its Affiliates will have no voting rights with respect to any vote in connection with the removal of the Collateral Manager and will be deemed not to be outstanding in connection with any such vote. However, any Securities held by, or with respect to which discretionary voting rights are held by, Buckhead One Management Series and any of its Affiliates or their respective employees will have voting rights with respect to all other matters as to which the holders of the Securities are entitled to vote, including, without limitation, any vote in connection with an Optional Redemption by Liquidation, Optional Redemption by Refinancing or the appointment of a replacement collateral manager in accordance with the Collateral Management Agreement. See "*The Collateral Management Agreement*."

The Collateral Manager may arrange principal transactions where the Collateral Manager or an Affiliate of the Collateral Manager, acting for its own account, buys Portfolio Assets or Eligible Investments from, or sells Portfolio Assets or Eligible Investments to, the Issuer ("**Principal Transactions**"). Such Principal Transactions give rise to a conflict of interests with respect to the Collateral Manager. The Collateral Manager will provide written notice of any Principal Transaction to the Issuer or to any agent appointed by the Issuer for this purpose and obtain the written consent of the Issuer or such agent prior to completion of such Principal Transaction. Such consent may be provided on behalf of the Issuer by its board of directors.

The Collateral Manager may also effect client cross transactions where the Collateral Manager causes a transaction to be effected between the Issuer and another account advised by it or any of its Affiliates ("**Client Cross Transactions**"). In addition, with prior authorization on behalf of the Issuer by its board of directors, which authorization can be revoked by the board of directors at any time, the Collateral Manager may enter into agency cross transactions where it or any of its Affiliates acts as broker for the Issuer and for the other party to the transaction ("**Agency Cross Transactions**"), to the extent permitted by applicable law, in which case it or any such Affiliate may receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction. Although the Affiliates of the Collateral Manager anticipate that the commissions, mark-ups and mark-downs charged by the Affiliates will generally be competitive, the Collateral Manager or any of its Affiliates may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commission rates, mark-ups and mark-downs. In addition, other potential and actual conflicts of interest may arise in connection with Client Cross Transactions or Agency Cross Transactions.

By its investment in the Notes, each investor will be deemed to have consented to the entry by the Issuer into Principal Transactions, Client Cross Transactions and Agency Cross Transactions pursuant to the procedures described above.

There is no limitation or restriction on Buckhead One Management Series or any of its Affiliates with regard to acting as collateral manager (or in a similar role), or in any other capacity, to other parties or persons. This and other future activities of the Collateral Manager and its Affiliates may give rise to additional conflicts of interest.

All of the Portfolio Assets to be acquired by the Issuer as of the Closing Date were acquired by the Issuer in connection with the NCFA Warehouse. The Issuer expects to have purchased as of the Closing Date approximately 50.0% of the aggregate Principal Balance of the Portfolio Assets from the CM Sellers.

Each Portfolio Asset to be acquired from a CM Seller will be sold to the Issuer on or prior to the Closing Date at a price equal to the sum of (i) the price at which the applicable CM Seller reasonably believes that such Portfolio Asset could be sold in the market, based on mark-to-model valuation or broker-dealer quotes, plus (ii) any amounts attributable to accrued and unpaid interest through the date of sale. The price paid by the CM Sellers to acquire each Portfolio Asset was negotiated in an arm's length purchase from an unaffiliated seller at the time of the purchase thereof by the applicable CM Seller. One of the CM Sellers financed its acquisition of some of the Portfolio Assets which it has sold or will sell to the Issuer with financing under revolving credit facilities provided by unaffiliated third-parties. The interests of the CM Sellers in respect of transactions involving such Portfolio Assets will not necessarily align with, and may in fact be directly contrary to, those of investors in the Notes.

In addition, Buckhead One Investment Series, as the equity investor in the Issuer under the NCFA Warehouse, will bear the risk of loss in value of the assets acquired by the Issuer prior to the Closing Date. This may provide an incentive for the Collateral Manager to close the transaction in non-optimal conditions.

Conflicts of Interest Involving the Lead Placement Agent and its Affiliates

Nomura Securities International, Inc. will serve as Lead Placement Agent for the Notes and will be paid fees and commissions for such service by the Issuer from the proceeds of the issuance of the Notes. The Lead Placement Agent and its Affiliates (collectively, "**Nomura**") may from time to time hold Notes for investment, trading or other purposes. Nomura is not required to own or hold any Notes and may sell any Notes held by it at any time without restriction. If Nomura owns Notes, it will have no responsibility to consider the interests of any other owners of Notes in actions it takes or refrains from taking in such capacity.

The Issuer entered into a financing warehouse arrangement with Nomura Corporate Funding Americas, LLC ("**NCFA**"), an Affiliate of the Lead Placement Agent, as secured lender and as administrative agent, certain other secured lenders not affiliated with the Lead Placement Agent, Buckhead One Management Series, as asset manager, and Buckhead One Investment Series, as first loss provider (the "**NCFA Warehouse**"), under which NCFA and certain other secured lenders not affiliated with the Lead Placement Agent provide financing to, and Buckhead One Investment Series provides an equity investment in, the Issuer to allow the acquisition of or commitment to acquire Portfolio Assets prior to the Closing Date (provided that NCFA, as the lenders' agent, approves the purchase of any such Portfolio Assets). The approval (or failure to approve) by NCFA, as lenders' agent on behalf of the lenders, of the purchase of any such Portfolio Assets should not be viewed as a determination by NCFA, as the lenders' agent or otherwise, as to whether a particular asset is an appropriate investment by the Issuer or whether it will satisfy the portfolio criteria applicable to the Issuer. See "*—Relating to the Portfolio Assets—The Issuer will acquire certain Portfolio Assets prior to the Closing Date*." The interests of NCFA in respect of transactions involving such Portfolio Assets will not necessarily align with, and may in fact be directly contrary to, those of investors in the Notes. If the Closing Date does not occur, NCFA and the other secured lenders in the NCFA Warehouse will bear the risk of loss in value of the assets that the Issuer purchased or committed to purchase prior to the Closing Date (subject to the first loss protection provided by Buckhead One Investment Series, as first loss provider, in the NCFA Warehouse).

Nomura may provide investment banking, asset management, financing, and financial advisory services and products to the Collateral Manager, its Affiliates, and funds managed by the Collateral Manager and its Affiliates, and purchase, hold and sell, both for their respective accounts or for the account of their respective clients, on a principal or agency basis, loans, securities, and other obligations and financial instruments of the Collateral Manager, its Affiliates, and funds managed by the Collateral Manager and its Affiliates. As a result of such transactions or arrangements, Nomura may have interests adverse to those of the Issuer and owners of the Notes.

Nomura may:

- have placed or underwritten, or acted as a financial arranger, structuring agent or advisor in connection with the original issuance of, or may act as a broker or dealer with respect to, some or all of the Portfolio Assets;

- be a counterparty to obligors on certain of the Portfolio Assets under swap or other derivative agreements;

- lend to certain of the obligors on Portfolio Assets or their respective Affiliates or receive guarantees from the obligors on those Portfolio Assets or their respective Affiliates;

- provide other investment banking, asset management, financing, or financial advisory services to the obligors on Portfolio Assets or their respective Affiliates; or

- have an equity interest, which may be a substantial equity interest, in certain obligors on the Portfolio Assets or their respective Affiliates.

As a counterparty under swaps and other derivative agreements with obligors on Portfolio Assets, Nomura might take actions adverse to the interests of the Issuer, including, but not limited to, demanding collateralization of its exposure under such agreements (if provided for thereunder) or other credit enhancements or terminating such swaps or agreements in accordance with the terms thereof.

In making and administering loans and other obligations, Nomura might take actions including, but not limited to, restructuring a loan, foreclosing on or exercising other remedies with respect to a loan, demanding collateralization or other credit enhancement, charging significant fees and interest, placing the obligor in bankruptcy or demanding payment on a loan guarantee or under other credit enhancement. The Issuer's holding and sale (or purchase, in the case of an additional issuance) of Portfolio Assets may enhance the profitability or value of investments made by Nomura in the Portfolio Asset Issuers. As a result of all such transactions or arrangements between Nomura and issuers of Portfolio Assets or its respective Affiliates, Nomura may have interests that are contrary to the interests of the Issuer and the owners of the Notes.

As part of its regular business, Nomura may also provide investment banking, asset management, financing, and financial advisory services and products to, and purchase, hold and sell, both for its respective accounts or for the account of its respective clients, on a principal or agency basis, loans, securities, and other obligations and financial instruments and engage in private equity investment activities. Nomura will not be restricted in its performance of any such services or in the types of debt or equity investments, which it may make. In conducting the foregoing activities, Nomura will be acting for its own account or the account of its customers and will have no obligation to act in the interest of the Issuer.

Nomura may, by virtue of the relationships described above or otherwise, at the date hereof or at any time hereafter, be in possession of information regarding certain of the obligors on Portfolio Assets and its respective Affiliates that is or may be material in the context of the Notes and that is or may not be known to the general public. Nomura has no obligation, and the offering of the Notes pursuant to this Offering Circular will not create any obligation on its part, to disclose to any purchaser of the Notes any such relationship or information, whether or not confidential.

Nomura does not disclose specific trading positions or its hedging strategy, including whether it is in a long or short position in any Notes or assets owned by the Issuer. Nonetheless, in the ordinary course of its business, Nomura and its employees or customers of Nomura may actively trade in the Notes and Portfolio Assets for their own accounts and for the accounts of their customers. Accordingly, Nomura and its employees or customers may at any time hold a long or short position in the Notes and Portfolio Assets, but are not required to do so. Nomura and its employees or customers of Nomura may also enter into credit derivatives or other derivative transactions with other parties pursuant to which it sells or buys credit protection with respect to such Notes and Portfolio Assets. Nomura's voting rights with respect to any Notes that it owns will not be restricted.

Nomura takes no responsibility for, and has no obligations in respect of, the Issuer and will have no obligation to monitor the performance of the Collateral or the actions of the Collateral Manager or the Issuer and will have no authority to advise the Collateral Manager or the Issuer or to direct their actions, which will be solely the responsibility of the Collateral Manager and the Issuer.

Conflicts of Interest Involving Sandler O'Neill & Partners, L.P. and its Affiliates.

Sandler O'Neill & Partners, L.P. will serve as Co-Manager for the Notes and will be paid fees and commissions for such service by the Issuer from the proceeds of the issuance of the Notes. Sandler O'Neill & Partners, L.P. and its respective Affiliates (collectively, "**Sandler O'Neill**") may have had in the past and may in the future have business relationships and dealings with one or more Portfolio Asset Issuers and their Affiliates and may own equity or debt securities issued by Portfolio Asset Issuers or their Affiliates. Sandler O'Neill may have provided and may in the future provide investment banking services to any Portfolio Asset Issuer or any of its Affiliates and may have received or may receive compensation for such services. Sandler O'Neill may buy securities from and sell securities to any Portfolio Asset Issuer or any of its Affiliates for their own account or for the accounts of their customers.

Sandler O'Neill may, but is not obligated to, advise the Issuer, the Collateral Manager, Portfolio Asset Issuers or any of their respective Affiliates with respect to restructuring or working out any of their debt obligations, including, without limitation, the Portfolio Assets. Sandler O'Neill may from time to time hold Notes for investment, trading or other purposes. Sandler O'Neill is not required to own or hold any Notes and may sell any Notes held by it at any time without restriction. If Sandler O'Neill owns Notes, it will have no responsibility to consider the interests of any other owners of Notes in actions it takes or refrains from taking in such capacity.

Sandler O'Neill may, by virtue of the relationships described above or otherwise, at the date hereof or at any time hereafter, be in possession of information regarding certain of the Portfolio Asset Issuers and their respective Affiliates that is or may be material in the context of the Notes and that is or may not be known to the general public. Sandler O'Neill has no obligation, and the offering of the Notes pursuant to this Offering Circular will not create any obligation on its part, to disclose to any purchaser of the Notes any such relationship or information, whether or not confidential.

Sandler O'Neill takes no responsibility for, and has no obligations in respect of, the Issuer and will have no obligation to monitor the performance of the Collateral or the actions of the Collateral Manager or the Issuer and will have no authority to advise the Collateral Manager or the Issuer or to direct their actions, which will be solely the responsibility of the Collateral Manager and the Issuer.

The Placement Agents will have no ongoing responsibility for the Portfolio Assets or the actions of the Collateral Manager, the Retention Holder or the Issuer

The Placement Agents will have no obligation to monitor the performance of the Portfolio Assets or the actions of the Collateral Manager, the Retention Holder or the Issuer and will have no authority to advise the Collateral Manager, the Retention Holder or the Issuer or to direct their actions, which will be solely the responsibility of the Collateral Manager, the Retention Holder and/or the Issuer, as the case may be. In addition, the Placement Agents have no obligation to facilitate dialogues among investors in the Notes or the Preferred Shares. If Nomura or Sandler O'Neill owns any Notes, it will have no responsibility to consider the interests of any holders of Notes in actions it takes in such capacity. While Nomura or Sandler O'Neill may own any Class of Notes at any time, neither has any obligation to make any investment in any Notes and may sell at any time any Notes it does purchase.

The Issuer will acquire Portfolio Assets prior to the Closing Date

Prior to the Closing Date, the Collateral Manager selected Portfolio Assets for purchase by the Issuer (the "**Pre-Closing Assets**") to facilitate the purchase by the Issuer of all of the Portfolio Assets no later than the Closing Date. A substantial portion of such Portfolio Assets had been purchased (or had been committed to be purchased) prior to March 20, 2019, the date on which the Notes were priced. All of the Pre-Closing Assets are financed by loans extended by NCFA, an Affiliate of Nomura, as secured lender, and certain other secured lenders not affiliated with Nomura and with the proceeds of preferred shares purchased by Buckhead One Investment Series. Financing will be available from the secured lenders under the warehouse facility documents only for assets approved for financing by NCFA, as the lenders' agent. The approval of (or failure to approve) funding for the purchase of any Pre-Closing Assets will be given by NCFA, an Affiliate of Nomura, as the lenders' agent on behalf of the lenders and should not be viewed as a determination by any of the secured lenders or by NCFA, as the lenders' agent, as to whether a particular asset is an appropriate investment by the Issuer or whether it will satisfy the portfolio criteria applicable to the Issuer. The interests of NCFA, as the lenders' agent or as secured lender, in respect of transactions involving such Pre-Closing Assets will not necessarily align with, and may in fact be directly contrary to, those of investors in the Securities.

The Issuer will use proceeds from the issuance of the Notes and sale of Preferred Shares to repay the loans under the NCFA Warehouse and to pay a financing charge to the secured lenders on the Closing Date. On the Closing Date, all of the preference shares that were issued in connection with the NCFA Warehouse will be redeemed at a redemption price equal to their purchase price (plus any net realized gains or minus any net realized losses) plus the interest accrued on the Pre-Closing Assets (net of the financing charge due to the lender), including interest with respect to such Pre-Closing Assets that has accrued but is unpaid as of the Closing Date (the "**Warehouse Accrued Interest**"). When the Warehouse Accrued Interest is paid to the Issuer, the Issuer will retain such amounts and treat it as Principal Collections. If the Closing Date occurs, any unrealized losses or gains resulting from changes in the market value of the Pre-Closing Assets as compared to the purchase price of such Pre-Closing Assets, will be for the account of the Issuer. If the Closing Date does not occur, first, the preference shares and, second, the secured lenders will bear the risk of loss in value of the assets that the Issuer purchased or committed to purchase prior to the Closing Date with financing under the NCFA Warehouse.

Purchases of Pre-Closing Assets will be executed at the prevailing prices at the time of execution of such trades and in market circumstances applicable at that time. On the Closing Date, the market value of the Pre-Closing Assets may differ from the market value of the Pre-Closing Assets at the time of purchase.

The Rating Agency may have certain conflicts of interest

The Rating Agency has been hired by the Issuer to provide ratings on the Notes. The Rating Agency may have a conflict of interest because the Issuer pays the fee charged by the Rating Agency for its rating services.

The Holders of Notes may have certain conflicts of interest

Certain third parties (whether or not they become direct and/or indirect owners of Notes) that have had or may have discussions with the Collateral Manager or the Placement Agents regarding the Portfolio Assets may have interests adverse to those of certain holders of Notes and may take a short position (for example, by buying protection under a credit default swap) relating to any such Portfolio Assets.

Combination or "layering" of multiple risks may significantly increase risk of loss

Although the various risks discussed in this Offering Circular are generally described separately, you should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to an investor in the Notes may be significantly increased.