1. **Correct Answer: A.**

Credit migration risk or downgrade risk refers to the risk that a bond issuer's creditworthiness may deteriorate or migrate lower. The result is that investors view the risk of default to be higher, causing the spread on the issuer's bonds to widen.

2. **Correct Answer: C**

Second lien debt has a secured interest in the pledged assets and ranks higher than the unsecured debt, such as senior unsecured bonds and subordinated debt.

3. **Correct Answer: A.**

The subordinated bond would have its rating notched lower than the company's BB rating, probably by two notches, reflecting the higher weight given to loss severity for below-investment-grade credits.

4. **Correct Answer: C.**

Goodwill is viewed as a lower quality asset compared with tangible assets that can be sold and more easily converted into cash.

5. **Correct Answer: A.**

Building blocks of the yield curve are spread (risk premium) and a benchmark (risk-free rate of return). Expected inflation rate and expected real rate are components of the risk-free rate of return (i.e., the benchmark).