As filed with the Securities and Exchange Commission on April 29, 2013

Securities Act File No. 333-186323

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

☒ Pre-Effective Amendment No. 1

o Post-Effective Amendment No.

SARATOGA INVESTMENT CORP.

(Exact Name of Registrant as Specified in Charter)

535 Madison Avenue
New York, New York 10022
(Address of Principal Executive Offices)

(212) 906-7800
(Registrant's Telephone Number, Including Area Code)

Christian L. Oberbeck
Chief Executive Officer
Saratoga Investment Corp.
535 Madison Avenue
New York, New York 10022
(Name and Address of Agent for Service)

COPIES TO:

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Approximate date of proposed public offering:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. o

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount to be Registered	Proposed Maximum Offering Price per Note	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Notes	$40,250,000	100%	$40,250,000	$5,491(3)

(1) Estimated solely for the purposes of determining the registration fee pursuant to Rule 457(a) under the Securities Act of 1933 (the "Securities Act").

(2) Includes notes that may be issued pursuant to the underwriters' option to purchase additional notes.

(3) Of this amount, $3,410 has been previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion dated April 29, 2013

PRELIMINARY PROSPECTUS

SARATOGA INVESTMENT CORP.

$
% Notes due 2020

We are a specialty finance company that invests primarily in leveraged loans and mezzanine debt issued by private U.S. middle-market companies, both through direct lending and through participation in loan syndicates. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments.

We are externally managed and advised by Saratoga Investment Advisors, LLC, a New York-based investment firm affiliated with Saratoga Partners, a middle market private equity investment firm.

We are offering $ in aggregate principal amount of % notes due 2020, which we refer to as the "Notes." The Notes will mature on May 31, 2020. We will pay interest on the Notes on February 15, May 15, August 15 and November 15 of each year, beginning on August 30, 2013. We may redeem the Notes in whole or in part at any time, or from time to time on or after May 31, 2016, at the redemption price of par, plus accrued interest, as discussed under the caption "Description of the Notes—Optional Redemption" in this prospectus. The Notes will be issued in minimum denominations of $25 and integral multiples of $25 in excess thereof.

The Notes will be our direct unsecured obligations and rank pari passu, or equal, with all outstanding and future unsecured unsubordinated indebtedness issued by us. The Notes will be effectively and structurally subordinated to our senior secured revolving credit facility with Madison Capital Funding LLC and any future senior debt issued by us or our subsidiaries.

We intend to list the Notes on the New York Stock Exchange and we expect trading to commence thereon within 30 days of the original issue date under the trading symbol "SAQ." The Notes are expected to trade "flat." This means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the Notes that is not included in the trading price. Currently, there is no public market for the Notes and there can be no assurance that one will develop.

Substantially all of the debt investments held in our portfolio hold a non-investment grade rating by one or more rating agencies or, if not rated, would be rated below investment grade if rated, which are often referred to as "junk." A majority of our debt portfolio consists of debt securities for which issuers were not required to make principal payments until the maturity of such debt securities, which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity. In addition, a majority of our debt investments had variable interest rates that reset periodically based on benchmarks such as LIBOR and the prime rate. As a result, significant increases in such benchmarks in the future may make it more difficult for these borrowers to service their obligations under the debt investments that we hold.

This prospectus contains important information about us that a prospective investor should know before investing in our Notes. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us at 535 Madison Avenue, New York, New York 10017, by telephone at (212) 906-7800, or on our website at *http://www.saratogainvestmentcorp.com*. The information on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The SEC also maintains a website at *www.sec.gov* that contains such information.

Investing in the Notes involves a high degree of risk and should be considered speculative. For more information regarding the risks you should consider, including the risk of leverage, please see "Risk Factors" beginning on page 20 of this prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if either this prospectus or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	100.0%	$
Underwriting discount (sales load)	4.0%	$
Proceeds to us before expenses(1)	96.0%	$

(1) We estimate that we will incur approximately $300,000, or approximately $0.34 per Note, in offering expenses in connection with this offering.

The underwriters may also purchase up to an additional $ total aggregate principal amount of Notes offered hereby, within 30 days of the date of this prospectus. If the underwriters exercise this option in full, the total public offering price will be $, the total underwriting discount (sales load) paid by us will be $, and total proceeds, before expenses, will be $.

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

Delivery of the Notes in book-entry form only through The Depository Trust Company will be made on or about , 2013.

Underwriters

(Joint Book-Running Managers)

Ladenburg Thalmann & Co. Inc. **BB&T Capital Markets** **William Blair**

(Lead Managers)

Maxim Group LLC **National Securities Corporation**

(Co-Managers)

C&Co/PrinceRidge **Dominick & Dominick LLC** **Gilford Securities Incorporated**

The date of this prospectus is , 2013

You should rely only on the information contained in this prospectus. We have not authorized any dealer, salesperson or other person to provide you with different information or to make representations as to matters not stated in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell, or a solicitation of an offer to buy, any securities by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information in this prospectus is accurate only as of the date of this prospectus, and under no circumstances should the delivery of this prospectus or the sale of any securities imply that the information in this prospectus is accurate as of any later date or that the affairs of Saratoga Investment Corp., have not changed since the date hereof or thereof. Our business, financial condition, results of operations and prospectus may have changed since then. We will update the information in this prospectus to reflect material changes only as required by law.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that is important to you. You should read carefully the more detailed information set forth under "Risk Factors" and the other information included in this prospectus. Unless otherwise noted, the terms "we," "us," "our," the "Company" and "Saratoga" refer to Saratoga Investment Corp. and its wholly owned subsidiaries, Saratoga Investment Funding LLC and Saratoga Investment Corp. SBIC LP. In addition, the terms "Saratoga Investment Advisors" and "investment adviser" refer to Saratoga Investment Advisors, LLC, our external investment adviser.

Overview

We are a specialty finance company that invests primarily in leveraged loans and mezzanine debt issued by private U.S. middle-market companies, which we define as companies having annual EBITDA (earnings before interest, taxes, depreciation and amortization) of between $5 million and $50 million, both through direct lending and through participation in loan syndicates. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments. We are externally managed and advised by Saratoga Investment Advisors, LLC, a New York-based investment firm affiliated with Saratoga Partners, a middle market private equity investment firm.

Our portfolio is comprised primarily of investments in leveraged loans (both first and second lien term loans) issued by middle market companies. Term loans are loans that do not allow the borrowers to repay all or a portion of the loans prior to maturity and then re-borrow such repaid amounts under the loan again. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. Leveraged loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. We also purchase mezzanine debt and make equity investments in middle market companies. Mezzanine debt is typically unsecured and subordinated to senior debt of the portfolio company.

While our primary focus is to generate current income and capital appreciation from our debt and equity investments in middle market companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, including securities of companies in bankruptcy, foreign debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds.

As of November 30, 2012, we had total assets of $129.2 million and investments in 23 portfolio companies and an additional investment in the subordinated notes in one collateralized loan obligation fund ("Saratoga CLO") with a fair value of $24.6 million. The overall portfolio composition as of November 30, 2012 consisted of 53.7% of first lien term loans, 8.4% of second lien term loans, 8.8% of senior secured notes, 1.9% of unsecured notes, 20.7% of subordinated notes of Saratoga CLO and 6.5% of common equity. The weighted average yield on all of our debt investments, including our investment in the subordinated notes in Saratoga CLO, as of November 30, 2012, was approximately 12.9%. Approximately 90% of our first lien debt investments are fully collateralized by having an enterprise value or asset coverage equal to or greater than the principal amount of the related debt investment. Our investment in the subordinated notes of Saratoga CLO represents a first loss position in a portfolio that, at November 30, 2012, was composed of $393.4 million in aggregate principal amount of predominantly senior secured first lien term loans. A first loss position means that we will suffer the first economic losses if losses are incurred on loans held by the Saratoga CLO. This investment is subject to unique risks. See "Risk Factors—Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility."

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development compan ("BDC") under the Investment Company Act of 1940 ("1940 Act"). As a BDC, we are required to comply with various regulatory requirements, including limitations on our use of debt. We finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing.

We have elected to be treated for U.S. federal income tax purposes as a regulated investment company ("RIC"), under Subchapter M of the Internal Revenue Code of 1986 (the "Code"). As a RIC, we generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders if we meet certain source-of-income, distribution and asset diversification requirements.

In addition, we have a wholly-owned subsidiary that is licensed as a small business investment company ("SBIC") and regulated by the Small Business Administration ("SBA"). See "Regulation—Small Business Investment Company Regulations." The SBIC license allows us, through our wholly-owned subsidiary, to issue SBA-guaranteed debentures. We received exemptive relief from the Securities and Exchange Commission to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the definition of senior securities in the 200% asset coverage test under the 1940 Act. This allows us increased flexibility under the 200% asset coverage test by permitting us to borrow up to $150 million more than we would otherwise be able to absent the receipt of this exemptive relief

Saratoga Investment Advisors

Our investment adviser was formed in 2010 as a Delaware limited liability company and became our investment adviser in July 2010. Our investment adviser is led by five principals, Christian L. Oberbeck, Michael J. Grisius, Richard A. Petrocelli, Thomas V. Inglesby, and Charles G. Phillips, with 25, 23, 15, 26 and 16 years of experience in leveraged finance, respectively. Our investment adviser is affiliated with Saratoga Partners, a middle market private equity investment firm. Saratoga Partners was established in 1984 to be the middle market private investment arm of Dillon Read & Co. Inc. and has been independent of Dillon Read since 1998. Saratoga Partners has a 27-year history of private investments in middle market companies and focuses on public and private equity, preferred stock, and senior and mezzanine debt investments.

We utilize the personnel, infrastructure, relationships and experience of Saratoga Investment Advisors to enhance the growth of our business. We currently have no employees and each of our executive officers is also an officer of Saratoga Investment Advisors.

We have entered into an investment advisory and management agreement with Saratoga Investment Advisors. Pursuant to the investment advisory and management agreement, Saratoga Investment Advisors implements our business strategy on a day-to-day basis and performs certain services for us under the direction of our board of directors. Saratoga Investment Advisors is responsible for, among other duties, performing all of our day-to-day investment-related functions, determining investment criteria, sourcing, analyzing and executing investments, asset sales, financings and performing asset management duties.

Saratoga Investment Advisors has formed an investment committee to advise and consult with its senior management team with respect to our investment policies, investment portfolio holdings, financing and leveraging strategies and investment guidelines. We believe that the collective experience of the investment committee members across a variety of fixed income asset classes will benefit us. The investment committee must unanimously approve all investments in excess of $1 million made by us. In addition, all sales of our investments must be approved by three out of four investment committee

members. The current members of the investment committee are Messrs. Oberbeck, Grisius, Petrocelli, Inglesby, and Phillips.

Investments

Our portfolio is comprised primarily of investments in leveraged loans issued by middle market companies. Investments in middle market companies are generally less liquid than equivalent investments in companies with larger capitalizations. These investments are sourced in both the primary and secondary markets through a network of relationships with commercial and investment banks, commercial finance companies and financial sponsors. The leveraged loans that we purchase are generally used to finance buyouts, acquisitions, growth, recapitalizations and other types of transactions. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. Leveraged loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. For a discussion risks pertaining to our secured investments, see "Risk Factors—Our investments may be risky, and you could lose all or part of our investment."

As part of our long-term strategy, we also purchase mezzanine debt and make equity investments in middle market companies. Mezzanine debt is typically unsecured and subordinated to senior debt of the portfolio company. See "Risk Factors—If we make unsecured debt investments, we may lack adequate protection in the event our portfolio companies become distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event our portfolio companies defaults on their indebtedness."

Substantially all of the debt investments held in our portfolio hold a non-investment grade rating by one or more rating agencies or, if not rated, would be rated below investment grade if rated, which are often referred to as "junk." As of November 30, 2012, 55.7% of our debt portfolio at fair value consisted of debt securities for which issuers were not required to make principal payments until the maturity of such debt securities, which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity. In addition, 64.5% of our debt investments at November 30, 2012 had variable interest rates that reset periodically based on benchmarks such as LIBOR and the prime rate. As a result, significant increases in such benchmarks in the future may make it more difficult fo these borrowers to service their obligations under the debt investments that we hold.

While our primary focus is to generate current income and capital appreciation from our debt and equity investments in middle market companies, we may inves up to 30% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds.

Prospective portfolio company characteristics

Our investment adviser generally selects portfolio companies with one or more of the following characteristics:

- a history of generating stable earnings and strong free cash flow;
- well-constructed balance sheets, including an established tangible liquidation value;
- reasonable debt-to-cash flow multiples;
- industry leadership with competitive advantages and sustainable market shares in attractive sectors; and
- capital structures that provide appropriate terms and reasonable covenants.

Investment selection

In managing us, Saratoga Investment Advisors employs the same investment philosophy and portfolio management methodologies used by Saratoga Partners. Through this investment selection process, based on quantitative and qualitative analysis, Saratoga Investment Advisors seeks to identify portfolio companies with superior fundamental risk-reward profiles and strong, defensible business franchises with the goal of minimizing principal losses while maximizing risk-adjusted returns. Saratoga Investment Advisors' investment process emphasizes the following:

- bottoms-up, company-specific research and analysis;
- capital preservation, low volatility and minimization of downside risk; and
- investing with experienced management teams that hold meaningful equity ownership in their businesses.

Our investment adviser's investment process generally includes the following steps:

- Initial screening. A brief analysis identifies the investment opportunity and reviews the merits of the transaction. The initial screening memorandum provides a brief description of the company, its industry, competitive position, capital structure, financials, equity sponsor and deal economics. If the deal is determined to be attractive by the senior members of the deal team, the opportunity is fully analyzed.
- Comprehensive analysis. A comprehensive analysis includes:
  - Business and Industry analysis—a review of the company's business position, competitive dynamics within its industry, cost and growth driver and technological and geographic factors. Business and industry research often includes meetings with industry experts, consultants, other investors, customers and competitors.
  - Company analysis—a review of the company's historical financial performance, future projections, cash flow characteristics, balance sheet strength, liquidation value, legal, financial and accounting risks, contingent liabilities, market share analysis and growth prospects.
  - Structural/security analysis—a thorough legal document analysis including but not limited to an assessment of financial and negative covenant events of default, enforceability of liens and voting rights.
- Approval of the investment committee. The investment is then presented to the investment committee for approval. The investment committee must unanimously approve all investments in excess of $1 million made by us. In addition, all sales of our investments must be approved by four out of five investment committee members.

Investment structure

In general, our investment adviser intends to select investments with financial covenants and terms that reduce leverage over time, thereby enhancing credit quality. These methods include:

- maintenance leverage covenants requiring a decreasing ratio of debt to cash flow;
- maintenance cash flow covenants requiring an increasing ratio of cash flow to the sum of interest expense and capital expenditures; and
- debt incurrence prohibitions, limiting a company's ability to re-lever.

In addition, limitations on asset sales and capital expenditures should prevent a company from changing the nature of its business or capitalization without our consent.

Our investment adviser seeks, where appropriate, to limit the downside potential of our investments by:

- requiring a total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk;
- requiring companies to use a portion of their excess cash flow to repay debt;
- selecting investments with covenants that incorporate call protection as part of the investment structure; and
- selecting investments with affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

Valuation process

We carry our investments at fair value, as approved in good faith using written policies and procedures adopted by our board of directors. Investments for which market quotations are readily available are recorded in our financial statements at such market quotations subject to any decision by our board of directors to approve fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved in good faith by our board of directors based on input from Saratoga Investment Advisors, our audit committee and, on a selected basis, a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments the markets in which the portfolio company does business, market yield trend analysis, comparison to publicly traded companies, discounted cash flow and other relevant factors.

Our investment in the subordinated notes of Saratoga CLO is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for similar collateralized loan obligation fund subordinated notes or equity, when available. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for Saratoga CLO's valuation. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated cash flows. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows from our investment in Saratoga CLO) to perform a discounted cash flows analysis on expected future cash flows from our investment in Saratoga CLO to determine a valuation for the subordinated notes of Saratoga CLO held by us.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- each investment is initially valued by the responsible investment professionals of Saratoga Investment Advisors and preliminary valuation conclusions are documented and discussed with our senior management; and
- an independent valuation firm engaged by our board of directors independently values at least one quarter of our investments each quarter so that the valuation of each investment for which market quotes are not readily available is independently valued by an independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- the audit committee of our board of directors reviews each preliminary valuation and our investment adviser and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and

- our board of directors discusses the valuations and approves the fair value of each investment in good faith based on the input of our investment adviser, independent valuation firm (if applicable) and audit committee.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short period of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Ongoing relationships with and monitoring of portfolio companies

Saratoga Investment Advisors closely monitors each investment we make and, when appropriate, conducts a regular dialogue with both the management team an other debtholders and seeks specifically tailored financial reporting. In addition, in certain circumstances, senior investment professionals of Saratoga Investment Advisors may take board seats or board observation seats.

Recent Developments

On December 17, 2012, we borrowed an additional $8 million in SBA-guaranteed debentures. On December 21, 2012, we borrowed an additional $4 million in SBA-guaranteed debentures. On December 28, 2012, we borrowed an additional $4 million in SBA-guaranteed debentures.

On December 19, 2012, we invested $6.9 million in a first lien term loan and $2.5 million in subordinated debt of TB Corp. TB Corp. is a Dallas, Texas based fast-food casual restaurant. Under the terms of the investment, TB Corp. will pay interest on the first lien term loan of 5.81% and 13.50% on the subordinated debt. W sold $1.8 million of the first lien term loan for a small gain on January 17, 2013.

On December 28, 2012, we invested $5.6 million in a senior secured note and $0.4 million in warrant membership interests of Emily Street Enterprises, LLC ("Emily Street"). Emily Street is a distributer of multifunctioning copiers in the metro Washington, D.C. and Baltimore, Maryland area. Under the terms of the investment, Emily Street will pay interest on the senior secured note at a rate of 14.0%.

On December 28, 2012, we invested $5.4 million in a senior secured note of Expedited Travel LLC ("Expedited Travel"). Expedited Travel provides services to expedite passports for travelers. Under the terms of the investment, Expedited Travel will pay interest on the senior secured note at a rate of 12.0%.

On December 28, 2012, we invested an additional $2.0 million in a first lien term loan of our portfolio company, Take 5 Oil Change LLC ("Take 5"). Take 5 offers fast oil change services in Louisiana, Mississippi, South Carolina, Alabama, and North Carolina. Under the terms of this investment, Take 5 will pay interest or the first lien term loan at a rate of 13.0%.

On December 28, 2012, we invested $6.9 million in the senior secured notes of Dispensing Dynamics International ("DDI"). DDI is a manufacturer of electronic and mechanical paper dispensers. DDI serves paper manufacturers and distributors across the United States. Under the terms of this investment, DDI will pay interest on the senior secured notes of 12.5%.

On February 4, 2013, we borrowed an additional $8 million in SBA-guaranteed debentures.

On February 11, 2013, we paid down $2.75 million on the $45 million senior secured revolving credit facility with Madison Capital Funding (the "Credit Facility"). On April 12, 2013, we paid down an additional $2.9 million. As of April 26, 2013, we had approximately $21.4 million outstanding under the Credit Facility.

On February 12, 2013, we invested $7.4 million in a first lien term loan of Oceans Acquisition, Inc. ("Oceans"). Oceans is an operator of in-patient and out-patient psychiatric services and facilities primarily for the geriatric community. Under the terms of the investment, Oceans will pay interest on the first lien term loan at a rate of 10.75%.

On February 22, 2013, we borrowed an additional $8 million in SBA-guaranteed debentures.

On March 6, 2013, we invested $9.3 million in a first lien term loan of Vector Controls Holding Co., LLC ("Vector Controls"). Vector Controls is a sales representative of measuring devices, services and solutions for industrial process engineering. Under the terms of the investment, Vector Controls will pay interest on the first lien term loan at a rate of 14.0%.

On March 8, 2013, we borrowed an additional $4 million in SBA-guaranteed debentures.

On March 29, 2013, we invested $7.1 million in a first lien term loan of Easy Ice LLC ("Easy Ice"). Easy Ice provides ice supply solutions for thousands of food service customers across the country. Under the terms of the investment, Easy Ice will pay interest on the first lien term loan at a rate of 14.0%.

We are currently negotiating to exchange our position in Elyria Foundry senior secured notes for new senior secured notes that will be due September 1, 2014. The principal amount will be increased from $7.7 million to $8.8 million, due in part, to PIK interest of $0.2 million that was accrued from September 2012 through April 2013. The principal amount will also be increased due to unpaid cash interest of $0.8 million that was accrued from March 2012 through December 2012. Additionally, Saratoga will receive a cash payment for $0.3 million upon closing, which equals the cash interest due for the period from January 2013 through April 2013, along with a cash fee of $0.1 million, which is 1% of the principal balance of the new senior secured notes. The new senior secured notes pay the same interest rate as the old senior secured notes (13% cash and 4% PIK, semi annually). We expect the transaction to close in April 2013.

Risk Factors

Investing in us involves significant risks. The following is a summary of certain risks that you should carefully consider before investing in us. For a further discussion of these risk factors, please see "Risk Factors" beginning on page 20.

Risks Related to Our Business and Structure

- The current state of the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations.
- Saratoga Investment Advisors has a limited history of managing a BDC or a RIC.
- We may be obligated to pay Saratoga Investment Advisors incentive fees even if we incur a net loss or there is a decline in the value of our portfolio.
- Under the terms of the investment advisory and management agreement, we may have to pay incentive fees to Saratoga Investment Advisors in connection with the sale of an investment that is sold at a price higher than the fair value of such investment on May 31, 2010, even if we incur a loss on the sale of such investment.
- The way in which the base management and incentive fees under the investment advisory and management agreement is determined may encourage Saratoga Investment Advisors to take actions that may not be in the best interests of the holders of the Notes.

- The base management fee we pay to Saratoga Investment Advisors may cause it to increase our leverage contrary to our interest.
- We employ leverage, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in the Notes.
- Saratoga Investment Advisors' liability is limited under the investment advisory and management agreement and we will indemnify Saratoga Investments Advisors against certain liabilities, which may lead it to act in a riskier manner on our behalf than it would when acting for its own account.
- Substantially all of our assets are subject to security interests under the Credit Facility, or claims of the SBA with respect to SBA-guaranteed debentures we may issue and if we default on our obligations thereunder, we may suffer adverse consequences, including Madison Capital Funding and/or the SBA foreclosing on our assets.
- We are exposed to risks associated with changes in interest rates, including potential effects on our cost of capital and net investment income.
- There are significant potential conflicts of interest which could adversely impact our investment returns.
- Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.
- Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.
- The agreement governing the Credit Facility contains various covenants that, among other things, limits our discretion in operating our business and provides for certain minimum financial covenants.
- A failure on our part to maintain our qualification as a BDC would significantly reduce our operating flexibility.
- We will be subject to corporate-level income tax if we fail to qualify as a RIC.
- Because we intend to distribute between 90% and 100% of our income to our stockholders in connection with our election to be treated as a RIC, we will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow will be impaired.
- We may have difficulty paying our required distributions if we recognize income before or without receiving cash in respect of such income.
- Our ability to enter into transactions with our affiliates is restricted.
- We operate in a highly competitive market for investment opportunities.
- Economic recessions or downturns could impair our portfolio companies and harm our operating results.
- We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.
- Our financial condition and results of operation depend on our ability to manage future investments effectively.
- Substantially all of our portfolio investments are recorded at fair value as approved in good faith by our board of directors; such valuations are inherently uncertain and may be materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

- If we make unsecured debt investments, we may lack adequate protection in the event our portfolio companies become distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event our portfolio companies defaults on their indebtedness.

- If we invest in the securities and other obligations of distressed or bankrupt companies, such investments may be subject to significant risks, including lack of income, extraordinary expenses, uncertainty with respect to satisfaction of debt, lower-than expected investment values or income potentials ar resale restrictions.

- Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

- The lack of liquidity in our investments may adversely affect our business.

- The debt securities in which we invest are subject to credit risk and prepayment risk.

- Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject t additional risks and volatility.

- When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and its management may mak decisions that could decrease the value of our investment.

- Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

- There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

- Investments in equity securities involve a substantial degree of risk.

- Our investments in foreign debt, including that of emerging market issuers, may involve significant risks in addition to the risks inherent in U.S. investments.

- We may expose ourselves to risks if we engage in hedging transactions.

- Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

- Our investments may be risky, and you could lose all or part of your investment.

- We have no prior experience managing an SBIC and any failure to comply with SBA regulations, resulting from our lack of experience or otherwise, could have an adverse effect on our operations.

Risks Related to Our Notes

- The Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

- The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

- The indenture under which the Notes will be issued contains limited protection for holders of the Notes.

- There is no existing trading market for the Notes and, even if the NYSE approves the listing of the Notes, an active trading market for the Notes may not develop, which could limit your ability to sell the Notes or the market price of the Notes.

- We may choose to redeem the Notes when prevailing interest rates are relatively low.

- If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.
- We may be unable to invest a significant portion of the net proceeds from this offering, which could harm our financial condition and operating results

Corporate History and Information

We commenced operations on March 23, 2007 as GSC Investment Corp. and completed an initial public offering ("IPO") of shares of our common stock on March 28, 2007. From the date we commenced operations until July 30, 2010, we were managed and advised by GSCP (NJ), L.P., an entity affiliated with GSC Group, Inc. In connection with the consummation of a recapitalization transaction on July 30, 2010, we engaged Saratoga Investment Advisors to replace GSCP (NJ), L.P. as our investment adviser and changed our name to Saratoga Investment Corp.

The recapitalization transaction consisted of (i) the private sale of 986,842 shares of our common stock for $15 million in aggregate purchase price to Saratoga Investment Advisors and certain of its affiliates and (ii) the entry into a senior secured revolving credit facility with Madison Capital Funding LLC ("Madison Capital Funding"). We used the net proceeds from the private sale of shares of our common stock and a portion of the funds available to us under the secured revolving credit facility with Madison Capital Funding to pay the full amount of principal and accrued interest, including default interest, outstanding under our revolving securitized credit facility with Deutsche Bank AG, New York Branch. Specifically, in July 2009, we had exceeded permissible borrowing limits under the revolving securitized credit facility with Deutsche Bank, which resulted in an event of default under the revolving securitized credit facility. As a result of the event of default, Deutsche Bank had the right to accelerate repayment of the outstanding indebtedness under the revolving securitized credit facility and to foreclose and liquidate the collateral pledged under the revolving securitized credit facility. The revolving securitized credit facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010. In January 2011, we registered for public resale by Saratoga Investment Advisors and certain of its affiliates the 986,842 shares of our common stock issued to them in the recapitalization.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp SBIC, LP, received an SBIC license from the SBA.

On August 31, 2012, a complaint was filed in the United States Bankruptcy Court for the Southern District of New York by GSC Acquisition Holdings, LLC against us to recover, among other things, approximately $2.6 million for the benefit of the estates and the general unsecured creditors of GSC Group, Inc. and its affiliates, including the Company's former investment adviser, GSCP (NJ), L.P. The complaint alleges that the former investment adviser made a constructively fraudulent transfer of $2.6 million in deferred incentive fees by waiving them in connection with the termination of an investment advisory and management agreement with us, and that the termination of the investment advisory and management agreement was itself a fraudulent transfer. These transfers, the complaint alleges, were made without receipt of reasonably equivalent value and while the former investment adviser was insolvent. The complaint has not yet been served, and the plaintiff's motion for authority to prosecute the case on behalf of the estates was taken under advisement by the court on October 1, 2012. We opposed that motion. We believe that the claims in this lawsuit are without merit and, if the plaintiff is authorized to proceed, intend to vigorously defend against this action.

Our corporate offices are located at 535 Madison Avenue, New York, New York 10022. Our telephone number is (212) 906-7800. We maintain a website on the Internet at www.saratogainvestmentcorp.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

SPECIFIC TERMS OF THE NOTES AND THE OFFERING

Issuer	Saratoga Investment Corp.
Title of the Securities	% Notes due 2020
Initial aggregate principal amount being offered	$
Option to purchase additional shares	The underwriters may also purchase from us from time to time up to an additional $3,750,000 aggregate principal amount of Notes within 30 days of the date of this prospectus.
Initial public offering price	100% of the aggregate principal amount
Principal at time of payment	100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the Trustee, Paying Agent, Registrar and Transfer Agent for the Notes or at such other office in New York, New York as we may designate.
Type of Note	Fixed rate note
Listing	We intend to list the Notes on the New York Stock Exchange, within 30 days of the original issue date under the trading symbol "SAQ."
Interest Rate	% per year
Day count basis	360-day year of twelve 30-day months
Original issue date	, 2013
Stated maturity date	May 31, 2020
Date interest starts accruing	, 2013
Interest payment dates	Every February 15, May 15, August 15 and November 15, beginning August 15, 2013. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.
Interest periods	The initial interest period will be the period from and including , 2013, to, but excluding, the initial interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.
Regular record dates for interest	February 1, May 1, August 1 and November 1, beginning August 1, 2013
Specified Currency	U.S. Dollars
Place of Payment	New York City

Ranking of Notes	The Notes will be our direct unsecured obligations and will rank: • *pari passu*, or equal, with our existing and future senior unsecured indebtedness; • senior to any of our future indebtedness that expressly provides it is subordinated to the Notes; • effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness; and • structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, borrowings under Credit Facility and borrowings by Saratoga Investment Corp SBIC LP. Structural subordination means that creditors of a parent entity are subordinate to creditors of a subsidiary entity with respect to the subsidiary's assets. The indenture does not contain any provisions that give you protection in the event we issue a large amount of debt or we are acquired by another entity.
Denominations	We will issue the Notes in denominations of $25 and integral multiples of $25 in excess thereof.
Business Day	Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City are authorized or required by law or executive order to close.
Optional redemptions	The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after May 31, 2016 upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount of the Notes to be redeemed plus accrued and unpaid interest payments otherwise payable thereon for the then-current quarterly interest period accrued to the date fixed for redemption. You may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of your remaining unredeemed Notes. Any exercise of our option to redeem the Notes will be done in compliance with the 1940 Act.

	If we redeem only some of the Notes, the Trustee will determine the method for selection of the particular Notes to be redeemed, in accordance with the indenture and the 1940 Act, and in accordance with the rules of any national securities exchange or quotation system on which the Notes are listed. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.
Sinking Fund	The Notes will not be subject to any sinking fund.
Repayment at option of Holders	Holders will not have the option to have the Notes repaid prior to the stated maturity date.
Defeasance	The Notes are subject to defeasance by us. "Defeasance" means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on the Notes when due and satisfying any additional conditions noted below, we will be deemed to have been discharged from our obligations under the Notes.
Covenant defeasance	The Notes are subject to covenant defeasance by us. In the event of a "covenant defeasance," upon depositing such funds and satisfying similar conditions discussed below we would be released from the restrictive covenants under the indenture relating to the Notes. The consequences to the holders of the Notes is that, while they no longer benefit from the restrictive covenants under the indenture, and while the Notes may not be accelerated for any reason, the holders of Notes nonetheless are guaranteed to receive the principal and interest owed to them.
Form of Notes	The Notes will be represented by global securities that will be deposited and registered in the name of The Depository Trust Company ("DTC") or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.
Trustee, Paying Agent, Registrar, and Transfer Agent	U.S. Bank National Association

Other covenants	In addition to any covenants described elsewhere in this prospectus, the following covenants shall apply to the Notes: • We agree that for the period of time during which the Notes are outstanding, we will not violate (whether or not we are subject to) Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, but giving effect to any exemptive relief granted to us by the SEC. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings. See "Risk Factors—Pending legislation may allow us to incur additional leverage." • We agree that for the period of time during which the Notes are outstanding, we will not violate (regardless of whether we are subject to) Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, but giving effect to (i) any exemptive relief granted to us by the SEC and (ii) no-action relief granted by the SEC to another BDC (or to the Company if it determines to seek such similar no-action or other relief) permitting the BDC to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act in order to maintain the BDC's status as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986. Currently these provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase. • We agree that, if, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the Trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles.

Events of Default	You will have rights if an Event of Default occurs with respect to the Notes. The term "Event of Default" in respect of the Notes means any of the following: • We do not pay the principal (or premium, if any) of any Note when due. • We do not pay interest on any Note when due, and such default is not cured within 30 days. • We remain in breach of any other covenant with respect to the Notes for 60 days after we receive a written notice of default stating we are in breach. The notice must be sent by either the Trustee or holders of at least 25.0% of the principal amount of the Notes. • A final judgment for the payment of $15 million or more (excluding any amounts covered by insurance) rendered against us or any significant subsidiary, which judgment is not discharged or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished. • We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and in the case of certain orders or decrees entered against us under any bankruptcy law, such order or decree remains undischarged or unstayed for a period of 60 days. • On the last business day of each of twenty-four consecutive calendar months, the Notes have an asset coverage, as defined in the 1940 Act, of less than 100% after giving effect to any exemptive relief granted to us by the SEC. • a default by us or any of our significant subsidiaries, which is not cured within 30 days, under any agreement or instrument relating to indebtedness for borrowed money in excess of $10 million, which default (i) results in such indebtedness becoming or being declared due and payable or (ii) constitutes a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise.
Further Issuances	We have the ability to issue additional debt securities under the indenture with terms different from the Notes and, without consent of the holders thereof, to reopen the Notes and issue additional Notes. If we issue additional debt securities, these additional debt securities could rank higher in priority of payment or have a lien or other security interest greater than that accorded to the holders of the Notes.

Global Clearance and Settlement Procedures	Interests in the Notes will trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the Trustee or the Paying Agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.
Use of Proceeds	We estimate that the net proceeds we receive from the sale of the Notes will be approximately $23.7 million ($27.3 million if the underwriters exercise their option to purchase additional Notes in full) after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We expect to use the net proceeds from this offering to repay up to $15.0 million of the outstanding indebtedness under the Credit Facility and to use any remaining proceeds to make investments in middle market companies (including investments made through our SBIC subsidiary) in accordance with our investment objective and strategies described in this prospectus. As of March 31, 2013, we had $21.4 million outstanding under the Credit Facility. The Credit Facility has a maturity date of February 24, 2020 and bears interest at a rate of 7.50%. Assuming we use $15 million of the net proceeds from this offering to repay a portion of the Credit Facility, following this offering, the amount currently available for future borrowings under the Credit Facility will be approximately $28.0 million. The Notes will be structurally subordinated to the Credit Facility. See "Use of Proceeds." Amounts repaid under the Credit Facility may be re-borrowed by us in accordance with the terms of the Credit Facility.

SELECTED FINANCIAL AND OTHER DATA

The following selected financial and other data reflects the consolidated financial condition and the consolidated statement of operations of Saratoga as of and fo the years ended February 29, 2012, and February 28, 2011, 2010, 2009 and February 29, 2008 and as of and for the nine months ended November 30, 2012 and 2011. The selected financial and other data at February 29, 2012, and February 28, 2011, 2010, 2009 and February 29, 2008 and for the years ended February 29, 2012, and February 28, 2011, 2010, 2009 and February 29, 2008, have been derived from our audited financial statements and financial highlights, The selected financial and other data at November 30, 2012 and for the nine months ended November 30, 2012 and 2011have been derived from our unaudited financial statements but, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the financial condition and operating results for such interim periods. Interim results as of and for the nine months ended November 30, 2012 and 2011 are not necessarily indicative of the result that may be expected for the year ending February 28, 2013. The data should be read in conjunction with our financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are

included in this prospectus. The historical data is not necessarily indicative of results to be expected for any future period.

	Nine months ended November 30, 2012	Nine months ended November 30, 2011	Year Ended February 29, 2012	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009	Year Ended February 29, 2008
				($ in thousands)			
Income Statement Data:							
Interest and related portfolio income:							
Interest	$ 10,138	$ 8,307	$ 11,262	$ 12,050	$ 13,324	$ 21,142	$ 20,744
Management fee and other income	1,678	1,758	2,250	2,123	2,293	2,245	642
Total interest and related portfolio income	11,816	10,065	13,512	14,173	15,617	23,387	21,386
Expenses:							
Interest and credit facility financing expenses	1,808	987	1,298	2,612	4,096	2,605	5,031
Base management and incentive management fees(1)	2,379	2,046	2,875	3,514	2,278	4,432	3,650
Administrator expenses	750	730	1,000	810	671	961	892
Administrative and other	1,803	2,179	2,638	4,882	3,502	2,433	2,766
Expense reimbursement	—	—	—	(2,894)	(671)	(1,010)	(1,789)
Total operating expenses after reimbursements	6,740	5,942	7,811	8,924	9,876	9,421	10,550
Net investment income before income taxes	5,076	4,123	5,701	5,249	5,741	13,966	10,836
Income tax expenses, including excise tax	—	—	—	—	(27)	(140)	(89)
Net investment income	5,076	4,123	5,701	5,249	5,714	13,826	10,747
Realized and unrealized gain (loss) on investments and derivatives							
Net realized gain (loss)	412	(5,840)	(12,186)	(24,684)	(6,654)	(7,143)	3,908
Net change in unrealized gain (loss)	3,319	11,912	19,760	36,393	(9,522)	(27,998)	(20,106)
Total net gain (loss)	3,731	6,072	7,574	11,709	(16,176)	(35,141)	(16,198)
Net increase (decrease) in net assets resulting from operations	$ 8,807	$ 10,195	$ 13,275	$ 16,958	$ (10,463)	$ (21,315)	$ (5,451)

	Nine Months Ended November 30, 2012	Year Ended February 29, 2012	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009	Year Ended February 29, 2008
			($ in thousands)			
Per Share:						
Earnings (loss) per common share—basic and diluted(2)	$ 2.25	$ 3.87	$ 6.96	$ (9.86)	$ (2.57)	$ (0.70)
Net investment income per share—basic and diluted(2)	$ 1.30	$ 1.66	$ 2.15	$ 5.40	$ 16.70	$ 13.80
Net realized and unrealized gain (loss) per share—basic and diluted(2)	$ 0.95	$ 2.21	$ 4.81	$ (15.20)	$ (42.40)	$ (19.80)
Dividends declared per common share(3)	$ 4.25	$ 3.00	$ 4.40	$ 18.30	$ 10.30	$ 15.50
Dilutive impact of dividends paid in stock on net asset value per share(4)	$ (1.37)	$ (2.01)	$ (9.05)	$ (21.10)	—	—
Net asset value per share	$ 21.75	$ 25.12	$ 26.26	$ 32.75	$ 82.00	$ 118.00
Statement of Assets and Liabilities Data:						
Investment assets at fair value	$ 119,291	$ 95,360	$ 80,025	$ 89,373	$ 118,912	$ 172,837
Total assets	129,169	125,491	98,769	96,935	130,662	192,842
Total debt outstanding	18,850	20,000	4,500	36,992	58,995	78,450
Stockholders' equity	102,892	97,380	86,071	55,478	68,014	97,869
Net asset value per common share	$ 21.75	$ 25.12	$ 26.26	$ 32.70	$ 82.00	$ 118.00
Common shares outstanding at end of year	4,730,116	3,876,661	3,277,077	16,940,109	8,291,384	8,291,384
Other Data:						
Investments funded	$ 34,658	$ 38,679	$ 9,014	$ —	$ 28,260	$ 314,003
Principal collections related to investment repayments or sales	$ 15,991	$ 33,568	$ 31,975	$ 15,185	$ 49,195	$ 141,772
Number of investments at month/year end	36	33	34	41	45	46
Weighted average yield of income producing debt investments—Non-control/non-affiliate	11.23%	11.88%	11.1%	9.6%	9.7%	10.7%
Weighted average yield on income producing debt investments—Control	22.90%	20.17%	15.8%	8.3%	12.2%	8.2%

(1) See note 5 in our unaudited consolidated financial statements and note 6 in our audited consolidated financial statements contained elsewhere herein.

(2) For the years ended February 29, 2012, and February 28, 2011, 2010, 2009 and February 29, 2008 amounts are calculated using weighted average common shares outstanding of 3,434,345, 2,437,577, 1,061,351, 829,138, and 776,196 respectively.

(3) Based on 3.3 million common shares outstanding.

(4) Dilutive effect of the issuance of shares of common stock below net asset value per share in connection with the satisfaction of the Company's annual RIC distribution requirement. See "Price Range of Common Stock and Distributions—Dividend Policy."

RISK FACTORS

Investing in our Notes involves a high degree of risk. Before you invest in our Notes, you should be aware of various significant risks, including those described below. You should carefully consider these risks, together with all of the other information included in this prospectus, before you decide whether to make an investment in our Notes. The risks set forth below are the principal risks with respect to an investment in the Company generally and with respect to business development companies, they may not be the only risks we face. If any of the following risks occur, our business, financial condition and results of our operations could be materially adversely affected. In such case, you could lose all or part of your investment.

Risks Related to Our Business and Structure

The current state of the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations.

The broader economic fundamentals of the United States economy remain uncertain. Unemployment levels remain elevated and other economic fundamentals remain depressed. In the event that the United States economic performance contracts, it is likely that the financial results of middle market companies, like those in which we invest, could experience deterioration or limited growth, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. Consequently, we can provide no assurance that the performance of certain of our portfolio companies will not be negatively impacted by economic or other conditions, which could also have a negative impact on our future results.

Recent U.S. debt ceiling and budget deficit concerns, together with signs of deteriorating sovereign debt conditions in Europe, have increased the possibility of additional credit-rating downgrades and economic slowdowns. Although U.S. lawmakers passed legislation to raise the federal debt ceiling, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States from "AAA" to "AA+" in August 2011. The impact of this or any further downgrades to the U.S. government's sovereign credit rating, or its perceived creditworthiness, and the impact of the current crisis in Europe with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations is inherently unpredictable and could adversely effect the U.S. and global financial markets and economic conditions. There can be no assurance that governmental or other measures to aid economic recovery will be effective. These developments, and the government's credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, the decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our stock price. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Although we have been able to secure access to additional liquidity, the potential for volatility in the debt and in the equity capital markets provides no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

Saratoga Investment Advisors has a limited history of managing a BDC or a RIC.

The 1940 Act and the Code impose numerous constraints on the operations of BDCs and RICs that do not apply to the other investment vehicles previously managed by the principals of Saratoga Investment Advisors. For example, under the 1940 Act, BDCs are required to invest at least 70% of their total assets primarily in securities of qualifying U.S. private or thinly-traded companies. Moreover, qualification for taxation as a RIC under subchapter M of the Code requires satisfaction of source-of-income and diversification requirements and our ability to avoid corporate-level taxes on our income and gains depends on our satisfaction of distribution requirements. The failure to comply with these provisions in a timely manner could prevent us from qualifying as a BDC or RIC or could force us to pay unexpected taxes and penalties, which could be material.

Saratoga Investment Advisors has been our investment adviser since July 30, 2010. Prior to that time, Saratoga Investment Advisors did not have any prior experience managing a BDC or RIC and its lack of experience in managing a portfolio of assets under the constraints imposed by the 1940 Act and the Code on a BDC and a RIC, respectively, may hinder its ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objective.

We may be obligated to pay Saratoga Investment Advisors incentive fees even if we incur a net loss or there is a decline in the value of our portfolio.

Saratoga Investment Advisors is entitled to incentive fees for each fiscal quarter in an amount equal to a percentage of the excess of our investment income for that quarter (before deducting incentive compensation, but net of operating expenses and certain other items) above a threshold return for that quarter. Our pre-incentive fee net investment income, for incentive compensation purposes, excludes realized and unrealized capital gains or losses that we may incur in the fiscal quarter, even if such capital gains or losses result in a net gain or loss on our statement of operations for that quarter. Thus, we may be required to pay Saratoga Investment Advisors incentive fees for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

Under the terms of the investment advisory and management agreement, we may have to pay incentive fees to Saratoga Investment Advisors in connection with the sale of an investment that is sold at a price higher than the fair value of such investment on May 31, 2010, even if we incur a loss on the sale of such investment.

Incentive fees on capital gains paid to Saratoga Investment Advisors under the investment advisory and management agreement equals 20% of our "incentive fee capital gains," which equals our realized capital gains on a cumulative basis from May 31, 2010 through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. Under the investment advisory and management agreement, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and Saratoga Investment Advisors will be entitled to 20% of the incentive fee capital gains that arise after May 31, 2010. In addition, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 will equal the fair value of such investments as of such date. See our Form 10-Q for the quarter ended May 31, 2010 that was filed with the SEC on July 15, 2010 for the fair value and other information related to our investments as of such date. As a result, we may be required to pay incentive fees to Saratoga Investment Advisors on the sale of an investment even if we incur a realized loss on such investment, so long as the investment is sold for an amount greater than its fair value as of May 31, 2010.

The way in which the base management and incentive fees under the investment advisory and management agreement is determined may encourage Saratoga Investment Advisors to take actions that may not be in the best interests of the holders of the Notes.

The incentive fee payable by us to our investment adviser may create an incentive for it to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement, which could result in higher investment losses, particularly during cyclical economic downturns. The way in which the incentive fee payable to our investment adviser is determined, which is calculated separately in two components as a percentage of the income (subject to a hurdle rate) and as a percentage of the realized gain on invested capital, may encourage our investment adviser to use leverage to increase the return on our investments or otherwise manipulate our income so as to recognize income in quarters where the hurdle rate is exceeded. Moreover, we pay Saratoga Investment Advisors a base management fee based on our total assets, including any investments made with borrowings, which may create an incentive for it to cause us to incur more

leverage than is prudent, or not to repay our outstanding indebtedness when it may be advantageous for us to do so, in order to maximize its compensation. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of the Notes.

The incentive fee payable by us to our investment adviser also may create an incentive for our investment adviser to invest on our behalf in instruments that have a deferred interest feature. Under these investments, we would accrue the interest over the life of the investment but would not receive the cash income from the investment until the end of the investment's term, if at all. Our net investment income used to calculate the income portion of our incentive fee, however, includes accrued interest. Thus, a portion of the incentive fee would be based on income that we have not yet received in cash and may never receive in cash if the portfolio company is unable to satisfy such interest payment obligation to us. Consequently, while we may make incentive fee payments on income accruals that we may not collect in the future and with respect to which we do not have a "claw back" right against our investment adviser per se, the amount of accrued income written off in any period will reduce the income in the period in which such write-off was taken and may thereby reduce such period's incentive fee payment.

In addition, Saratoga Investment Advisors receives a quarterly income incentive fee based, in part, on our pre-incentive fee net investment income, if any, for the immediately preceding calendar quarter. This income incentive fee is subject to a fixed quarterly hurdle rate before providing an income incentive fee return to Saratoga Investment Advisors. This fixed hurdle rate was determined when then current interest rates were relatively low on a historical basis. Thus, if interest rates rise, it would become easier for our investment income to exceed the hurdle rate and, as a result, more likely that Saratoga Investment Advisors will receive an income incentive fee than if interest rates on our investments remained constant or decreased. In addition, if we subsequently repurchase the Notes or our other debt securities that are then outstanding and such repurchase results in our recording a net gain on the extinguishment of debt for financial reporting and tax purposes, such net gain will be included in our pre-incentive fee net investment income for purposes of determining the income incentive fee payable to our investment adviser under the investment advisory and management agreement.

Moreover, our investment adviser receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no performance threshold applicable to the portion of the incentive fee based on net capital gains. As a result, our investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

Our board of directors will seek to ensure that Saratoga Investment Advisors is acting in the best interests of the holders of the Notes and that any conflict of interest faced by Saratoga Investment Advisors in its capacity as our investment adviser does not negatively impact us.

The base management fee we pay to Saratoga Investment Advisors may cause it to increase our leverage contrary to our interest.

We pay Saratoga Investment Advisors a quarterly base management fee based on the value of our total assets (including any assets acquired with leverage). Accordingly, Saratoga Investment Advisors has an economic incentive to increase our leverage. Our board of directors monitors the conflicts presented by this compensation structure by approving the amount of leverage that we incur. If our leverage is increased, we will be exposed to increased risk of loss, bear the increase cost of issuing and servicing such senior indebtedness, and will be subject to any additional covenant restrictions imposed on us in an indenture or other instrument or by the applicable lender.

We employ leverage, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in the Notes.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in us. We borrow from and issue senior debt securities to banks and other lenders that is secured by a lien on our assets. Holders of these senior securities have fixed dollar claims on our assets that are superior to the claims of the holders of the Notes. Leverage is generally considered a speculative investment technique. Any increase in our income in excess of interest payable on our outstanding indebtedness would cause our net income to increase more than it would have had we not incurred leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not incurred leverage. Such a decline could negatively affect our ability to make interest and principal payments of the Notes. There can be no assurance that our leveraging strategy will be successful.

As of November 30, 2012, there was an outstanding balance of $14.9 million under the Credit Facility. As of November 30, 2012, we had issued $4.0 million SBA-guaranteed debentures. We may incur additional indebtedness in the future, including up to an additional $30.1 million under the Credit Facility, although there can be no assurance that we will be successful in doing so. Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that we employ at any particular time will depend on our management's and our Board of Directors' assessment of market and other factors at the time of any proposed borrowing.

The Credit Facility and the SBA-guaranteed debentures impose, and additional debt we may incur in the future will likely impose, financial and operating covenants that restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC. A failure to add new debt facilities or issue additional debt securities or other evidences of indebtedness in lieu of or in addition to existing indebtedness could have a material adverse effect on our business, financial condition or results of operations.

Saratoga Investment Advisors' liability is limited under the investment advisory and management agreement and we will indemnify Saratoga Investments Advisors against certain liabilities, which may lead it to act in a riskier manner on our behalf than it would when acting for its own account.

Saratoga Investment Advisors has not assumed any responsibility to us other than to render the services described in the investment advisory and management agreement. Pursuant to the investment advisory and management agreement, Saratoga Investment Advisors and its officers and employees are not liable to us for their acts under the investment advisory and management agreement absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect Saratoga Investment Advisors and its officers and employees with respect to all damages, liabilities, costs and expenses resulting from acts of Saratoga Investment Advisors not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the investment advisory and management agreement. These protections may lead Saratoga Investment Advisors to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Substantially all of our assets are subject to security interests under the Credit Facility, or claims of the SBA with respect to SBA-guaranteed debentures we may issue and if we default on our obligations thereunder, we may suffer adverse consequences, including Madison Capital Funding and/or the SBA foreclosing on our assets.

Substantially all of our assets are pledged as collateral under the Credit Facility or are subject to a superior claim over the holders of our Notes by the SBA pursuant to the SBA-guaranteed debentures. If we default on our obligations under the Credit Facility or the SBA-guaranteed debentures, Madison

Capital Funding may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests or superior claim. In such event, we may be forced to sell our investments to raise funds to repay our outstanding borrowings in order to avoid foreclosure and these forced sales may be at times and at prices we would not consider advantageous. Moreover, such deleveraging of our company could significantly impair our ability to effectively operate our business in the manner in which we have historically operated.

In addition, if Madison Capital Funding exercises its right to sell the assets pledged under the Credit Facility, such sales may be completed at distressed sale prices, thereby diminishing or potentially eliminating the amount of cash available to us after repayment of the amounts outstanding under the Credit Facility.

We are exposed to risks associated with changes in interest rates including potential effects on our cost of capital and net investment income.

General interest rate fluctuations and changes in credit spreads on floating rate loans may have a substantial negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on our rate of return on invested capital. In addition, an increase in interest rates would make it more expensive to use debt to finance our investments. Decreases in credit spreads on debt that pays a floating rate of return would have an impact on the income generation of our floating rate assets. Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed rate securities that have longer maturities. Although we have no policy governing the maturities of our investments, under current market conditions we expect that we will invest in a portfolio of debt generally having maturities of up to ten years. This means that we will be subject to greater risk (other things being equal) than an entity investing solely in shorter-term securities.

Because we may borrow to fund our investments, a portion of our net investment income may be dependent upon the difference between the interest rate at which we borrow funds and the interest rate at which we invest these funds. A portion of our investments will have fixed interest rates, while a portion of our borrowings will likely have floating interest rates. As a result, a significant change in market interest rates could have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds could increase, which would reduce our net investment income. We may hedge against such interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts, subject to applicable legal requirements, including without limitation, all necessary registrations (or exemptions from registration) with the Commodity Futures Trading Commission. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged borrowings. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations.

There are significant potential conflicts of interest which could adversely impact our investment returns.

Our executive officers and directors, and the members of our investment adviser, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our best interests. For example, Christian L. Oberbeck, our chief executive officer and managing member of our investment adviser, is the managing partner of Saratoga Partners, a middle market private equity investment firm. In addition, the principals of our investment adviser may manage other funds which may from time to time have overlapping investment objectives with those of us and accordingly invest in, whether principally or secondarily, asset classes similar to those targeted by us. If this should occur, the principals of our investment adviser will face conflicts of interest in the allocation of investment opportunities to us and such other funds. Although our investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, we could be adversely affected in the event investment

opportunities are allocated among us and other investment vehicles managed or sponsored by, or affiliated with, our executive officers, directors and investment adviser, and the members of our investment adviser.

Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.

We are subject to regulation at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Any change in these laws or regulations, or their interpretation, or any failure by us to comply with these laws or regulations may adversely affect our business.

Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.

Our business requires a substantial amount of additional capital. We may acquire additional capital from the issuance of senior securities or other indebtedness or the issuance of additional shares of our common stock. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities or preferred securities, which we refer to collectively as "senior securities," and we may borrow money from banks or other financial institutions, up to the maximum amount permitted by the 1940 Act.

Under the provisions of the 1940 Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such incurrence or issuance. Our ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit our investment opportunities and reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend. With respect to certain types of senior securities, we must make provisions to prohibit any dividend distribution to our stockholders or the repurchase of certain of our securities, unless we meet the applicable asset coverage ratios at the time of the dividend distribution or repurchase. If the value of our assets declines, we may be unable to satisfy the asset coverage test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any commission or discount). At our 2012 annual meeting of stockholders, our stockholders approved a proposal that authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock at an offering price per share that is not less than 85% of the then current net asset value per share in one or more offerings for a period of one year ending on the earlier of September 28, 2013 or the date of our 2013 annual meeting of stockholders. Continued access to this exception will require approval of similar proposals at future stockholder meetings. If our common stock trades at a discount to net asset value, this restriction could adversely affect our ability to raise capital.

Pending legislation may allow us to incur additional leverage.

As a business development company, under the 1940 Act generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). We have

agreed in the covenant in the indenture governing the Notes not to violate this section of the 1940 Act, whether or not we continue to be subject to such provision, but giving effect, in either case, to any exemptive relief granted to us by the SEC. Recent legislation introduced in the U.S. House of Representatives, if passed, would modify this section of the 1940 Act and increase the amount of debt that business development companies may incur by modifying the percentage from 200% to 150%. As a result, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in the Notes may increase.

The agreement governing the Credit Facility contains various covenants that, among other things, limits our discretion in operating our business and provides for certain minimum financial covenants.

We have entered into the Credit Facility with Madison Capital Funding. The agreement governing this facility contains customary default provisions such as the termination or departure of any of Messrs. Oberbeck, Petrocelli or Grisius, a material adverse change in our business and the failure to maintain certain minimum loan quality and performance standards and a default under the terms of any other indebtedness, including the Notes. An event of default under the Credit Facility would result, among other things, in termination of the availability of further funds under the Credit Facility and an accelerated maturity date for all amounts outstanding under the Credit Facility, which would likely disrupt our business and, potentially, the portfolio companies whose loans we financed through the Credit Facility. This could reduce our revenues and, by delaying any cash payment allowed to us under the Credit Facility until the lender has been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and maintain our status as a RIC.

Each loan origination under the Credit Facility is subject to the satisfaction of certain conditions. We cannot assure you that we will be able to borrow funds under the Credit Facility at any particular time or at all.

A failure on our part to maintain our qualification as a BDC would significantly reduce our operating flexibility.

If we fail to qualify as a BDC, we might be regulated as a registered closed-end investment company under the 1940 Act, which would significantly decrease our operating flexibility.

We will be subject to corporate-level income tax if we fail to qualify as a RIC.

We seek to maintain our qualification as a RIC under the Code, which requires us to qualify continuously as a BDC and meet certain source of income, distribution and asset diversification requirements.

The source of income requirement is satisfied if we derive at least 90% of our annual gross income from interest, dividends, payments with respect to certain securities loans, gains from the sale or other disposition of securities or options thereon or foreign currencies, or other income derived with respect to our business of investing in such securities or currencies, and net income from interests in "qualified publicly traded partnerships," as defined in the Code.

The annual distribution requirement is satisfied if we distribute to our stockholders on an annual basis an amount equal to at least 90% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses. We are subject to certain asset coverage ratio requirements under the 1940 Act and covenants under the Credit Facility we have with Madison Capital Funding that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. In such case, if we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax.

The diversification requirements will be satisfied if we diversify our holdings so that at the end of each quarter of the taxable year: (i) at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other regulated investment companies, and other

securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and (ii) no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other regulated investment companies, of one issuer or of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or in certain publicly traded partnerships.

Failure to meet these tests may result in our having to (i) dispose of certain investments quickly or (ii) raise additional capital to prevent the loss of our RIC qualification. Because most of our investments will be in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we raise additional capital to satisfy the asset diversification requirements, it could take us time to invest such capital. During this period, we will invest the additional capital in temporary investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in leveraged loans and mezzanine debt.

If we fail to qualify as a RIC for any reason, all of our taxable income will be subject to U.S. federal income tax at regular corporate rates. The resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us.

Because we intend to distribute between 90% and 100% of our income to our stockholders in connection with our election to be treated as a RIC, we will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow will be impaired.

In order to qualify for the tax benefits available to RICs and to minimize corporate-level taxes, we intend to distribute to our stockholders between 90% and 100% of our annual taxable income, except that we may retain certain net capital gains for investment, and treat such amounts as deemed distributions to our stockholders. If we elect to treat any amounts as deemed distributions, we must pay income taxes at the corporate rate on such deemed distributions on behalf of our stockholders. As a result of these requirements, we will likely need to raise capital from other sources to grow our business. As a BDC, we generally are required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, to total senior securities, which includes all of our borrowings and any outstanding preferred stock, of at least 200%. These requirements limit the amount that we may borrow. Because we will continue to need capital to grow our investment portfolio, these limitations may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so.

While we expect to be able to borrow and to issue additional debt and equity securities, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all. Also, as a BDC, we generally are not permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new investment activities, and our net asset value and share price could decline. In addition, if the Internal Revenue Service, or IRS, should adopt a position that a distribution of 20% cash and the rest in stock is not a distribution satisfying the annual distribution requirement, we may find it difficult to meet such requirement.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash in respect of such income.

For federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, we may on occasion hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest ("PIK") or, in certain cases, increasing interest rates or issued with warrants) and we must include in income each year a portion of the original issue discount

that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. For the nine months ended November 30, 2012 and the year ended February 29, 2012, we received PIK income of $0.8 million and $1.4 million, respectively. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. In addition, we may be required to accrue for federal income tax purposes amounts attributable to our investment in Saratoga CLO, that may differ from the distributions paid in respect of our investment in the subordinated notes of such collateralized loan obligation fund because of the factors set forth above or because distributions on the subordinated notes are contractually required to be diverted for reinvestment or to pay down outstanding indebtedness.

Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the annual distribution requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the annual distribution requirement necessary to obtain and maintain RIC tax treatment under the Code. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

Our ability to enter into transactions with our affiliates is restricted.

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of the members of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any securities (other than our securities) from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company, without prior approval of our independent directors and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we are prohibited from buying or selling any security (other than any security of which we are the issuer) from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such person, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers, directors or investment adviser or their affiliates. As a result of these restrictions, we may be prohibited from buying or selling any security (other than any security of which we are the issuer) from or to any portfolio company of a private equity fund managed by our investment adviser without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

We operate in a highly competitive market for investment opportunities.

A number of entities compete with us to make the types of investments that we make in private middle market companies. We compete with other BDCs, public and private funds (including SBICs), commercial and investment banks, commercial financing companies, insurance companies, high-yield investors, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than us. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments that could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to

time, and we cannot assure you that we will be able to identify and make investments that meet our investment objective.

We do not seek to compete primarily based on the interest rates we offer and we believe that some of our competitors may make loans with interest rates that are comparable to or lower than the rates we offer.

We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. As a result of operating in such a competitive environment, we may make investments that are on better terms to our portfolio companies than we originally anticipated, which may impact our return on these investments.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our debt investments during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods.

Adverse economic conditions also may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. Although we seek to maintain a diversified portfolio in accordance with our business strategies, to the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our RIC asset diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Our financial condition and results of operation depend on our ability to manage future investments effectively.

Our ability to achieve our investment objective depends on our ability to acquire suitable investments and monitor and administer those investments, which depends, in turn, on Saratoga Investment Advisors' ability to identify, invest in and monitor companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis is largely a function of Saratoga Investment Advisors' structuring of the investment process and its ability to provide competent, attentive and efficient service to us. Our executive officers and the officers and employees of Saratoga Investment Advisors have substantial responsibilities in connection with their roles at Saratoga Partners as well as responsibilities under the investment advisory and management agreement. They may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time, which will increase as the number of investments grow, may distract them or slow the rate of investment. In order to grow, Saratoga Investment Advisors may need to hire, train, supervise and manage new employees. However, we cannot assure you that any such employees will contribute to the work of

Saratoga Investment Advisors. Any failure to manage our future growth effectively could have a material adverse effect on our business and financial condition.

Substantially all of our portfolio investments are recorded at fair value as approved in good faith by our board of directors; such valuations are inherently uncertain and may be materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Substantially all of our portfolio is, and we expect will continue to be, comprised of investments that are not publicly traded. The value of investments that are not publicly traded may not be readily determinable. We value these investments quarterly at fair value as approved in good faith by our board of directors. Where appropriate, Saratoga Investment Advisers may utilize the services of an independent valuation firm to aid it in determining fair value. The types of factors that may be considered in valuing our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, market yield trend analysis, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

If we make unsecured debt investments, we may lack adequate protection in the event our portfolio companies become distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event our portfolio companies defaults on their indebtedness.

We make unsecured debt investments in portfolio companies. Unsecured debt investments are unsecured and junior to other indebtedness of the portfolio company. As a consequence, as the holder of an unsecured debt investment, we may lack adequate protection in the event the portfolio company becomes distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event the portfolio company defaults on its indebtedness. In addition, unsecured debt investments of middle-market companies are often highly illiquid and in adverse market conditions may experience steep declines in valuation even if they are fully performing.

If we invest in the securities and other obligations of distressed or bankrupt companies, such investments may be subject to significant risks, including lack of income, extraordinary expenses, uncertainty with respect to satisfaction of debt, lower-than expected investment values or income potentials and resale restrictions.

We are authorized to invest in the securities and other obligations of distressed or bankrupt companies. At times, distressed debt obligations may not produce income and may require us to bear certain extraordinary expenses (including legal, accounting, valuation and transaction expenses) in order to protect and recover our investment. Therefore, to the extent we invest in distressed debt, our ability to achieve current income may be diminished, which may affect our ability to make interest and principal payments of the Notes.

We also will be subject to significant uncertainty as to when and in what manner and for what value the distressed debt we invest in will eventually be satisfied (e.g., through a liquidation of the obligor's assets, an exchange offer or plan of reorganization involving the distressed debt securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or plan of reorganization is adopted with respect to distressed debt held by us, there can be no assurance that the securities or other assets received by us in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made.

Moreover, any securities received by us upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of our participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of distressed debt, we may be restricted from disposing of such securities if we are in possession of material non-public information relating to the issuer.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans that we make to portfolio companies will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken with respect to the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected.

The lack of liquidity in our investments may adversely affect our business.

We primarily make investments in private companies. A portion of these securities may be subject to legal and other restrictions on resale, transfer, pledge or other disposition or will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a business entity to the extent that we or our investment adviser has or could be deemed to have material non-public information regarding such business entity.

The debt securities in which we invest are subject to credit risk and prepayment risk.

An issuer of a debt security may be unable to make interest payments and repay principal. We could lose money if the issuer of a debt obligation is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of a security by rating agencies may further decrease its value.

Certain debt instruments may contain call or redemption provisions which would allow the issuer thereof to prepay principal prior to the debt instrument's stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher interest debt instruments with lower interest debt instruments. An issuer may also elect to refinance their debt instruments with lower interest debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may receive less than we paid for such security and we may be forced to reinvest in lower yielding securities or debt securities of issuers of lower credit quality.

Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility.

At November 30, 2012 and February 29, 2012, our investment in the subordinated notes of Saratoga CLO had a fair value of $24.6 million and $25.8 million and constituted 20.7% and 27.1% of our portfolio, repsectively. This investment constitutes a first loss position in a portfolio that, as of November 30, 2012 and February 29, 2012, was composed of $393.4 million and $380.2 million in aggregate principal amount of primarily senior secured first lien term loans, respectively, and $13.4 million and $17.8 million in uninvested cash, respectively. A first loss position means that we will suffer the first economic losses if the value of Saratoga CLO decreases. First loss positions typically carry a higher risk and earn a higher yield. Interest payments generated from this portfolio will be used to pay the administrative expenses of Saratoga CLO and interest on the debt issued by Saratoga CLO before paying a return on the subordinated notes. Principal payments will be similarly applied to pay administrative expenses of Saratoga CLO and for reinvestment or repayment of Saratoga CLO debt before paying a return on, or repayment of, the subordinated notes. In addition, 80% of our fixed management fee and 100% our incentive management fee for acting as the collateral manager of Saratoga CLO is subordinated to the payment of interest and principal on Saratoga CLO debt. Any losses on the portfolio will accordingly reduce the cash flow available to pay these management fees and provide a return on, or repayment of, our investment. Depending on the amount and timing of such losses, we may experience smaller than expected returns and, potentially, the loss of our entire investment.

As the manager of the portfolio of Saratoga CLO, we will have some ability to direct the composition of the portfolio, but our discretion is limited by the terms of the debt issued by Saratoga CLO, which may limit our ability to make investments that we feel are in the best interests of the subordinated notes, and the availability of suitable investments. The performance of the portfolio is also subject to many of the same risks sets forth in this prospectus with respect to portfolio investments in leveraged loans.

Available information about privately held companies is limited.

We invest primarily in privately-held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of our investment adviser's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. These companies and their financial information are not subject to the Sarbanes-Oxley Act of 2002 and other rules that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments.

When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and its management may make decisions that could decrease the value of our investment.

We make both debt and minority equity investments; therefore, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and

management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

Our portfolio companies usually will have, or may be permitted to incur, other debt, or issue other equity securities that rank equally with, or senior to, our investments. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These debt instruments will usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debtor ranking equally with our investments, we would have to share on an equal basis any distributions with other holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

If one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken if we actually render significant managerial assistance.

Investments in equity securities involve a substantial degree of risk.

We purchase common stock and other equity securities. Although equity securities have historically generated higher average total returns than fixed-income securities over the long-term, equity securities also have experienced significantly more volatility in those returns and in recent years have significantly under performed relative to fixed-income securities. The equity securities we acquire may fail to appreciate and may decline in value or become worthless and our ability to recover our investment will depend on our portfolio company's success. Investments in equity securities involve a number of significant risks, including:

- any equity investment we make in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process;

- to the extent that the portfolio company requires additional capital and is unable to obtain it, we may not recover our investment in equity securities; and

- in some cases, equity securities in which we invest will not pay current dividends, and our ability to realize a return on our investment, as well as to recover our investment, will be dependent on the success of our portfolio companies. Even if the portfolio companies are successful, our

ability to realize the value of our investment may be dependent on the occurrence of a liquidity event, such as a public offering or the sale of the portfolio company. It is likely to take a significant amount of time before a liquidity event occurs or we can sell our equity investments. In addition, the equity securities we receive or invest in may be subject to restrictions on resale during periods in which it could be advantageous to sell.

There are special risks associated with investing in preferred securities, including:

- preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring its distributions, we may be required to report income for tax purposes even though we have not received any cash payments in respect of such income;
- preferred securities are subordinated with respect to corporate income and liquidation payments, and are therefore subject to greater risk than debt;
- preferred securities may be substantially less liquid than many other securities, such as common securities or U.S. government securities; and
- preferred security holders generally have no voting rights with respect to the issuing company, subject to limited exceptions.

Our investments in foreign debt, including that of emerging market issuers, may involve significant risks in addition to the risks inherent in U.S. investments.

Although there are limitations on our ability to invest in foreign debt, we may, from time to time, invest in debt of foreign companies, including the debt of emerging market issuers. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Investments in the debt of emerging market issuers may subject us to additional risks such as inflation, wage and price controls, and the imposition of trade barriers. Furthermore, economic conditions in emerging market countries are, to some extent, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reaction to developments in one country can have effects on the debt of issuers in other countries.

Although most of our investments will be U.S. dollar-denominated, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we cannot assure you that we will fully hedge against these risks or that such strategies will be effective.

We may expose ourselves to risks if we engage in hedging transactions.

We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments may expose us to counter-party credit risk. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other

positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is generally anticipated at an acceptable price.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

Our board of directors has the authority to modify or waive our current investment objective, operating policies and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business and financial condition. However, the effects might be adverse, which could negatively impact our ability to make interest and principal payments of the Notes.

Our investments may be risky, and you could lose all or part of your investment.

We invest primarily in leveraged loans issued by middle market companies. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. Leveraged loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, including second lien loans, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

In addition, substantially all of our debt investments hold a non-investment grade rating by one or more rating agencies or, where not rated by any rating agency, would be below investment grade, if rated. A below investment grade rating means that, in the rating agency's view, there is an increased risk that the obligor on such debt will be unable to pay interest and repay principal on its debt in full. We also invest in debt that defers or pays PIK interest. To the extent interest payments associated with such debt are deferred, such debt will be subject to greater fluctuations in value based on changes in interest rates, such debt could produce taxable income without a corresponding cash payment to us, and since we generally do not receive any cash prior to maturity of the debt, the investment will be of greater risk.

In addition, private middle market companies in which we invest are exposed to a number of significant risks, including:

- limited financial resources and an inability to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;

- shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;

- dependence on the management talents and efforts of a small group of persons; the death, disability, resignation or termination of one or more of which could have a material adverse impact on the company and, in turn, on us;

- less predictable operating results and, possibly, substantial additional capital requirements to support their operations, finance expansion or maintain their competitive position; and

- difficulty accessing the capital markets to meet future capital needs.

In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

We have limited prior experience managing an SBIC and any failure to comply with SBA regulations, resulting from our lack of experience or otherwise, could have an adverse effect on our operations.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP, received a license from the SBA to operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958 and is regulated by the SBA.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBIC requirements may cause our SBIC subsidiary to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, SBA regulations require that an SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of an SBIC. If our SBIC subsidiary fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit its use of debentures, declare outstanding debentures immediately due and payable, and/or limit it from making new investments. In addition, the SBA can revoke or suspend a license for willful or repeated violation of, or willful or repeated failure to observe, any provision of the Small Business Investment Act of 1958 or any rule or regulation promulgated thereunder. These actions by the SBA would, in turn, negatively affect us because our SBIC subsidiary is our wholly-owned subsidiary. We do not have any prior experience managing an SBIC. Our lack of experience in complying with SBA regulations may hinder our ability to take advantage of our SBIC subsidiary's access to SBA-guaranteed debentures.

Any failure to comply with SBA regulations could have an adverse effect on our operations.

Risks Related to Our Notes

The Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The Notes will not be secured by any of our assets or any of the assets of our subsidiaries, including our wholly owned subsidiaries. As a result, the Notes will effectively be subordinated to any secured indebtedness we or they have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness, including indebtedness under the Credit Facility. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of November 30, 2012, there was $14.9 million outstanding under the Credit Facility and have the current ability to borrow up to $12.9 million under the Credit Facility, subject to certain conditions. As of November 30, 2012, we had $4.0 million in SBA-guaranteed debentures outstanding. The indebtedness

under the Credit Facility and to SBA-guaranteed debentures is senior to the Notes to the extent of the value of the assets securing such indebtedness.

The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes will be obligations exclusively of Saratoga Investment Corp., and not of any of our subsidiaries. None of our subsidiaries will be a guarantor of the Notes and the Notes will not be required to be guaranteed by any subsidiary we may acquire or create in the future. Any assets of our subsidiaries will not be directly available to satisfy the claims of our creditors, including holders of the Notes. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors of our subsidiaries will have priority over our equity interests in such entities (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such entities. Even if we are recognized as a creditor of one or more of these entities, our claims would still be effectively subordinated to any security interests in the assets of any such entity and to any indebtedness or other liabilities of any such entity senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries and portfolio companies with respect to which we hold equity investments. In addition, our subsidiaries, these entities may incur substantial indebtedness in the future, all of which would be structurally senior to the Notes.

The indenture under which the Notes will be issued contains limited protection for holders of the Notes.

The indenture under which the Notes will be issued offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have a material adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes will not place any restrictions on our or our subsidiaries' ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries or the that would be senior to our equity interests in those entities and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions (whether or not we are subject thereto), but giving effect, in each case, to any exemptive relief granted to us by the SEC. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings;

- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including subordinated indebtedness, in each case other than dividends, purchases, redemptions or payments that would cause a violation of Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, but giving effect to any exemptive relief granted to us by the SEC. These provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase;

- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);
- enter into transactions with affiliates;
- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;
- make investments; or
- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the indenture will not require us to offer to purchase the Notes in connection with a change of control or any other event.

Furthermore, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, if any, as they do not require that we adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity other than as described under "Description of the Notes—Events of Default" beginning on page 128 below.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. For example, the indenture under which the Notes will be issued does not contain cross-default provisions that are contained in the Credit Facility. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

There is no existing trading market for the Notes and, even if the NYSE approves the listing of the Notes, an active trading market for the Notes may not develop, which could limit your ability to sell the Notes or the market price of the Notes.

The Notes will be a new issue of debt securities for which there initially will not be a trading market. We intend to list the Notes on the NYSE within 30 days of the original issue date under the symbol "SAQ." However, there is no assurance that the Notes will be approved for listing on the NYSE.

Moreover, even if the listing of the Notes is approved, we cannot provide any assurances that an active trading market will develop or be maintained for the Notes or that you will be able to sell your Notes. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, if any, general economic conditions, our financial condition, performance and prospects and other factors. The underwriters have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The underwriters may discontinue any market-making in the Notes at any time at their sole discretion.

Accordingly, we cannot assure you that the Notes will be approved for listing on the NYSE, that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

We may choose to redeem the Notes when prevailing interest rates are relatively low.

On or after May 31, 2016, we may choose to redeem the Notes from time to time, especially when prevailing interests rates are lower than the rate borne by the Notes. If prevailing rates are lower at the time of redemption, you would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. Our redemption right also may adversely impact your ability to sell the Notes as the optional redemption date or period approaches.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

Any default under the agreements governing our indebtedness, including a default under the Credit Facility or other indebtedness to which we may be a party that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness, including the Notes. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lender under the Credit Facility or other debt we may incur in the future could elect to terminate its commitment, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. In addition, any such default may constitute a default under the Notes, which could further limit our ability to repay our debt, including the Notes. If our operating performance declines, we may in the future need to seek to obtain waivers from the lender under the Credit Facility or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Credit Facility or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under the Credit Facility or other debt, the lender could exercise its rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the collateral securing the debt. Because the Credit Facility has, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes, the Credit Facility or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

We may be unable to invest a significant portion of the net proceeds from this offering, which could harm our financial condition and operating results.

Delays in investing the net proceeds raised in this offering may cause our performance to be worse than that of other fully invested business development companies or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions and the amount of the capital, it may take us a substantial period of time to invest substantially all of the net proceeds from this offering in investments meeting our investment objective. During this period, we will invest the capital primarily in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment. These securities may earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of the $ million aggregate principal amount of Notes in this offering will be approximately $ million (or approximately $ million if the underwriters fully exercise their overallotment option), in each case at the public offering price of 100% of par, after deducting the underwriting discounts and commissions of $ million (or approximately $ million if the underwriters fully exercise their overallotment option) and estimated offering expenses of approximately $300,000 payable by us.

We intend to use the net proceeds from the sale of the Notes to repay up to $15.0 million of the outstanding indebtedness under the Credit Facility and to make investments in middle market companies (including investments made through our SBIC subsidiary) in accordance with our investment objective and strategies described elsewhere in this prospectus. As of April 26, 2013, we had $21.4 million outstanding under the Credit Facility. The Credit Facility has a maturity date of February 24, 2020 and bears interest at a rate of 7.50%. Assuming we use $15 million of the net proceeds from this offering to repay a portion of the Credit Facility, following this offering, the amount currently available for future borrowing under the Credit Facility will be approximately $28.0 million. The Notes will be effectively and structurally subordinated to the Credit Facility. Amounts repaid under the Credit Facility may be re-borrowed by us in accordance with the terms of the Credit Facility. If the repurchase or cancellation of any of our debt provides us with a net gain on extinguishment of debt, such net gain will be included in our pre-incentive fee net investment income for the purpose of the payment of the income incentive fee to the investment adviser under our investment advisory agreement. In the future, we may use borrowed funds, including under the Credit Facility, to repurchase the Notes or our other debt securities that are then outstanding. If we subsequently repurchase the Notes or our other debt securities that are then outstanding and such repurchase results in our recording a net gain on the extinguishment of debt for financial reporting and tax purposes, such net gain will be included in our pre-incentive fee net investment income for purposes of determining the income incentive fee payable to our investment adviser under the investment advisory and management agreement.

We anticipate that substantially all of the net proceeds of the offering of the Notes pursuant to this prospectus will be used for the above purposes within six to nine months of any such offering depending on the availability of appropriate investment opportunities consistent with our investment objectives and strategies.

Pending the uses described above, we intend to invest the net proceeds of the offering in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment. These securities may earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective. See "Regulation—Business Development Company Regulations—Temporary Investments" for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

CAPITALIZATION

The following table sets forth our capitalization as of November 30, 2012, actual and as adjusted for the sale of $ million aggregate principal amount of the Notes offered hereby. This table should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto included in this prospectus.

	As of November 30, 2012	
	Actual	As Adjusted
	(unaudited)	
Cash and cash equivalents	$ 2,494,552	
Cash and cash equivalents, reserve accounts	3,787,183	
Total cash and cash equivalents	6,281,735	
Revolving Credit Facilty	14,850,000	
SBA debentures payable	4,000,000	
Notes offered hereby		
Stockholders' equity		
Common stock, par value $0.001 per share; 100,000,000 common shares authorized, 4,730,116 shares issued and outstanding	4,730	
Capital in excess of par value	174,824,076	
Distribution in excess of net investment income	(25,319,688)	
Accumulated net realized loss from investments and derivatives	(48,463,047)	
Net unrealized appreciation on investments and derivatives	1,846,150	
Total net assets	$ 102,892,221	
Total liabilities and net assets	$ 129,168,589	
Net Asset Value Per Share	$ 21.75	

RATIOS OF EARNINGS TO FIXED CHARGES

For the nine months ended November 30, 2012 and the years ended February 29, 2012 and February 28, 2011, 2010, 2009, and February 29, 2008, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	Nine months ended November 30, 2012	Year ended February 29, 2012	Year ended February 28, 2011	Year ended February 28, 2010	Year ended February 28, 2009	Year ended February 29, 2008
Earnings to Fixed Charges	5.87	11.23	7.49	(1.55)	(7.18)	(0.08)

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in net assets resulting from operations plus (or minus) income tax provision (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees and amortization of deferred financing fees.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed in the section entitled "Risk Factors."

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

The forward-looking statements contained in this prospectus involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax treatment, including our ability to operate as a business development company, a regulated investment company and a small business investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability of our investment adviser to locate suitable investments for us and to monitor and effectively administer our investments.

You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this prospectus.

You should understand that, under Sections 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)B of the Exchange Act, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with any offering of securities pursuant to this prospectus.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock is traded on the New York Stock Exchange under the symbol "SAR." Prior to July 30, 2010, our common stock traded on the New York Stock Exchange under the symbol "GNV." The following table sets forth, for the two most recent fiscal years and the current fiscal year, the range of high and low sales prices of our common stock as reported on the New York Stock Exchange, the sales price as a percentage of our net asset value ("NAV") and the dividends declared by us for each fiscal quarter. The net asset value per share and high and low sales prices listed below reflect the 1:10 reverse stock split that occurred on August 12, 2010.

Year ended February 28, 2011	NAV(1)	High	Low
First Quarter	$ 34.32	$ 25.50	$ 17.00
Second Quarter	$ 29.71	$ 20.40	$ 14.40
Third Quarter	$ 24.95	$ 22.66	$ 17.14
Fourth Quarter	$ 26.26	$ 21.68	$ 17.23

Year ended February 29, 2012	NAV(1)	High	Low
First Quarter	$ 28.01	$ 18.26	$ 16.69
Second Quarter	$ 27.48	$ 17.26	$ 13.58
Third Quarter	$ 24.32	$ 13.82	$ 12.35
Fourth Quarter	$ 25.12	$ 16.15	$ 12.07

Year ended February 28, 2013	NAV(1)	High	Low
First Quarter	$ 25.94	$ 18.25	$ 15.15
Second Quarter	$ 27.20	$ 17.20	$ 16.53
Third Quarter	$ 21.75	$ 19.97	$ 15.17
Fourth Quarter	$ *	$ 18.16	$ 15.07

Year ended February 28, 2014	NAV(1)	High	Low
First Quarter through April 26, 2013	*	$ 17.20	$ 16.35

* Not determinable at the time of filing.

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of each period.

Holders

The last reported price for our common stock on April 26, 2013 was $16.55 per share. As of April 26, 2013, there were 26 holders of record of our common stock.

Dividend Policy

The following table summarizes our dividends or distributions declared during fiscal 2009, 2010, 2011, 2012 and 2013:

Date Declared	Record Date	Payment Date	Amount per Share
May 22, 2008	May 30, 2008	June 13, 2008	$ 3.90
August 19, 2008	August 29, 2008	September 15, 2008	$ 3.90
December 8, 2008	December 18, 2008	December 29, 2008	$ 2.50
Total Dividends Declared for Fiscal 2009			$ 10.30
November 13, 2009	November 25, 2009	December 31, 2009	$ 18.25(1)
Total Dividends Declared for Fiscal 2010			$ 18.25
November 12, 2010	November 19, 2010	December 29, 2010	$ 4.40(1)
Total Dividends Declared for Fiscal 2011			$ 4.40
November 15, 2011	November 25, 2011	December 30, 2011	$ 3.00(1)
Total Dividends Declared for Fiscal 2012			$ 3.00
November 9, 2012	November 20, 2012	December 31, 2012	$ 4.25(1)
Total Dividends Declared for Fiscal 2013			$ 4.25

(1) This dividend was paid by combination of shares of common stock and cash. Please see the discussion immediately following this table for more detail about the composition of this dividend.

Our future distributions, if any, will be determined by our board of directors and paid out of assets legally available for distribution. Any such distributions will be taxable to our stockholders, including to those stockholders who receive additional shares of our common stock pursuant to our dividend reinvestment plan. Prior to January 2009, we paid quarterly dividends to our stockholders. However, in January 2009, we suspended the practice of paying quarterly dividends to our stockholders and have made three dividend distributions (in December 2011, 2010 and 2009) to our stockholders since such time. We are prohibited from making distributions that cause us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or that violate our debt covenants.

Given the size of our asset base and our growing pipeline of attractive investments, our board of directors believes that using our capital resources to build and diversify our portfolio serves stockholders' interests best by better positioning us to generate current income and capital appreciation on an increasing scale in future periods. Therefore, our board of directors determined to pay a 20% cash and 80% stock dividend with respect to a significant portion of our taxable income for our 2012 fiscal year in accordance with certain IRS private letter rulings. For more detailed information about this dividend, please see the discussion below.

In order to maintain our qualification as a RIC, we must for each fiscal year distribute an amount equal to at least 90% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses. In addition, we will be subject to federal excise taxes to the extent we do not distribute during the calendar year at least (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one year period ending on October 31 of the calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which we paid no federal income tax. For the 2012 calendar year, the Company made distributions sufficient such that we did not incur any federal excise taxes. We may elect to withhold from

distribution a portion of our ordinary income for the 2013 calendar year and/or portion of the capital gains in excess of capital losses realized during the one year period ending October 31, 2013, if any, and, if we do so, we would expect to incur federal excise taxes as a result.

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends.

Pursuant to a revenue procedure (Revenue Procedure 2010-12), or the Revenue Procedure, issued by the IRS, the IRS indicated that it would treat distributions from certain publicly traded RICs (including BDCs) that were paid part in cash and part in stock as dividends that would satisfy the RIC's annual distribution requirements and qualify for the dividends paid deduction for federal income tax purposes. In order to qualify for such treatment, the Revenue Procedure required that at least 10% of the total distribution be payable in cash and that each stockholder have a right to elect to receive its entire distribution in cash. If too many stockholders elected to receive cash, each stockholder electing to receive cash must receive a proportionate share of the cash to be distributed (although no stockholder electing to receive cash may receive less than 10% of such stockholder's distribution in cash). This Revenue Procedure applied to distributions declared on or before December 31, 2012 with respect to taxable years ending on or before December 31, 2011.

Although this Revenue Procedure is no longer available and did not apply to our distributions for our fiscal year ended February 29, 2012, the revenue procedure was based upon certain applicable provisions of the Code and the Treasury regulations pursuant to which distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. Consistent with these provisions, the IRS has issued private letter rulings concluding that a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20% of the aggregate declared distribution.

On November 9, 2012, our board of directors declared a dividend of $4.25 per share payable on December 31, 2012, to common stockholders of record on November 22, 2012. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $3.3 million or $0.85 per share.

Based on shareholder elections, the dividend consisted of $3.3 million in cash and 853,455 shares of common stock, or 22.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.4437 per share, which equaled the volume weighted average trading price per share of the common stock on December 14, 17 and 19, 2012.

On November 15, 2011, our board of directors declared a dividend of $3.00 per share payable on December 30, 2011, to common stockholders of record on November 25, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.0 million or $0.60 per share.

Based on shareholder elections, the dividend consisted of $2.0 million in cash and 599,584 shares of common stock, or 18% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate

dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.117067 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2011.

On November 12, 2010, we declared a dividend of $4.40 per share which was paid on December 29, 2010. Stockholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that at least 10% of the distribution is payable in cash. Based on shareholder elections, the dividend consisted of $1.2 million in cash and 596,235 shares of common stock, or 22% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 10.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.8049 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2010.

On November 13, 2009, we declared a dividend of $18.25 per share payable on December 31, 2009. Stockholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all stockholders was limited to $2.1 million or $0.25 per share. Based on stockholder elections, the dividend consisted of $2.1 million in cash and 8,648,725 shares of common stock, or 104% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 13.7% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to stockholders who elected to receive cash.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under "Risk Factors" and "Note about Forward-Looking Statements" appearing elsewhere in this prospectus.

Overview

We are a Maryland corporation that has elected to be treated as a BDC under the 1940 Act. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments. We invest primarily in leveraged loans and mezzanine debt issued by private U.S. middle market companies, which we define as companies having EBITDA of between $5 million and $50 million, both through direct lending and through participation in loan syndicates. We may also invest up to 30% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, which may include securities of companies in bankruptcy, foreign debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds. We have elected and qualified to be treated as a RIC under Subchapter M of the Code.

Corporate History and Recent Developments

We commenced operations, at the time known as GSC Investment Corp., on March 23, 2007 and completed an initial public offering of shares of common stock on March 28, 2007. Prior to July 30, 2010, we were externally managed and advised by GSCP (NJ), L.P., an entity affiliated with GSC Group, Inc. In connection with the consummation of a recapitalization transaction on July 30, 2010, we engaged Saratoga Investment Advisors ("SIA") to replace GSCP (NJ), L.P. as our investment adviser and changed our name to Saratoga Investment Corp.

As a result of the event of default under a revolving securitized credit facility with Deutsche Bank we previously had in place, the auditors of GSC Investment Corp. (now known as Saratoga Investment Corp.) included in their audit report dated May 27, 2010 that there was substantial doubt about GSC Investment Corp.'s ability to continue as a going concern. In light of the event of default under the revolving securitized credit facility, we engaged the investment banking firm of Stifel, Nicolaus & Company to evaluate strategic transaction opportunities and consider alternatives for us in December 2008. On April 14, 2010, we entered into a stock purchase agreement with Saratoga Investment Advisors and certain of its affiliates and an assignment, assumption and novation agreement with Saratoga Investment Advisors, pursuant to which we assumed certain rights and obligations of Saratoga Investment Advisors under a debt commitment letter Saratoga Investment Advisors received from Madison Capital Funding, indicating Madison Capital Funding's willingness to provide us with a $40 million senior secured revolving credit facility, subject to the satisfaction of certain terms and conditions. In addition, we and GSCP (NJ), L.P. entered into a termination and release agreement, to be effective as of the closing of the transaction contemplated by the stock purchase agreement, pursuant to which GSCP (NJ), L.P., among other things, agreed to waive any and all accrued and unpaid deferred incentive management fees up to and as of the closing of the transaction contemplated by the stock purchase agreement but continued to be entitled to receive the base management fees earned through the date of the closing of the transaction contemplated by the stock purchase agreement.

On July 30, 2010, the transactions contemplated by the stock purchase agreement with Saratoga Investment Advisors and certain of its affiliates were completed, and included the following actions:

- the private sale of 986,842 shares of our common stock for $15 million in aggregate purchase price to Saratoga Investment Advisors and certain of its affiliates;
- the closing of the $40 million senior secured revolving credit facility with Madison Capital Funding;
- the execution of a registration rights agreement with the investors in the private sale transaction, pursuant to which, among other things, we agreed to file a registration statement with the SEC to register for resale the shares of our common stock sold in the private sale transaction, including any shares of common stock issued or issuable upon any stock split, dividend or other distribution, recapitalization or similar event relating thereto, and to use commercially reasonable efforts to cause such registration statement to be declared effective within 90 days after the date on which the registration statement was initially filed with the SEC;
- the execution of a trademark license agreement with Saratoga Investment Advisors pursuant to which Saratoga Investment Advisors granted us a non-exclusive, royalty-free license to use the "Saratoga" name, for so long as Saratoga Investment Advisors or one of its affiliates remains our investment adviser;
- replacing GSCP (NJ), L.P. as our investment adviser and administrator with Saratoga Investment Advisors by executing an investment advisory and management agreement, which was approved by our stockholders, and an administration agreement with Saratoga Investment Advisors;
- the resignations of Robert F. Cummings, Jr. and Richard M. Hayden, both of whom are affiliates of GSCP (NJ) L.P., as members of the board of directors and the election of Christian L. Oberbeck and Richard A. Petrocelli, both of whom are affiliates of Saratoga Investment Advisors, as members of the board of directors;
- the resignation of all of our then existing executive officers and the appointment by our board of directors of Mr. Oberbeck as our chief executive officer and president and Mr. Petrocelli as our chief financial officer, secretary and chief compliance officer; and
- our name change from "GSC Investment Corp." to "Saratoga Investment Corp."

We used the net proceeds from the private sale transaction and a portion of the funds available to us under the $40 million senior secured revolving credit facility with Madison Capital Funding to pay the full amount of principal and accrued interest, including default interest, outstanding under our revolving securitized credit facility with Deutsche Bank. The revolving securitized credit facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010.

On August 12, 2010, we effected a one-for-ten reverse stock split of our outstanding common stock. As a result of the reverse stock split, every ten shares of our common stock were converted into one share of our common stock. Any fractional shares received as a result of the reverse stock split were redeemed for cash. The total cash payment in lieu of shares was $230. Immediately after the reverse stock split, we had 2,680,842 shares of our common stock outstanding.

In January 2011, we registered for public resale the 986,842 shares of our common stock issued to Saratoga Investment Advisors and certain of its affiliates.

Critical Accounting Policies

Basis of Presentation

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make certain estimates and assumptions affecting amounts reported in the Company's consolidated financial statements. We have identified investment valuation, revenue recognition and the recognition of capital gains incentive fee expense as our most critical accounting estimates. We continuously evaluate our estimates, including those related to the matters described below. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions. A discussion of our critical accounting policies follows.

Investment Valuation

The Company accounts for its investments at fair value in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires the Company to assume that its investments are to be sold at the statement of assets and liabilities date in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

Investments for which market quotations are readily available are fair valued at such market quotations obtained from independent third party pricing services and market makers subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved, in good faith, by our board of directors based on input from Saratoga Investment Advisers, the audit committee of our board of directors and a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, market yield trend analysis, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- Each investment is initially valued by the responsible investment professionals of Saratoga Investment Advisors and preliminary valuation conclusions are documented and discussed with our senior management; and

- An independent valuation firm engaged by our board of directors reviews approximately one quarter of these preliminary valuations each quarter so that the valuation of each investment for which market quotes are not readily available is reviewed by the independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- The audit committee of our board of directors reviews each preliminary valuation and Saratoga Investment Advisors and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and

- Our board of directors discusses the valuations and approves the fair value of each investment, in good faith, based on the input of Saratoga Investment Advisors, independent valuation firm (to the extent applicable) and the audit committee of our board of directors.

Our investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flows analysis on expected future cash flows to determine a valuation of the subordinated notes of Saratoga CLO held by us.

Revenue Recognition

Income Recognition

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Company stops accruing interest on its investments when it is determined that interest is no longer collectible. Discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortizations of premium on investments.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reserved when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as a reduction in principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection.

Interest income on our investment in Saratoga CLO is recorded using the effective interest method in accordance with the provisions of ASC Topic 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Paid-in-Kind Interest

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is generally recorded on the accrual basis to the

extent such amounts are expected to be collected. We stop accruing PIK interest if we do not expect the issuer to be able to pay all principal and interest when due.

Capital Gains Incentive Fee

The Company records an expense accrual relating to the capital gains incentive fee payable by the Company to its investment adviser when the unrealized gains on its investments exceed all realized capital losses on its investments given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. The actual incentive fee payable to the Company's investment adviser related to capital gains will be determined and payable in arrears at the end of each fiscal year and will include only realized capital gains for the period.

Revenues

We generate revenue in the form of interest income and capital gains on the debt investments that we hold and capital gains, if any, on equity interests that we may acquire. We expect our debt investments, whether in the form of leveraged loans or mezzanine debt, to have terms of up to ten years, and to bear interest at either a fixed or floating rate. Interest on debt will be payable generally either quarterly or semi-annually. In some cases, our debt investments may provide for a portion of the interest to be paid-in-kind ("PIK"). To the extent interest is paid-in-kind, it will be payable through the increase of the principal amount of the obligation by the amount of interest due on the then-outstanding aggregate principal amount of such obligation. The principal amount of the debt and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing managerial assistance or investment management services and possibly consulting fees. Any such fees will be generated in connection with our investments and recognized as earned. We may also invest in preferred equity securities that pay dividends on a current basis.

On January 22, 2008, we entered into a collateral management agreement with Saratoga CLO, pursuant to which we act as its collateral manager and receive a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of Saratoga CLO's assets, paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return equal to or greater than 12%.

We recognize interest income on our investment in the subordinated notes of Saratoga CLO using the effective interest method, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Expenses

Our primary operating expenses include the payment of investment advisory and management fees, professional fees, directors and officers insurance, fees paid to independent directors and administrator expenses, including our allocable portion of our administrator's overhead. Our investment advisory and management fees compensate our investment adviser for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions, including those relating to:

- organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);

- expenses incurred by our investment adviser payable to third parties, including agents, consultants or other advisers, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- investment advisory and management fees;
- fees payable to third parties, including agents, consultants or other advisers, relating to, or associated with, evaluating and making investments;
- transfer agent and custodial fees;
- federal and state registration fees;
- all costs of registration and listing our common stock on any securities exchange;
- federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required by governmental bodies (including the SEC and the SBA);
- costs of any reports, proxy statements or other notices to common stockholders including printing costs;
- our fidelity bond, directors and officers errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and
- administration fees and all other expenses incurred by us or, if applicable, the administrator in connection with administering our business (including payments under the administration agreement based upon our allocable portion of the administrator's overhead in performing its obligations under an administration agreement, including rent and the allocable portion of the cost of our officers and their respective staffs (including travel expenses)).

Pursuant to the investment advisory and management agreement that we had with GSCP (NJ), L.P., our former investment adviser and administrator, we had agreed to pay GSCP (NJ), L.P. as investment adviser a quarterly base management fee of 1.75% of the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters, and appropriately adjusted for any share issuances or repurchases during the applicable fiscal quarter, and an incentive fee.

The incentive fee had two parts:

- A fee, payable quarterly in arrears, equal to 20% of our pre-incentive fee net investment income, expressed as a rate of return on the value of the net assets at the end of the immediately preceding quarter, that exceeded a 1.875% quarterly (7.5% annualized) hurdle rate measured as of the end of each fiscal quarter. Under this provision, in any fiscal quarter, our investment adviser received no incentive fee unless our pre-incentive fee net investment income exceeded the hurdle rate of 1.875%. Amounts received as a return of capital were not included in calculating this portion of the incentive fee. Since the hurdle rate was based on net assets, a return of less than the hurdle rate on total assets could still have resulted in an incentive fee.

- A fee, payable at the end of each fiscal year, equal to 20% of our net realized capital gains, if any, computed net of all realized capital losses and unrealized capital depreciation, in each case on a cumulative basis, less the aggregate amount of capital gains incentive fees paid to the investment adviser through such date.

We deferred cash payment of any incentive fee otherwise earned by our former investment adviser if, during the then most recent four full fiscal quarters ending on or prior to the date such payment was to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less liabilities) (before taking into account any incentive fees payable during that period) was less than 7.5% of our net assets at the beginning of such period. These calculations were appropriately pro rated for the first three fiscal quarters of operation and adjusted for any share issuances or repurchases during the applicable period. Such incentive fee would become payable on the next date on which such test had been satisfied for the most recent four full fiscal quarters or upon certain terminations of the investment advisory and management agreement. We commenced deferring cash payment of incentive fees during the quarterly period ended August 31, 2007, and continued to defer such payments through the quarterly period ended May 31, 2010. As of July 30, 2010, the date on which GSCP (NJ), L.P. ceased to be our investment adviser and administrator, we owed GSCP (NJ), L.P. $2.9 million in fees for services previously provided to us; of which $0.3 million has been paid by us. GSCP (NJ), L.P. agreed to waive payment by us of the remaining $2.6 million in connection with the consummation of the stock purchase transaction with Saratoga Investment Advisors and certain of its affiliates described elsewhere in this prospectus.

The terms of the investment advisory and management agreement with Saratoga Investment Advisors, our current investment adviser, are substantially similar to the terms of the investment advisory and management agreement we had entered into with GSCP (NJ), L.P., our former investment adviser, except for the following material distinctions in the fee terms:

- The capital gains portion of the incentive fee was reset with respect to gains and losses from May 31, 2010, and therefore losses and gains incurred prior to such time will not be taken into account when calculating the capital gains fee payable to Saratoga Investment Advisors and, as a result, Saratoga Investment Advisors will be entitled to 20% of net gains that arise after May 31, 2010. In addition, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 equal the fair value of such investment as of such date. Under the investment advisory and management agreement with our former investment adviser, GSCP (NJ), L.P., the capital gains fee was calculated from March 21, 2007, and the gains were substantially outweighed by losses.

- Under the "catch up" provision, 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income that exceeds 1.875% (7.5% annualized) but is less than or equal to 2.344% in any fiscal quarter is payable to Saratoga Investment Advisors. This will enable Saratoga Investment Advisors to receive 20% of all net investment income as such amount approaches 2.344% in any quarter, and Saratoga Investment Advisors will receive 20% of any additional net investment income. Under the investment advisory and management agreement with our former investment adviser, GSCP (NJ), L.P. only received 20% of the excess net investment income over 1.875%.

- We will no longer have deferral rights regarding incentive fees in the event that the distributions to stockholders and change in net assets is less than 7.5% for the preceding four fiscal quarters.

To the extent that any of our leveraged loans are denominated in a currency other than U.S. dollars, we may enter into currency hedging contracts to reduce our exposure to fluctuations in currency exchange rates. We may also enter into interest rate hedging agreements. Such hedging activities, which will be subject to compliance with applicable legal requirements, may include the use

of interest rate caps, futures, options and forward contracts. Costs incurred in entering into or settling such contracts will be borne by us.

Portfolio and Investment Activity

Corporate Debt Portfolio Overview

	At November 30, 2012	At February 29, 2012	At February 28, 2011	At February 28, 2010
		($ in millions)		
Number of investments(2)	36	30	34	38
Number of portfolio companies(2)	23	21	24	27
Average investment size(2)	$ 2.6	$ 2.3	$ 1.7	$ 1.9
Weighted average maturity(2)	3.2 yrs	3.0yrs	3.1yrs	2.5yrs
Number of industries(2)	15	15	16	19
Average investment per portfolio company(2)	$ 4.1	$ 3.3	$ 2.5	$ 2.7
Non-performing or delinquent investments(2)	$ 6.6	$ 0.0	$ 0.0	$ 18.5
Fixed rate debt (% of interest bearing portfolio)(1)	$ 30.8(35.5)%	$ 18.7(29.3)%	$ 9.4(18.6)%	$ 33.0(46.9
Weighted average current coupon(1)	12.3%	13.0%	13.8%	11.6
Floating rate debt (% of interest bearing portfolio)(1)	$ 56.0(64.5)%	$ 45.1(70.7)%	$ 41.1(81.4)%	$ 37.4(53.1
Weighted average current spread over LIBOR(1)	7.3%	7.4%	5.6%	7.6

(1) Excludes our investment in the subordinated notes of Saratoga CLO and equity interests and limited partnership interests.

(2) Excludes our investment in the subordinated notes of Saratoga CLO and limited partnership interests.

During the three months ended November 30, 2012, we made $6.4 million of investments in new or existing portfolio companies, had $1.5 million in aggregate amount of exits and repayments, resulting in net investments of $4.9 million for the period. During the three months ended November 30, 2011, we made $11.4 million of investments in new or existing portfolio companies, had $18.4 million in aggregate amount of exits and repayments, resulting in net repayments of $7.0 million for the period.

During the nine months ended November 30, 2012, we made $34.7 million of investments in new or existing portfolio companies, had $16.0 million in aggregate amount of exits and repayments, resulting in net investments of $18.7 million for the period. During the nine months ended November 30, 2011, we made $28.9 million of investments in new or existing portfolio companies, had $31.9 million in aggregate amount of exits and repayments, resulting in net repayments of $3.0 million for the period.

During the fiscal year ended February 29, 2012, we made $38.7 million investments in new or existing portfolio companies and had $33.6 million in aggregate amount of exits and repayments resulting in net investments of $5.1 million for the year.

During the fiscal year ended February 28, 2011, we made $9.0 million investments in new or existing portfolio companies and had $32.0 million in aggregate amount of exits and repayments resulting in net repayments of $23.0 million for the year.

During the fiscal year ended February 28, 2010, we made no investments in new or existing portfolio companies and had $15.2 million in aggregate amount of exits and repayments resulting in net repayments of $15.2 million for the year.

Our portfolio composition at November 30, 2012, February 29, 2012, and February 28, 2011 and 2010 was as follows:

Portfolio composition

	At November 30, 2012		At February 29, 2012		At February 28, 2011		At February 28, 2010	
	Percent of Total Portfolio	Weighted Average Current Yield	Percentage of Total Portfolio	Weighted Average Current Yield	Percentage of Total Portfolio	Weighted Average Current Yield	Percentage of Total Portfolio	Weighted Average Current Yield
First lien term loans	53.7%	10.0%	38.0%	10.1%	23.1%	9.5%	18.6%	8.6%
Second lien term loans	8.4	11.3	9.3	10.3	25.3	10.1	22.7	8.1
Senior secured notes	8.8	16.8	11.2	16.0	12.4	15.9	31.0	11.6
Senior unsecured loans	—	—	6.3	15.0	2.4	13.8	6.4	12.2
Unsecured notes	1.9	19.9	2.1	19.3	—	—	—	—
Saratoga CLO subordinated notes	20.7	22.9	27.1	20.2	28.4	15.8	18.7	8.3
Equity interests	6.5	N/A	6.0	N/A	8.4	N/A	2.6	N/A
Limited partnership interests	—	N/A	—	N/A	—	N/A	—	N/A
Total	100.0%	12.9%	100.0%	13.4%	100.0%	11.5%	100.0%	9.3%

Our investment in the subordinated notes of Saratoga CLO represents a first loss position in a portfolio that, at November 30, 2012, February 29, 2012, and February 28, 2011 and 2010, was composed of $393.4, $380.2, $410.2 and $387.1 million, respectively, in aggregate principal amount of predominantly senior secured first lien term loans. This investment is subject to unique risks. ("Risk Factors—Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility"). We do not consolidate the Saratoga CLO portfolio in our financial statements. Accordingly, the metrics below do not include the underlying Saratoga CLO portfolio investments. However, at November 30, 2012, $376.6 million, or 98.5%, of the Saratoga CLO portfolio investments had a CMR (as defined below) color rating of green or yellow and one Saratoga CLO portfolio investment with a fair value of $0.9 million was in default. At February 29, 2012 and February 28, 2011 and 2010, one, three and five Saratoga CLO portfolio investments with a fair value of $1.0 million, $0.8 million and $3.3 million, respectively, were in default and $377.5, $397.9 and $357.3 million, or 99.3% , 97.0% and 92.3%, respectively, of the Saratoga CLO portfolio investments had a CMR (as defined below) color rating of green or yellow. For more financial information relating to Saratoga CLO, see Note 4. "Investment in GSC Investment Corp. CLO 2007, Ltd." to the financial statements included elsewhere herein.

Saratoga Investment Advisors normally grades all of our investments using a credit and monitoring rating system ("CMR"). The CMR consists of a single component: a color rating. The color rating is based on several criteria, including financial and operating strength, probability of default, and restructuring risk. The color ratings are characterized as follows: (Green)—strong credit; (Yellow)—satisfactory credit; (Red)—payment default risk, in payment default and/or significant restructuring activity.

Portfolio CMR distribution

The CMR distribution of our investments at November 30, 2012, February 29, 2012 and February 28, 2011 was as follows:

Color Score	At November 30, 2012		At February 29, 2012		At February 28, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)					
Green	$ 63,151	52.9%	$ 41,069	43.1%	$ 10,900	13.6%
Yellow	10,997	9.2	10,415	10.9	14,998	18.8
Red	12,715	10.7	12,340	12.9	24,660	30.8
N/A(1)	32,428	27.2	31,536	33.1	29,467	36.8
Total	$ 119,291	100.0%	$ 95,360	100.0%	$ 80,025	100.0%

(1) Comprised of our investment in the subordinated notes of Saratoga CLO, equity interests, and limited partnership interests.

The CMR distribution of the investments held in the Saratoga CLO at November 30, 2012, February 29, 2012 and February 28, 2011 was as follows:

Color Score	At November 30, 2012		At February 29, 2012		At February 28, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)					
Green	$ 316.8	82.9%	$ 267.1	70.0%	$ 164.0	41.9%
Yellow	59.8	15.6	111.6	29.3	215.5	55.1
Red	5.6	1.5	2.7	0.7	11.7	3.0
Total	$ 382.2	100.0%	$ 381.4	100.0%	$ 391.2	100.00%

As of November 30, 2012, we had no loans or debt securities on non-accrual status. As of both February 29, 2012 and February 28, 2011, we had one debt investment with a fair value of $288,915 and $0, respectively, on non-accrual status. Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reserved when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as a reduction in principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection.

Portfolio composition by industry grouping at fair value

The following table shows the portfolio composition by industry grouping at fair value at November 30, 2012, February 29, 2012 and February 28, 2011.

	At November 30, 2012		At February 29, 2012		At February 28, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)					
Structured Finance Securities(1)	$ 24,641	20.7%	$ 25,846	27.1%	$ 22,732	28.4%
Logistics	11,454	9.6	11,100	11.6	2,499	3.1
Electronics	7,323	6.1	8,914	9.3	8,634	10.8
Consumer Products	14,000	11.7	7,584	7.9	10,249	12.8
Automotive	13,207	11.1	—	—	—	—
Business Services	8,915	7.5	—	—	—	—
Metals	6,641	5.6	6,537	6.9	4,231	5.3
Manufacturing	—	—	6,000	6.3	7,358	9.2
Publishing	5,205	4.4	5,392	5.7	5,855	7.3
Consumer Services	5,273	4.4	5,388	5.7	245	0.3
Food and Beverage	10,627	8.9	5,249	5.5	1,546	1.9
Healthcare Services	4,888	4.1	4,824	5.1	8,014	10.0
Aerospace	3,500	2.9	3,500	3.7	—	—
Environmental	2,747	2.3	2,323	2.4	2,952	3.7
Financial Services	—	—	1,600	1.7	1,710	2.2
Education	324	0.3	592	0.6	259	0.3
Homebuilding	290	0.2	289	0.3	816	1.0
Building Products	256	0.2	222	0.2	155	0.2
Packaging	—	—	—	—	2,453	3.1
Oil and Gas	—	—	—	—	317	0.4
Total	$ 119,291	100.0%	$ 95,360	100.0%	$ 80,025	100.0%

(1) Comprised of our investment in the subordinated notes of Saratoga CLO.

The following table shows the Saratoga CLO portfolio composition by industry grouping at fair value at November 30, 2012, February 29, 2012 and February 28, 2011:

	At November 30, 2012		At February 29, 2012		At February 28, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)					
Aerospace and Defense	$ 23.3	6.1%	$ 22.9	6.0%	$ 23.9	6.1%
Automotive	11.2	2.9	11.3	3.0	11.0	2.8
Beverage and Tobacco	3.0	0.8	2.5	0.6	0.5	0.1
Broadcast Radio and Television	1.0	0.3	1.0	0.3	0.0	0.0
Brokers/Dealers/Investment Houses	3.3	0.9	3.3	0.9	3.5	0.9
Building and Development	6.9	1.8	4.7	1.2	4.8	1.2
Business Equipment and Services	20.6	5.4	27.5	7.2	35.0	8.9
Cable and Satellite Television	6.3	1.6	5.3	1.4	0.0	0.0
Chemical Plastics	31.6	8.3	37.5	9.8	44.4	11.3
Clothing/Textiles	0.9	0.2	0.0	0.0	0.0	0.0
Conglomerate	30.3	7.9	25.6	6.7	29.4	7.5
Containers/ Glass Products	2.0	0.5	0.0	0.0	0.0	0.0
Drugs	17.9	4.7	14.2	3.7	5.5	1.4
Ecological Services and Equipment	0.5	0.1	2.6	0.7	2.6	0.7
Electronics/ Electric	24.9	6.5	29.1	7.6	18.0	4.6
Equipment Leasing	2.6	0.7	0.5	0.1	0.0	0.0
Financial Intermediaries	26.1	6.8	28.3	7.4	34.0	8.7
Food Products	21.0	5.5	18.0	4.7	21.9	5.6
Food Services	1.5	0.4	0.0	0.0	0.0	0.0
Food/ Drug Retailers	4.3	1.1	3.7	1.0	6.9	1.8
Forest Products	0.0	0.0	3.0	0.8	8.7	2.2
Health Care	40.4	10.6	37.7	9.9	38.1	9.7
Home Furnishings	3.0	0.8	3.0	0.8	5.1	1.3
Industrial Equipment	15.3	4.0	16.2	4.2	12.9	3.3
Insurance	6.7	1.8	5.6	1.5	5.8	1.5
Leisure Goods/ Activities/ Movies	15.3	4.0	15.5	4.1	16.7	4.3
Lodging and Casinos	7.4	1.9	11.4	3.0	11.6	3.0
Nonferrous Metals/Minerals	0.0	0.0	0.0	0.0	4.2	1.1
Publishing	8.2	2.2	8.4	2.2	1.3	0.3
Retailers (Except Food and Drugs)	0.0	0.0	1.1	0.3	1.3	0.3
Steel	5.6	1.5	2.9	0.8	3.3	0.8
Surface Transport	23.4	6.1	27.4	7.2	23.4	6.0
Telecommunications	1.0	0.3	0.0	0.0	0.0	0.0
Telecommunications/ Cellular	5.0	1.3	0.0	0.0	0.0	0.0
Utilities	2.0	0.5	2.0	0.5	4.0	1.0
Total	$ 382.2	100.00%	$ 381.4	100.00%	$ 391.2	100.00%

Portfolio composition by geographic location at fair value

The following table shows the portfolio composition by geographic location at fair value at November 30, 2012, February 29, 2012 and February 28, 2011. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

	At November 30, 2012		At February 29, 2012		At February 28, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)					
Other(1)	$ 24,641	20.7%	$ 25,846	27.1%	$ 22,732	28.4%
West	20,043	16.8	21,615	22.7	16,332	20.4
Southeast	42,235	35.4	19,878	20.8	7,815	9.8
Midwest	18,952	15.9	15,451	16.2	18,490	23.1
Northeast	13,420	11.2	12,570	13.2	12,203	15.2
International	—	—	—	—	2,453	3.1
Total	$ 119,291	100.0%	$ 95,360	100.0%	$ 80,025	100.0%

(1) Comprised of our investment in the subordinated notes of Saratoga CLO.

Results of operations

Operating results for the three and nine months ended November 30, 2012 and 2011 and for the years ended February 29, 2012, and February 28, 2011 and 2010 are as follows:

	For the three months ended	
	November 30, 2012	November 30, 2011
	($ in thousands)	
Total investment income	$ 4,034	$ 3,629
Total expenses, net	1,545	2,805
Net investment income	2,489	824
Net realized gains (losses)	95	(5,832)
Net unrealized gains (losses)	(1,839)	11,221
Net increase in net assets resulting from operations	$ 745	$ 6,213

	For the nine months ended	
	November 30, 2012	November 30, 2011
	($ in thousands)	
Total investment income	$ 11,816	$ 10,065
Total expenses, net	6,740	5,942
Net investment income	5,076	4,123
Net realized gains (losses)	412	(5,840)
Net unrealized gains	3,319	11,912
Net increase in net assets resulting from operations	$ 8,807	$ 10,195

	For the Year Ended		
	February 29, 2012	February 28, 2011	February 28, 2010
	($ in thousands)		
Total investment income	$ 13,512	$ 14,173	$ 15,617
Total expenses before waiver and reimbursement	7,811	11,819	10,547
Total expense waiver and reimbursement	—	(2,895)	(671)
Total expenses net of expense waiver and reimbursement	7,811	8,924	9,876
Net investment income before income taxes	5,701	5,249	5,741
Income tax expense, including excise tax	—	—	(27)
Net investment income	5,701	5,249	5,714
Net realized losses	(12,186)	(24,684)	(6,654)
Net unrealized gains (losses)	19,760	36,393	(9,523)
Net increase (decrease) in net assets resulting from operations	$ 13,275	$ 16,958	$ (10,463)

Investment Income

The composition of our investment income in each period was as follows:

	For the three months ended	
	November 30, 2012	November 30, 2011
	($ in thousands)	
Interest from investments	$ 3,513	$ 3,033
Management fee income from Saratoga CLO	500	502
Interest from cash and cash equivalents and other income	21	94
Total	$ 4,034	$ 3,629

	For the nine months ended	
	November 30, 2012	November 30, 2011
	($ in thousands)	
Interest from investments	$ 10,138	$ 8,307
Management fee income from Saratoga CLO	1,501	1,512
Interest from cash and cash equivalents and other income	177	246
Total	$ 11,816	$ 10,065

	February 29, 2012	February 28, 2011	February 28, 2010
		($ in thousands)	
Interest from investments	$ 11,254	$ 12,041	$ 13,300
Management of Saratoga CLO	2,012	2,032	2,057
Interest from cash and cash equivalents and other income	246	99	260
Total	$ 13,512	$ 14,172	$ 15,617

For the three months ended November 30, 2012, total investment income increased $0.4 million, or 11.2%, compared to the three months ended November 30, 2011. The increase in total investment income for the three months ended November 30, 2012 versus the three months ended

November 30, 2011 was the result of higher interest income recognized on our non-control investments during the three months ended November 30, 2012.

For the nine months ended November 30, 2012, total investment income increased $1.8 million, or 17.4%, compared to the nine months ended November 30, 2011. The increase in total investment income for the nine months ended November 30, 2012 versus the nine months ended November 30, 2011 was the result of higher interest income recognized on our non- control investments during the nine months ended November 30, 2012.

For the three and nine months ended November 30, 2012, total PIK income was $0.3 million and $0.8 million respectively. For the three and nine months ended November 30, 2011, total PIK income was $0.3 million and $1.2 million, respectively. For the three and nine months ended November 30, 2012, we accrued $0.5 million and $1.5 million in collateral management fee income, respectively, due from Saratoga CLO and $1.0 million and $3.2 million in interest income, respectively, due from Saratoga CLO. For the three and nine months ended November 30, 2011, we accrued $0.5 million and $1.5 million in collateral management fee income, respectively, due from Saratoga CLO and $1.2 million and $3.1 million in interest income, respectively, due from Saratoga CLO. The reinvestment period for the Saratoga CLO is scheduled to end in January 2013. Following the reinvestment period, proceeds from principal payments in the loan portfolio of Saratoga CLO will be used to pay down its outstanding notes, starting with Class A notes. As a result, the collateral management fee income and the interest income that we receive from the Saratoga CLO will start to decline in 2013.

For the year ended February 28, 2012, total investment income decreased $0.7 million, or 4.7% compared to the fiscal year ended February 28, 2011. Interest income from our investment in the subordinated notes of Saratoga CLO increased $0.9 million, or 27.4%, to $4.2 million for the year ended February 28, 2012 from $3.3 million for the fiscal year ended February 28, 2011.

For the year ended February 28, 2011, total investment income decreased $1.4 million, or 9.3% compared to the fiscal year ended February 28, 2010. The decrease is predominantly attributable to a smaller total average portfolio, partially offset by an increase in the effective interest rate earned on our investment in the subordinated notes of Saratoga CLO. Interest income from our investment in the subordinated notes of Saratoga CLO increased $0.9 million, or 37.4%, to $3.3 million for the year ended February 28, 2011 from $2.4 million for the fiscal year ended February 28, 2010.

For the fiscal years ended February 29, 2012, and February 28, 2011 and 2010, total PIK income was $1.4 million, $1.1 million and $0.9 million, respectively.

Expenses

The composition of our operating expenses in each period was as follows:

	For the three months ended	
	November 30, 2012	November 30, 2011
	($ in thousands)	
Interest and credit facility expense	$ 530	$ 307
Base management fees	529	394
Professional fees	347	356
Incentive management fees	(413)	1,179
Administrator expenses	250	250
Insurance expenses	129	145
Directors fees	54	51
General and administrative and other expenses	119	123
Total expenses	$ 1,545	$ 2,805

	For the nine months ended	
	November 30, 2012	November 30, 2011
	($ in thousands)	
Interest and credit facility expense	$ 1,809	$ 987
Base management fees	1,492	1,204
Professional fees	986	1,282
Incentive management fees	887	842
Administrator expenses	750	730
Insurance expenses	390	449
Directors fees	156	153
General and administrative and other expenses	270	295
Total expenses	$ 6,740	$ 5,942

	For the year ended		
	February 29, 2012	February 28, 2011	February 28, 2010
		($ in thousands)	
Interest and credit facility expense	$ 1,298	$ 2,612	$ 4,096
Base management fees	1,618	1,646	1,951
Professional fees	1,455	3,325	2,071
Incentive management fees	1,257	1,869	328
Administrator expenses	1,000	810	671
Insurance expenses	579	705	870
Directors fees	209	373	295
General and administrative expenses	390	479	265
Other	5	—	—
Total operating expenses before manager waiver and reimbursement	$ 7,811	$ 11,819	$ 10,547

For the three months ended November 30, 2012, total expenses decreased $1.3 million, or 44.9%, compared to the three months ended November 30, 2011. The decrease is primarily related to a reversal of incentive management fees related to the decrease in unrealized appreciation on our

investment in the Saratoga CLO, partially offset by an increase in interest and credit facility expense and base management fees due to the growth in our portfolio and amount of our outstanding debt.

For the nine months ended November 30, 2012, total expenses increased $0.8 million, or 13.4%, compared to the nine months ended November 30, 2011. These increases were primarily attributable to increases in interest and credit facility expense and base management fees due to the growth in our portfolio and amount of our outstanding debt.

As discussed above, the increase in interest and credit facility expense for the three and nine months ended November 30, 2012 is primarily attributable to an increase in the amount of outstanding debt as compared to the prior periods. In this regard, there were outstanding balances under our senior secured revolving credit facility with Madison Capital Funding of $20.0 million at February 29, 2012 and $14.9 million at November 30, 2012. In the prior period, we had outstanding balances under our revolving securitized credit facility with Madison Capital Funding of $4.5 million at February 29, 2011 and no outstanding balance at November 30, 2011. For the three and nine months ended November 30, 2012, the weighted average interest rate on our outstanding indebtedness was 7.5%. For the three months ended November 30, 2011, there was no outstanding indebtedness. For the nine months ended November 30, 2011, the weighted average interest rate on our outstanding indebtedness was 7.5%.

For the year ended February 29, 2012, total operating expenses before manager expense waiver and reimbursement decreased $4.0 million, or 33.9% compared to the fiscal year ended February 28, 2011. For the year ended February 28, 2011, total operating expenses before manager expense waiver and reimbursement increased $1.3 million, or 12.1% compared to the fiscal year ended February 28, 2010.

For the year ended February 29, 2012, the decrease in interest and credit facility expense is primarily attributable to a decrease in outstanding debt during the year. For the year ended February 28, 2011, the Company recorded a one time non-cash charge of $0.5 million as a result of the write-off of deferred financing costs on its former credit facility, as a result of our July 30, 2009 event of default (please see "—Financial Condition, Liquidity and Capital Resources" below for more information). For the year ended February 29, 2012, the weighted average interest rate on our outstanding indebtedness was 7.50% compared to 8.75% for the fiscal year ended February 28, 2011 and 6.80% for the fiscal year ended February 28, 2010.

For the year ended February 29, 2012, base management fees decreased $0.03 million, or 1.7% compared to the fiscal year ended February 28, 2011. The reduction in base management fees results from the slight decrease in the average value of our total net assets. For the year ended February 28, 2011, base management fees decreased $0.3 million, or 15.6% compared to the fiscal year ended February 28, 2010. The reduction in base management fees results from the decrease in the average value of our total net assets and the continued reduction in the total portfolio size.

For the year ended February 29, 2012, professional fees decreased $1.9 million, or 56.2% compared to the fiscal year ended February 28, 2011. For the year ended February 28, 2011, professional fees increased $1.3 million, or 60.6% compared to the fiscal year ended February 28, 2010. The change in professional fees for these periods is attributable to additional legal and professional fees incurred in the fiscal year ended February 28, 2011 associated with the evaluation of strategic transaction opportunities including the refinancing of the Company's senior credit facility and the stock purchase transaction with Saratoga Investment Advisors and certain of its affiliates described elsewhere in this prospectus.

For the year ended February 29, 2012, incentive management fees decreased $0.6 million, or 32.7% compared to the fiscal year ended February 28, 2011. The decrease in incentive management fees is primarily attributable to a decrease in accrued incentive fees related to capital gains. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical

Accounting Policies—Capital Gains Incentive Fee." For the year ended February 28, 2011, incentive management fees increased $1.5 million, or 470.3% compared to the fiscal year ended February 28, 2010. The increase in incentive management fees is primarily attributable to an increase in accrued incentive fees related to capital gains. In connection with the consummation of the stock purchase transaction with Saratoga Investment Advisors and certain of its affiliates described elsewhere in this prospectus, the outstanding incentive fees owed to our former external investment adviser were waived. See "Overview—Expense" above for more information.

For the year ended February 29, 2012, manager expense waiver and reimbursement decreased $2.9 million, or 100.0% compared to the fiscal year ended February 28, 2011. The decrease is primarily attributable to the reversal of previously accrued and recorded deferred incentive management fees in fiscal year ended February 28, 2011 related to net investment income as a result of the agreement with our former investment adviser. For the year ended February 28, 2011, manager expense waiver and reimbursement increased $2.2 million, or 331.5% compared to the fiscal year ended February 28, 2010. The increase is primarily attributable to the reversal of previously accrued and recorded deferred incentive management fees related to net investment income as a result of the agreement with our former investment adviser.

Net Realized Gains/Losses from Investments

For the three months ended November 30, 2012, we had $1.5 million of sales, repayments, exits and restructurings, resulting in $0.1 million of net realized gains. For the nine months ended November 30, 2012, we had $16.0 million of sales, repayments, exits and restructurings resulting in $0.5 million of net realized gains. For the three months ended November 30, 2011, we had $18.4 million of sales, repayments, exits and restructurings, resulting in $5.8 million of net realized losses. For the nine months ended November 30, 2011, we had $31.9 million of sales, repayments, exits and restructurings resulting in $5.8 million of net realized losses.

For the fiscal year ended February 29, 2012, the Company had $33.6 million of sales, repayments, exits or restructurings resulting in $12.2 million of net realized losses. The most significant realized gains and losses during the year ended February 29, 2012 were as follows:

Fiscal year ended February 29, 2012

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain/(Loss)
			($ in thousands)	
Grant US Holdings LLP.	Second Lien Term Loan	$ 0	$ (6,348)	$ (6,348)
Pracs Institute Ltd.	Second Lien Term Loan	0	(4,078)	(4,078)
Bankruptcy Management Solutions, Inc.	Second Lien Term Loan	223	(2,645)	(2,422)

For the fiscal year ended February 28, 2011, the Company had $32.0 million of sales, repayments, exits or restructurings resulting in $24.7 million of net realized losses. The most significant realized gains and losses during the year ended February 28, 2011 were as follows:

Fiscal year ended February 28, 2011

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain/(Loss)
			($ in thousands)	
Custom Direct, Inc.	First Lien Term Loan	$ 1,832	$ (1,535)	$ 297
Legacy Cabinets, Inc.	Second Lien Term Loan	139	(2,002)	(1,863)
Legacy Cabinets, Inc.	First Lien Term Loan	502	(1,496)	(994)
Jason Incorporated	Unsecured Notes	2,354	(13,700)	(11,346)
Bankruptcy Management Solutions, Inc.	Second Lien Term Loan	2,406	(4,793)	(2,387)
McMillin Companies LLC	Senior Secured Notes	2,750	(6,342)	(3,592)
Network Communications, Inc.	Unsecured Notes	1,285	(5,054)	(3,769)

For the fiscal year ended February 28, 2010, the Company had $15.2 million of sales, repayments, exits or restructurings resulting in $6.7 million of net realized losses. Net realized losses were comprised of $1.1 million of gross realized gains and $7.8 million of gross realized losses. The most significant realized gains and losses during the year ended February 28, 2010 were as follows:

Fiscal year ended February 28, 2010

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain/(Loss)
			($ in thousands)	
Atlantis Plastics Films, Inc.	First Lien Term Loan	$ 521	$ —	$ 482
Asurion Corporation	First Lien Term Loan	1,930	(1,725)	205
Edgen Murray II, L.P.	Second Lien Term Loan	3,000	(2,832)	168
USS Mergerco, Inc.	Second Lien Term Loan	3,159	(5,847)	(2,688)
Targus Group International, Inc.	Second Lien Term Loan	2,121	(4,793)	(2,672)
Blaze Recycling & Metals, LLC	Senior Secured Notes	1,538	(2,495)	(957)

Net Unrealized Appreciation/Depreciation on Investments

For the three months ended November 30, 2012, our investments had a decrease in net unrealized appreciation of $1.8 million versus an increase in net unrealized appreciation of $11.2 million for the three months ended November 30, 2011. For the nine months ended November 30, 2012, our investments had an increase in net unrealized appreciation of $3.2 million versus an increase in net unrealized appreciation of $11.9 million for the nine months ended November 30, 2011. For the year ended February 29, 2012, our investments had an increase in net unrealized appreciation of $19.8 million versus an increase in net unrealized depreciation of $36.4 million for the year ended February 28, 2011.

Nine months ended November 30, 2012

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation	Year-To-Date Change in Unrealized Appreciation
			($ in thousands)		
Targus Holdings, Inc.	Common Stock	$ 567	$ 3,732	$ 3,165	$ 1,056
Penton Media	First Lien Term Loan	4,442	4,285	(157)	468
Saratoga CLO	Other/Structured Finance Securities	20,362	24,641	4,279	1,974

The $1.1 million of unrealized appreciation on our investment in Targus Holdings, Inc. resulted from its improved operating performance and improved trading multiples of comparable publicly traded companies. In addition, the $0.5 million of unrealized appreciation on our investment in Penton Media resulted from its improved operating performance.

The $2.0 million of unrealized appreciation in our investment in the Saratoga CLO subordinated notes was due to higher relative cash flow projections (based on an improvement in the overall portfolio, a decrease in the assumed portfolio default rate) and a reduction in the CLO's cost basis due to distributions during the year offset by a higher discount rate used to present value the cash flows based on current market conditions.

Nine months ended November 30, 2011

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation/ (Depreciation)	Year-To-Date Change in Unrealized Appreciation/ (Depreciation)
			($ in thousands)		
Pracs Institute, LTD.	Second Lien Term Loan	$ 4,078	$ —	$ (4,078)	$ (3,023)
Penton Media	First Lien Term Loan	4,229	2,947	(1,282)	(1,192)
Saratoga CLO	Other/Structured Finance Securities	24,363	25,375	1,012	5,645

The increase in unrealized depreciation in our investments in Pracs Institute, LTD. and Penton Media were due to declining prospects for the companies. The $5.6 million net unrealized appreciation in our investment in the Saratoga CLO subordinated notes was due to higher cash flow projections (based on an improvement in the overall portfolio, a decrease in the assumed portfolio default rate and an improvement in reinvestment assumptions based on current market conditions and projections) and a lower discount rate used to present value the cash flows based on current market conditions.

Fiscal year ended February 29, 2012

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation/ (Depreciation)	YTD Change in Unrealized Appreciation/ (Depreciation)
			($ in thousands)		
Saratoga CLO	Other/ Structured Finance Securities	$ 23,541	$ 25,846	$ 2,305	$ 6,938
Targus Holdings, Inc	Common Stock	567	2,676	2,109	206
USS Parent Holding Corp.	Voting Common Stock	3,026	2,225	(801)	603
Penton Media, Inc.	First Lien Term Loan	4,281	3,655	(626)	(534)

The $6.9 million net unrealized appreciation in our investment in the Saratoga CLO subordinated notes was due to higher cash flow projections based on an increase in principal balance and an improvement in the overcollateralization ratios, a decrease in the assumed portfolio default rate (based on better than forecast actual default rates and improved default forecasts) and an improvement in reinvestment assumptions based on current market conditions and projections. In addition, for the year ended February 29, 2012 we had approximately $15.7 million of unrealized appreciation due to the reversal of prior period unrealized depreciation recorded upon the exit of certain investments including approximately $6.1 million related to Energy Alloys, L.L.C., $6.3 million related to Grant U.S. Holdings LLP., $2.3 million related to Bankruptcy Management Solutions and $1.1 million related to Pracs Institute, LTD.

For the year ended February 28, 2011, our investments had a increase in net unrealized appreciation of $36.4 million versus an increase in net unrealized depreciation of $9.5 million for the year ended February 28, 2010. The most significant cumulative changes in unrealized appreciation and depreciation for the year ended February 28, 2011, were the following:

Fiscal year ended February 28, 2011

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation/ (Depreciation)	YTD Change in Unrealized Appreciation/ (Depreciation)
		($ in thousands)			
Saratoga CLO	Other/ Structured Finance Securities	$ 27,364	$ 22,732	$ (4,632)	$ 7,902
Targus Holdings, Inc.	Common Stock	567	2,882	2,315	2,644
Targus Holdings, Inc.	Unsecured Notes	1,538	986	(552)	(544)
M/C Acquisition Corp., LLC	First Lien Term Loan	871	259	(612)	(398)
Dekko Technologies, LLC	Second Lien Term Loan	7,199	6,767	(432)	1,629
USS Parent Holding Corp.	Voting Common Stock	3,026	2,828	(198)	855
Bankruptcy Management Solutions, Inc.	Second Lien Term Loan	2,450	110	(2,340)	(2,340)
PRACS Institute, LTD	Second Lien Term Loan	4,070	3,014	(1,056)	(566)
Elyria Foundry Company, LLC	Senior Secured Notes	5,017	4,231	(786)	312
Grant U.S. Holdings LLP	Second Lien Term Loan	6,347	—	(6,347)	(159)

The $7.9 million net unrealized appreciation in our investment in the Saratoga CLO subordinated notes was due to a decrease in the assumed portfolio default rate (based on better than forecast actual default rates), a decrease in the assumed recovery rate, and a decrease of "CCC" rated investments and defaulted securities in the portfolio. The decrease in unrealized depreciation in our investments in McMillin Companies, LLC and Elyria Foundry Company, LLC, were due to improved visibility of the outlook for these companies. The increase in unrealized depreciation in our investments in Jason Incorporated and Energy Alloy were due to declining prospects for each of the companies. The change in the fair values of our investments in Grant U.S. Holdings and Penton Media, Inc. were primarily due to fluctuations in the market quotations obtained for these investments compared to the prior period.

For the year ended February 28, 2010, the Company had net unrealized losses of $9.5 million, which was comprised of $7.4 million in unrealized appreciation, $25.5 million in unrealized depreciation and $8.6 million related to the reversal of prior period net unrealized depreciation recorded upon the

exit of an investment. The most significant changes in net unrealized appreciation and depreciation for the year ended February 28, 2010 are as follows:

Fiscal year ended February 28, 2010

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation/ (Depreciation)	YTD Change in Unrealized Appreciation/ (Depreciation)
		($ in thousands)			
Terphane Holdings Corp.	Senior Secured Notes	$ 10,437	$ 9,791	$ (646)	$ 2,091
Penton Media, Inc.	First Lien Term Loan	3,908	3,478	(430)	1,286
IDI Acquisition Corp.	Senior Secured Notes	3,679	3,621	(58)	1,136
Jason Incorporated	Unsecured Notes	13,700	1,688	(12,012)	(8,190)
Saratoga CLO	Other/Structured Finance Securities	29,233	16,698	(12,535)	(4,970)
Energy Alloys, LLC	Second Lien Term Loan	6,239	1,129	(5,110)	(4,197)

Net Unrealized Appreciation/Depreciation on Derivatives

For the nine months ended November 30, 2012, we did not enter into any interest rate cap agreements. For the year ended February 29, 2012, changes in the value of the interest rate caps purchased pursuant to the credit facilities resulted in unrealized depreciation of $16,190 versus an unrealized depreciation of $25,882 for the year ended February 28, 2011.

For the fiscal year ended February 28, 2011, changes in the value of the interest rate caps purchased pursuant to the credit facilities resulted in an unrealized depreciation of $25,882 versus an unrealized appreciation of $2,634 for the fiscal year ended February 28, 2010. For a more detailed discussion of the interest rate caps, see "Note 8. Interest Rate Cap Agreements" to our audited financial statements included elsewhere in this prospectus.

Changes in Net Assets from Operations

For the three months ended November 30, 2012, we recorded a net increase in net assets resulting from operations of $0.7 million versus a net increase in net assets resulting from operations of $6.2 million for the three months ended November 30, 2011. The difference is attributable to increase in net investment income, a decrease in net unrealized appreciation offset by an increase in net investment income for the three months ended November 30, 2012, as compared to the same period in the prior year. Based on 3,970,447 and 3,310,021 weighted average common shares outstanding for the three months ended November 30, 2012 and 2011, respectively, our per share net increase in net assets resulting from operations was $0.19 for the three months ended November 30, 2012 versus a per share net increase in net assets resulting from operations of $1.88 for the three months ended November 30, 2011.

For the nine months ended November 30, 2012, we recorded a net increase in net assets resulting from operations of $8.8 million versus a net increase in net assets resulting from operations of $10.2 million for the nine months ended November 30, 2011. The difference is attributable to an increase in net investment income, a decrease in net unrealized appreciation offset by an increase in net investment income for the nine months ended November 30, 2012, as compared to the same period in the prior year. Based on 3,907,696 and 3,287,979 weighted average common shares outstanding for the nine months ended November 30, 2012 and 2011, respectively, our per share net increase in net assets resulting from operations was $2.25 for the nine months ended November 30, 2012 versus a per

share net increase in net assets resulting from operations of $3.10 for the nine months ended November 30, 2011.

For the fiscal years ended February 29, 2012 and February 28, 2011 we recorded a net increase in net assets resulting from operations of $13.3 million, and $17.0 million, respectively, and a net decrease for the fiscal year ended February 28, 2010 of $10.5 million. Based on 3,434,345 weighted average common shares outstanding as of February 29, 2012, our per share net increase in net assets resulting from operations was $3.87 for the fiscal year ended February 29, 2012. This compares to a per share net increase in net assets resulting from operations of $6.96 for the fiscal year ended February 28, 2011 (based on 2,437,577 weighted average common shares outstanding as of February 28, 2011) and a per share decrease in net assets resulting from operations of $9.86 for the fiscal year ended February 28, 2010 (based on 1,061,351 weighted average common shares outstanding for the fiscal year ended February 28, 2010).

Financial condition, liquidity and capital resources

On April 11, 2007, we entered into a $100.0 million revolving securitized credit facility (the "Revolving Facility"). On May 1, 2007, we entered into a $25.7 million term securitized credit facility (the "Term Facility" and, together with the Revolving Facility, the "Facilities"), which was fully drawn at closing. In December 2007, we consolidated the Facilities by using a draw under the Revolving Facility to repay the Term Facility. In response to the market wide decline in financial asset prices, which negatively affected the value of our portfolio, we terminated the revolving period of the Revolving Facility effective January 14, 2009 and commenced a two-year amortization period during which all principal proceeds from the collateral was used to repay outstanding borrowings. In March 2009, we amended the Revolving Facility to decrease the minimum required collateralization and increase the portion of the portfolio that can be invested in "CCC" rated investments in return for an increased interest rate and expedited amortization.

On July 30, 2009, an event of default under the Revolving Facility occurred. As a result of this event of default, the lender under the Revolving Facility had the right to accelerate repayment of the outstanding indebtedness and to foreclose and liquidate the collateral pledged thereunder. Due to the event of default, the interest rate on the Revolving Facility increased from the commercial paper rate plus 4.00% to an interest rate at February 28, 2010 and May 31, 2010 of 9.25%.

On July 30, 2010, we used the net proceeds from the stock purchase transaction with Saratoga Investment Advisors and certain of its affiliates and a portion of the funds available to us under the senior secured revolving credit facility with Madison Capital Funding to pay the full amount of principal and accrued interest, including default interest, outstanding under the Revolving Facility. Below is a summary of the terms of the senior secured revolving credit facility we entered into with Madison Capital Funding (the "Replacement Facility") on June 30, 2010.

Availability. The Company can draw up to the lesser of (i) $40 million (the "Facility Amount") and (ii) the product of the applicable advance rate (which varies from 50% to 75% depending on the type of loan asset) and the value, determined in accordance with the Replacement Facility (the "Adjusted Borrowing Value"), of certain "eligible" loan assets pledged as security for the loan (the "Borrowing Base"), in each case less (a) the amount of any undrawn funding commitments the Company has under any loan asset and which are not covered by amounts in the Unfunded Exposure Account referred to below (the "Unfunded Exposure Amount") and (b) outstanding borrowings. Each loan asset held by the Company as of the date on which the Replacement Facility was closed was valued as of that date and each loan asset that the Company acquires after such date will be valued at the lowest of its fair value, its face value (excluding accrued interest) and the purchase price paid for such loan asset. Adjustments to the value of a loan asset will be made to reflect, among other things, changes in its fair value, a default by the obligor on the loan asset, insolvency of the obligor, acceleration of the loan asset, and certain modifications to the terms of the loan asset.

The Replacement Facility contains limitations on the type of loan assets that are "eligible" to be included in the Borrowing Base and as to the concentration level of certain categories of loan assets in the Borrowing Base such as restrictions on geographic and industry concentrations, asset size and quality, payment frequency, status and terms, average life, and collateral interests. In addition, if an asset is to remain an "eligible" loan asset, the Company may not make changes to the payment, amortization, collateral and certain other terms of the loan assets without the consent of the administrative agent that will either result in subordination of the loan asset or be materially adverse to the lenders.

Collateral. The Replacement Facility is secured by substantially all of the assets of the Company and includes the subordinated notes ("CLO Notes") issued by Saratoga CLO and the Company's rights under the CLO Management Agreement (as defined below).

Interest Rate and Fees. Under the Replacement Facility, funds are borrowed from or through certain lenders at the greater of the prevailing LIBOR rate and 2.00%, plus an applicable margin of 5.50%. At the Company's option, funds may be borrowed based on an alternative base rate, which in no event will be less than 3.00%, and the applicable margin over such alternative base rate is 4.50%. In addition, the Company pays the lenders a commitment fee of 0.75% per year on the unused amount of the Replacement Facility for the duration of the Revolving Period (defined below). Accrued interest and commitment fees are payable monthly. The Company is also obligated to pay certain other fees to the lenders in connection with the closing of the Replacement Facility.

Revolving Period and Maturity Date. The Company may make and repay borrowings under the Replacement Facility for a period of three years following the closing of the Replacement Facility (the "Revolving Period"). The Revolving Period may be terminated at an earlier time by the Company or, upon the occurrence of an event of default, by action of the lenders or automatically. All borrowings and other amounts payable under the Replacement Facility are due and payable in full five years after the end of the Revolving Period.

Collateral Tests. It is a condition precedent to any borrowing under the Replacement Facility that the principal amount outstanding under the Replacement Facility, after giving effect to the proposed borrowings, not exceed the lesser of the Borrowing Base or the Facility Amount (the "Borrowing Base Test"). In addition to satisfying the Borrowing Base Test, the following tests must also be satisfied (together with Borrowing Base Test, the "Collateral Tests"):

- *Interest Coverage Ratio.* The ratio (expressed as a percentage) of interest collections with respect to pledged loan assets, less certain fees and expenses relating to the Replacement Facility, to accrued interest and commitment fees and any breakage costs payable to the lenders under the Replacement Facility for the last 6 payment periods must equal at least 175%.

- *Overcollateralization Ratio.* The ratio (expressed as a percentage) of the aggregate Adjusted Borrowing Value of "eligible" pledged loan assets plus the fair value of certain ineligible pledged loan assets and the CLO Notes (in each case, subject to certain adjustments) to outstanding borrowings under the Replacement Facility plus the Unfunded Exposure Amount must equal at least 200%.

- *Weighted Average FMV Test.* The aggregate adjusted or weighted value of "eligible" pledged loan assets as a percentage of the aggregate outstanding principal balance of "eligible" pledged loan assets must be equal to or greater than 72% and 80% during the one-year periods prior to the first and second anniversary of the closing date, respectively, and 85% at all times thereafter.

The Replacement Facility also requires payment of outstanding borrowings or replacement of pledged loan assets upon the Company's breach of its representation and warranty that pledged loan assets included in the Borrowing Base are "eligible" loan assets. Such payments or replacements must equal the lower of the amount by which the Borrowing Base is overstated as a result of such breach or

any deficiency under the Collateral Tests at the time of repayment or replacement. Compliance with the Collateral Tests is also a condition to the discretionary sale of pledged loan assets by the Company.

Priority of Payments. During the Revolving Period, the priority of payments provisions of the Replacement Facility require, after payment of specified fees and expenses and any necessary funding of the Unfunded Exposure Account, that collections of principal from the loan assets and, to the extent that these are insufficient, collections of interest from the loan assets, be applied on each payment date to payment of outstanding borrowings if the Borrowing Base Test, the Overcollateralization Ratio and the Interest Coverage Ratio would not otherwise be met. Similarly, following termination of the Revolving Period, collections of interest are required to be applied, after payment of certain fees and expenses, to cure any deficiencies in the Borrowing Base Test, the Interest Coverage Ratio and the Overcollateralization Ratio as of the relevant payment date.

Reserve Account. The Replacement Facility requires the Company to set aside an amount equal to the sum of accrued interest, commitment fees and administrative agent fees due and payable on the next succeeding three payment dates (or corresponding to three payment periods). If for any monthly period during which fees and other payments accrue, the aggregate Adjusted Borrowing Value of "eligible" pledged loan assets which do not pay cash interest at least quarterly exceeds 15% of the aggregate Adjusted Borrowing Value of "eligible" pledged loan assets, the Company is required to set aside such interest and fees due and payable on the next succeeding six payment dates. Amounts in the reserve account can be applied solely to the payment of administrative agent fees, commitment fees, accrued and unpaid interest and any breakage costs payable to the lenders.

Unfunded Exposure Account. With respect to revolver or delayed draw loan assets, the Company is required to set aside in a designated account (the "Unfunded Exposure Account") 100% of its outstanding and undrawn funding commitments with respect to such loan assets. The Unfunded Exposure Account is funded at the time the Company acquires a revolver or delayed draw loan asset and requests a related borrowing under the Replacement Facility. The Unfunded Exposure Account is funded through a combination of proceeds of the requested borrowing and other Company funds, and if for any reason such amounts are insufficient, through application of the priority of payment provisions described above.

Operating Expenses. The priority of payments provision of the Replacement Facility provides for the payment of certain operating expenses of the Company out of collections on principal and interest during the Revolving Period and out of collections on interest following the termination of the Revolving Period in accordance with the priority established in such provision. The operating expenses payable pursuant to the priority of payment provisions is limited to $350,000 for each monthly payment date or $2.5 million for the immediately preceding period of twelve consecutive monthly payment dates. This ceiling can be increased by the lesser of 5% or the percentage increase in the fair market value of all the Company's assets only on the first monthly payment date to occur after each one-year anniversary following the closing of the Replacement Facility. Upon the occurrence of a Manager Event (described below), the consent of the administrative agent is required in order to pay operating expenses through the priority of payments provision.

Events of Default. The Replacement Facility contains certain negative covenants, customary representations and warranties and affirmative covenants and events of default. The Replacement Facility does not contain grace periods for breach by the Company of certain covenants, including, without limitation, preservation of existence, negative pledge, change of name or jurisdiction and separate legal entity status of the Company covenants and certain other customary covenants. Other events of default under the Replacement Facility include, among other things, the following:

- an Interest Coverage Ratio of less than 150%;
- an Overcollateralization Ratio of less than 175%;

- the filing of certain ERISA or tax liens;
- the occurrence of certain "Manager Events" such as:
    - failure by Saratoga Investment Advisors and its affiliates to maintain collectively, directly or indirectly, a cash equity investment in the Company in an amount equal to at least $5,000,000 at any time prior to the third anniversary of the closing date;
    - failure of the management agreement between Saratoga Investment Advisors and the Company to be in full force and effect;
    - indictment or conviction of Saratoga Investment Advisors or any "key person" for a felony offense, or any fraud, embezzlement or misappropriation of funds by Saratoga Investment Advisors or any "key person" and, in the case of "key persons," without a reputable, experienced individual reasonably satisfactory to Madison Capital Funding appointed to replace such key person within 30 days;
    - resignation, termination, disability or death of a "key person" or failure of any "key person" to provide active participation in Saratoga Investment Advisors' daily activities, all without a reputable, experienced individual reasonably satisfactory to Madison Capital Funding appointed within 30 days; or
- the occurrence of any event constituting "cause" under the Collateral Management Agreement between the Company and Saratoga CLO (the "CLO Management Agreement"), delivery of a notice under Section 12(c) of the CLO Management Agreement with respect to the removal of the Company as collateral manager or the Company ceases to act as collateral manager under the CLO Management Agreement.

Conditions to Acquisitions and Pledges of Loan Assets. The Replacement Facility imposes certain additional conditions to the acquisition and pledge of additional loan assets. Among other things, the Company may not acquire additional loan assets without the prior written consent of the administrative agent until such time that the administrative agent indicates in writing its satisfaction with Saratoga Investment Advisors' policies, personnel and processes relating to the loan assets.

Fees and Expenses. The Company paid certain fees and reimbursed Madison Capital Funding for the aggregate amount of all documented, out-of-pocket costs and expenses, including the reasonable fees and expenses of lawyers, incurred by Madison Capital Funding in connection with the Replacement Facility and the carrying out of any and all acts contemplated thereunder up to and as of the date of closing of the stock purchase transaction with Saratoga Investment Advisors and certain of its affiliates. These amounts totaled $2.0 million.

On February 24, 2012, we amended the Credit Facility with Madison Capital Funding to, among other things:

- expand the borrowing capacity under the credit facility from $40 million to $45 million;
- extend the Revolving Period from July 30, 2013 to February 24, 2015; and
- remove the condition that we may not acquire additional loan assets without the prior written consent of the administrative agent.

As of November 30, 2012, we had $14.9 million outstanding under the Replacement Facility and $4.0 million SBA-guaranteed debentures outstanding (which are discussed below). Our borrowing base under the Replacement Facility was $27.7 million at November 30, 2012. As of February 29, 2012, we had $20.0 million outstanding under the Replacement Facility.

Our asset coverage ratio, as defined in the 1940 Act, was 792.88% as of November 30, 2012 and 587% and 2,013% for the years ended February 29, 2012 and February 28, 2011, respectively.

At November 30, 2012, February 29, 2012 and February 28, 2011, the fair value of investments, cash and cash equivalents and cash and cash equivalents, securitization accounts were as follows:

	At November 30, 2012		At February 29, 2012		At February 28, 2011	
	Fair Value	Percent of Total	Fair Value	Percent of Total	Fair Value	Percent of Total
	($ in thousands)					
Cash and cash equivalents	$ 2,494	2.0%	$ 1,325	1.1%	$ 10,736	11.3%
Cash and cash equivalents, securitization accounts	3,787	3.0	25,534	20.9	4,370	4.6
First lien term loans	64,094	51.0	36,196	29.6	18,475	19.4
Second lien term loans	10,038	8.0	8,914	7.3	20,276	21.3
Senior secured notes	10,491	8.4	10,706	8.8	9,892	10.4
Senior unsecured loans	—	—	6,000	4.9	—	—
Unsecured notes	2,241	1.8	2,008	1.6	1,915	2.0
Structured finance securities	24,641	19.6	25,846	21.1	22,732	23.9
Equity Interest	7,786	6.2	5,690	4.7	6,735	7.1
Total	$ 125,572	100.0%	$ 122,219	100.0%	$ 95,131	100.0%

On November 9, 2012, our board of directors declared a dividend of $4.25 per share payable on December 31, 2012, to common stockholders of record on November 22, 2012. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $3.3 million or $0.85 per share.

Based on shareholder elections, the dividend consisted of $3.3 million in cash and 853,455 shares of common stock, or 22.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.4437 per share, which equaled the volume weighted average trading price per share of the common stock on December 14, 17 and 19, 2012.

On November 15, 2011, our board of directors declared a dividend of $3.00 per share payable on December 30, 2011, to common stockholders of record on November 25, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.0 million or $0.60 per share.

Based on shareholder elections, the dividend consisted of $2.0 million in cash and 599,584 shares of common stock, or 18% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.117067 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2011.

On November 12, 2010, our board of directors declared a dividend of $4.40 per share to shareholders payable in cash or shares of our common stock, in accordance with the provisions of the IRS Revenue Procedure 2010-12, which allows a publicly-traded regulated investment company to satisfy its distribution requirements with a distribution paid partly in common stock provided that at least 10% of the distribution is payable in cash. The dividend was paid on December 29, 2010 to common shareholders of record on November 19, 2010.

Based on shareholder elections, the dividend consisted of $1.2 million in cash and 596,235 shares of common stock, or 22% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 10.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.8049 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2010.

On November 13, 2009, our board of directors declared a dividend of $18.25 per share payable on December 31, 2009, to common stockholders of record on November 25, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $0.25 per share.

Based on shareholder elections, the dividend consisted of $2.1 million in cash and 8,648,725 shares of common stock, or 104% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 13.7% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $1.5099 per share, which equaled the volume weighted average trading price per share of the common stock on December 24 and 28, 2009.

Given the size of our asset base and our growing pipeline of attractive investments, our board of directors believes that using our capital resources to build and diversify our portfolio serves stockholders' interests best by better positioning us to generate current income and capital appreciation on an increasing scale in future periods. Therefore, our board of directors has determined not to pay any dividends at this time.

We intend to continue to generate cash primarily from cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less, future borrowings and future offerings of securities. Our primary use of funds is investments in our targeted asset classes and cash distributions to holders of our common stock.

Although we expect to fund the growth of our investment portfolio through the net proceeds from future equity offerings, including our dividend reinvestment plan, and issuances of senior securities or future borrowings, to the extent permitted by the 1940 Act, our plans to raise capital may not be successful. In this regard, because our common stock has at times traded at a price below our then-current net asset value per share and we are limited in our ability to sell our common stock at a price below net asset value per share, we may be limited in our ability to raise equity capital.

Our stockholders approved a proposal at our annual meeting of stockholders held on September 28, 2012 that authorizes us to sell shares of our common stock at an offering price per share that is not less than 85% of the then current net asset value per share below the then current net asset value per share in one or more offerings for a period ending on the earlier of September 28, 2013 or the date of our next annual meeting of stockholders. We would need stockholder approval of a similar proposal to issue shares below net asset value per share at any time after our next annual meeting of stockholders.

In addition, we intend to distribute between 90% and 100% of our taxable income to our stockholders in order to satisfy the requirements applicable to RICs under Subchapter M of the Code. Consequently, we may not have the funds or the ability to fund new investments, to make additional investments in our portfolio companies, to fund our unfunded commitments to portfolio companies or to repay borrowings. In addition, the illiquidity of our portfolio investments may make it difficult for us to sell these investments when desired and, if we are required to sell these investments, we may realize significantly less than their recorded value.

Also, as a BDC, we generally are required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, to total senior securities, which include all of our borrowings and any outstanding preferred stock, of at least 200%. This requirement limits the amount that we may borrow. To fund growth in our investment portfolio in the future, we anticipate needing to raise additional capital from various sources, including the equity markets and other debt-related markets, which may or may not be available on favorable terms, if at all.

Finally, in light of the conditions in the financial markets and the U.S. economy overall, we, through a wholly-owned subsidiary, sought and obtained a license from the SBA to operate an SBIC. In this regard, on March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP, received a license from the SBA to operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958. SBICs are designated to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses.

The SBIC license allows our SBIC subsidiary to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with 10-year maturities.

SBA regulations currently limit the amount that our SBIC subsidiary may borrow to a maximum of $150 million when it has at least $75 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. As of November 30, 2012, our SBIC subsidiary had $25 million in regulatory capital and $4.0 million SBA-guaranteed debentures outstanding.

We received exemptive relief from the Securities and Exchange Commission to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the definition of senior securities in the 200% asset coverage test under the 1940 Act. This allows us increased flexibility under the 200% asset coverage test by permitting us to borrow up to $150 million more than we would otherwise be able to absent the receipt of this exemptive relief.

We cannot provide any assurance that these measures will provide sufficient sources of liquidity to support our operations and growth given the continued instability in the financial markets and the weak U.S. economy.

Contractual obligations

The following table shows our payment obligations for repayment of debt and other contractual obligations at November 30, 2012:

		Payment Due by Period			
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
	($ in thousands)				
Long-Term Debt Obligations	$ 18,850	$ —	$ 14,850	$ —	$ 4,000

The following table shows our payment obligations for repayment of debt and other contractual obligations at February 29, 2012:

		Payment Due by Period			
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
	($ in thousands)				
Long-Term Debt Obligations	$ 20,000	$ —	$ 20,000	$ —	$ —

Off-balance sheet arrangements

At November 30, 2012 and February 29, 2012, we did not have any off-balance sheet arrangements, including unfunded commitments to extend credit to third-parties, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Quantitative and Qualitative Disclosures about Market Risk

Our business activities contain elements of market risk. We consider our principal market risks to be fluctuations in interest rates. Managing this risk is essential to our business. Accordingly, we have systems and procedures designed to identify and analyze our risks, to establish appropriate policies and thresholds and to continually monitor this risk and thresholds by means of administrative and information technology systems and other policies and processes.

Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, including relative changes in different interest rates, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest earning assets and our interest expense incurred in connection with our interest bearing debt and liabilities. Changes in interest rates can also affect, among other things, our ability to acquire leveraged loans, high yield bonds and other debt investments and the value of our investment portfolio.

Our investment income is affected by fluctuations in various interest rates, including LIBOR and the prime rate. A large portion of our portfolio is, and we expect will continue to be, comprised of floating rate investments that utilize LIBOR. Our interest expense is affected by fluctuations in LIBOR. At February 29, 2012, we had $20.0 million of borrowings outstanding.

We have analyzed the potential impact of changes in interest rates on interest income from investments net of interest expense on the Replacement Facility. Assuming that our investments as of February 29, 2012 were to remain constant for a full fiscal year and no actions were taken to alter the existing interest rate terms, a hypothetical change of 1% in interest rates would cause a corresponding increase of approximately $0.7 million to our interest income net of interest expense.

Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size and composition of the assets on the statement of assets and liabilities and other business developments that could magnify or diminish our sensitivity to interest rate changes, nor does it account for divergences in LIBOR and the commercial paper rate, which have historically moved in tandem but, in times of unusual credit dislocations, have experienced periods of divergence. Accordingly no assurances can be given that actual results would not materially differ from the potential outcome simulated by this estimate.

SENIOR SECURITIES

Information about our senior securities is shown in the following table as of February 28/29 for the fiscal years indicated in the table, unless otherwise noted. Ernst & Young LLP's report on the table, as of February 29, 2012, is attached as an exhibit to the registration statement of which this prospectus is a part. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial condition, liquidity and capital resources" for more detailed information regarding the senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1) (in thousands)	Asset Coverage per Unit(2)	Involuntary Liquidating Preference per Share(3)	Average Market Value per Share(4)
Credit Facility with Madison Capital Funding and SBA debentures				
Fiscal year 2013 (as of November 30, 2012 unaudited)(5)	$ 18,850	$ 6,458	—	N/A
Fiscal year 2012 (as of February 29, 2012)	$ 20,000	$ 5,869	—	N/A
Fiscal year 2011 (as of February 28, 2011)	$ 4,500	$ 20,127	—	N/A
Fiscal year 2010 (as of February 28, 2010)	$ 36,992	$ 2,500	—	N/A
Fiscal year 2009 (as of February 28, 2009)	$ 58,995	$ 2,153	—	N/A
Fiscal year 2008 (as of February 29, 2008)	$ 78,450	$ 2,248	—	N/A
Fiscal year 2007 (as of February 28, 2007)	$ —	$ —	—	—

(1) Total amount of senior securities outstanding at the end of the period presented.

(2) Asset coverage per unit is the ratio of our total assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per $1,000 of indebtedness.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The "—" indicates information which the Securities and Exchange Commission expressly does not require to be disclosed for certain types of senior securities.

(4) Not applicable because the senior securities are not registered for public trading.

(5) Total amount outstanding as of December 31, 2012 was $47,050,000.

BUSINESS

Overview

We are a specialty finance company that invests primarily in leveraged loans and mezzanine debt issued by private U.S. middle-market companies, which we define as companies having annual EBITDA of between $5 million and $50 million, both through direct lending and through participation in loan syndicates. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments. We are externally managed and advised by Saratoga Investment Advisors, LLC, a New York-based investment firm affiliated with Saratoga Partners, a middle market private equity investment firm.

Our portfolio is comprised primarily of investments in leveraged loans (both first and second lien term loans) issued by middle market companies. Term loans are loans that do not allow the borrowers to repay all or a portion of the loans prior to maturity and then re-borrow such repaid amounts under the loans again. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. Leveraged loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. We also purchase mezzanine debt and make equity investments in middle market companies. Mezzanine debt is typically unsecured and subordinated to senior debt of the portfolio company.

While our primary focus is to generate current income and capital appreciation from our debt and equity investments in middle market companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, including securities of companies in bankruptcy, foreign debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds.

As of November 30, 2012, we had total assets of $129.2 million, investments in 23 portfolio companies, and an additional investment in the subordinated notes in Saratoga CLO with fair value of $24.6 million. The overall portfolio composition as of November 30, 2012 consisted of 53.7% of first lien term loans, 8.4% of second lien term loans, 8.8% of senior secured notes, 1.9% of unsecured notes, 20.7% of subordinated notes of Saratoga CLO and 6.5% of common equity. The weighted average yield on all of our debt investments, including our investment in the subordinated notes in Saratoga CLO, as of November 30, 2012 was approximately 12.9%. Approximately 90% of our first lien debt investments are fully collateralized by having an enterprise value or asset coverage equal to or greater than the principal amount of the related debt investment. Our investment in the subordinated notes of Saratoga CLO represents a first loss position in a portfolio that, at November 30, 2012, was composed of $393.4 million in aggregate principal amount of predominantly senior secured first lien term loans. This investment is subject to unique risks. See "Risk Factors—Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility."

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. As a BDC, we are required to comply with various regulatory requirements, including limitations on our use of debt. We finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing.

We have elected to be treated for U.S. federal income tax purposes as a RIC, under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders if we meet certain source-of-income, distribution and asset diversification requirements.

In addition, we have a wholly-owned subsidiary that is licensed as an SBIC and regulated by the SBA. See "Regulation—Small Business Investment Company Regulations." The SBIC license allows us, through our wholly-owned subsidiary, to issue SBA-guaranteed debentures. We received exemptive relief from the Securities and Exchange Commission to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the definition of senior securities in the 200% asset coverage test under the 1940 Act. This allows us increased flexibility under the 200% asset coverage test by permitting us to borrow up to $150 million more than we would otherwise be able to absent the receipt of this exemptive relief.

Corporate History and Information

We commenced operations on March 23, 2007 as GSC Investment Corp. and completed an IPO of shares of our common stock on March 28, 2007. From the date we commenced operations until July 30, 2010, we were managed and advised by GSCP (NJ), L.P., an entity affiliated with GSC Group, Inc. In connection with the consummation of a recapitalization transaction on July 30, 2010, we engaged Saratoga Investment Advisors to replace GSCP (NJ), L.P. as our investment adviser and changed our name to Saratoga Investment Corp.

The recapitalization transaction consisted of (i) the private sale of 986,842 shares of our common stock for $15 million in aggregate purchase price to Saratoga Investment Advisors and certain of its affiliates and (ii) the entry into a senior secured revolving credit facility with Madison Capital Funding. We used the net proceeds from the private sale of shares of our common stock and a portion of the funds available to us under the secured revolving credit facility with Madison Capital Funding to pay the full amount of principal and accrued interest, including default interest, outstanding under our revolving securitized credit facility with Deutsche Bank AG, New York Branch. Specifically, in July 2009, we had exceeded permissible borrowing limits under the revolving securitized credit facility with Deutsche Bank, which resulted in an event of default under the revolving securitized credit facility. As a result of the event of default, Deutsche Bank had the right to accelerate repayment of the outstanding indebtedness under the revolving securitized credit facility and to foreclose and liquidate the collateral pledged under the revolving securitized credit facility. The revolving securitized credit facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010. In January 2011, we registered for resale 986,842 shares of our common stock issued to Saratoga Investment Advisors and certain of its affiliates.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp SBIC, LP, received an SBIC license from the SBA.

Our corporate offices are located at 535 Madison Avenue, New York, New York 10022. Our telephone number is (212) 906-7800. We maintain a website on the Internet at www.saratogainvestmentcorp.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

Saratoga Investment Advisors

General

Our investment adviser was formed in 2010 as a Delaware limited liability company and became our investment adviser in July 2010. Our investment adviser is led by five principals, Christian L. Oberbeck, Michael J. Grisius, Richard A. Petrocelli, Thomas V. Inglesby, and Charles G. Phillips, who have 25, 23, 15, 26 and 16 years of experience in leveraged finance, respectively. Our investment adviser is affiliated with Saratoga Partners, a middle market private equity investment firm. Saratoga Partners was established in 1984 to be the middle market private investment arm of Dillon Read & Co. Inc. and has been independent of Dillon Read since 1998. Saratoga Partners has a 27-year

history of private investments in middle market companies and focuses on public and private equity, preferred stock, and senior and mezzanine debt investments.

Our Relationship with Saratoga Investment Advisors

We utilize the personnel, infrastructure, relationships and experience of Saratoga Investment Advisors to enhance the growth of our business. We currently have no employees and each of our executive officers is also an officer of Saratoga Investment Advisors.

We have entered into an investment advisory and management agreement with Saratoga Investment Advisors. Pursuant to the investment advisory and management agreement, Saratoga Investment Advisors implements our business strategy on a day-to-day basis and performs certain services for us under the direction of our board of directors. Saratoga Investment Advisors is responsible for, among other duties, performing all of our day-to-day investment-related functions, determining investment criteria, sourcing, analyzing and executing investments, asset sales, financings and performing asset management duties.

Saratoga Investment Advisors has formed an investment committee to advise and consult with its senior management team with respect to our investment policies, investment portfolio holdings, financing and leveraging strategies and investment guidelines. We believe that the collective experience of the investment committee members across a variety of fixed income asset classes will benefit us. The investment committee must unanimously approve all investments in excess of $1 million made by us. In addition, all sales of our investments must be approved by three out of four investment committee members. The current members of the investment committee are Messrs. Oberbeck, Grisius, Petrocelli, Inglesby, and Phillips.

We pay Saratoga Investment Advisors a fee for investment advisory and management services consisting of two components—a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.75% of our gross assets which includes assets purchased with borrowed funds but excludes cash and cash equivalents. As a result, Saratoga Investment Advisors will benefit as we incur debt or use leverage to purchase assets. Our board of directors will monitor the conflicts presented by this compensation structure by approving the amount of leverage that we may incur.

In addition to the base management fee, we pay Saratoga Investment Advisors an incentive fee which consists of two parts. First, we pay Saratoga Investment Advisors an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee income does not exceed a fixed "hurdle rate" of 1.875% per quarter (7.5% annualized);

- 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter (9.376% annualized) is payable to the investment adviser. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than or equal to 2.344%) as the "catch-up." The "catch-up" provision is intended to provide our investment adviser with an incentive fee of 20% on all of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 2.344% in any fiscal quarter. Notwithstanding the foregoing, with respect to any period ending on or prior to December 31, 2010, our investment adviser was only entitled to 20% of the amount of our pre-incentive fee net investment income, if any, that exceeded 1.875% in any fiscal quarter (7.5% annualized) without any catch-up provision; and

- 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter (9.376% annualized) is payable to the investment adviser (once the hurdle

is reached and the catch-up is achieved, 20% of all pre-incentive fee net investment income thereafter is allocated to the investment adviser).

Pre-incentive fee net investment income means interest income, dividend income and other income (including any other fees, such as commitment, origination, structuring, diligence, managerial and consulting fees or other fees that we receive from portfolio companies) earned during the calendar quarter, minus our operating expenses for the quarter.

The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year (or upon termination of the investment advisory and management agreement) and equals 20% of our "incentive fee capital gains," which equals our realized capital gains on a cumulative basis from May 31, 2010 through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. Importantly, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and Saratoga Investment Advisors will be entitled to 20% of incentive fee capital gains that arise after May 31, 2010. In addition, for the purpose of the "incentive fee capital gains" calculations, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 will equal the fair value of such investments as of such date.

We have also entered into a separate administration agreement with Saratoga Investment Advisors pursuant to which Saratoga Investment Advisors furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services. The administration agreement has an initial term of two years from its effective date of July 30, 2010, with automatic one-year renewals, subject to approval by our board of directors, a majority of whom must be our independent directors. Under the administration agreement, Saratoga Investment Advisors also performs, or oversees the performance of our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain, preparing reports for our stockholders and reports required to be filed with the SEC. Payments under the administration agreement will be equal to an amount based upon the allocable portion of Saratoga Investment Advisors' overhead in performing its obligations under the administration agreement, including rent and the allocable portion of the cost of our officers and their respective staffs relating to the performance of services under the administration agreement. The amount payable to Saratoga Investment Advisors under the administration agreement is currently capped at $1 million for each annual term of the agreement.

Investments

Our portfolio is comprised primarily of investments in leveraged loans issued by middle market companies. Investments in middle market companies are generally less liquid than equivalent investments in companies with larger capitalizations. These investments are sourced in both the primary and secondary markets through a network of relationships with commercial and investment banks, commercial finance companies and financial sponsors. The leveraged loans that we purchase are generally used to finance buyouts, acquisitions, growth, recapitalizations and other types of transactions. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. Leveraged loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. For a discussion risks pertaining to our secured investments, see "Risk Factors—Our investments may be risky, and you could lose all or part of our investment."

As part of our long-term strategy, we also purchase mezzanine debt and make equity investments in middle market companies. Mezzanine debt is typically unsecured and subordinated to senior debt of the portfolio company. See "Risk Factors—If we make unsecured debt investments, we may lack adequate protection in the event our portfolio companies become distressed or insolvent and will likely

experience a lower recovery than more senior debtholders in the event our portfolio companies defaults on their indebtedness." Substantially all of the debt investments held in our portfolio hold a non-investment grade rating by one or more rating agencies or, if not rated, would be rated below investment grade if rated, which are often referred to as "junk." As of November 30, 2012, 55.7% of our debt portfolio at fair value consisted of debt securities for which issuers were not required to make principal payments until the maturity of such debt securities, which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity. In addition, 64.5% of our debt investments at November 30, 2012 had variable interest rates that reset periodically based on benchmarks such as LIBOR and the prime rate. As a result, significant increases in such benchmarks in the future may make it more difficult for these borrowers to service their obligations under the debt investments that we hold.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we have to invest at least 70% of our total assets in "qualifying assets," including securities of U.S. operating companies whose securities are not listed on a national securities exchange (i.e., New York Stock Exchange, NYSE Amex and The NASDAQ Stock Market), U.S. operating companies with listed securities that have market capitalizations of less than $250 million, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less.

While our primary focus is to generate current income and capital appreciation from our debt and equity investments in middle market companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds.

Leveraged loans

Our leveraged loan portfolio is comprised primarily of first lien and second lien term loans. First lien term loans are secured by a first priority perfected security interest on all or substantially all of the assets of the borrower and typically include a first priority pledge of the capital stock of the borrower. First lien term loans hold a first priority with regard to right of payment. Generally, first lien term loans offer floating rate interest payments, have a stated maturity of five to seven years, and have a fixed amortization schedule. First lien term loans generally have restrictive financial and negative covenants. Second lien term loans are secured by a second priority perfected security interest on all or substantially all of the assets of the borrower and typically include a second priority pledge of the capital stock of the borrower. Second lien term loans hold a second priority with regard to right of payment. Second lien term loans offer either floating rate or fixed rate interest payments, generally have a stated maturity of five to eight years, and may or may not have a fixed amortization schedule. Second lien term loans that do not have fixed amortization schedules require payment of the principal amount of the loan upon the maturity date of the loan. Second lien term loans have less restrictive financial and negative covenants than those that govern first lien term loans.

Mezzanine debt

Mezzanine debt usually ranks subordinate in priority of payment to senior debt and is often unsecured. However, mezzanine debt ranks senior to common and preferred equity in a borrowers' capital structure. Mezzanine debt typically has fixed rate interest payments and a stated maturity of six to eight years and does not have fixed amortization schedules.

In some cases, our debt investments may provide for a portion of the interest payable to be paid-in-kind interest ("PIK"). To the extent interest is paid-in-kind, it will be payable through the increase of the principal amount of the obligation by the amount of interest due on the then-outstanding aggregate principal amount of such obligation.

Equity Investments

Equity investments may consist of preferred equity that is expected to pay dividends on a current basis or preferred equity that does not pay current dividends. Preferred equity generally has a preference over common equity as to distributions on liquidation and dividends. In some cases, we may acquire common equity. In general, our equity investments are not control-oriented investments and we expect that in many cases we will acquire equity securities as part of a group of private equity investors in which we are not the lead investor.

Opportunistic Investments

Opportunistic investments may include investments in distressed debt, which may include securities of companies in bankruptcy, debt and equity securities of public companies that are not thinly traded, emerging market debt, structured finance vehicles such as collateralized loan obligation funds and debt of middle market companies located outside the United States. In January 2008, we purchased for $30 million all of the outstanding subordinated notes of Saratoga CLO, a collateralized loan obligation fund managed by us that invests primarily in leveraged loans. As of November 30, 2012, the Saratoga CLO portfolio consisted of $393.4 million in aggregate principal amount of primarily senior secured first lien term loans in 147 obligors with an average obligor exposure of $2.68 million and $13.4 million in uninvested cash. The weighted average maturity of the portfolio is 5.5 years.

Prospective portfolio company characteristics

Our investment adviser generally selects portfolio companies with one or more of the following characteristics:

- a history of generating stable earnings and strong free cash flow;
- well-constructed balance sheets, including an established tangible liquidation value;
- reasonable debt-to-cash flow multiples;
- industry leadership with competitive advantages and sustainable market shares in attractive sectors; and
- capital structures that provide appropriate terms and reasonable covenants.

Investment selection

In managing us, Saratoga Investment Advisors employs the same investment philosophy and portfolio management methodologies used by Saratoga Partners. Through this investment selection process, based on quantitative and qualitative analysis, Saratoga Investment Advisors seeks to identify portfolio companies with superior fundamental risk-reward profiles and strong, defensible business franchises with the goal of minimizing principal losses while maximizing risk-adjusted returns. Saratoga Investment Advisors' investment process emphasizes the following:

- bottoms-up, company-specific research and analysis;
- capital preservation, low volatility and minimization of downside risk; and
- investing with experienced management teams that hold meaningful equity ownership in their businesses.

Our investment adviser's investment process generally includes the following steps:

- Initial screening. A brief analysis identifies the investment opportunity and reviews the merits of the transaction. The initial screening memorandum provides a brief description of the company, its industry, competitive position, capital structure, financials, equity sponsor and deal

economics. If the deal is determined to be attractive by the senior members of the deal team, the opportunity is fully analyzed.

- Comprehensive analysis. A comprehensive analysis includes:

  - Business and Industry analysis—a review of the company's business position, competitive dynamics within its industry, cost and growth drivers and technological and geographic factors. Business and industry research often includes meetings with industry experts, consultants, other investors, customers and competitors.

  - Company analysis—a review of the company's historical financial performance, future projections, cash flow characteristics, balance sheet strength, liquidation value, legal, financial and accounting risks, contingent liabilities, market share analysis and growth prospects.

  - Structural/security analysis—a thorough legal document analysis including but not limited to an assessment of financial and negative covenants, events of default, enforceability of liens and voting rights.

- Approval of the investment committee. The investment is then presented to the investment committee for approval. The investment committee must unanimously approve all investments in excess of $1 million made by us. In addition, all sales of our investments must be approved by four out of five investment committee members. The members of our investment committee are Christian L. Oberbeck, Michael J. Grisius, Richard A. Petrocelli, Thomas V. Inglesby, and Charles G. Phillips.

Investment structure

In general, our investment adviser intends to select investments with financial covenants and terms that reduce leverage over time, thereby enhancing credit quality. These methods include:

- maintenance leverage covenants requiring a decreasing ratio of debt to cash flow;

- maintenance cash flow covenants requiring an increasing ratio of cash flow to the sum of interest expense and capital expenditures; and

- debt incurrence prohibitions, limiting a company's ability to re-lever.

In addition, limitations on asset sales and capital expenditures should prevent a company from changing the nature of its business or capitalization without our consent.

Our investment adviser seeks, where appropriate, to limit the downside potential of our investments by:

- requiring a total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk;

- requiring companies to use a portion of their excess cash flow to repay debt;

- selecting investments with covenants that incorporate call protection as part of the investment structure; and

- selecting investments with affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

Valuation process

We carry our investments at fair value, as approved in good faith using written policies and procedures adopted by our board of directors. Investments for which market quotations are readily

available are recorded in our financial statements at such market quotations subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved in good faith by our board of directors based on input from Saratoga Investment Advisors, our audit committee and, on a selected basis, a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, the markets in which the portfolio company does business, market yield trend analysis, comparison to publicly traded companies, discounted cash flow and other relevant factors.

Our investment in the subordinated notes of Saratoga CLO is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for similar collateralized loan obligation fund subordinated notes or equity, when available. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for Saratoga CLO's valuation. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated cash flows. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows from our investment in Saratoga CLO) to perform a discounted cash flows analysis on expected future cash flows from our investment in Saratoga CLO to determine a valuation for the subordinated notes of Saratoga CLO held by us.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- each investment is initially valued by the responsible investment professionals of Saratoga Investment Advisors and preliminary valuation conclusions are documented and discussed with our senior management; and

- an independent valuation firm engaged by our board of directors independently values at least one quarter of our investments each quarter so that the valuation of each investment for which market quotes are not readily available is independently valued by an independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- the audit committee of our board of directors reviews each preliminary valuation and our investment adviser and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and

- our board of directors discusses the valuations and approves the fair value of each investment in good faith based on the input of our investment adviser, independent valuation firm (if applicable) and audit committee.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Ongoing relationships with and monitoring of portfolio companies

Saratoga Investment Advisors closely monitors each investment we make and, when appropriate, conducts a regular dialogue with both the management team and other debtholders and seeks specifically tailored financial reporting. In addition, in certain circumstances, senior investment professionals of Saratoga Investment Advisors may take board seats or board observation seats.

Distributions

Our distributions, if any, will be determined by our board of directors and paid out of assets legally available for distribution. Any such distributions generally will be taxable to our stockholders, including to those stockholders who receive additional shares of our common stock pursuant to our dividend reinvestment plan. Prior to January 2009, we paid quarterly dividends to our stockholders. However, in January 2009, we suspended the practice of paying quarterly dividends to our stockholders and have only paid four dividend distributions (December 2012, 2011, 2010 and 2009) to our stockholders since such time.

In order to maintain our qualification as a RIC, we must for each fiscal year distribute an amount equal to at least 90% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses. In addition, we will be subject to federal excise taxes to the extent we do not distribute during the calendar year at least (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one year period ending on October 31 of the calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which we paid no federal income tax. For the 2012 calendar year, we made distributions sufficient such that we did not incur any federal excise taxes. We may elect to withhold from distribution a portion of our ordinary income for the 2013 calendar year and/or portion of the capital gains in excess of capital losses realized during the one year period ending October 31, 2013, if any, and, if we do so, we would expect to incur federal excise taxes as a result.

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends.

We may distribute taxable dividends that are payable in cash or shares of our common stock at the election of each stockholder. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. The Internal Revenue Service has issued private rulings indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20% of the total distribution. Under these rulings, if too many stockholders elect to receive their distributions in cash, each such stockholder would receive a pro rata share of the total cash to be distributed and would receive the remainder of their distribution in shares of stock. If we decide to make any distributions consistent with these rulings that are payable in part in our stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number

of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

Competition

Our primary competitors in providing financing to private middle market companies include public and private investment funds (including private equity funds, mezzanine funds, BDCs and SBICs), commercial, investment banks and commercial financing companies. Many of our competitors are substantially larger and have considerably greater financial and marketing resources than us. For example, some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which may allow them to consider a wider variety of investments. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. For additional information concerning the competitive risks we face, please see "Risk Factors—Risks Related to Our Business and Structure—We operate in a highly competitive market for investment opportunities."

Staffing

We do not currently have any employees and do not expect to have any employees in the future. Services necessary for our business are provided by individuals who are employees of Saratoga Investment Advisors, pursuant to the terms of the investment advisory and management agreement and the administration agreement. For a discussion of the investment advisory and management agreement, see "Management Agreements." We reimburse Saratoga Investment Advisors for our allocable portion of expenses incurred by it in performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our officers and their respective staffs, subject to certain limitations. For a discussion of the administration agreement, see "Management Agreements—Administration Agreement."

Legal Proceedings

On August 31, 2012, a complaint was filed in the United States Bankruptcy Court for the Southern District of New York by GSC Acquisition Holdings, LLC against us to recover, among other things, approximately $2.6 million for the benefit of the estates and the general unsecured creditors of GSC Group, Inc. and its affiliates, including the Company's former investment adviser, GSCP (NJ), L.P. The complaint alleges that the former investment adviser made a constructively fraudulent transfer of $2.6 million in deferred incentive fees by waiving them in connection with the termination of an investment advisory and management agreement with us, and that the termination of the investment advisory and management agreement was itself a fraudulent transfer. These transfers, the complaint alleges, were made without receipt of reasonably equivalent value and while the former investment adviser was insolvent. The complaint has not yet been served, and the plaintiff's motion for authority to prosecute the case on behalf of the estates was taken under advisement by the court on October 1, 2012. We opposed that motion. We believe that the claims in this lawsuit are without merit and, if the plaintiff is authorized to proceed, intend to vigorously defend against this action.

Except as discussed above, neither we nor our wholly-owned subsidiaries, Saratoga Investment Funding LLC and Saratoga Investment Corp. SBIC LP, are currently subject to any material legal proceedings.

OUR PORTFOLIO COMPANIES

The following table sets forth certain information as of November 30, 2012 for each portfolio company in which we had a debt or equity investment. Other than these investments, our only relationships with our portfolio companies are the managerial assistance we may separately provide to our portfolio companies, which services would be ancillary to our investments, and the board observer or participation rights we may receive.

Name and Address of Portfolio Company	Industry	Type of Security Held by Us	Maturity	Principal/ Number of Shares	Cost	Fair Value
Capstone Logistics, LLC The Corners Parkway Suite 520 Norcross, GA 30092	Logistics	First Lien Term Loan 7.50% Cash	9/16/2016	$ 987,809	976,102	$ 987,809
Capstone Logistics, LLC The Corners Parkway Suite 520 Norcross, GA 30092	Logistics	First Lien Term Loan 13.50% Cash	9/16/2016	$ 4,000,000	3,952,596	4,000,000
CFF Acquisition LLC Greenback Lane Suite 220 Orangevale, CA 95662	Consumer Services	First Lien Term Loan 7.50% Cash	7/31/2015	$ 2,435,516	2,274,911	2,353,439
C.H.I. Overhead Doors, Inc. (CHI) 1485 Sunrise Trail Arthur, IL 61911	Consumer Products	First Lien Term Loan 7.25% Cash	8/17/2017	$ 4,987,374	4,940,497	4,987,374
Coast Plating, Inc. 128 West 154th Street Gardena, CA 90248	Aerospace	First Lien Term Loan 11.71% Cash	9/13/2014	$ 2,550,000	2,550,000	2,550,000
Coast Plating, Inc. 128 West 154th Street Gardena, CA 90248	Aerospace	First Lien Term Loan 12.46% Cash	9/13/2014	$ 950,000	950,000	950,000
DS Waters of America, Inc. 5660 New Northside Drive Suite 500 Atlanta, GA 30328	Food and Beverage	First Lien Term Loan 10.50% Cash	8/29/2017	3,980,000	4,006,126	4,089,450
Elyria Foundry Company, LLC 120 Filbert Street Elyria, OH 44035	Metals	Senior Secured Notes 17.00% (13.00% Cash/4.00% PIK)	3/1/2013	$ 7,728,566	7,657,604	6,641,156
Elyria Foundry Company, LLC 120 Filbert Street Elyria, OH 44035	Metals	Warrants to Purchase Limited Liability Company Interests		3,000	—	—
GSC Partners CDO GP III, LP c/o Saratoga Investment Corp. 535 Madison Avenue New York, NY 10022	Financial Services	100% General Partnership Interest		—	—	—
GSC Investment Corp. CLO 2007 LTD. c/o Saratoga Investment Corp. 535 Madison Avenue New York, NY 10022	Structured Finance Securities	Other/Structured Finance Securities 18.81%	1/21/2020	$ 30,000,000	20,361,593	24,641,107
GSC Partners CDO GP III, LP c/o Saratoga Investment Corp. 535 Madison Avenue New York, NY 10022	Financial Services	6.24% Limited Partnership Interest		—	—	—
Group Dekko, Inc. P.O. Box 2000 Kendallville, IN 46755	Electronics	Second Lien Term Loan 10.50% (6.50% Cash/4.00% PIK)	5/1/2013	$ 7,804,794	7,804,794	7,323,238
HOA Restaurant Group, LLC. 1815 The Exchange Atlanta, GA 30339	Food and Beverage	Senior Secured Notes 11.25% Cash	4/1/2017	$ 4,000,000	3,892,643	3,560,000
Knowland Technology Holdings, L.L.C. 18335 Coastal Highway Suite C Lewes, DE 19958	Business Services	First Lien Term Loan 11.00% Cash	11/29/2017	$ 6,200,000	6,076,136	6,200,000
Legacy Cabinets Holdings 100 Legacy Blvd. Eastaboga, AL 36260	Building Products	Common Stock Voting A-1		2,535	220,900	—

Name and Address of Portfolio Company	Industry	Type of Security Held by Us	Maturity	Principal/ Number of Shares	Cost	Fair Value
Legacy Cabinets Holdings 100 Legacy Blvd. Eastaboga, AL 36260	Building Products	Common Stock Voting B-1		1,600	139,424	—
Legacy Cabinets, Inc. 100 Legacy Blvd. Eastaboga, AL 36260	Building Products	First Lien Term Loan 7.25% (1.00% Cash/6.25% PIK)	5/3/2014	$ 326,980	326,980	255,731
Maverick Healthcare Group dba Preferred Homecare 2546 W. Birchwood Avenue Mesa, AZ 85202	Healthcare Services	First Lien Term Loan 10.75% Cash	12/31/2016	4,912,500	4,843,563	4,887,937
M/C Acquisition Corp., LLC 380 Stuart Street Boston, MA 02116	Education	First Lien Term Loan 8.75% (6.75% Cash/2.00% PIK)	12/31/2012	$ 2,780,315	1,626,380	323,629
M/C Acquisition Corp., LLC 380 Stuart Street Boston, MA 02116	Education	Class A Common Stock		544,761	30,242	—
McMillin Companies LLC 2750 Womble Road San Diego, CA 92106	Homebuilding	Senior Secured Notes 0% Cash	12/31/2013	$ 550,000	530,535	289,465
National Truck Protection Co., Inc. 6 Commerce Drive Suite 200 Cranford, NJ 07016	Automotive	Common Stock		589	500,000	564,507
National Truck Protection Co., Inc. 6 Commerce Drive Suite 200 Cranford, NJ 07016	Automotive	First Lien Term Loan, 15.50% Cash	8/10/2017	$ 5,500,000	5,500,000	5,500,000
Network Communications, Inc. 2305 Newport Parkway Lawrenceville, GA 30043	Publishing	Unsecured Notes 8.60% PIK,	1/14/2020	$ 2,494,810	2,042,031	920,585
Network Communications, Inc. 2305 Newport Parkway Lawrenceville, GA 30043	Publishing	Common Stock		211,429	—	—
Penton Media, Inc. 249 West 17th Street New York, NY 10011	Publishing	First Lien Term Loan 5.00% Cash	8/1/2014	$ 4,838,880	4,441,924	4,284,828
PrePaid Legal Services, Inc. One Pre-Paid Way Ada, OK 74820	Consumer Services	First Lien Term Loan 11.00% Cash	12/31/2016	$ 3,000,000	2,932,804	2,919,900
Sourcehov LLC McKinney Avenue Suite 1000 Dallas, TX 75204	Business Services	Second Lien Term Loan 10.50% Cash	4/30/2018	$ 3,000,000	2,631,515	2,715,000
Take 5 Oil Change, L.L.C. 3621 Ridgelake Drive Suite 203 Metairie, LA 70002	Automotive	First Lien Term Loan 9.00% Cash	11/28/2016	$ 6,400,000	6,400,000	6,400,000
Take 5 Oil Change, L.L.C. 3621 Ridgelake Drive Suite 203 Metairie, LA 70002	Automotive	Common Stock		7,128	712,800	742,738
Targus Group International, Inc. 1211 North Miller Street Anaheim, CA 92806	Consumer Products	First Lien Term Loan 11.00% Cash	5/24/2016	$ 3,950,000	3,894,385	3,959,875
Targus Holdings, Inc. 1211 North Miller Street Anaheim, CA 92806	Consumer Products	Unsecured Notes 10.00% PIK	6/14/2019	$ 1,799,479	1,799,479	1,027,683
Targus Holdings, Inc. 1211 North Miller Street Anaheim, CA 92806	Consumer Products	Unsecured Notes 16.00% Cash	10/26/2018	$ 319,711	312,359	292,631
Targus Holdings, Inc. 1211 North Miller Street Anaheim, CA 92806	Consumer Products	Common Stock		62,413	566,765	3,731,673
TM Restaurant Group LLC 4305 Old Milton Parkway Suite 101 Alpharetta, GA 30022	Food and Beverage	First Lien Term Loan 7.75% Cash	7/16/2017	$ 2,981,250	2,960,569	2,977,672

Name and Address of Portfolio Company	Industry	Type of Security Held by Us	Maturity	Principal/ Number of Shares	Cost	Fair Value
USS Parent Holding Corp. 200 Friberg Pkwy Westborough, MA 01581	Environmental	Non Voting Common Stock		765	133,002	115,681
USS Parent Holding Corp. 200 Friberg Pkwy Westborough, MA 01581	Environmental	Voting Common Stock		17,396	3,025,798	2,631,735
Worldwide Express Operations, LLC 2828 Routh Street Dallas, TX 75201	Logistics	First Lien Term Loan 7.50% Cash	6/30/2013	$ 6,546,441	6,430,154	6,465,920
TOTAL INVESTMENTS					**$ 117,444,611**	**$ 119,290,763**

Set forth below is a brief description of each portfolio company in which we have made an investment that represents greater than 5% of our total assets as of November 30, 2012.

Elyria Foundry Company, LLC—Producer of complex, highly engineered gray ductile iron castings of up to 50,000 pounds for a variety of industries.

Group Dekko—Manufacturer of subcomponents for office furniture and transportation end markets.

GSC Investment Corp. CLO 2007 LTD.—Collateralized loan obligation fund.

Knowland Technology Holdings, L.L.C.—Provider of reader board services to the hospitality industry.

National Truck Protection Co., Inc.—Provider of extended warranty service contracts to the trucking industry.

Take 5 Oil Change, L.L.C.—Operator of over 20 express oil change service locations.

Worldwide Express Operations, LLC—Reseller of UPS package delivery services.

MANAGEMENT AGREEMENTS

Saratoga Investment Advisors serves as our investment adviser. Our investment adviser was formed in 2010 as a Delaware limited liability company and became our investment adviser in July 2010. Subject to the overall supervision of our board of directors, Saratoga Investment Advisors manages our day-to-day operations and provides investment advisory and management services to us. Under the terms of an investment advisory and management agreement, Saratoga Investment Advisors:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);
- closes and monitors the investments we make;
- determines the securities and other assets that we purchase, retain or sell; and
- performs due diligence on prospective portfolio companies.

Saratoga Investment Advisors services under the investment advisory and management agreement are not exclusive, and it is free to furnish similar services to other entities.

Management Fee and Incentive Fee

Pursuant to the investment advisory and management agreement with Saratoga Investment Advisors, we pay Saratoga Investment Advisors a fee for investment advisory and management services consisting of two components—a base management fee and an incentive fee.

The base management fee is paid quarterly in arrears, and equals 1.75% per annum of our gross assets (other than cash or cash equivalents but including assets purchased with borrowed funds) and calculated at the end of each fiscal quarter based on the average value of our gross assets (other than cash or cash equivalents but including assets purchased with borrowed funds) as of the end of such fiscal quarter and the end of the immediate prior fiscal quarter. Base management fees for any partial month or quarter are appropriately pro-rated.

The incentive fee has the following two parts:

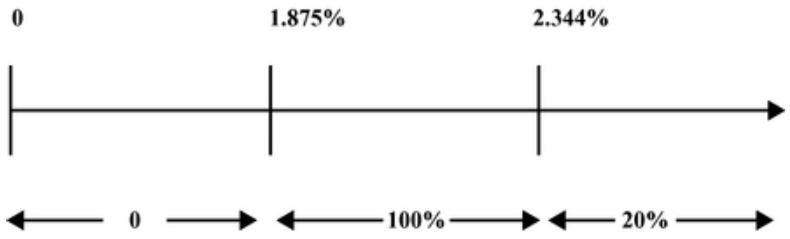
The first part is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding fiscal quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence, managerial and consulting fees or other fees that we receive from portfolio companies) accrued during the fiscal quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock or debt security, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as market discount, debt instruments with payment-in-kind interest, preferred stock with payment-in-kind dividends and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less liabilities) at the end of the immediately preceding fiscal quarter, is compared to a "hurdle rate" of 1.875% per quarter (7.5% annualized), subject to a "catch up" provision. The base management fee is calculated prior to giving effect to the payment of any incentive fees.

We pay Saratoga Investment Advisors an incentive fee with respect to our pre-incentive fee net investment income in each fiscal quarter as follows: (A) no incentive fee in any fiscal quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate; (B) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter (9.376% annualized) is payable to Saratoga Investment Advisors; and (C) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter (9.376% annualized). We refer to the amount specified in clause (B) as the "catch-up." The "catch-up" provision is intended to provide Saratoga Investment Advisors with an incentive fee of 20% on all of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 2.344% in any fiscal quarter. Notwithstanding the foregoing, with respect to any period ending on or prior to December 31, 2010, Saratoga Investment Advisors was only entitled to 20% of the amount of our pre-incentive fee net investment income, if any, that exceeded 1.875% in any fiscal quarter (7.5% annualized) without any catch-up provision. These calculations are appropriately pro-rated when such calculations are applicable for any period of less than three months.

The following is a graphical representation of the calculation of the income-related portion of the incentive fee subsequent to any period ending after December 31, 2010:

Quarterly Incentive Fee Based on "Pre-Incentive Fee Net Investment Income"

Pre-Incentive Fee Net Investment Income
(expressed as a percentage of the value of net assets)



Percentage of Pre-Incentive Fee Net Investment
Income allocated to income-related portion of incentive fee

The second part of the incentive fee, the capital gains fee, is determined and payable in arrears as of the end of each fiscal year (or, upon termination of the investment advisory and management agreement), and is calculated at the end of each applicable year by subtracting (1) the sum of our cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (2) our cumulative aggregate realized capital gains, in each case calculated from May 31, 2010. If such amount is positive at the end of such year, then the capital gains fee for such year is equal to 20% of such amount, less the cumulative aggregate amount of capital gains fees paid in all prior years. If such amount is negative, then there is no capital gains fee for such year.

Under the investment advisory and management agreement, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and Saratoga Investment Advisors will be entitled to 20% of net capital gains that arise after May 31, 2010. In addition, the cost basis for computing our realized gains and losses on investments held by us as of May 31, 2010 equals the fair value of such investments as of such date.

Examples of Quarterly Incentive Fee Calculation

Example 1: Income Related Portion of Incentive Fee(1):

Assumptions

- Hurdle rate(2) = 1.875%
- Management fee(3) = 0.4375%
- Other expenses (legal, accounting, custodian, transfer agent, etc.)(4) = 0.33%

Alternative 1

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = 1.25%
- Pre-incentive fee net investment income (investment income - (management fee + other expenses)) = 0.4825%

Pre-incentive fee net investment income does not exceed hurdle rate, therefore there is no incentive fee.

Alternative 2

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = 3.0%
- Pre-incentive fee net investment income (investment income - (management fee + other expenses)) = 2.2325%

Pre-incentive fee net investment income exceeds hurdle rate, but does not fully satisfy the "catch-up" provision, therefore the income related portion of the incentive fee is 0.3575%.

Incentive Fee	=	(100% × (pre-incentive fee net investment income - 1.875%)
	=	100% (2.2325% - 1.875%)
	=	100% (0.3575%)
	=	0.3575%

Alternative 3

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = 3.5%
- Pre-Incentive Fee Net Investment Income (investment income - (management fee + other expenses) = 2.7325%

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(1) The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets.

(2) Represents 7.5% annualized hurdle rate.

(3) Represents 1.75% annualized management fee. For the purposes of this example, we have assumed that we have not incurred any indebtedness and that we maintain no cash or cash equivalents.

(4) The "catch-up" provision is intended to provide our investment adviser with an incentive fee of 20% on all pre-incentive fee net investment income as if a hurdle rate did not apply when our net investment income exceeds 2.344% in any fiscal quarter.

Pre-incentive fee net investment income exceeds the hurdle rate, and fully satisfies the "catch-up" provision, therefore the income related portion of the incentive fee is 0.5467%.

Incentive fee	=	100% × pre-incentive fee net investment income (subject to "catch-up")(4)
Incentive fee	=	100% × "catch-up" + (20% × (Pre-incentive fee net investment income - 2.344%))
Catch up	=	2.344% - 1.875%
	=	0.469%
Incentive fee	=	(100% × 0.469%) + (20% × (2.7325% - 2.344%))
	=	0.469% + (20% × 0.3885%)
	=	0.469% + 0.0777%
	=	0.5467%

Example 2: Capital Gains Portion of Incentive Fee:

Alternative 1:

Assumptions(1)

- Year 1: $20 million investment made in Company A ("Investment A"), and $30 million investment made in Company B ("Investment B")
- Year 2: Investment A is sold for $50 million and fair market value ("FMV") of Investment B determined to be $32 million
- Year 3: FMV of Investment B determined to be $25 million
- Year 4: Investment B sold for $31 million

The capital gains portion of the incentive fee, if any, calculated under the cumulative method would be:

- Year 1: None
- Year 2: $6 million (20% multiplied by $30 million realized capital gains on sale of Investment A)
- Year 3: None; $5 million (20% multiplied by ($30 million realized cumulative capital gains less $5 million cumulative capital depreciation)) less $6 million (capital gains incentive fee paid in Year 2)
- Year 4: $200,000; $6.2 million (20% multiplied by $31 million cumulative realized capital gains) less $6 million (capital gains incentive fee paid in Year 2)

Alternative 2

Assumptions(1)

- Year 1: $20 million investment made in Company A ("Investment A"), $30 million investment made in Company B ("Investment B") and $25 million investment made in Company C ("Investment C")

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(1) The examples assume that Investment A and Investment B were acquired by us subsequent to May 31, 2010. If Investment A and B were acquired by us prior to May 31, 2010, then the cost basis for computing our realized gains and losses on such investments would equal the fair value of such investments as of May 31, 2010.

- Year 2: Investment A sold for $50 million, FMV of Investment B determined to be $25 million and FMV of Investment C determined to be $25 million
- Year 3: FMV of Investment B determined to be $27 million and Investment C sold for $30 million
- Year 4: FMV of Investment B determined to be $35 million
- Year 5: Investment B sold for $20 million

The capital gains portion of the incentive fee, if any, calculated under the cumulative method would be:

- Year 1: None
- Year 2: $5 million (20% multiplied by $25 million ($30 million realized capital gains on Investment A less $5 million unrealized capital depreciation on Investment B))
- Year 3: $1.4 million ($6.4 million (20% multiplied by $32 million ($35 million cumulative realized capital gains less $3 million unrealized capital depreciation)) less $5 million (capital gains incentive fee paid in Year 2))
- Year 4: None
- Year 5: None ($5 million (20% multiplied by $25 million (cumulative realized capital gains of $35 million less realized capital losses of $10 million)) less $6.4 million (cumulative capital gains incentive fee paid in Year 2 and Year 3))

The investment advisory and management agreement with Saratoga Investment Advisors was approved by our board of directors at an in-person meeting of the directors, including a majority of our independent directors, and was approved by our stockholders at the special meeting of stockholders held on July 30, 2010.

In approving this agreement, the directors considered, among other things, (i) the nature, extent and quality of the advisory and other services to be provided to us by Saratoga Investment Advisors; (ii) our investment performance and the investment performance of Saratoga Investment Advisors; (iii) the expected costs of the services to be provided by Saratoga Investment Advisors (including management fees, advisory fees and expense ratios) and the profits expected to be realized by Saratoga Investment Advisors; (iv) the limited potential for economies of scale in investment management associated with managing us; and (v) Saratoga Investment Advisors estimated pro forma profitability with respect to managing us.

The investment advisory and management agreement will continue in effect for a period of two years from its effective date, and if not sooner terminated, will continue in effect for a successive period of 12 months thereafter, provided that each continuance is specifically approved at least annually by both (i) the vote of a majority of the board members or the vote of a majority of our outstanding voting securities (as such term is defined in the 1940 Act) and (ii) the vote of a majority of the board members who are not parties to the investment advisory and management agreement or interested persons (as such term is defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of voting on such approval. The investment advisory and management agreement may be terminated as a whole at any time by us, without the payment of any penalty, upon the vote of a majority of the board members or a majority of our outstanding voting securities or by Saratoga Investment Advisors, on 60 days' written notice by either party to the other, which notice may be waived by the non-terminating party.

Payment of our expenses

The investment advisory and management agreement provides that all investment professionals of Saratoga Investment Advisors and its staff, when and to the extent engaged in providing investment advisory services required to be provided by Saratoga Investment Advisors, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by Saratoga Investment Advisors and not by us.

We bear all costs and expenses of our operations and transactions, including those relating to:

- our organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);
- expenses incurred by Saratoga Investment Advisors payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- investment advisory and management fees;
- fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments;
- transfer agent and custodial fees;
- federal and state registration fees;
- all costs of registration and listing our common stock on any securities exchange;
- federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required by governmental bodies (including the SEC and the SBA);
- costs of any reports, proxy statements or other notices to common stockholders including printing costs;
- our fidelity bond, directors and officers errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and
- administration fees and all other expenses incurred by us or, if applicable, the administrator in connection with administering our business (including payments under the administration agreement based upon our allocable portion of the administrator's overhead in performing its obligations under the administration agreement, including rent and the allocable portion of the cost of our officers and their respective staffs (including travel expenses)).

Duration and Termination

The investment advisory and management agreement will remain in effect continuously, unless terminated under the termination provisions of the agreement. The investment advisory and management agreement provides that it may be terminated at any time, without the payment of any

penalty, upon 60 days written notice, by the vote of stockholders holding a majority of our outstanding voting securities, or by the vote of our directors or by Saratoga Investment Advisors.

The investment advisory and management agreement will, unless terminated as described above, continue until the second anniversary of its July 30, 2010 effective date and will continue in effect from year to year thereafter so long as it is approved at least annually by (i) the vote of the board of directors, or by the vote of stockholders holding a majority of our outstanding voting securities, and (ii) the vote of a majority of our directors who are not parties to the investment advisory and management agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the 1940 Act) of any party to such agreement, in accordance with the requirements of the 1940 Act.

Indemnification

Under the investment advisory and management agreement, Saratoga Investment Advisors and certain of its affiliates are not liable to us for any action taken or omitted to be taken by Saratoga Investment Advisors in connection with the performance of any of its duties or obligations under the agreement or otherwise as an investment adviser to us, except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services and except to the extent such action or omission constitutes gross negligence, willful misfeasance, bad faith or reckless disregard of its duties and obligations under the agreement.

We also provide indemnification to Saratoga Investment Advisors and certain of its affiliates for damages, liabilities, costs and expenses incurred by them in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding arising out of or otherwise based upon the performance of any of its duties or obligations under the agreement or otherwise as an investment adviser to us. However, we would not provide indemnification against any liability to us or our security holders to which Saratoga Investment Advisors or such affiliates would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of any such person's duties or by reason of the reckless disregard of its duties and obligations under the agreement.

Board Approval of the Investment Advisory and Management Agreement

Our board of directors approved the investment advisory and management agreement at its meeting, held on July 9, 2012 for an additional one year term.

Organization of the Investment Adviser

Saratoga Investment Advisors is registered as an investment adviser under the Investment Advisers Act of 1940. The principal executive offices of Saratoga Investment Advisors are located at 535 Madison Avenue, New York, New York 10022.

Administration Agreement

Pursuant to a separate administration agreement, Saratoga Investment Advisors, who also serves as our administrator, furnishes us with office facilities, equipment and clerical, book-keeping and record keeping services. Under the administration agreement, our administrator also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain, preparing reports for our stockholders and reports required to be filed with the SEC. In addition, our administrator assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the administration agreement equal an amount based upon our allocable

portion of our administrator's overhead in performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our officers and their respective staffs relating to the performance of services under this agreement (including travel expenses). Our allocable portion is based on the proportion that our total assets bears to the total assets administered or managed by our administrator. Under the administration agreement, our administrator also provides managerial assistance, on our behalf, to those portfolio companies who accept our offer of assistance. The amount payable under the administration agreement is currently capped at $1.0 million for each annual term of the agreement. On July 9, 2012, our board of directors approved the renewal of the administration agreement for an additional one-year term. The administration agreement may be terminated by either party without penalty upon 60 days written notice to the other party.

Indemnification

Under the administration agreement, Saratoga Investment Advisors and certain of its affiliates are not liable to us for any action taken or omitted to be taken by Saratoga Investment Advisors in connection with the performance of any of its duties or obligations under the agreement.

We also provide indemnification to Saratoga Investment Advisors and certain of its affiliates for damages, liabilities, costs and expenses incurred by them in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding arising out of or otherwise based upon the performance of any of its duties or obligations under the agreement or otherwise as an administrator to us. However, we do not provide indemnification against any liability to us or our security holders to which Saratoga Investment Advisors or such affiliates would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of any such person's duties or by reason of the reckless disregard of its duties and obligations under the agreement.

License Agreement

We entered into a trademark license agreement with Saratoga Investment Advisors, pursuant to which Saratoga Investment Advisors grants us a non-exclusive, royalty-free license to use the name "Saratoga." Under this agreement, we have a right to use the "Saratoga" name, for so long as Saratoga Investment Advisors or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we have no legal right to the "Saratoga" name. Saratoga Investment Advisors has the right to terminate the license agreement if it is no longer acting as our investment adviser. In the event the investment advisory and management agreement is terminated, we would be required to change our name to eliminate the use of the name "Saratoga."

MANAGEMENT

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors elects our officers who serve at its discretion. Our Board of Directors has five members, two of whom are "interested persons" as defined in Section 2(a)(19) of the 1940 Act and five of whom are not interested persons, whom we refer to as our independent directors.

Director and Executive Officer Information

As of March 31, 2013, our executive officers, directors and key employees and their positions are as set forth below. The address for each executive officer and director is c/o Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10017.

Name	Age	Position	Director Since	Expiration of Term
Interested Directors				
Christian L. Oberbeck	53	Chairman of the Board and Chief Executive Officer	2010	2015
Michael J. Grisius	49	President and Director	2011	2014
Independent Directors				
Steven M. Looney	63	Director	2007	2013
Charles S. Whitman III	70	Director	2007	2013
G. Cabell Williams	58	Director	2007	2014

Name	Age	Position
Executive Officers		
Christian L. Oberbeck	53	Chief Executive Officer
Michael J. Grisius	49	President
Richard A. Petrocelli	44	Chief Financial Officer, Vice President, Secretary and Chief Compliance Officer

Biographical information regarding our Board and our executive officers is set forth below. We have divided the directors into two groups—independent directors and interested directors. Interested directors are "interested persons" of Saratoga Investment Corp., as defined in Section 2(a)(19) of the 1940 Act. We do not currently have any other executive officers who are not also directors.

Biographical Information

Independent Directors

Steven M. Looney—Mr. Looney is a Managing Director of Peale Davies & Co. Inc., a consulting firm with particular expertise in financial process and IT outsourcing, and is a CPA and an attorney. Mr. Looney also serves as a consultant and director to numerous companies in the healthcare, manufacturing and technology services industries, including WH Industries Inc. Between 2000 and 2005, he served as Senior Vice President and Chief Financial Officer of PCCI, Inc., a private IT staffing and outsourcing firm. Between 1992 and 2000, Mr. Looney worked at WH Industries as Chief Financial and Administrative Officer. Mr. Looney also serves as a director of Excellent Education for Everyone, a nonprofit organization. Mr. Looney graduated summa cum laude from the University of Washington with a B.A. degree in Accounting and received a J.D. from the University of Washington School of Law where he was a member of the law review. Mr. Looney's qualifications as director include his experience as a Managing Director of Peale Davies & Co. Inc. and as Chief Financial and Administrative Officer of WH Industries, as well as his financial, accounting and legal expertise.

Charles S. Whitman III—Mr. Whitman is senior counsel (retired) at Davis Polk & Wardwell LLP. Mr. Whitman was a partner in Davis Polk's Corporate Department for 28 years, representing clients in a broad range of corporate finance matters, including shelf registrations, securities compliance for financial institutions, foreign asset privatizations, and mergers and acquisitions. From 1971 to 1973, Mr. Whitman served as Executive Assistant to three successive Chairmen of the SEC. Mr. Whitman serves on the Legal Advisory Board of the National Association of Securities Dealers. Mr. Whitman graduated from Harvard College and graduated magna cum laude from Harvard Law School with a LL.B. Mr. Whitman also received an LL.M. from Cambridge University in England. Mr. Whitman's qualifications as director include his 28 years of experience representing clients, including AT&T, Exxon Mobil, General Motors and BP, in securities matters as a partner in Davis Polk's corporate department.

G. Cabell Williams—Mr. Williams has served as the Managing General Partner of Williams and Gallagher, a private equity partnership located in Chevy Chase, Maryland since 2004. Since March 2011, Mr. Williams has also served as a partner of Faragut Capital Partners, an investment firm based in Fairfax, VA. In 2004, Mr. Williams concluded a 23 year career at Allied Capital Corporation, a business development company based in Washington, DC, which was acquired by Ares Capital Corporation in 2010. While at Allied, Mr. Williams held a variety of positions, including President, COO and finally Managing Director following Allied's merger with its affiliates in 1998. From 1991 to 2004, Mr. Williams either led or co-managed the firm's Private Equity Group. For the nine years prior to 1999, Mr. Williams led Allied's Mezzanine investment activities. For 15 years, Mr. Williams served on Allied's Investment Committee where he was responsible for reviewing and approving all of the firm's investments. Prior to 1991, Mr. Williams ran Allied's Minority Small Business Investment Company. He also founded Allied Capital Commercial Corporation, a real estate investment vehicle. Mr. Williams has served on the Board of various public and private companies. Mr. Williams attended The Landon School, and graduated from Mercersburg Academy and Rollins College, receiving a B.S. in Business Administration from the latter. Mr. Williams' qualifications as director include his 28 years of experience managing investment activities at Allied Capital, where he served in a variety of positions, including President, COO and Managing Director.

Interested Directors

Christian L. Oberbeck—Mr. Oberbeck has over 23 years of experience in leveraged finance, from distressed debt to private equity, and has been involved in originating, structuring, negotiating, consummating, managing and monitoring investments in these businesses. Mr. Oberbeck is the Managing Partner of Saratoga Partners, a middle market private equity investment firm, and has served on its investment committee since 1995. Mr. Oberbeck is also the Managing Member of Saratoga Investment Advisors, LLC, the Company's investment adviser, and the Chief Executive Officer of the Company. Mr. Oberbeck also served as our President until February 2013.

Prior to assuming management responsibility for Saratoga Partners in 2008, Mr. Oberbeck has co-managed Saratoga Partners since 1995, when he joined Dillon Read and Saratoga Partners from Castle Harlan, Inc., a corporate buyout firm, which he had joined at its founding in 1987 and was a Managing Director, leading successful investments in manufacturing and financial services companies. Prior to joining that, he worked in the Corporate Development Group of Arthur Young and in corporate finance at Blyth Eastman Paine Webber. Mr. Oberbeck has been a director of numerous middle market companies.

Mr. Oberbeck graduated from Brown University in 1982 with a BS in Physics and a BA in Mathematics. In 1985, he earned an MBA from Columbia University. Mr. Oberbecks's qualifications as a director include his extensive experience in the investment and finance industry, as well as his intimate knowledge of the Company's operations, gained through his service as an executive officer.

Michael J. Grisius—Mr. Grisius has over 22 years of experience in leveraged finance, investment management and financial services. He has originated, structured, negotiated, consummated, managed and monitored numerous successful investments in mezzanine debt, private equity, senior debt, structured products and commercial real estate debt. Mr. Grisius is Chief Investment Officer and a Managing Director of Saratoga Investment Advisors, LLC, the Company's investment adviser and was appointed President of the Company in February 2013. Mr. Grisius joined Saratoga Investment Advisors, LLC in July 2011.

Prior to joining Saratoga Investment Advisors, Mr. Grisius served as Managing Director at Allied Capital Corporation, where he was an investment professional for 16 years. At Allied Capital Corporation, Mr. Grisius held several senior positions including co-head of Mezzanine Finance and member of its Management Committee and its Investment Committee. In 2008, Mr. Grisius was appointed co-chairman of the Allied Capital Corporation's Investment Committee. He also had responsibility for structuring and managing Unitranche Fund, LLC. During his tenure at Allied, Mr. Grisius built and led teams that made investments in subordinated debt, control equity and real estate mortgage debt. Mr. Grisius has served on the board of directors of numerous middle market companies. Prior to joining Allied Capital Corp., Mr. Grisius worked in leveraged finance at Chemical Bank from 1989 to 1992 and held senior accountant and consultant positions with KPMG LLP from 1985 to 1988.

Mr. Grisius graduated with a BS from Georgetown University in 1985 and earned an MBA from Cornell University's Johnson Graduate School of Management in 1990. Mr. Grisius' qualifications as a director include his broad experience in leverage finance, investment management, private equity and financial services.

Executive Officers

For information regarding Mr. Oberbeck, the Chairman of the Board and our Chief Executive Officer and Mr. Grisius, our President, see "—Interested directors" above.

Richard A. Petrocelli—Mr. Petrocelli has over 20 years of experience including investment management, private equity and corporate reorganizations. Mr. Petrocelli is a Managing Director and Chief Financial Officer at Saratoga Partners, a middle market private equity investment firm, and has been involved in originating, structuring, negotiating, consummating, managing and monitoring middle market investments. Mr. Petrocelli is the Managing Director of Saratoga Investment Advisors, the Company's investment adviser, and the Chief Financial Officer, Vice President, Secretary and Chief Compliance Officer of the Company. Mr. Petrocelli served as a director of the Company from 2010 until 2011. Mr. Petrocelli is not seeking reelection to the Board at the Annual Meeting. As a result, his term as a member of the Board will expire at the Annual Meeting. However, Mr. Petrocelli will continue to serve the Company as its Chief Financial Officer, Secretary and Chief Compliance Officer.

Mr. Petrocelli began his career as an accountant before transitioning to alternative assets at Gabelli Asset Management Company in 1993. Mr. Petrocelli's background brings financial expertise to the diligence and oversight processes, which is critically important when dealing in complex transactions. In addition to his involvement in originating, structuring, negotiating, consummating, managing and monitoring investments at Saratoga Partners, Mr. Petrocelli is currently the Chief Financial Officer of Saratoga Partners and is responsible for reporting and compliance. Mr. Petrocelli joined Saratoga Partners in 1998 from Gabelli Asset Management. At Gabelli Asset Management, Mr. Petrocelli was a Vice President in the corporate finance department with a primary focus on the Company's alternative investment business. Prior to that, he was a senior accountant at BDO Siedman. Mr. Petrocelli has served as a director of a number of Saratoga Partners' portfolio companies.

Mr. Petrocelli graduated with a BSBA from Georgetown University in 1990 and earned an MBA from New York University's Stern School of Business in 1999. He is a Certified Public Accountant.

Board Leadership and the Board's Role in the Oversight of Risk Management

Our board of directors monitors and performs an oversight role with respect to the business and affairs of the Company, including with respect to investment practices and performance, compliance with regulatory requirements and the services, expenses and performance of service providers to the Company. Among other things, our board of directors approves the appointment of our investment adviser, administrator and officers; reviews and monitors the services and activities performed by our investment adviser, administrator and officers; and approves the engagement, and reviews the performance of, our independent public accounting firm.

Under our bylaws, the Board may designate a chairman to preside over the meetings of the Board and meetings of the stockholders and to perform such other duties as may be assigned to him by the Board. The Company does not have a fixed policy as to whether the chairman of the Board should be an independent director and believes that its flexibility to select its chairman and reorganize its leadership structure from time to time is in the best interests of the Company and its stockholders.

Mr. Oberbeck, who is an "interested person" of the Company as defined in Section 2(a)(19) of the 1940 Act, serves as our chief executive officer and chairman of the Board. The Board believes that Mr. Oberbeck, as chief executive officer of the Company and as a principal of Saratoga Investment Advisors, is the director with the most knowledge of our business strategy and is best situated to serve as chairman of the Board. The Board does not currently have a lead independent director. We believe that our board leadership structure must be evaluated on a case-by-case basis and that our existing board leadership structure is appropriate. However, we continually re-examine our corporate governance policies on an ongoing basis to ensure that they continue to meet our needs.

The Board, directly and through the audit committee and other committees of the Board, takes an active role in the oversight of the Company's policies with respect to the assessment and management of enterprise risk. Among other things, the Board has policies in place for identifying the senior executive responsible for key risks as well as the Board committees with oversight responsibility for particular key risks. In a number of cases, oversight is conducted by the full Board. Our Board also performs its risk oversight responsibilities with the assistance of the chief compliance officer. The chief compliance officer is designated to oversee compliance with the federal securities laws.

We believe that our Board and its committees' role in risk oversight complements our Board's leadership structure because it allows our independent directors, through three fully independent board committees, auditor and independent valuation providers, our chief compliance officer, and otherwise, to exercise oversight of risk without any conflict that might discourage critical review. We believe that our board leadership structure and the Board's approach to risk oversight must be evaluated on a case-by-case basis and that the Board's role in risk oversight is appropriate. However, we continually re-examine the manner in which the Board administers its oversight function on an ongoing basis to ensure that it continues to meet our needs.

Director Independence

In accordance with rules of the New York Stock Exchange (the "NYSE"), the Board annually determines the independence of each director. No director is considered independent unless the Board has determined that he or she has no material relationship with the Company. The Company monitors the status of its directors and officers through the activities of the Company's Nominating and Corporate Governance Committee and through a questionnaire to be completed by each director no less frequently than annually, with updates periodically if information provided in the most recent questionnaire has changed.

In order to evaluate the materiality of any such relationship, the Board uses the definition of director independence set forth in the NYSE Listed Company Manual. Section 303A.00 of the NYSE

Listed Company Manual provides that business development companies, or BDCs, such as the Company, are required to comply with all of the provisions of Section 303A applicable to domestic issuers other than Sections 303A.02, the section that defines director independence. Section 303A.00 provides that a director of a BDC shall be considered to be independent if he or she is not an "interested person" of the Company, as defined in Section 2(a)(19) of the 1940 Act. Section 2(a)(19) of the 1940 Act defines an "interested person" to include, among other things, any person who has, or within the last two years had, a material business or professional relationship with the Company.

The Board has determined that each of the directors is independent and has no relationship with the Company, except as a director and stockholder of the Company, with the exception of Messrs. Oberbeck and Grisius, who are interested persons of the Company due to their positions as officers of the Company and/or officers of Saratoga Investment Advisors, LLC, our external investment adviser.

Corporate Governance

We maintain a corporate governance webpage at the "Corporate Governance" link under the "Investor Relations" link at http://saratogainvestmentcorp.com.

Our Corporate Governance Procedures, Code of Business Conduct and Ethics, Code of Ethics and Board committee charters are available at our corporate governance webpage at http://saratogainvestmentcorp.com and are also available to any stockholder who requests them by writing to our Secretary, Richard A. Petrocelli, at Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022.

Annual Evaluation

Our directors perform an evaluation, at least annually, of the effectiveness of the Board and its committees. This evaluation includes an annual questionnaire and Board and Board committee discussion.

Board Meetings and Committees

Our Board met seven times during fiscal year 2012. Each director attended at least 75% of the total number of meetings of the Board and committees on which the director served that were held while the director was a member. The Board's standing committees are set forth below. We require each director to make a diligent effort to attend all Board and committee meetings, as well as each Annual Meeting of Stockholders. All of the five directors attended the 2011 Annual Meeting of Stockholders in person.

Communications with Directors

Stockholders and other interested parties may contact any member (or all members) of the Board by mail. To communicate with the Board, any individual directors or any group or committee of directors, correspondence should be addressed to the Board or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent to Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022, Attention: Secretary. Any communication to report potential issues regarding accounting, internal controls and other auditing matters will be directed to the Audit Committee. Appropriate personnel of the Company will review and sort through communications before forwarding them to the addressee(s).

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to which applies to, among others, our executive officers, including our principal executive officer and principal financial officer, as well as every officer, director and employee of the Company. Requests for copies should be sent in writing to Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022. The Company's Code of Business Conduct and Ethics is also available on our website at http://saratogainvestmentcorp.com.

If we make any substantive amendment to, or grant a waiver from, a provision of our Code of Business Conduct and Ethics, we will promptly disclose the nature of the amendment or waiver on our website at http://saratogainvestmentcorp.com.

Committees of the Board of Directors

Audit Committee

The current members of the audit committee are Steven M. Looney (Chairman), Charles S. Whitman III and G. Cabell Williams. The Board has determined that Mr. Looney is an "audit committee financial expert" as defined under Item 407 of Regulation S-K of the Securities Exchange Act of 1934 and that each of Messrs. Whitman and Williams are "financially literate" as required by NYSE corporate governance standards. All of these members are independent directors. The audit committee is responsible for approving our independent accountants, reviewing with our independent accountants the plans and results of the audit engagement, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. The audit committee is also responsible for aiding our board of directors in determining the fair value of debt and equity investments that are not publicly traded or for which current market values are not readily available; where appropriate, the board of directors and audit committee may utilize the services of an independent valuation firm to assist them in determining the fair value of these investments. Finally, the audit committee also reviews our financial statements and the disclosure thereof and the adequacy of our disclosure controls and procedures.

Authority

The audit committee is authorized (without seeking Board approval) to retain special legal, accounting or other advisors and may request any officer or employee of the Company or the Company's outside counsel or independent auditor to meet with any members of, or advisors to, the audit committee. The audit committee has available appropriate funding from the Company as determined by the audit committee for payment of: (i) compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (ii) compensation to any advisers employed by the audit committee, and (iii) ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties. The audit committee may delegate its authority to subcommittees or the chairman of the audit committee when it deems appropriate and in the best interests of the Company.

Procedures

The audit committee meets as often as it determines is appropriate to carry out its responsibilities under its charter, but not less frequently than quarterly. The chairman of the audit committee, in consultation with the other committee members, determines the frequency and length of the committee meetings and sets meeting agendas consistent with its charter. The audit committee meets separately, periodically, with management, with internal auditors or other personnel responsible for the internal audit function and with the independent auditor.

A charter of the audit committee is available in print to any stockholder who requests it and it is also available on the Company's website at www.saratogainvestmentcorp.com.

Nominating and Corporate Governance Committee

The current members of the nominating and corporate governance committee are Charles S. Whitman III (Chairman), G. Cabell Williams and Steven M. Looney. All of these members are independent directors. The nominating and corporate governance committee is responsible for identifying individuals qualified to become board members, and recommending to the Board director nominees for election at the next annual or special meeting of shareholders at which directors are to be elected or to fill any vacancies or newly created directorships that may occur between such meetings, recommending directors for appointment to Board committees, making recommendations to the Board as to determinations of director independence, overseeing the evaluation of the Board, overseeing and setting compensation for the Company's directors.

In making its recommendations for Board and committee membership, the nominating and corporate governance committee reviews candidates' qualifications for membership on the Board or a committee of the Board (including making a specific determination as to the independence of each candidate) based on the criteria approved by the Board (and taking into account the enhanced independence, financial literacy and financial expertise standards required under law or the New York Stock Exchange rules for audit committee membership purposes). In evaluating current directors for re-nomination to the Board or re-appointment to any Board committees, the nominating and corporate governance committee assesses the performance of such directors, periodically reviews the composition of the Board and its committees in light of the current challenges and needs of the Board, the Company and each committee, and determines whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background and experience, considers rotation of committee members and committee chairmen and considers any other factors that are set forth in the Company's corporate governance procedures or are deemed appropriate by the nominating and corporate governance committee or the Board. The nominating and corporate governance committee considers issues of judgment, diversity, age, skills, background and experience in evaluating candidates for membership on the Board.

The nominating and corporate governance committee does not have a formal policy on the consideration of director candidates recommended by stockholders. The board of directors believes that it is more appropriate to give the nominating and corporate governance committee flexibility in evaluating stockholder recommendations. In the event that a director nominee is recommended by a stockholder, the nominating and corporate governance committee will give due consideration to the director nominee and will use the same criteria used for evaluating board director nominees, in addition to considering the information relating to the director nominee provided by the stockholder.

Authority

The nominating and corporate governance committee has the sole authority to retain and terminate any search firm assisting the nominating and corporate governance committee in identifying director candidates, including sole authority to approve all such search firm's fees and other retention terms. In addition, the nominating and corporate governance committee has the sole authority to retain and terminate any compensation consultant assisting the nominating and corporate governance committee in the evaluation of director compensation, including sole authority to approve all such compensation consultant's fees and other retention terms. The nominating and corporate governance committee may delegate its authority to subcommittees or the chair of the nominating and corporate governance committee when it deems appropriate and in the best interests of the Company.

Procedures

The nominating and corporate governance committee meets as often as it determines is appropriate to carry out its responsibilities under its charter. The chair of the committee, in consultation with the other committee members, determines the frequency and length of the committee meetings and shall set meeting agendas consistent with its charter.

A charter of the nominating and corporate governance committee is available in print to any stockholder who requests it, and it is also available on the Company's website at www.saratogainvestmentcorp.com.

Compensation Committee

The current members of the compensation committee are G. Cabell Williams (Chairman), Steven M. Looney and Charles S. Whitman III. All of these members are independent directors. The compensation committee is responsible for overseeing the Company's compensation policies generally and making recommendations to the Board with respect to incentive compensation and equity-based plans of the Company that are subject to Board approval, evaluating executive officer performance and reviewing the Company's management succession plan, overseeing and setting compensation for the Company's directors and, as applicable, its executive officers and, as applicable, preparing the report on executive officer compensation that SEC rules require to be included in the Company's annual proxy statement. Currently, none of our executive officers are compensated by the Company and as such the compensation committee is not required to produce a report on executive officer compensation for inclusion in our annual proxy statement.

The compensation committee has the sole authority to retain and terminate any compensation consultant assisting the compensation committee, including sole authority to approve all such compensation consultant's fees and other retention terms. The compensation committee may delegate its authority to subcommittees or the chairman of the compensation committee when it deems appropriate and in the best interests of the Company.

Procedures

The compensation committee shall meet as often as it determines is appropriate to carry out its responsibilities under its charter. The chairman of the compensation committee, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with its charter. No executive officer should attend that portion of any meeting where such executive's performance (or, as applicable, compensation) is discussed, unless specifically invited by the compensation committee.

A charter of the compensation committee is available in print to any stockholder who requests it and is also available on the Company's website at www.saratogainvestmentcorp.com.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2012, none of the Company's executive officers served on the board of directors (or a compensation committee thereof or other board committee performing equivalent functions) of any entities that had one or more executive officers serve on the compensation committee or on the board of directors. No current or past executive officers or employees of the Company or its affiliates serve on the compensation committee.

Executive Compensation

Currently, none of our executive officers are compensated by us. We currently have no employees, and each of our executive officers is also an employee of Saratoga Investment Advisors. Services

necessary for our business are provided by individuals who are employees of Saratoga Investment Advisors, pursuant to the terms of the investment advisory and management agreement and the administration agreement.

Director Compensation

Our independent directors receive an annual fee of $40,000. They also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the audit committee receives an annual fee of $5,000 and the chairman of each other committee receives an annual fee of $2,000 for their additional services in these capacities. In addition, we have purchased directors' and officers' liability insurance on behalf of our directors and officers. Independent directors have the option to receive their directors' fees in the form of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is paid to directors who are "interested persons."

The following table sets forth information concerning total compensation earned by or paid to each of our directors during the fiscal year ended February 29, 2012:

Name	Fees Earned or Paid in Cash	Total
Interested Directors		
Christian L. Oberbeck(1)	—	—
Michael J. Grisius(1)	—	—
Independent Directors	—	—
Steven M. Looney	$ 70,500	$ 70,500
Charles S. Whitman III	$ 67,500	$ 67,500
G. Cabell Williams	$ 67,500	$ 67,500

(1) No compensation was paid to directors who are interested persons of us as defined in the 1940 Act.

PORTFOLIO MANAGEMENT

The day-to-day management of our portfolio is the responsibility of Saratoga Investment Advisors and overseen by its investment committee.

Investment Committee

The members of Saratoga Investment Advisors' investment committee include Christian L. Oberbeck, Michael J. Grisius, Richard A. Petrocelli, Thomas V. Inglesby and Charles G. Phillips. See the section of the prospectus entitled "Management" for biographies of Messrs. Oberbeck, Grisius and Petrocelli. For biographical information for Messrs. Inglesby and Phillips, see "Investment Professionals" below.

Investment Professionals

Our investment adviser's investment personnel, in addition to our investment adviser's investment committee, are primarily responsible for the day-to-day management of our portfolio.

The members of our investment adviser's investment committee and its investment personnel are not be employed by us, and receive no compensation from us in connection with their activities. However, they receive compensation from our investment adviser that includes an annual base salary, an annual individual performance bonus, contributions to 401(k) plans, and, in certain circumstances, a portion of the incentive fee or carried interest earned in connection with their services.

Below are the biographies for the members of our investment adviser's investment committee whose biographies are not included elsewhere in this prospectus and the other investment professionals of our investment adviser.

Thomas V. Inglesby—Mr. Inglesby has over 25 years of investment experience including private equity and leveraged finance. Mr. Inglesby is a managing director at Saratoga Investment Advisors and is responsible for originating, structuring, negotiating, consummating, managing and monitoring middle market investments.

Prior to joining Saratoga Investment Advisors, Mr. Inglesby was a senior managing director at GSC Group, Inc. From September 2008 through July 2010, Mr. Inglesby was a senior managing director in the Recovery Investment Group at GSC Group, serving on the investment committee as an internal advisor on matters relating to GSC Group's ongoing restructuring. From 2002 to 2008, Mr. Inglesby served as the Head of the U.S. Corporate Debt Group of GSC Group. During this period, GSC Group raised and managed $5.6 billion in capital across 12 corporate credit investment funds. From 1997 to 2002, he served as a managing director at GSC Group focused on middle market buyouts. Prior to joining GSC Group in 1997, Mr. Inglesby served as a managing director with Harbour Group from 1994 to 1997, where he focused on acquisitions of manufacturing companies in fragmented industries. From 1992 to 1994, Mr. Inglesby served as a managing director at the South Street Funds, a startup distressed debt investment fund founded by former partners at Goldman Sachs. From 1986 to 1990, Mr. Inglesby served as a vice president in the Merchant Banking Department at PaineWebber.

In September 2010, GSC Group filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code.

Mr. Inglesby received a J.D. from the University of Virginia School of Law, an M.B.A. from the Darden Graduate School of Business Administration, and a B.S. in Accounting with General Honors from the University of Maryland.

Charles G. Phillips IV—Mr. Phillips has over 13 years of investment experience including private equity and leveraged finance. Mr. Phillips is a managing director at Saratoga Investment Advisors and Saratoga Partners and has been involved in originating, structuring, negotiating, consummating,

managing and monitoring middle market investments. Mr. Phillips has extensive experience investing in middle-market manufacturing and service companies. He also has extensive experience in dealing with public financings and sales through his work with several portfolio companies of Saratoga Partners. Prior corporate finance experience includes mergers and acquisitions and capital markets experience in a variety of industries, including packaged foods, consumer products, cable television, energy and education. Mr. Phillips joined Saratoga Partners in 1997 after graduating from Harvard Business School. Prior to that, from 1993 to 1995, Mr. Phillips worked in Dillon Read's corporate finance department, where he was involved in mergers and acquisitions and advisory assignments in a variety of industries. Prior experience includes McCown De Leeuw & Co., a corporate buyout firm. Mr. Phillips has served as a director of a number of Saratoga Partners' portfolio companies.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Related Persons

We have entered into an investment advisory and management agreement with Saratoga Investment Advisors, LLC. We have also entered into a license agreement with Saratoga Investment Advisors, LLC, pursuant to which Saratoga Investment Advisors has agreed to grant us a non-exclusive, royalty-free license to use the name "Saratoga." In addition, pursuant to the terms of the administration agreement, Saratoga Investment Advisors, LLC provides us with the office facilities and administrative services necessary to conduct our day-to-day operations. Mr. Oberbeck, our chief executive officer, is the primary investor in and controls Saratoga Investment Advisors, LLC.

Review, Approval or Ratification of Transactions with Related Persons

The Audit Committee of our Board is required to review and approve any transactions with related persons (as such term is defined in Item 404 of Regulation S-K). Generally, a related person includes any director or officer of the Company or any immediate family member of a director or officer of the Company or any 5% holder of our common stock or any immediate family member of a 5% holder of our common stock.

CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

The following table sets forth, as of December 31, 2012, the beneficial ownership of each current director, the nominees for director, the Company's executive officers, each person known to us to beneficially own 5% or more of the outstanding shares of our common stock, and the executive officers and directors as a group.

The percentage ownership is based on 4,730,116 shares of common stock outstanding as of December 31, 2012. Shares of common stock that are subject to warrants or other convertible securities currently exercisable or exercisable within 60 days thereof, are deemed outstanding for the purposes of computing the percentage ownership of the person holding these options or convertible securities, but are not deemed outstanding for computing the percentage ownership of any other person. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. To our knowledge, unless otherwise indicated in the footnotes to this table, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned. Unless otherwise indicated by footnote, the address for each listed individual is Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022.

Name of Beneficial Owners	Number of Shares of Common Stock Beneficially Owned	Percent of Class
Interested Directors		
Christian L. Oberbeck(1)	1,341,989(1)	28.4%
Michael J. Grisius	18,128	*
Executive Officer		
Richard A. Petrocelli	55,085	1.2
Independent Directors		
Steven M. Looney	1,320	*
Charles S. Whitman III	1,565	*
G. Cabell Williams	19,127	*
All Directors and Executive Officers as a Group	1,437,214	30.4%
Owners of 5% or more of our common stock		
Black Diamond Capital Management, L.L.C.(2)	318,250	6.7%
Raging Capital Master Fund, Ltd.(3)	461,673	9.8%

* Less than 1%

(1) Includes 1,039,188 shares of common stock directly held by Mr. Oberbeck, 154,261 shares of common stock held by Saratoga Investment Advisors, which Mr. Oberbeck controls, and 148,540 shares of common stock held by CLO Partners LLC, an entity wholly owned by Mr. Oberbeck.

(2) Includes 277,631 shares of common stock held by GSC CDO III, L.L.C. and certain of its affiliates. The address of Black Diamond Capital Management, L.L.C. is One Sound Shore Drive, Suite 200, Greenwich, CT 06830.

(3) Raging Capital Management, LLC ("Raging Capital") is the investment manager of Raging Capital Master Fund, Ltd. William C. Martin is the managing member of Raging Capital. By virtue of these relationships, Raging Capital and Mr. Martin may be deemed to beneficially own our common stock owned directly by the Raging Capital Master Fund, Ltd. The address of Raging Capital Master Fund, Ltd. is Ten Princeton Avenue, Rocky Hill, NJ 08553.

Set forth below is the dollar range of equity securities beneficially owned by each of our directors as of December 31, 2012. We are not part of a "family of investment companies" as that term is defined in the 1940 Act.

Name of Director	Dollar Range of Equity Securities Beneficially Owned(1)(2)
Interested Directors	
Christian L. Oberbeck	Over $1,000,000
Michael J. Grisius	$100,001-$500,000
Independent Directors	
Steven M. Looney	$10,001-$50,000
Charles S. Whitman	$10,001-$50,000
G. Cabell Williams	$100,001-$500,000

(1) The dollar ranges are as follows: None, $1-$10,000, $10,001-$50,000, $50,001-$100,000, $100,001-$500,000, $500,001-$1,000,000 or over $1,000,000.

(2) The dollar range of equity securities beneficially owned in us is based on the closing price for our common stock of $15.40 on December 31, 2012 on the New York Stock Exchange. Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.

REGULATION

Business Development Company Regulations

We have elected to be treated as a BDC under the 1940 Act. As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters, and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC, unless approved by a majority of our outstanding voting securities. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company's stock present at a meeting if more than 50% of the outstanding stock of such company is present and represented by proxy or (ii) more than 50% of the outstanding stock of such company.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, the United States;

(b) is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

(c) satisfies either of the following:

(i) does not have any class of securities listed on a national securities exchange;

(ii) has a class of securities listed on a national securities exchange but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million;

(iii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company;

(iv) is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million; or

(v) meets such other criteria as may established by the SEC.

(2) Securities of any eligible portfolio company which we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the

purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own at least 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of options, warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

Managerial Assistance to Portfolio Companies

As a BDC we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. Pursuant to a separate administration agreement, our investment adviser provides such managerial assistance on our behalf to portfolio companies that request this assistance, recognizing that our involvement with each investment will vary based on factors including the size of the company, the nature of our investment, the company's overall stage of development and our relative position in the capital structure. We may receive fees for these services.

In addition, a BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above under "—Qualifying assets." However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Temporary investments

As a BDC, pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the asset diversification requirements in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in

excess of this limit. Our investment adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Indebtedness and senior securities

As a BDC, we are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of shares of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any indebtedness and senior securities remain outstanding, we must generally make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or stock unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage.

Common stock

We are generally not able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act.

Code of ethics

As a BDC, we and Saratoga Investment Advisors have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements.

Proxy voting policies and procedures

SEC registered investment advisers that have the authority to vote (client) proxies (which authority may be implied from a general grant of investment discretion) are required to adopt policies and procedures reasonably designed to ensure that the adviser votes proxies in the best interests of its clients. Registered investment advisers also must maintain certain records on proxy voting. In most cases, we will invest in securities that do not generally entitle us to voting rights in our portfolio companies. When we do have voting rights, we will delegate the exercise of such rights to our investment adviser.

Saratoga Investment Advisors has particular proxy voting policies and procedures in place. In determining how to vote, officers of Saratoga Investment Advisors will consult with each other, taking into account our interests and the interests of our investors, as well as any potential conflicts of interest. Saratoga Investment Advisors will consult with legal counsel to identify potential conflicts of interest. Where a potential conflict of interest exists, Saratoga Investment Advisors may, if it so elects, resolve it by following the recommendation of a disinterested third party, by seeking the direction of our independent directors or, in extreme cases, by abstaining from voting. While Saratoga Investment Advisors may retain an outside service to provide voting recommendations and to assist in analyzing votes, it will not delegate its voting authority to any third party.

An officer of Saratoga Investment Advisors will keep a written record of how all such proxies are voted. It will retain records of (1) proxy voting policies and procedures, (2) all proxy statements received (or it may rely on proxy statements filed on the SEC's EDGAR system in lieu thereof), (3) all votes cast, (4) investor requests for voting information, and (5) any specific documents prepared or received in connection with a decision on a proxy vote. If it uses an outside service, Saratoga Investment Advisors may rely on such service to maintain copies of proxy statements and records, so long as such service will provide a copy of such documents promptly upon request.

Saratoga Investment Advisors' proxy voting policies are not exhaustive and are designed to be responsive to the wide range of issues that may be subject to a proxy vote. In general, Saratoga Investment Advisors will vote our proxies in accordance with these guidelines unless: (1) it has determined otherwise due to the specific and unusual facts and circumstances with respect to a particular vote, (2) the subject matter of the vote is not covered by these guidelines, (3) a material conflict of interest is present, or (4) it finds it necessary to vote contrary to its general guidelines to maximize stockholder value or our best interests.

In reviewing proxy issues, Saratoga Investment Advisors generally will use the following guidelines:

Elections of Directors: In general, Saratoga Investment Advisors will vote in favor of the management-proposed slate of directors. If there is a proxy fight for seats on a portfolio company's board of directors, or Saratoga Investment Advisors determines that there are other compelling reasons for withholding our vote, it will determine the appropriate vote on the matter. It may withhold votes for directors that fail to act on key issues, such as failure to: (1) implement proposals to declassify a board, (2) implement a majority vote requirement, (3) submit a rights plan to a stockholder vote or (4) act on tender offers where a majority of stockholders have tendered their shares. Finally, Saratoga Investment Advisors may withhold votes for directors of non-U.S. issuers where there is insufficient information about the nominees disclosed in the proxy statement.

Appointment of Auditors: We believe that a portfolio company remains in the best position to choose its independent auditors and Saratoga Investment Advisors will generally support management's recommendation in this regard.

Changes in Capital Structure: Changes in a portfolio company's organizational documents may be required by state or federal regulation. In general, Saratoga Investment Advisors will cast our votes in accordance with the management on such proposals. However, Saratoga Investment Advisors will consider carefully any proposal regarding a change in corporate structure that is not required by state or federal regulation.

Corporate Restructurings, Mergers and Acquisitions: We believe proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, Saratoga Investment Advisors will analyze such proposals on a case-by-case basis and vote in accordance with its perception of our interests.

Proposals Affecting Stockholder Rights: We will generally vote in favor of proposals that give stockholders a greater voice in the affairs of a portfolio company and oppose any measure that seeks to limit such rights. However, when analyzing such proposals, Saratoga Investment Advisors will balance the financial impact of the proposal against any impairment of stockholder rights as well as of our investment in the portfolio company.

Corporate Governance: We recognize the importance of good corporate governance. Accordingly, Saratoga Investment Advisors will generally favor proposals that promote transparency and accountability within a portfolio company.

Anti-Takeover Measures: Saratoga Investment Advisors will evaluate, on a case-by-case basis, any proposals regarding anti-takeover measures to determine the likely effect on stockholder value dilution.

Share Splits: Saratoga Investment Advisors will generally vote with management on share split matters.

Limited Liability of Directors: Saratoga Investment Advisors will generally vote with management on matters that could adversely affect the limited liability of directors.

Social and Corporate Responsibility: Saratoga Investment Advisors will review proposals related to social, political and environmental issues to determine whether they may adversely affect stockholder value. It may abstain from voting on such proposals where they do not have a readily determinable financial impact on stockholder value.

Privacy principles

We are committed to protecting the privacy of our stockholders. The following explains the privacy policies of Saratoga Investment Corp., Saratoga Investment Advisors and their affiliated companies.

We will safeguard, according to strict standards of security and confidentiality, all information we receive about our stockholders. The only information we collect from stockholders is the holder's name, address, number of shares and social security number. This information is used only so that we can send annual reports and other information about us to the stockholder, and send the stockholder proxy statements or other information required by law.

We do not share this information with any non-affiliated third party except as described below.

- *Authorized Employees of Saratoga Investment Advisors.* It is our policy that only authorized employees of Saratoga Investment Advisors who need to know a stockholder's personal information will have access to it.

- *Service Providers.* We may disclose your personal information to companies that provide services on our behalf, such as recordkeeping, processing a stockholder's trades, and mailing a stockholder information. These companies are required to protect our stockholders' information and use it solely for the purpose for which they received it.

- *Courts and Government Officials.* If required by law, we may disclose a stockholder's personal information in accordance with a court order or at the request of government regulators. Only that information required by law, subpoena, or court order will be disclosed.

Compliance with applicable laws

As a BDC, we will be periodically examined by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We and Saratoga Investment Advisors are each required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures.

Co-investment

We may be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. Thus, based on current SEC interpretations, co-investment transactions involving a BDC like us and an entity that is advised by Saratoga Investment Advisors or an affiliated adviser generally could not be effected without SEC relief. The staff of the SEC has, however, granted no-action relief permitting for purchases of a single class of privately-placed securities provided that the adviser negotiates no term other than price and certain other conditions are met. As a result, currently we only expect to co-invest on a concurrent basis with affiliates of Saratoga Investment Advisors when each of us will own the same securities of the issuer and when no term is negotiated other than price. Any such investment would be made, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures.

We may in the future submit an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments because we believe that it will be advantageous for us to co-invest with affiliates of Saratoga Investment Advisors where such investment is consistent with the investment objective, investment positions, investment policies, investment strategies, investment restrictions, regulatory requirements and other pertinent factors applicable to us. However, there is no assurance that any application for exemptive relief, if made, would be granted by the SEC.

Small Business Investment Company Regulations

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP, received an SBIC license from the SBA.

The SBIC license allows our SBIC subsidiary to obtain leverage by issuing SBA-guaranteed debentures, subject to the satisfaction of certain customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed at the time of issuance at a market-driven spread over U.S. Treasury Notes with 10-year maturities.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $18 million and have average annual fully taxed net income not exceeding $6 million for the two most recent fiscal years. In addition, an SBIC must devote 25% of its investment activity to "smaller" concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding $6 million and has average annual fully taxed net income not exceeding $2 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services.

SBA regulations currently limit the amount of SBA-guaranteed debentures that an SBIC may issue to $150 million when it has at least $75 million in regulatory capital. Affiliated SBICs are permitted to issue up to a combined maximum amount of $225 million in SBA-guaranteed debentures when they have at least $112.5 million in combined regulatory capital. As of May 23, 2012, our SBIC subsidiary had $25 million in regulatory capital and no SBA-guaranteed debentures outstanding. The SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a "change of control" or transfer of an SBIC and require that SBICs invest idle funds in accordance with

SBA regulations. In addition, our SBIC subsidiary may also be limited in its ability to make distributions to us if it does not have sufficient capital, in accordance with SBA regulations.

Our SBIC subsidiary is subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that our SBIC subsidiary will receive SBA guaranteed debenture funding, which is dependent upon our SBIC subsidiary continuing to be in compliance with SBA regulations and policies. The SBA, as a creditor, will have a superior claim to our SBIC subsidiary's assets over our stockholders in the event we liquidate our SBIC subsidiary or the SBA exercises its remedies under the SBA-guaranteed debentures issued by our SBIC subsidiary upon an event of default.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material United States federal income tax considerations (and, in the case of a non-U.S. holder (as defined below), the material United States federal estate tax consequences) applicable to an investment in the Notes. This summary does not purport to be a complete description of the income and estate tax considerations applicable to such an investment. The discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, and administrative and judicial interpretations, each as of the date of this prospectus and all of which are subject to change, potentially with retroactive effect. You should consult your own tax advisor with respect to tax considerations that pertain to your purchase, ownership and disposition of our Notes.

This discussion deals only with Notes held as capital assets within the meaning of Section 1221 of the Code and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, controlled foreign corporations, passive foreign investment companies and regulated investment companies (and shareholders of such corporations), dealers in securities or currencies, traders in securities, former citizens of the United States, persons holding the Notes as a hedge against currency risks or as a position in a "straddle," "hedge," "constructive sale transaction" or "conversion transaction" for tax purposes, entities that are tax-exempt for United States federal income tax purposes, retirement plans, individual retirement accounts, tax-deferred accounts, persons subject to the alternative minimum tax, pass-through entities (including partnerships and entities and arrangements classified as partnerships for United States federal income tax purposes) and beneficial owners of pass-through entities, or persons whose functional currency is not the U.S. dollar. It also does not deal with beneficial owners of the Notes other than original purchasers of the Notes who acquire the Notes in this offering for a price equal to their original issue price (*i.e.*, the first price at which a substantial amount of the notes is sold other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). If you are considering purchasing the Notes, you should consult your own tax advisor concerning the application of the United States federal tax laws to you in light of your particular situation, as well as any consequences to you of purchasing, owning and disposing of the Notes under the laws of any other taxing jurisdiction.

For purposes of this discussion, the term "U.S. holder" means a beneficial owner of a Note that is, for United States federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) a trust (a) subject to the control of one or more United States persons and the primary supervision of a court in the United States, or (b) that existed on August 20, 1996 and has made a valid election (under applicable Treasury Regulations) to be treated as a domestic trust, or (iv) an estate the income of which is subject to United States federal income taxation regardless of its source. The term "non-U.S. holder" means a beneficial owner of a Note that is neither a U.S. holder nor a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes). An individual may, subject to exceptions, be deemed to be a resident alien, as opposed to a non-resident alien, by, among other ways, being present in the United States (i) on at least 31 days in the calendar year, and (ii) for an aggregate of at least 183 days during a three-year period ending in the current calendar year, counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year. Resident aliens are subject to United States federal income tax as if they were United States citizens.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds any Notes, the United States federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner, the activities of the partnership

and certain determinations made at the partner level. Partners of partnerships holding Notes should consult their own tax advisors.

Taxation of Note Holders

Under present law, we are of the opinion that the Notes will constitute indebtedness of us for United States federal income tax purposes, which the below discussion assumes. We intend to treat all payments made with respect to the Notes consistent with this characterization.

Taxation of U.S. Holders. Payments or accruals of interest on a Note generally will be taxable to a U.S. holder as ordinary interest income at the time they are received (actually or constructively) or accrued, in accordance with the U.S. holder's regular method of tax accounting.

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption, retirement or other taxable disposition (excluding amounts representing accrued and unpaid interest, which are treated as ordinary income to the extent not previously included in income) and the U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal the U.S. holder's initial investment in the Note. Capital gain or loss generally will be long-term capital gain or loss if the Note was held for more than one year. Long-term capital gains recognized by individuals and certain other non-corporate U.S. holders generally are eligible for reduced rates of taxation. The distinction between capital gain or loss and ordinary income or loss is also important in other contexts; for example, for purposes of the limitations on a U.S. holder's ability to offset capital losses against ordinary income.

Unearned Income Medicare Contribution

After December 31, 2012, a tax of 3.8% will be imposed on certain "net investment income" (or "undistributed net investment income", in the case of estates and trusts) received by taxpayers other than corporations with adjusted gross income above certain threshold amounts. "Net investment income" as defined for United States federal Medicare contribution purposes generally includes interest payments and gain recognized from the sale or other disposition of the Notes. Tax-exempt trusts, which are not subject to income taxes generally, and foreign individuals will not be subject to this tax. U.S. holders should consult their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of the Notes.

Taxation of Non-U.S. Holders. A non-U.S. holder generally will not be subject to United States federal income or withholding taxes on payments of principal or interest on a Note provided that (i) income on the Note is not effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, (ii) the non-U.S. holder is not a controlled foreign corporation related to the Company through stock ownership, (iii) the non-U.S. holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, (iv) the non-U.S. holder does not own (directly or indirectly, actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Company, and (v) the non-U.S. holder has provided a statement in the year in which a payment occurs or in the preceding 3 years, on an Internal Revenue Service (IRS) Form W-8BEN (or other applicable form) signed under penalties of perjury that includes its name and address and certifies that the non-U.S. holder is the beneficial owner and is not a United States person in compliance with applicable requirements, or satisfies documentary evidence requirements for establishing that it is a non-U.S. holder.

A non-U.S. holder that is not exempt from tax under these rules generally will be subject to United States federal income tax withholding on payments of interest on the Notes at a rate of 30% unless (i) the income is effectively connected with the conduct of a United States trade or business (and, under certain income tax treaties, is attributable to a permanent establishment maintained in the

U.S. by the non-U.S. holder), so long as the non-U.S. holder has provided an IRS Form W-8ECI or substantially similar substitute form stating that the interest on the Notes is effectively connected with the non-U.S. holder's conduct of a trade or business in the U.S. in which case the interest will be subject to United States federal income tax on a net income basis as applicable to U.S. holders generally (unless an applicable income tax treaty provides otherwise), or (ii) an applicable income tax treaty provides for a lower rate of, or exemption from, withholding tax.

In the case of a non-U.S. holder that is a corporation and that receives income that is effectively connected with the conduct of a United States trade or business, such income may also be subject to a branch profits tax (which is generally imposed on a non-U.S. corporation on the actual or deemed repatriation from the United States of earnings and profits attributable to a United States trade or business) at a 30% rate. The branch profits tax may not apply (or may apply at a reduced rate) if the non-U.S. holder is a qualified resident of a country with which the United States has an income tax treaty.

To claim the benefit of an income tax treaty or to claim exemption from withholding because income is effectively connected with a United States trade or business, the non-U.S. holder must timely provide the appropriate, properly executed IRS forms. The non-U.S. holder must inform the recipient of any changes on these forms within 30 days of such change. These forms may be required to be periodically updated. Also, a non-U.S. holder who is claiming the benefits of a treaty may be required to obtain a United States taxpayer identification number and to provide certain documentary evidence issued by foreign governmental authorities to prove residence in the foreign country.

Generally, a non-U.S. holder will not be subject to United States federal income or withholding taxes on any amount that constitutes capital gain upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, provided that (i) the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder (or, if required by an applicable income tax treaty, is not attributable to a United States "permanent establishment" maintained by the non-U.S. holder) and (ii) that the non-U.S. holder is not an individual who is present in the U.S. for 183 days or more in the taxable year of the sale, exchange, or other taxable disposition and meets certain other conditions (unless such holder is eligible for relief under an applicable income tax treaty). Certain other exceptions may be applicable, and a non-U.S. holder should consult its tax advisor in this regard.

A Note that is held by an individual who, at the time of death, is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) generally will not be subject to the United States federal estate tax, unless, at the time of death, (i) such individual directly or indirectly, actually or constructively, owns ten percent or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder or (ii) such individual's interest in the Notes is effectively connected with the individual's conduct of a United States trade or business.

Information Reporting and Backup Withholding. A U.S. holder (other than an "exempt recipient," including a corporation and certain other persons who, when required, demonstrate their exempt status) may be subject to backup withholding at a rate of 28% on, and to information reporting requirements with respect to, payments of principal and interest on, and proceeds from the sale, exchange, redemption or retirement of, the Notes. In general, if a non-corporate U.S. holder subject to information reporting fails to furnish a correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements, backup withholding at the applicable rate may apply.

The amount of interest we pay to a non-U.S. holder on the Notes will be reported to such non-U.S. Holder and to the IRS annually on an IRS Form 1042-S even if the non-U.S. holder is exempt from the 30% withholding tax described above. Copies of the information returns reporting

those payments and the amounts withheld, if any, may also be made available to the tax authorities in the country where the non-U.S. holder is resident under provisions of an applicable income tax treaty or agreement.

In addition, backup withholding tax and certain other information reporting requirements apply to payments of principal and interest on, and proceeds from the sale, exchange, redemption or retirement of, the Notes, unless an exemption applies. Backup withholding and information reporting will not apply to payments we make to a non-U.S. holder if such non-U.S. holder has provided to the applicable withholding agent under penalties of perjury the required certification of their non-U.S. person status as discussed above (and the applicable withholding agent does not have actual knowledge or reason to know that they are a U.S. person) or if the non-U.S. holder is an exempt recipient.

If a non-U.S. holder sells or redeems a Note through a U.S. broker or the U.S. office of a foreign broker, the proceeds from such sale or redemption will be subject to information reporting and backup withholding unless such non-U.S. holder provides a withholding certificate or other appropriate documentary evidence establishing that such non-U.S. holder is not a United States person to the broker and such broker does not have actual knowledge or reason to know that such non-U.S. holder is a United States person, or the non-U.S. holder is an exempt recipient eligible for an exemption from information reporting and backup withholding. If a non-U.S. holder sells or redeems a note through the foreign office of a broker who is a United States person or has certain enumerated connections with the U.S., the proceeds from such sale or redemption will be subject to information reporting unless the non-U.S. holder provides to such broker a withholding certificate or other appropriate documentary evidence establishing that the non-U.S. holder is not a United States person and such broker does not have actual knowledge or reason to know that such evidence is false, or the non-U.S. holder is an exempt recipient eligible for an exemption from information reporting. In circumstances where information reporting by the foreign office of such a broker is required, backup withholding will be required only if the broker has actual knowledge that the non-U.S. holder is a United States person.

You should consult your tax advisor regarding the qualification for an exemption from backup withholding and information reporting and the procedures for obtaining such an exemption, if applicable. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner generally would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is timely furnished to the IRS.

Foreign Account Tax Compliance Act

Legislation enacted in 2010 imposes a United States federal withholding tax of 30% on payments of interest or gross proceeds from the disposition of a debt instrument paid after December 31, 2012 to certain non-U.S. entities, including certain foreign financial institutions and investment funds, unless such non-U.S. entity complies with certain reporting requirements regarding its United States account holders and its United States owners. Pursuant to Treasury Regulations and other Treasury guidance, these rules generally are not effective for payments of interest until January 1, 2014, and, in the case of payments of gross proceeds, until January 1, 2017. In addition, Treasury Regulations state that even after the effective dates the new withholding obligations will not apply to payments on, or with respect to, to obligations that are outstanding on January 1, 2014. Prospective purchasers of the Notes should consult their own tax advisors regarding the new withholding and reporting provisions.

You should consult your own tax advisor with respect to the particular tax consequences to you of an investment in the Notes, including the possible effect of any pending legislation or proposed regulations.

Our Taxation as a Regulated Investment Company

As a regulated investment company ("RIC"), we generally will not have to pay corporate-level federal income taxes on any net ordinary income or realized capital gains that we distribute to our

stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to maintain our qualification as a RIC, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the "Annual Distribution Requirement").

Taxation as a Regulated Investment Company

If we:

- Qualify as a RIC; and
- Satisfy the Annual Distribution Requirement

then we will not be subject to U.S. federal income tax on the portion of our income we distribute (or are deemed to distribute) to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (the "Excise Tax Avoidance Requirement"). We generally will endeavor in each taxable year to make sufficient distributions to our stockholders to avoid the 4% excise tax on our income. However, depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay the 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. We may, in the future, make actual distributions to our stockholders of our net capital gains.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- continue to qualify as a business development company under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to loans of certain securities, gains from the sale of stock or other securities, net income from certain "qualified publicly traded partnerships," or other income derived with respect to our business of investing in such stock or securities (the "90% Income Test"); and
- diversify our holdings so that at the end of each quarter of the taxable year:
    - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
    - no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain "qualified publicly traded partnerships" (the "Diversification Tests").

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original

issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash, such as PIK interest and deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. Because any original issue discount or other amounts accrued will be included in our net ordinary income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount. If the IRS should adopt a position that a distribution of 20% cash and the balance in stock is not a distribution satisfying the Annual Distribution Requirement, we may find it more difficult to meet such requirement.

Although we do not presently expect to do so, we are authorized to borrow funds, to sell assets and to make taxable distributions of our stock and debt securities in order to satisfy distribution requirements. Our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous. If we are unable to obtain cash from other sources to satisfy the Annual Distribution Requirement, we may fail to qualify as a RIC and become subject to tax as an ordinary corporation.

Under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. If we are prohibited to make distributions, we may fail to qualify as a RIC and become subject to tax as an ordinary corporation.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things: (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions; (ii) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income; (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited); (iv) cause us to recognize income or gain without a corresponding receipt of cash; (v) adversely affect the time as to when a purchase or sale of securities is deemed to occur; (vi) adversely alter the characterization of certain complex financial transactions; and (vii) produce income that will not be qualifying income for purposes of the 90% Income Test described above. We will monitor our transactions and may make certain tax decisions in order to mitigate the potential adverse effect of these provisions.

If we fail to satisfy the Annual Distribution Requirement or otherwise fail to qualify as a RIC in any taxable year, we will be subject to tax in that year on all of our taxable income, regardless of whether we make any distributions to our stockholders. If we fail to maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets and the amount of income available to make interest and principal payments on the Notes. In contrast, assuming we qualify as a RIC, our corporate-level federal income tax should be substantially reduced or eliminated.

DESCRIPTION OF THE NOTES

The Notes will be issued under an indenture and the first supplemental indenture thereto, each dated as of , 2013, between us and U.S. Bank National Association, as trustee. We refer to the indenture, as well as any supplements thereto, as the indenture and to U.S. Bank National Association as the trustee. The Notes are governed by the indenture, as required by federal law for all bonds and notes of companies that are publicly offered. An indenture is a contract between us and the financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under "—Events of Default—Remedies if an Event of Default Occurs." Second, the trustee performs certain administrative duties for us with respect to our Notes.

This section includes a description of the material terms of the Notes and the indenture. Because this section is a summary, however, it does not describe every aspect of the Notes and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of the Notes. The indenture has been attached as an exhibit to the registration statement of which this prospectus is a part and filed with the SEC. See "Available Information" for information on how to obtain a copy of the indenture.

General

The Notes will mature on May 31, 2020. The principal payable at maturity will be 100% of the aggregate principal amount. The interest rate of the Notes is % per year and will be paid every February 15, May 15, August 15 and November 15, beginning August 15, 2013, and the regular record dates for interest payments will be every February 1, May 1, August 1 and November 1, commencing August 1, 2013. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment. The initial interest period will be the period from and including , 2013, to, but excluding, the initial interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.

We will issue the Notes in denominations of $25 and integral multiples of $25 in excess thereof. The Notes will not be subject to any sinking fund and holders of the Notes will not have the option to have the Notes repaid prior to the stated maturity date.

The indenture does not contain any provisions that give you protection in the event we issue a large amount of debt or we are acquired by another entity.

We have the ability to issue indenture securities with terms different from the Notes and, without the consent of the holders thereof, to reopen the Notes and issue additional Notes.

Optional Redemption

The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after May 31, 2016 upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount of the Notes to be redeemed plus accrued and unpaid interest payments otherwise payable thereon for the then-current quarterly interest period accrued to the date fixed for redemption.

You may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of

authorized denominations representing the principal amount of your remaining unredeemed Notes. Any exercise of our option to redeem the Notes will be done in compliance with the 1940 Act.

If we redeem only some of the Notes, the trustee will determine the method for selection of the particular Notes to be redeemed, in accordance with the indenture and the 1940 Act and in accordance with the rules of any national securities exchange or quotation system on which the Notes are listed. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.

Global Securities

Each Note will be issued in book-entry form and represented by a global security that we deposit with and register in the name of The Depository Trust Company, New York, New York, known as DTC, or its nominee. A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all the Notes represented by a global security, and investors will be permitted to own only beneficial interests in a global security. For more information about these arrangements, see "—Book-Entry Procedures" below.

Termination of a Global Security

If a global security is terminated for any reason, interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated Notes directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders.

Payment and Paying Agents

We will pay interest to the person listed in the trustee's records as the owner of the Notes at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the Note on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the "record date." Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling the Notes must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the Notes to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called "accrued interest."

Payments on Global Securities

We will make payments on the Notes so long as they are represented by a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants, as described under "—Book-Entry Procedures."

Payments on Certificated Securities

In the event the Notes become represented by certificated securities, we will make payments on the Notes as follows. We will pay interest that is due on an interest payment date to the holder of the Notes as shown on the trustee's records as of the close of business on the regular record date at our office in New York, New York. We will make all payments of principal and premium, if any, by check

at the office of the applicable trustee in New York, New York and/or at other offices that may be specified in a notice to holders against surrender of the Note.

Alternatively, at our option, we may pay any cash interest that becomes due on the Notes by mailing a check to the holder at his, her or its address shown on the trustee's records as of the close of business on the regular record date or by transfer to an account at a bank in the United States, in either case, on the due date.

Payment When Offices Are Closed

If any payment is due on the Notes on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date. Such payment will not result in a default under the Notes or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on the Notes.

Events of Default

You will have rights if an Event of Default occurs in respect of the Notes, as described later in this subsection.

The term "Event of Default" in respect of the Notes means any of the following:

- we do not pay the principal (or premium, if any) of any Note when due;
- we do not pay interest on any Note when due, and such default is not cured within 30 days;
- we remain in breach of a covenant in respect of the Notes for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25% of the principal amount of the Notes);
- a final judgment for the payment of $15 million or more (excluding any amounts covered by insurance) rendered against us or any significant subsidiary, which judgment is not discharged or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;
- we file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and in the case of certain orders or decrees entered against us under bankruptcy law, such order or decree remains undischarged or unstayed for a period of 60 days;
- on the last business day of each of twenty-four consecutive calendar months, the Notes have the asset coverage, as defined in the 1940 Act, of less than 100% after giving effect to any exemptive relief granted to us by the SEC; or
- a default by us or any of our significant subsidiaries, which is not cured within 30 days, under any agreement or instrument relating to indebtedness for borrowed money in excess of $10 million, which default (i) results in such indebtedness becoming or being declared due and payable or (ii) constitutes a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise.

An Event of Default for the Notes does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold

notice to the holders of the Notes of any default, except in the payment of principal or interest, if it in good faith considers the withholding of notice to be in the best interests of the holders.

Remedies if an Event of Default Occurs

If an Event of Default has occurred and is continuing, the trustee or the holders of not less than 25% in principal amount of the Notes may declare the entire principal amount of all the Notes to be due and immediately payable. If an Event of Default referred to in the second to last bullet point above with respect to us has occurred, the entire principal amount of all the Notes will automatically become due and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the Notes if (1) we have deposited with the trustee all amounts due and owing with respect to the Notes (other than principal that has become due solely by reason of such acceleration) and certain other amounts, and (2) any other Events of Default have been cured or waived.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability (called an "indemnity"). If reasonable indemnity is provided, the holders of a majority in principal amount of the Notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the Notes, the following must occur:

- you must give the trustee written notice that an Event of Default has occurred and remains uncured;
- the holders of at least 25% in principal amount of all the Notes must make a written request that the trustee take action because of the default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action;
- the trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity; and
- the holders of a majority in principal amount of the Notes must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your Notes on or after the due date.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, we will furnish to the trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the Notes, or else specifying any default.

Waiver of Default

The holders of a majority in principal amount of the Notes may waive any past defaults other than other than:

- the payment of principal or interest; or
- in respect of a covenant that cannot be modified or amended without the consent of each holder.

Merger or Consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell all or substantially all of our assets to another entity. However, we may not take any of these actions unless all the following conditions are met:

- where we merge out of existence or convey or transfer our assets substantially as an entirety, the resulting entity must agree to be legally responsible for our obligations under the Notes;
- the merger or sale of assets must not cause a default on the Notes and we must not already be in default (unless the merger or sale would cure the default). For purposes of this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under "Events of Default" above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving us a notice of default or our default having to exist for a specific period of time were disregarded; and
- we must deliver certain certificates and documents to the trustee.

Modification or Waiver

There are three types of changes we can make to the indenture and the Notes issued thereunder.

Changes Requiring Your Approval

First, there are changes that we cannot make to your Notes without your specific approval. The following is a list of those types of changes:

- change the stated maturity of the principal of or interest on the Notes;
- reduce any amounts due on the Notes;
- reduce the amount of principal payable upon acceleration of the maturity of a Note following a default;
- change the place or currency of payment on a Note;
- impair your right to sue for payment;
- reduce the percentage of holders of Notes whose consent is needed to modify or amend the indenture; and
- reduce the percentage of holders of Notes whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the Notes. This type is limited to clarifications and certain other changes that would not adversely affect holders of the Notes in any material respect.

Changes Requiring Majority Approval

Any other change to the indenture and the Notes would require the following approval:

- if the change affects only the Notes, it must be approved by the holders of a majority in principal amount of the Notes; and

- if the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under "—Changes Requiring Your Approval."

Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to the Notes:

The Notes will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption. The Notes will also not be eligible to vote if they have been fully defeased as described later under "—Defeasance—Full Defeasance."

We will generally be entitled to set any day as a record date for the purpose of determining the holders of the Notes that are entitled to vote or take other action under the indenture. However, the record date may not be more than 30 days before the date of the first solicitation of holders to vote on or take such action. If we set a record date for a vote or other action to be taken by holders of the Notes, that vote or action may be taken only by persons who are holders of the Notes on the record date and must be taken within eleven months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the Notes or request a waiver.

Defeasance

The following defeasance provisions will be applicable to the Notes. "Defeasance" means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on the Notes when due and satisfying any additional conditions noted below, we will be deemed to have been discharged from our obligations under the Notes. In the event of a "covenant defeasance," upon depositing such funds and satisfying similar conditions discussed below we would be released from the restrictive covenants under the indenture relating to the Notes. The consequences to the holders of the Notes is that, while they no longer benefit from the restrictive covenants under the indenture, and while the Notes may not be accelerated for any reason, the holders of Notes nonetheless are guaranteed to receive the principal and interest owed to them.

Covenant Defeasance

Under current U.S. federal tax law and the indenture, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the Notes were issued. This is called "covenant defeasance." In that event, you would lose the protection of those

restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your Notes. If we achieve covenant defeasance and your Notes were subordinated as described under "Indenture Provisions—Ranking" below, such subordination would not prevent the trustee under the indenture from applying the funds available to it from the deposit described in the first bullet to the payment of amounts due in respect of such debt securities for the benefit of the subordinated debtholders. In order to achieve covenant defeasance, we must do the following:

- Since the Notes are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of the Notes a combination of cash and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates;

- we must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the Notes any differently than if we did not make the deposit;

- we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, and a legal opinion and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with;

- defeasance must not result in a breach or violation of, or result in a default under, the indenture or any of our other material agreements or instruments; and

- no default or event of default with respect to the Notes shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days.

If we accomplish covenant defeasance, you can still look to us for repayment of the Notes if there were a shortfall in the trust deposit or the trustee is prevented from making payment. In fact, if one of the remaining Events of Default occurred (such as our bankruptcy) and the Notes became immediately due and payable, there might be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Full Defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on the Notes (called "full defeasance") if we put in place the following other arrangements for you to be repaid:

- Since the Notes are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates;

- we must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the Notes any differently than if we did not make the deposit. Under current U.S. federal tax law the deposit and our legal release from the Notes would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your Notes and you would recognize gain or loss on the Notes at the time of the deposit;

- we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with;

- defeasance must not result in a breach or violation of, or constitute a default under, of the indenture or any of our other material agreements or instruments; and

- no default or event of default with respect to the Notes shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the Notes. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If your Notes were subordinated as described later under "—Indenture Provisions—Ranking," such subordination would not prevent the trustee under the Indenture from applying the funds available to it from the deposit referred to in the first bullet of the preceding paragraph to the payment of amounts due in respect of such Notes for the benefit of the subordinated debtholders.

Other Covenants

In addition to any other covenants described in this prospectus, as well as standard covenants relating to payment of principal and interest, maintaining an office where payments may be made or securities can be surrendered for payment, payment of taxes by the Company and related matters, the following covenants will apply to the Notes:

- We agree that for the period of time during which the Notes are outstanding, we will not violate (whether or not we are subject thereto) Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, but giving effect to any exemptive relief granted to us by the SEC. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings. See "Risk Factors—Pending legislation may allow us to incur additional leverage."

- We agree that for the period of time during which the Notes are outstanding, we will not violate (regardless of whether we are subject to) Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, but giving effect to (i) any exemptive relief granted to us by the SEC and (ii) no-action relief granted by the SEC to another BDC (or to the Company if it determines to seek such similar no-action or other relief) permitting the BDC to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act in order to maintain the BDC's status as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986. Currently, these provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase.

- If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the Trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles.

Form, Exchange and Transfer of Certificated Registered Securities

If registered Notes cease to be issued in book-entry form, they will be issued:

- only in fully registered certificated form;
- without interest coupons; and
- unless we indicate otherwise, in denominations of $25 and amounts that are multiples of $25.

Holders may exchange their certificated securities for Notes of smaller denominations or combined into fewer Notes of larger denominations, as long as the total principal amount is not changed and as long as the denomination is equal to or greater than $25.

Holders may exchange or transfer their certificated securities at the office of the trustee. We have appointed the trustee to act as our agent for registering Notes in the names of holders transferring Notes. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

If a registered debt security is issued in book-entry form, only the depositary will be entitled to transfer and exchange the debt security as described in this subsection, since it will be the sole holder of the debt security.

Resignation of Trustee

The trustee may resign or be removed with respect to the Notes provided that a successor trustee is appointed to act with respect to the Notes. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Indenture Provisions—Ranking

The Notes will be our direct unsecured obligations and will rank:

- *pari passu*, or equal, with our existing and future senior unsecured indebtedness;
- senior to any of our future indebtedness that expressly provides it is subordinated to the Notes;
- effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness; and

- structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, borrowings under the Credit Facility and borrowings by Saratoga Investment Corp SBIC LP.

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Senior Indebtedness (as defined below). In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Senior Indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities, upon our dissolution, winding up, liquidation or reorganization before all Senior Indebtedness is paid in full, the payment or distribution must be paid over to the holders of the Senior Indebtedness or on their behalf for application to the payment of all the Senior Indebtedness remaining unpaid until all the Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made to the holders of the Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities or the holders of any indenture securities that are not Senior Indebtedness or subordinated debt securities. The Indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the Indenture.

Senior Indebtedness is defined in the Indenture as the principal of (and premium, if any) and unpaid interest on:

- our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed, that we have designated as "Senior Indebtedness" for purposes of the Indenture and in accordance with the terms of the Indenture (including any indenture securities designated as Senior Indebtedness), and

- renewals, extensions, modifications and refinancings of any of this indebtedness.

Book-Entry Procedures

The Notes will be represented by global securities that will be deposited and registered in the name of The Depository Trust Company ("DTC") or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.

The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each issuance of the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC. Interests in the Notes will trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in

such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the Trustee or the Paying Agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC").

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's Ratings Services' highest rating: AAA. The DTC Rules applicable to its participants are on file with the SEC. More information about DTC can be found at *www.dtcc.com* and *www.dtc.org*.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each security, or the "Beneficial Owner," is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts the Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption proceeds, distributions, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the Trustee on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the Trustee, but disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to us or to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered. We may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

DESCRIPTION OF OUR COMMON STOCK

The following description is based on relevant portions of the Maryland General Corporation Law and our charter and bylaws, which we collectively refer to as our "governing documents."

As of the date of this prospectus, our authorized stock consists of 100,000,000 shares of capital stock, $0.001 par value per share, all of which are designated as shares of common stock. Our common stock trades under the symbol "SAR" on the New York Stock Exchange. There are no outstanding options or warrants to purchase our common stock. No shares of common stock have been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Under our governing documents, our board of directors is authorized to create new classes or series of shares of stock and to authorize the issuance of shares of stock without obtaining stockholder approval. Our charter provides that the board of directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

Common Stock

Each share of our common stock has equal rights as to earnings, assets, dividends and voting and all of our outstanding shares of common stock are duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, exchange, conversion or redemption rights.

In the event of our liquidation, dissolution or winding up, each share of common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of shares of our preferred stock, if any are outstanding at such time. Each share of our common stock entitles its holder to cast one vote on all matters submitted to a vote of stockholders, including the election and removal of directors.

The following table sets forth information regarding our authorized shares of stock under our charter and shares of stock outstanding as of the date of this prospectus.

Title of Class	Shares Authorized	Amount Held by Us or for Our Account	Amount Outstanding Exclusive of Amount Held by Us or for Our Account
Common Stock	100,000,000	—	4,730,116

Preferred Stock

Our governing documents authorize our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to the issuance of shares of stock of each class or series, the board of directors is required by our governing documents to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series of shares of stock. Thus, the board of directors could authorize the issuance of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. In addition, as a business development company, any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, the aggregate

dividend or distribution on, or purchase price of, such shares of preferred stock together with all other indebtedness and senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock is in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding shares of preferred stock. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses

The Maryland General Corporation Law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our governing documents contain a provision which eliminates directors' and officers' liability to the maximum extent permitted by the Maryland General Corporation Law, subject to the requirements of the 1940 Act.

Maryland law requires a corporation (unless its charter provides otherwise, which, our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received unless, in either case, a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Our charter authorizes us to obligate ourselves, and our bylaws do obligate us, to the maximum extent permitted by Maryland law and subject to any applicable requirements of the 1940 Act, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (1) any present or former director or officer or (2) any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner, manager, member or trustee, from and against any claim or liability to which that person may become subject for which that person may incur by reason of his or her service in such capacity. Our charter and bylaws also permit indemnification and the advancement of expenses to any person who served a predecessor to Saratoga Investment Corp. in any of the capacities described above and any of our employees or agents or any employees or agents of such predecessor.

As a business development company, and in accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

In addition to the indemnification provided for in our bylaws, we have entered into indemnification agreements with each of our current directors and officers and we intend to enter into indemnification agreements with each of our future directors and officers. The indemnification agreements attempt to provide these directors and officers the maximum indemnification permitted under Maryland law and the 1940 Act. The agreements provide, among other things, for the advancement of expenses and indemnification for liabilities incurred which such person may incur by reason of his or her status as a present or former director or officer in any action or proceeding arising out of the performance of such person's services as a present or former director or officer.

Provisions of Our Governing Documents and the Maryland General Corporation Law

Our governing documents and the Maryland General Corporation Law contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

Classified Board of Directors

Our board of directors is divided into three classes of directors serving staggered three-year terms. Directors of each class are elected to serve for three-year terms and until their successors are duly elected and qualify, and each year one class of directors is elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified board of directors will help to ensure the continuity and stability of our management and policies.

Number of Directors; Vacancies; Removal

Our governing documents provide that the number of directors will be set only by our board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than three nor more than eleven. Our charter provides that, except as may be provided by the board of directors in setting the terms of any class or series of shares of stock, so long as we have a class of securities registered under the Exchange Act and at least three independent directors, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act. If there are no directors then in office, vacancies may be filled by stockholders at a special meeting called for such purpose. Our charter provides that a director may be removed only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors.

Election of Directors

Our charter and bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect each director. Pursuant to our charter and bylaws, our board of directors may amend the bylaws to alter the vote required to elect directors.

Action by Stockholders

All of our outstanding shares of common stock will generally be able to vote on any matter that is a proper subject for action by the stockholders of a Maryland corporation, including in respect of the election or removal of directors as well as other extraordinary matters. Under the Maryland General Corporation Law, stockholder action can be taken only at an annual or special meeting of stockholders or by written or electronically-transmitted unanimous consent in lieu of a meeting. These provisions, combined with the requirements of our governing documents regarding the calling of a stockholder-requested special meeting of stockholder discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws provide that, with respect to an annual meeting of our stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of the board of directors, (3) by any stockholder who is a stockholder of record both at the time of giving notice by the stockholder and at the time of the annual meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of the board of directors, (3) provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is a stockholder of record both at the time of giving notice by the stockholder and at the time of the special meeting and who is entitled to vote at the meeting and who has complied with the advance notice provisions of our bylaws or (4) by a stockholder who is entitled to vote at the meeting in circumstances in which a special meeting of stockholders is called for the purpose of electing directors when no directors remain in office.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Calling of Special Meetings of Stockholders

Our bylaws provide that special meetings of our stockholders may be called by our board of directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of

certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of our stockholders will be called by our secretary upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting, except that, if no directors remain in office, a special meeting of our stockholders shall be called to elect directors by the secretary upon the written request of holders entitled to cast at least 10% of the votes entitled to be cast generally in the election of directors.

Amendment of Governing Documents

Under Maryland law, a Maryland corporation generally cannot dissolve or amend its charter unless the corporation's board of directors declares the dissolution or amendment to be advisable and the dissolution or amendment is approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. A Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of amendments to our charter by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. However, our charter also provides that certain charter amendments and proposals for our liquidation, dissolution or conversion, whether by merger or otherwise, from a closed-end company to an open-end company require the approval of the stockholders entitled to cast at least two- thirds percent of the votes entitled to be cast on such matter. If such amendment or proposal is approved by at least two-thirds of our continuing directors (in addition to approval by our board of directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter. The "continuing directors" are, as defined in our charter, our current directors as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the board of directors.

Our governing documents provide that the board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Approval of Extraordinary Actions

Under Maryland law, a Maryland corporation generally cannot amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless the corporation's board of directors declares action or transaction to be advisable and the action or transaction is approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. A Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter.

Except for a merger that would result in our conversion to an open-end company, which requires the approval described above, our charter provides that we may merge, sell all or substantially all of our assets, engage in a consolidation or share exchange or engage in similar transactions, if such transaction is declared advisable by our board of directors and approved by a majority of all of the votes entitled to be cast on the matter.

No Appraisal Rights

Except with respect to appraisal rights arising in connection with the Maryland Control Share Acquisition Act discussed below, as permitted by the Maryland General Corporation Law, our governing documents provide that our stockholders will not be entitled to exercise appraisal rights unless a majority of our board of directors determines that such rights will apply with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such

determination in connection with which holders of such shares would otherwise be entitled to exercise appraisal rights.

Control Share Acquisitions

The Control Share Acquisition Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholder meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations, including, as provided in our bylaws, compliance with the 1940 Act, which will prohibit any such repurchase other than in limited circumstances. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholder meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Acquisition Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of our common stock. Such provision could also be amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Acquisition Act only if the board of directors determines that it would be in our best interests and if the SEC does not object to our determination that our being subject to the Control Share Acquisition Act does not conflict with the 1940 Act.

Business Combinations

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation's stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution exempting from the provisions of the Maryland Business Combination Act any business combination between us and any other person. If our board of directors adopts resolutions causing us to be subject to the provisions of the Business Combination Act, these provisions may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Conflict with 1940 Act

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Control Share Acquisition Act or the Business Combination Act (if we amend our bylaws to be subject to such Acts), or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

UNDERWRITING

Ladenburg Thalmann & Co. Inc. is acting as representative of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated , 2013, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the aggregate principal amount of Notes set forth opposite the underwriter's name.

Underwriter	Principal amount of notes
Ladenburg Thalmann & Co. Inc.	$
BB&T Capital Markets, a division of BB&T Securities, LLC	
William Blair and Company, LLC	
Maxim Group LLC	
National Securities Corporation	
C&Co/PrinceRidge LLC	
Dominick & Dominick LLC	
Gilford Securities Incorporated	
Total	$

The underwriting agreement provides that the obligations of the underwriters to purchase the Notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the Notes (other than those covered by the overallotment option described below) if they purchase any of the Notes.

The underwriters propose to offer some of the Notes directly to the public at the public offering price set forth on the cover page of this prospectus and some of the Notes to dealers at the public offering price less a concession not to exceed % of the aggregate principal amount of the Notes. The underwriting discount of $1.00 per Note is equal to 4.0% of the aggregate principal amount of the Notes. If all of the Notes are not sold at the offering price, the representative may change the public offering price and other selling terms. Investors must pay for any Notes purchased on or before , 2013. The representative has advised us that the underwriters do not intend to confirm any sales to any accounts over which they exercise discretionary authority.

The underwriters hold an option, exercisable for 30 days from the date of this prospectus, to purchase up to an additional $3,750,000 aggregate principal amount of the Notes at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering overallotments, if any, in connection with this offering. To the extent such option is exercised, each underwriter must purchase a number of additional Notes approximately proportionate to that underwriter's initial purchase commitment.

We have agreed that, for a period of 90 days from the date of this prospectus supplement, such party will not, without the prior written consent of Ladenburg Thalmann & Co. Inc., on behalf of the underwriters, offer, pledge, sell, contract to sell or otherwise dispose of or agree to sell or otherwise dispose of, directly or indirectly or hedge any debt securities issued or guaranteed by us or any securities convertible into or exercisable or exchangeable for debt securities issued or guaranteed by us or file any registration statement under the Securities Act with respect to any of the foregoing. Ladenburg Thalmann & Co. Inc. in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The 90-day period in the preceding paragraph will be extended if (i) during the last 17 days of the 90-day period we issue an earnings release or material news or a material event relating to us occurs or (ii) prior to the expiration of the 90-day period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period, in which case the restrictions described in the preceding sentence will continue to apply until the expiration of the 18-day period

beginning on the issuance of the earnings release or the announcement of the material news or the occurrence of the material event.

We intend to list the Notes on the New York Stock Exchange. We expect trading in the Notes on the New York Stock Exchange to begin within 30 days after the original issue date under the trading symbol "SAQ." We offer no assurances that an active trading market for the Notes will develop and continue after the offering.

The following table shows the public offering price, the underwriting discounts and commissions to be paid to the underwriters and the proceeds, before expenses, to us in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional Notes.

	Per note	Without Option	With Option
Public offering price	100.0%	$	$
Underwriting discount (sales load) paid by us	4.0%	$	$
Estimated Proceeds to us, before expenses	96.0%	$	$

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately $300,000.

We and our investment adviser have each agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Certain underwriters may make a market in the Notes. No underwriter is, however, obligated to conduct market-making activities and any such activities may be discontinued at any time without notice, at the sole discretion of the underwriter. No assurance can be given as to the liquidity of, or the trading market for, the Notes as a result of any market-making activities undertaken by any underwriter. This Prospectus is to be used by any underwriter in connection with the offering and, during the period in which a prospectus must be delivered, with offers and sales of the Notes in market-making transactions in the over-the-counter market at negotiated prices related to prevailing market prices at the time of the sale.

In connection with the offering, Ladenburg Thalmann & Co. Inc., on behalf of the underwriters, may purchase and sell Notes in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of Notes in excess of the number of Notes to be purchased by the underwriters in the offering, which creates a syndicate short position. "Covered" short sales are sales of Notes made in an amount up to the number of Notes represented by the underwriters' overallotment option. In determining the source of Notes to close out the covered syndicate short position, the underwriters will consider, among other things, the price of Notes available for purchase in the open market as compared to the price at which they may purchase Notes through the overallotment option. Transactions to close out the covered syndicate short position involve either purchases of Notes in the open market after the distribution has been completed or the exercise of the overallotment option. The underwriters may also make "naked" short sales of Notes in excess of the overallotment option. The underwriters must close out any naked short position by purchasing Notes in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of Notes in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of Notes in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Ladenburg Thalmann & Co. Inc. repurchases Notes

originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of Notes. They may also cause the price of Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange, or in the over-the-counter market, or otherwise. Trading is expected to commence on the New York Stock Exchange within 30 days after the date of initial delivery of the Notes. If the underwriters commence any of these transactions, they may discontinue them at any time.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The representative may agree to allocate a number of Notes to underwriters for sale to their online brokerage account holders. The representative will allocate Notes to underwriters that may make Internet distributions on the same basis as other allocations. In addition, Notes may be sold by the underwriters to securities dealers who resell Notes to online brokerage account holders.

We anticipate that, from time to time, certain underwriters may act as brokers or dealers in connection with the execution of Saratoga's portfolio transactions after they have ceased to be underwriters and, subject to certain restrictions, may act as brokers while they are underwriters.

Certain underwriters may have performed investment banking and advisory services for us, our investment adviser and our affiliates from time to time, for which they have received customary fees and expenses. Certain underwriters may, from time to time, engage in transactions with or perform services for us, our investment adviser and our affiliates in the ordinary course of business.

The principal business address of Ladenburg Thalmann & Co. Inc. is 520 Madison Avenue, 9th Floor, New York, New York 10022. The principal business address of BB&T Capital Markets, a division of BB&T Securities, LLC, is 901 East Byrd Street, Suite 300, Richmond, Virginia 23219. The principal business address of William Blair and Company, LLC is 222 West Adams Street, Chicago, Illinois 60606.

Additional Underwriter Compensation

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses, including acting as underwriters for our securities offerings. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Settlement

We expect that delivery of the Notes will be made against payment therefor on or about , 2013, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise.

Other Jurisdictions

The Notes offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale

of any such Notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restriction relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Notes offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we generally acquire and dispose of our investments in privately negotiated transactions, we infrequently use brokers in the normal course of our business. Subject to policies established by our Board of Directors, we generally do not execute transactions through any particular broker or dealer, but seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we generally seek reasonably competitive trade execution costs, we do not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided, and our management and employees are authorized to pay such commission under these circumstances.

CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

Our investment securities are held under a custody agreement with U.S. Bank National Association. The address of the custodian is U.S. Bank National Association, Corporate Trust Services, One Federal Street, 3rd Floor, Boston, MA 02110. The transfer agent and registrar for our common stock, American Stock Transfer & Trust Company, acts as our transfer agent, dividend paying and reinvestment agent for our common stock. The principal business address of the transfer agent is 59 Maiden Lane, New York, New York 10038. U.S. Bank National Association, our trustee under an indenture and the first supplemental indenture thereto relating to the Notes, is the paying agent, registrar and transfer agent relating to the Notes. The principal business address of our trustee is 214 N. Tyron Street, 12th Floor, Charlotte, North Carolina 28202.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington, D.C. Certain legal matters in connection with an offering will be passed upon for the underwriters by Blank Rome LLP, New York, New York.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audited financial statements and financial highlights, and management's assessment of the effectiveness of internal control over financial reporting included in this prospectus and elsewhere in the registration statement have been so included in reliance upon the reports of Ernst & Young LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing in giving said reports. The principal business address of Ernst & Young LLP is 5 Times Square, New York, New York 10036.

AVAILABLE INFORMATION

As a public company, we file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus forms a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102. In addition, the SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC at *http://www.sec.gov*.

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Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

	As of	
	November 30, 2012 (unaudited)	February 29, 2012
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of $97,083,018 and $73,161,722, respectively)	$ 94,649,656	$ 69,513,434
Control investments (cost of $20,361,593 and $23,540,517, respectively)	24,641,107	25,846,414
Total investments at fair value (amortized cost of $117,444,611 and $96,702,239, respectively)	119,290,763	95,359,848
Cash and cash equivalents	2,494,552	1,325,698
Cash and cash equivalents, reserve accounts	3,787,183	25,534,195
Outstanding interest rate cap at fair value (cost of $0 and $131,000, respectively)	—	75
Interest receivable, (net of reserve of $228,113 and $273,361, respectively)	1,906,186	1,689,404
Deferred credit facility financing costs, net	1,453,985	1,199,490
Management fee receivable	216,947	227,581
Other assets	18,973	94,823
Receivable from unsettled trades	—	59,511
Total assets	$ 129,168,589	$ 125,490,625
LIABILITIES		
Revolving credit facility	$ 14,850,000	$ 20,000,000
SBA debentures payable	4,000,000	—
Payable for unsettled trades	—	4,072,500
Dividend payable	3,295,306	—
Management and incentive fees payable	3,364,719	2,885,670
Accounts payable and accrued expenses	508,042	704,949
Interest and credit facility fees payable	140,424	53,262
Due to manager	117,877	394,094
Total liabilities	$ 26,276,368	$ 28,110,475
NET ASSETS		
Common stock, par value $.001, 100,000,000 common shares authorized, 4,730,116 and 3,876,661 common shares issued and outstanding, respectively	$ 4,730	$ 3,877
Capital in excess of par value	174,824,076	161,644,426
Distribution in excess of net investment income	(25,319,688)	(13,920,068)
Accumulated net realized loss from investments and derivatives	(48,463,047)	(48,874,767)
Net unrealized appreciation (depreciation) on investments and derivatives	1,846,150	(1,473,318)
Total Net Assets	102,892,221	97,380,150
Total liabilities and Net Assets	$ 129,168,589	$ 125,490,625
NET ASSET VALUE PER SHARE	$ 21.75	$ 25.12

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Operations

	For the three months ended November 30,		For the nine months ended November 30,	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
INVESTMENT INCOME				
Interest from investments				
Non-control/Non-affiliate investments	$ 2,466,595	$ 1,877,650	$ 6,951,338	$ 5,212,182
Control investments	1,046,285	1,155,241	3,186,751	3,095,304
Total interest income	3,512,880	3,032,891	10,138,089	8,307,486
Interest from cash and cash equivalents	731	1,567	5,368	6,815
Management fee income	500,454	501,920	1,500,519	1,512,091
Other income	19,750	92,671	172,310	238,579
Total investment income	4,033,815	3,629,049	11,816,286	10,064,971
EXPENSES				
Interest and credit facility financing expenses	529,858	307,221	1,808,586	987,042
Base management fees	528,735	393,888	1,492,345	1,203,820
Professional fees	347,459	356,144	986,781	1,282,009
Administrator expenses	250,000	250,000	750,000	730,000
Incentive management fees	(412,654)	1,178,750	887,020	842,097
Insurance	128,891	145,105	389,506	448,786
Directors fees and expenses	53,705	51,000	155,705	153,000
General & administrative	117,357	121,019	265,720	290,232
Other expense	1,311	2,150	4,434	5,340
Total expenses	1,544,662	2,805,277	6,740,097	5,942,326
NET INVESTMENT INCOME	2,489,153	823,772	5,076,189	4,122,645
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain (loss) from investments	95,372	(5,831,905)	542,720	(5,839,864)
Net realized loss from derivatives	—	—	(131,000)	—
Net unrealized appreciation (depreciation) on investments	(1,838,957)	11,221,387	3,188,543	11,927,052
Net unrealized appreciation (depreciation) on derivatives	—	166	130,925	(15,108)
Net gain (loss) on investments	(1,743,585)	5,389,648	3,731,188	6,072,080
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 745,568	$ 6,213,420	$ 8,807,377	$ 10,194,725
WEIGHTED AVERAGE—BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	$ 0.19	$ 1.88	$ 2.25	$ 3.10
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING —BASIC AND DILUTED	3,970,447	3,310,021	3,907,696	3,287,979

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Schedule of Investments

November 30, 2012

(unaudited)

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Non-control/Non-affiliated investments—92.0%(b)						
Coast Plating, Inc.(d)	Aerospace	First Lien Term Loan 11.71% Cash, 9/13/2014	$ 2,550,000	$ 2,550,000	$ 2,550,000	2.5%
Coast Plating, Inc.(d)	Aerospace	First Lien Term Loan 12.46% Cash, 9/13/2014	$ 950,000	950,000	950,000	0.9%
		Total Aerospace		3,500,000	3,500,000	3.4%
National Truck Protection Co., Inc.(d)(h)	Automotive	Common Stock	589	500,000	564,507	0.5%
National Truck Protection Co., Inc.(d)	Automotive	First Lien Term Loan, 15.50% Cash, 8/10/2017	$ 5,500,000	5,500,000	5,500,000	5.3%
Take 5 Oil Change, L.L.C.(d)	Automotive	First Lien Term Loan 9.00% Cash, 11/28/2016	$ 6,400,000	6,400,000	6,400,000	6.2%
Take 5 Oil Change, L.L.C.(d)(h)	Automotive	Common Stock	7,128	712,800	742,738	0.7%
		Total Automotive		13,112,800	13,207,245	12.7%
Legacy Cabinets Holdings(d)(h)	Building Products	Common Stock Voting A-1	2,535	220,900	—	0.0%
Legacy Cabinets Holdings(d)(h)	Building Products	Common Stock Voting B-1	1,600	139,424	—	0.0%
Legacy Cabinets, Inc.(d)	Building Products	First Lien Term Loan 7.25% (1.00% Cash/6.25% PIK), 5/3/2014	$ 326,980	326,980	255,731	0.2%
		Total Building Products		687,304	255,731	0.2%
Knowland Technology Holdings, L.L.C. (d)	Business Services	First Lien Term Loan 11.00% Cash, 11/29/2017	$ 6,200,000	6,076,136	6,200,000	6.0%
Sourcehov LLC(d)	Business Services	Second Lien Term Loan 10.50% Cash, 4/30/2018	$ 3,000,000	2,631,515	2,715,000	2.6%
		Total Business Services		8,707,651	8,915,000	8.6%
C.H.I. Overhead Doors, Inc. (CHI)(d)	Consumer Products	First Lien Term Loan 7.25% Cash, 8/17/2017	$ 4,987,374	4,940,497	4,987,374	4.8%
Targus Group International, Inc.(d)	Consumer Products	First Lien Term Loan 11.00% Cash, 5/24/2016	$ 3,950,000	3,894,385	3,959,875	3.8%
Targus Holdings, Inc.(d)	Consumer Products	Unsecured Notes 10.00% PIK, 6/14/2019	$ 1,799,479	1,799,479	1,027,683	1.0%
Targus Holdings, Inc.(d)	Consumer Products	Unsecured Notes 16.00% Cash, 10/26/2018	$ 319,711	312,359	292,631	0.3%
Targus Holdings, Inc.(d)(h)	Consumer Products	Common Stock	62,413	566,765	3,731,673	3.6%
		Total Consumer Products		11,513,485	13,999,236	13.5%
CFF Acquisition LLC(d)	Consumer Services	First Lien Term Loan 7.50% Cash, 7/31/2015	$ 2,435,516	2,274,911	2,353,439	2.3%
PrePaid Legal Services, Inc.(d)	Consumer Services	First Lien Term Loan 11.00% Cash, 12/31/2016	$ 3,000,000	2,932,804	2,919,900	2.8%
		Total Consumer Services		5,207,715	5,273,339	5.1%
M/C Acquisition Corp., LLC(d)	Education	First Lien Term Loan 8.75% (6.75% Cash/2.00% PIK), 12/31/2012	$ 2,780,315	1,626,380	323,629	0.3%
M/C Acquisition Corp., LLC(d)(h)	Education	Class A Common Stock	544,761	30,242	—	0.0%
		Total Education		1,656,622	323,629	0.3%

Saratoga Investment Corp.

Consolidated Schedule of Investments (Continued)

November 30, 2012

(unaudited)

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Group Dekko, Inc.(d)	Electronics	Second Lien Term Loan 10.50% (6.50% Cash/4.00% PIK), 5/1/2013	$ 7,804,794	7,804,794	7,323,238	7.1%
		Total Electronics		7,804,794	7,323,238	7.1%
USS Parent Holding Corp.(d)(h)	Environmental	Non Voting Common Stock	765	133,002	115,681	0.1%
USS Parent Holding Corp.(d)(h)	Environmental	Voting Common Stock	17,396	3,025,798	2,631,735	2.6%
		Total Environmental		3,158,800	2,747,416	2.7%
DS Waters of America, Inc.(d)	Food and Beverage	First Lien Term Loan 10.50% Cash, 8/29/2017	$ 3,980,000	4,006,126	4,089,450	4.0%
HOA Restaurant Group, LLC.(d)	Food and Beverage	Senior Secured Notes 11.25% Cash, 4/1/2017	$ 4,000,000	3,892,643	3,560,000	3.5%
TM Restaurant Group LLC(d)	Food and Beverage	First Lien Term Loan 7.75% Cash, 7/16/2017	$ 2,981,250	2,960,569	2,977,672	2.9%
		Total Food and Beverage		10,859,338	10,627,122	10.4%
Maverick Healthcare Group(d)	Healthcare Services	First Lien Term Loan 10.75% Cash, 12/31/2016	$ 4,912,500	4,843,563	4,887,937	4.8%
		Total Healthcare Services		4,843,563	4,887,937	4.8%
McMillin Companies LLC(d)(h)	Homebuilding	Senior Secured Notes 0% Cash, 12/31/2013	$ 550,000	530,535	289,465	0.3%
		Total Homebuilding		530,535	289,465	0.3%
Capstone Logistics, LLC(d)	Logistics	First Lien Term Loan 7.50% Cash, 9/16/2016	$ 987,809	976,102	987,809	1.0%
Capstone Logistics, LLC(d)	Logistics	First Lien Term Loan 13.50% Cash, 9/16/2016	$ 4,000,000	3,952,596	4,000,000	3.9%
Worldwide Express Operations, LLC(d)	Logistics	First Lien Term Loan 7.50% Cash, 6/30/2013	$ 6,546,441	6,430,154	6,465,920	6.3%
		Total Logistics		11,358,852	11,453,729	11.2%
Elyria Foundry Company, LLC(d)	Metals	Senior Secured Notes 17.00% (13.00% Cash/4.00% PIK), 3/1/2013	$ 7,728,566	7,657,604	6,641,156	6.5%
Elyria Foundry Company, LLC(d)(h)	Metals	Warrants to Purchase Limited Liability Company Interests	3,000	—	—	0.0%
		Total Metals		7,657,604	6,641,156	6.5%
Network Communications, Inc.(d)	Publishing	Unsecured Notes 8.60% PIK, 1/14/2020	$ 2,494,810	2,042,031	920,585	0.9%
Network Communications, Inc.(d)(h)	Publishing	Common Stock	211,429	—	—	0.0%
Penton Media, Inc.(d)	Publishing	First Lien Term Loan 5.00% Cash, 8/1/2014	$ 4,838,880	4,441,924	4,284,828	4.3%
		Total Publishing		6,483,955	5,205,413	5.2%
Sub Total Non-control/Non-affiliated investments				97,083,018	94,649,656	92.0%
Control investments—23.9%(b)						
GSC Partners CDO GP III, LP(g)(h)	Financial Services	100% General Partnership Interest	—	—	—	0.0%
GSC Investment Corp. CLO 2007 LTD.(d)(e)(g)	Structured Finance Securities	Other/Structured Finance Securities 18.81%, 1/21/2020	$30,000,000	20,361,593	24,641,107	23.9%
Sub Total Control investments				20,361,593	24,641,107	23.9%

Saratoga Investment Corp.

Consolidated Schedule of Investments (Continued)

November 30, 2012

(unaudited)

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Affiliate investments—0.0%(b)						
GSC Partners CDO GP III, LP(f)(h)	Financial Services	6.24% Limited Partnership Interest	—	—	—	0.0%
Sub Total Affiliate investments				—	—	0.0%
TOTAL INVESTMENTS—115.9%(b)				**$ 117,444,611**	**$ 119,290,763**	**115.9**%

(a) All of our equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except GSC Investment Corp. CLO 2007 Ltd. and GSC Partners CDO GP III, LP.

(b) Percentages are based on net assets of $102,892,221 as of November 30, 2012.

(c) Because there is no readily available market value for these investments, the fair value of these investments is approved in good faith by our board of directors. (see Note 3 to the consolidated financial statements).

(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 6 to the consolidated financial statements).

(e) 18.81% represents the modeled effective interest rate that is expected to be earned over the life of the investment.

(f) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was an Affiliate are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(g) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Investment Corp. CLO 2007 LTD.	$ —	$ —	$ —	$3,186,751	$ 1,500,519	$ —	$ 4,279,514
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(h) Non-income producing at November 30, 2012.

Saratoga Investment Corp.

Consolidated Schedule of Investments

February 29, 2012

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Non-control/Non-affiliated investments—71.4%(b)						
Coast Plating, Inc.(d)	Aerospace	First Lien Term Loan 11.77% Cash, 9/13/2014	$ 2,550,000	$ 2,550,000	$ 2,550,000	2.6%
Coast Plating, Inc.(d)	Aerospace	First Lien Term Loan 12.52% Cash, 9/13/2014	$ 950,000	950,000	950,000	1.0%
		Total Aerospace		3,500,000	3,500,000	3.6%
Legacy Cabinets Holdings(d)(h)	Building Products	Common Stock Voting A-1	2,535	220,900	—	0.0%
Legacy Cabinets Holdings(d)(h)	Building Products	Common Stock Voting B-1	1,600	139,424	—	0.0%
Legacy Cabinets, Inc.(d)	Building Products	First Lien Term Loan 7.25% (1.00% Cash/6.25% PIK), 5/3/2014	$ 312,198	312,198	221,629	0.2%
		Total Building Products		672,522	221,629	0.2%
Targus Group International, Inc. (d)	Consumer Products	First Lien Term Loan 11.00% Cash, 5/24/2016	$ 3,980,000	3,911,828	3,944,976	4.1%
Targus Holdings, Inc.(d)	Consumer Products	Unsecured Notes 10.00% PIK, 6/14/2019	$ 1,799,479	1,799,479	963,621	1.0%
Targus Holdings, Inc.(d)(h)	Consumer Products	Common Stock	62,413	566,765	2,675,645	2.7%
		Total Consumer Products		6,278,072	7,584,242	7.8%
CFF Acquisition LLC(d)	Consumer Services	First Lien Term Loan 7.50% Cash, 7/31/2015	$ 2,684,141	2,462,831	2,448,205	2.5%
PrePaid Legal Services, Inc.(d)	Consumer Services	First Lien Term Loan 11.00% Cash, 12/31/2016	$ 3,000,000	2,920,411	2,940,000	3.0%
		Total Consumer Services		5,383,242	5,388,205	5.5%
M/C Acquisition Corp., LLC(d)	Education	First Lien Term Loan 10.00% (4.25% Cash/5.75% PIK), 12/31/2012	$ 2,944,596	1,790,662	591,864	0.6%
M/C Acquisition Corp., LLC(d)(h)	Education	Class A Common Stock	544,761	30,242	—	0.0%
		Total Education		1,820,904	591,864	0.6%
Advanced Lighting Technologies, Inc.(d)	Electronics	Second Lien Term Loan 6.25% Cash, 6/1/2014	$ 2,000,000	1,902,053	1,910,400	2.0%
Group Dekko, Inc.(d)	Electronics	Second Lien Term Loan 10.50% (6.50% Cash/4.00% PIK), 5/1/2013	$ 7,571,152	7,571,152	7,003,316	7.2%
		Total Electronics		9,473,205	8,913,716	9.2%
USS Parent Holding Corp.(d)(h)	Environmental	Non Voting Common Stock	765	133,002	97,810	0.1%
USS Parent Holding Corp.(d)(h)	Environmental	Voting Common Stock	17,396	3,025,798	2,225,180	2.3%
		Total Environmental		3,158,800	2,322,990	2.4%
DCS Business Services, Inc.(d)	Financial Services	First Lien Term Loan 14.00% Cash, 9/30/2012	$ 1,600,000	1,604,464	1,600,000	1.6%
Big Train, Inc.(d)	Food and Beverage	First Lien Term Loan 7.75% Cash, 3/31/2012	$ 1,406,768	1,389,640	1,368,785	1.4%
HOA Restaurant Group, LLC.(d)	Food and Beverage	Senior Secured Notes 11.25% Cash, 4/1/2017	$ 4,000,000	3,880,000	3,880,000	4.0%
		Total Food and Beverage		5,269,640	5,248,785	5.4%
Maverick Healthcare Group(d)	Healthcare Services	First Lien Term Loan 10.75% Cash, 12/31/2016	$ 4,950,000	4,867,725	4,824,270	5.0%

Saratoga Investment Corp.

Consolidated Schedule of Investments (Continued)

February 29, 2012

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
McMillin Companies LLC(d)(h)	Homebuilding	Senior Secured Notes 0% Cash, 12/31/2013	$ 550,000	511,952	288,915	0.3%
Capstone Logistics, LLC(d)	Logistics	First Lien Term Loan 7.50% Cash, 9/16/2016	$ 997,118	982,954	997,118	1.0%
Capstone Logistics, LLC(d)	Logistics	First Lien Term Loan 13.50% Cash, 9/16/2016	$ 4,000,000	3,943,183	4,000,000	4.1%
Worldwide Express Operations, LLC(d)	Logistics	First Lien Term Loan 7.50% Cash, 6/30/2013	$ 6,680,276	6,412,355	6,103,100	6.3%
		Total Logistics		11,338,492	11,100,218	11.4%
Sabre Industries, Inc(d)	Manufacturing	Senior Unsecured Loan 15.00% (12.00% Cash/3.00% PIK), 6/6/2016	$ 6,000,000	5,852,741	6,000,000	6.2%
Elyria Foundry Company, LLC(d)	Metals	Senior Secured Notes 17.00% (13.00% Cash/4.00% PIK), 3/1/2013	$ 7,428,456	7,224,787	6,537,041	6.7%
Elyria Foundry Company, LLC(d)(h)	Metals	Warrants to Purchase Limited Liability Company Interests	3,000	—	—	0.0%
		Total Metals		7,224,787	6,537,041	6.7%
Network Communications, Inc.(d)	Publishing	Unsecured Notes 8.60% PIK, 1/14/2020	$ 2,422,095	1,924,577	1,044,892	1.0%
Network Communications, Inc.(d)(h)	Publishing	Common Stock	211,429	—	691,373	0.7%
Penton Media, Inc.(d)	Publishing	First Lien Term Loan 5.00% (4.00% Cash/ 1.00% PIK), 8/1/2014	$ 4,839,526	4,280,599	3,655,294	3.8%
		Total Publishing		6,205,176	5,391,559	5.5%
Sub Total Non-control/Non-affiliated investments				73,161,722	69,513,434	71.4%
Control investments—26.5%(b)						
GSC Partners CDO GP III, LP(g)(h)	Financial Services	100% General Partnership Interest	—	—	—	0.0%
GSC Investment Corp. CLO 2007 LTD.(d)(e)(g)	Structured Finance Securities	Other/Structured Finance Securities 17.38%, 1/21/2020	$30,000,000	23,540,517	25,846,414	26.5%
Sub Total Control investments				23,540,517	25,846,414	26.5%
Affiliate investments—0.0%(b)						
GSC Partners CDO GP III, LP(f)(h)	Financial Services	6.24% Limited Partnership Interest	—	—	—	0.0%
Sub Total Affiliate investments				—	—	0.0%
TOTAL INVESTMENTS—97.9% (b)				**$96,702,239**	**$ 95,359,848**	**97.9%**

Outstanding interest rate cap	Interest rate	Maturity	Notional	Cost	Fair Value	% of Net Assets
Interest rate cap	8.0%	2/9/2014	$ 19,591,837	$ 87,000	$ 54	0.0%
Interest rate cap	8.0%	11/30/2013	10,332,000	44,000	21	0.0%
Total Outstanding interest rate cap				$ 131,000	$ 75	0.0%

* Amounts to less than 0.05%

(a) All of our equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except GSC Investment Corp. CLO 2007 Ltd. and GSC Partners CDO GP III, LP.

(b) Percentages are based on net assets of $97,380,150 as of February 29, 2012.

(c) Because there is no readily available market value for these investments, the fair value of these investments is approved in good faith by our board of directors. (see Note 3 to the consolidated financial statements).

(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 6 to the consolidated financial statements).

(e) 17.38% represents the modeled effective interest rate that is expected to be earned over the life of the investment.

(f) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was an Affiliate are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(g) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Investment Corp. CLO 2007 LTD.	$ —	$ —	$ —	$4,198,007	$ 2,011,516	$ —	$ 6,938,209
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(h) Non-income producing at February 29, 2012.

Saratoga Investment Corp.

Consolidated Statements of Changes in Net Assets

	For the nine months ended November 30, 2012 (unaudited)	For the nine months ended November 30, 2011 (unaudited)
INCREASE FROM OPERATIONS:		
Net investment income	$ 5,076,189	$ 4,122,645
Net realized gain (loss) from investments	542,720	(5,839,864)
Net realized loss from derivatives	(131,000)	—
Net unrealized appreciation on investments	3,188,543	11,927,052
Net unrealized appreciation (depreciation) on derivatives	130,925	(15,108)
Net increase in net assets from operations	8,807,377	10,194,725
DECREASE FROM SHAREHOLDER DISTRIBUTIONS:		
Distributions declared	(16,475,809)	(9,831,231)
Net decrease in net assets from shareholder distributions	(16,475,809)	(9,831,231)
CAPITAL SHARE TRANSACTIONS:		
Stock dividend distribution	13,180,503	7,864,784
Net increase in net assets from capital share transactions	13,180,503	7,864,784
Total increase in net assets	5,512,071	8,228,278
Net assets at beginning of period	97,380,150	86,071,454
Net assets at end of period	$ 102,892,221	$ 94,299,732
Net asset value per common share	$ 21.75	$ 24.32
Common shares outstanding at end of period	4,730,116	3,876,661
Distribution in excess of net investment income	$ (25,319,688)	$ (14,627,476)

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Cash Flows

	For the nine months ended November 30, 2012 (unaudited)	For the nine months ended November 30, 2011 (unaudited)
Operating activities		
NET INCREASE IN NET ASSETS FROM OPERATIONS	$ 8,807,377	$ 10,194,725
ADJUSTMENTS TO RECONCILE NET INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Paid-in-kind interest income	(821,830)	(1,188,674)
Net accretion of discount on investments	(710,418)	(1,002,986)
Amortization of deferred credit facility financing costs	342,505	510,376
Net realized (gain) loss from investments	(542,720)	5,839,864
Net realized loss from derivatives	131,000	—
Net unrealized appreciation on investments	(3,188,543)	(11,927,052)
Net unrealized (appreciation) depreciation on derivatives	(130,925)	15,108
Proceeds from sale and redemption of investments	15,990,963	31,873,349
Purchase of investments	(34,658,367)	(28,948,936)
(Increase) decrease in operating assets:		
Cash and cash equivalents, reserve accounts	21,747,012	3,536,441
Interest receivable	(216,782)	370,286
Management fee receivable	10,634	4,291
Other assets	75,850	(2,880,897)
Receivable from unsettled trades	59,511	—
Increase (decrease) in operating liabilities:		
Payable for unsettled trades	(4,072,500)	(4,900,000)
Management and incentive fees payable	479,049	287,095
Accounts payable and accrued expenses	(196,907)	(99,496)
Interest and credit facility fees payable	87,162	(21,959)
Due to manager	(276,217)	44,580
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,915,854	1,706,115
Financing activities		
Borrowings on debt	7,350,000	—
Paydowns on debt	(8,500,000)	(4,500,000)
Credit facility financing cost	(597,000)	—
NET CASH USED BY FINANCING ACTIVITIES	(1,747,000)	(4,500,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,168,854	(2,793,885)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,325,698	10,735,755
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,494,552	$ 7,941,870
Supplemental Information:		
Interest paid during the period	$ 1,378,919	$ 498,625
Supplemental non-cash information:		
Paid-in-kind interest income	$ 821,830	$ 1,188,674
Net accretion of discount on investments	$ 710,418	$ 1,002,986
Amortization of deferred credit facility financing costs	$ 342,505	$ 510,376
Stock dividend distribution	$ 13,180,503	$ 7,864,784
Cash dividend payable	$ 3,295,306	$ 1,966,447

See accompanying notes to consolidated financial statements.

Note 1. Organization and Basis of Presentation

Saratoga Investment Corp. (the "Company", "we", "our" and "us") is a non-diversified closed end management investment company incorporated in Maryland that has elected to be treated and is regulated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). We commenced operations on March 23, 2007 as GSC Investment Corp. and completed our initial public offering ("IPO") on March 28, 2007. We have elected to be treated as a regulated investment company ("RIC") under subchapter M of the Internal Revenue Code (the "Code"). We expect to continue to qualify and to elect to be treated for tax purposes as a RIC. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments.

GSC Investment, LLC (the "LLC") was organized in May 2006 as a Maryland limited liability company. As of February 28, 2007, the LLC had not yet commenced its operations and investment activities.

On March 21, 2007, the Company was incorporated and concurrently therewith the LLC was merged with and into the Company, with the Company as the surviving entity, in accordance with the procedure for such merger in the LLC's limited liability company agreement and Maryland law. In connection with such merger, each outstanding limited liability company interest of the LLC was converted into a share of common stock of the Company.

On July 30, 2010, the Company changed its name from "GSC Investment Corp." to "Saratoga Investment Corp." in conjunction with the transaction described in "Note 12. Recapitalization Transaction" below.

We are externally managed and advised by our investment adviser, Saratoga Investment Advisors, LLC (the "Manager"), pursuant to an investment advisory and management agreement. Prior to July 30, 2010, we were managed and advised by GSCP (NJ), L.P.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP ("SBIC LP"), received a Small Business Investment Company ("SBIC") license from the Small Business Administration ("SBA").

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("GAAP") and include the accounts of the Company and its wholly-owned subsidiaries, Saratoga Investment Funding, LLC (previously known as GSC Investment Funding LLC) and SBIC LP. All intercompany accounts and transactions have been eliminated in consolidation. All references made to the "Company," "we," and "us" herein include Saratoga Investment Corp. and its consolidated subsidiaries, except as stated otherwise.

Note 2. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets

Note 2. Summary of Significant Accounting Policies (Continued)

and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and income, gains/(losses) and expenses during the period reported. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value. Pursuant to section 12(d)(1)(A) of the 1940 Act, the Company may not invest in another registered investment company such as a money market fund if such investment would cause the Company to exceed any of the following limitations:

- we were to own more than 3% of the total outstanding voting stock of the money market fund;
- we were to hold securities in the money market fund having an aggregate value in excess of 5% of the value of our total assets; or
- we were to hold securities in money market funds and other registered investment companies and BDCs having an aggregate value in excess of 10% of the value of our total assets.

Cash and Cash Equivalents, Reserve Accounts

Cash and cash equivalents, reserve accounts include amounts held in designated bank accounts in the form of cash and short-term liquid investments in money market funds representing payments received on secured investments or other reserved amounts associated with our $45 million senior secured revolving credit facility with Madison Capital Funding LLC. The Company is required to use these amounts to pay interest expense, reduce borrowings, or pay other amounts in accordance with the terms of the senior secured revolving credit facility.

Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in companies in which we own more than 25% of the voting securities or maintain greater than 50% of the board representation. Under the 1940 Act, "Affiliated Investments" are defined as those non-control investments in companies in which we own between 5% and 25% of the voting securities. Under the 1940 Act, "Non-affiliated Investments" are defined as investments that are neither Control Investments nor Affiliated Investments.

Investment Valuation

The Company accounts for its investments at fair value in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820

Note 2. Summary of Significant Accounting Policies (Continued)

requires the Company to assume that its investments are to be sold at the statement of assets and liabilities date in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

Investments for which market quotations are readily available are fair valued at such market quotations obtained from independent third party pricing services and market makers subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved, in good faith, by our board of directors based on input from our Manager, the audit committee of our board of directors and a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, market yield trend analysis, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- Each investment is initially valued by the responsible investment professionals of our Manager and preliminary valuation conclusions are documented and discussed with the senior management of our Manager; and

- An independent valuation firm engaged by our board of directors reviews approximately one quarter of these preliminary valuations each quarter so that the valuation of each investment for which market quotes are not readily available is reviewed by the independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- The audit committee of our board of directors reviews each preliminary valuation and our Manager and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and

- Our board of directors discusses the valuations and approves the fair value of each investment, in good faith, based on the input of our Manager, independent valuation firm (to the extent applicable) and the audit committee of our board of directors.

Our investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate

Note 2. Summary of Significant Accounting Policies (Continued)

substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flows analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Derivative Financial Instruments

We account for derivative financial instruments in accordance with ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires recognizing all derivative instruments as either assets or liabilities on the consolidated statements of assets and liabilities at fair value. The Company values derivative contracts at the closing fair value provided by the counterparty. Changes in the values of derivative contracts are included in the consolidated statements of operations.

Investment Transactions and Income Recognition

Purchases and sales of investments and the related realized gains or losses are recorded on a trade-date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Company stops accruing interest on its investments when it is determined that interest is no longer collectible. Discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortizations of premium on investments.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reserved when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as a reduction in principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection.

Interest income on our investment in Saratoga CLO is recorded using the effective interest method in accordance with the provisions of ASC Topic 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash

Note 2. Summary of Significant Accounting Policies (Continued)

flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Paid-in-Kind Interest

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We stop accruing PIK interest if we do not expect the issuer to be able to pay all principal and interest when due.

Deferred Credit Facility Financing Costs

Financing costs incurred in connection with our credit facility are deferred and amortized using the straight line method over the life of the facility.

Contingencies

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, management feels that the likelihood of such an event is remote.

In the ordinary course of business, the Company may directly or indirectly be a defendant or plaintiff in legal actions with respect to bankruptcy, insolvency or other types of proceedings. Such lawsuits may involve claims that could adversely affect the value of certain financial instruments owned by the Company.

Income Taxes

The Company has filed an election to be treated for tax purposes as a RIC under Subchapter M of the Code and, among other things, intends to make the requisite distributions to its stockholders which will relieve the Company from federal income taxes. Therefore, no provision has been recorded for the obligation to pay federal income taxes.

In order to qualify as a RIC, among other requirements, the Company is required to timely distribute to its stockholders at least 90% of its investment company taxable income, as defined by the Code, for each fiscal tax year. The Company will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend

Note 2. Summary of Significant Accounting Policies (Continued)

distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned.

In accordance with certain applicable Treasury regulations and private letter rulings issued by the Internal Revenue Service, a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20% of the aggregate declared distribution. If too many stockholders elect to receive cash, each stockholder electing to receive cash will receive a pro rata amount of cash (with the balance of the distribution paid in stock). In no event will any stockholder, electing to receive cash, receive less than 20% of his or her entire distribution in cash. If these and certain other requirements are met, for U.S federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock.

ASC 740, *Income Taxes* provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet a "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statement of operations. As of November 30, 2012 and February 29, 2012, there were no uncertain tax positions.

Dividends

Dividends to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is approved by the board of directors. Net realized capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for reinvestment.

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividend distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends. If our common stock is trading below net asset value at the time of valuation, the plan administrator may receive the dividend or distribution in cash and purchase common stock in the open market, on the New York Stock Exchange or elsewhere, for the account of each participant in our dividend reinvestment plan.

Capital Gains Incentive Fee

The Company records an expense accrual relating to the capital gains incentive fee payable by the Company to its investment adviser when the unrealized gains on its investments exceed all realized capital losses on its investments given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. The actual incentive fee payable to the Company's investment adviser related to capital gains will be determined

Note 2. Summary of Significant Accounting Policies (Continued)

and payable in arrears at the end of each fiscal year and will include only realized capital gains for the period.

New Accounting Pronouncements

In December 2011, the FASB issued ("ASU") No. 2011-11, Disclosures about Offsetting Assets and Liabilities, which requires entities to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The guidance is effective for fiscal years and interim periods beginning on or after January 1, 2013 with retrospective application for all comparative periods presented. The adoption of this guidance, which is related to disclosure only, is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Risk Management

In the ordinary course of its business, the Company manages a variety of risks, including market risk and credit risk. Market risk is the risk of potential adverse changes to the value of investments because of changes in market conditions such as interest rate movements and volatility in investment prices.

Credit risk is the risk of default or non-performance by portfolio companies, equivalent to the investment's carrying amount.

The Company is also exposed to credit risk related to maintaining all of its cash and cash equivalents, including those in reserve accounts, at a major financial institution and credit risk related to any of its derivative counterparties.

The Company has investments in lower rated and comparable quality unrated high yield bonds and bank loans. Investments in high yield investments are accompanied by a greater degree of credit risk. The risk of loss due to default by the issuer is significantly greater for holders of high yield securities, because such investments are generally unsecured and are often subordinated to other creditors of the issuer.

Note 3. Investments

As noted above, the Company values all investments in accordance with ASC 820. ASC 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Note 3. Investments (Continued)

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs used in the determination of fair value may require significant management judgment or estimation. Such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as a Level 3 asset, assuming no additional corroborating evidence.

In addition to using the above inputs in investment valuations, the Company continues to employ the valuation policy approved by the board of directors that is consistent with ASC 820 and the 1940 Act (see Note 2). Consistent with our Company's valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

The following table presents fair value measurements of investments, by major class, as of November 30, 2012 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien term loans	$ —	$ —	$ 64,094	$ 64,094
Second lien term loans	—	—	10,038	10,038
Senior secured notes	—	—	10,491	10,491
Unsecured notes	—	—	2,241	2,241
Structured finance securities	—	—	24,641	24,641
Equity interests	—	—	7,786	7,786
Limited partnership interests	—	—	—	—
Total	$ —	$ —	$ 119,291	$ 119,291

Note 3. Investments (Continued)

The following table presents fair value measurements of investments, by major class, as of February 29, 2012 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien term loans	$ —	$ —	$ 36,196	$ 36,196
Second lien term loans	—	—	8,914	8,914
Senior secured notes	—	—	10,706	10,706
Senior unsecured loans	—	—	6,000	6,000
Unsecured notes	—	—	2,008	2,008
Structured finance securities	—	—	25,846	25,846
Equity interests	—	—	5,690	5,690
Limited partnership interests	—	—	—	—
Total	$ —	$ —	$ 95,360	$ 95,360

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the nine months ended November 30, 2012 (dollars in thousands):

	First lien term loans	Second lien term loans	Senior secured notes	Senior unsecured loans	Unsecured notes	Structured finance securities	Common stock/ equities	Total
Balance as of February 29, 2012	$ 36,196	$ 8,914	$ 10,706	$ 6,000	$ 2,008	$ 25,846	$ 5,690	$ 95,360
Net unrealized gains (losses)	1,194	161	(679)	(148)	(197)	1,974	884	3,189
Purchases and other adjustments to cost	31,069	2,908	464	107	430	—	1,212	36,190
Sales and redemptions	(4,544)	(2,032)	—	(6,090)	—	(3,179)	(146)	(15,991)
Net realized gain from investments	179	87	—	131	—	—	146	543
Balance as of November 30, 2012	$ 64,094	$ 10,038	$ 10,491	$ —	$ 2,241	$ 24,641	$ 7,786	$ 119,291

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales and redemptions represent net proceeds received from investments sold, and principal paydowns received, during the period.

The net change in unrealized gain/(loss) on investments held as of November 30, 2012 is $3.3 million and is included in net unrealized appreciation (depreciation) on investments in the consolidated statements of operations.

Note 3. Investments (Continued)

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of November 30, 2012 were as follows (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
First lien term loans	$ 64,094	Market Comparables	Market Yield (%)	6.4% - 25.6%	9.8%
			EBITDA Multiples (x)	3.0x	3.0x
		Market Quotes	Third-Party Bid	88.6 - 102.8	98.2%
Second lien term loans	10,038	Market Comparables	Market Yield (%)	13.7%	13.7%
		Market Quotes	Third-Party Bid	90.5	90.5
Senior secured notes	10,491	Market Comparables	Market Yield (%)	42.5%	42.5%
			EBITDA Multiples (x)	4.8x	4.8x
		Market Quotes	Third-Party Bid	89.0	89.0
Unsecured notes	2,241	Market Comparables	Market Yield (%)	18.0% - 24.2%	21.5%
Structured finance securities	24,641	Discounted Cash Flow	Discount Rate (%)	13.0%	13.0%
Equity interests	7,786	Market Comparables	EBITDA Multiples (x)	3.0x - 7.0x	6.4x

For investments utilizing a market comparables valuation technique, a significant increase (decrease) in the market yield, in isolation, would result in a significantly lower (higher) fair value measurement, and a significant increase (decrease) in any of the EBITDA valuation multiples, in isolation, would result in a significantly higher (lower) fair value measurement. For investments utilizing a discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, in isolation, would result in a significantly lower (higher) fair value measurement.

The composition of our investments as of November 30, 2012, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien term loans	$ 65,083	55.4%	$ 64,094	53.7%
Second lien term loans	10,436	8.9	10,038	8.4
Senior secured notes	12,081	10.3	10,491	8.8
Unsecured notes	4,154	3.5	2,241	1.9
Structured finance securities	20,362	17.4	24,641	20.7
Equity interests	5,329	4.5	7,786	6.5
Limited partnership interests	—	—	—	—
Total	$ 117,445	100%	$ 119,291	100%

Note 3. Investments (Continued)

The composition of our investments as of February 29, 2012, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien term loans	$ 38,379	39.7%	$ 36,196	38.0%
Second lien term loans	9,473	9.8	8,914	9.4
Senior secured notes	11,617	12.0	10,706	11.2
Senior unsecured loans	5,852	6.1	6,000	6.3
Unsecured notes	3,724	3.8	2,008	2.1
Structured finance securities	23,541	24.3	25,846	27.1
Equity interests	4,116	4.3	5,690	5.9
Limited partnership interests	—	—	—	—
Total	$ 96,702	100.0%	$ 95,360	100.0%

For loans and debt securities for which market quotations are not available, we determine their fair value based on third party indicative broker quotes, where available, or the assumptions that a hypothetical market participant would use to value the security in a current hypothetical sale using a market yield valuation methodology. In applying the market yield valuation methodology, we determine the fair value based on such factors as market participant assumptions including synthetic credit ratings, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date. If, in our judgment, the market yield methodology is not sufficient or appropriate, we may use additional methodologies such as an asset liquidation or expected recovery model.

For equity securities of portfolio companies and partnership interests, we determine the fair value of the portfolio company based on the market approach with value then attributed to equity or equity like securities using the enterprise value waterfall valuation methodology. Under the enterprise value waterfall valuation methodology, we determine the enterprise fair value of the portfolio company and then waterfall the enterprise value over the portfolio company's securities in order of their preference relative to one another. To estimate the enterprise value of the portfolio company, we weigh some or all of the traditional market valuation methods and factors based on the individual circumstances of the portfolio company in order to estimate the enterprise value. The methodologies for performing investments may be based on, among other things: valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, third party valuations of the portfolio company, considering offers from third parties to buy the company, estimating the value to potential strategic buyers and considering the value of recent investments in the equity securities of the portfolio company. For non-performing investments, we may estimate the liquidation or collateral value of the portfolio company's assets and liabilities. We also take into account historical and anticipated financial results.

Our investment in Saratoga CLO is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and

Note 3. Investments (Continued)

comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We used the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flows analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO at November 30, 2012. The significant inputs for the valuation model included:

- Default rates: 3.0%
- Recovery rates: 70% loans; 35% bonds
- Reinvestment rates: LIBOR plus 350 basis points
- Prepayment rate: 20%

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO")

On January 22, 2008, we invested $30 million in all of the outstanding subordinated notes of Saratoga CLO (which are referred in the unaudited balance sheet of Saratoga CLO below as "Preference shares"), a collateralized loan obligation fund managed by us that invests primarily in senior secured loans. Additionally, we entered into a collateral management agreement with Saratoga CLO pursuant to which we act as collateral manager to it. In return for our collateral management services, we are entitled to a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of Saratoga CLO's assets, to be paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return equal to or greater than 12%. For the three months ended November 30, 2012 and 2011, we accrued $0.5 million and $0.5 million in collateral management fee income, respectively, due from Saratoga CLO and $1.0 million and $1.2 million in interest income, respectively, due from Saratoga CLO. For the nine months ended November 30, 2012 and 2011, we accrued $1.5 million and $1.5 million in collateral management fee income, respectively, due from Saratoga CLO and $3.2 million and $3.1 million in interest income, respectively, due from Saratoga CLO. We did not accrue any amounts related to the incentive management fee as the 12% hurdle rate has not yet been achieved.

At November 30, 2012, the Company determined that the fair value of its investment in the subordinated notes of Saratoga CLO was $24.6 million, whereas the net asset value of Saratoga CLO on such date was $28.8 million. The Company does not believe that the net asset value of Saratoga CLO, which is the difference between Saratoga CLO's assets and liabilities at a given point in time, necessarily equates to the fair value of its investment in the subordinated notes of Saratoga CLO. Specifically, the Company determines the fair value of its investment in the subordinated notes of

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Saratoga CLO based on the present value of the projected future cash flows of the subordinated notes over the life of Saratoga CLO. At November 30, 2012, Saratoga CLO had investments with a principal balance of $393.4 million and a weighted average spread over LIBOR of 4.2%, and had debt with a principal balance of $366.0 million with a weighted average spread over LIBOR of 1.4%. As a result, Saratoga CLO earns a "spread" between the interest income it receives on its investments and the interest expense it pays on its debt and other operating expenses, which is distributed quarterly to the Company as the holder of its subordinated notes. At November 30, 2012, the total "spread", or projected future cash flows of the subordinated notes, over the life of Saratoga CLO was $37.2 million, which had a present value of approximately $25.1 million, using a 13% discount rate. At November 30, 2012, the fair value of the subordinated notes, which we based upon the present value of the projected cash flows, was $24.6 million, which was less than the net asset value of Saratoga CLO on such date by approximately $4.2 million.

Below is certain summary financial information from the separate unaudited financial statements of Saratoga CLO as of November 30, 2012 and February 29, 2012 and for the three and nine months ended November 30, 2012 and 2011.

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

GSC Investment Corp. CLO 2007

Statements of Assets and Liabilities
(unaudited)

	As of	
	November 30, 2012	February 29, 2012
ASSETS		
Investments		
Fair Value Loans	$ 366,614,963	$ 365,780,893
Fair Value Other/Structured finance securities	15,583,573	15,583,573
Total investments at fair value	382,198,536	381,364,466
Cash and cash equivalents	13,403,783	17,815,082
Receivable from open trades	2,877,531	10,046,640
Interest receivable	1,652,532	1,581,438
Deferred bond issuance	2,274,369	2,819,118
Total assets	$ 402,406,751	$ 413,626,744
LIABILITIES		
Interest payable	$ 707,991	$ 826,741
Payable from open trades	8,823,095	24,857,147
Accrued senior collateral monitoring fee	43,389	45,516
Accrued subordinate collateral monitoring fee	173,557	182,064
Class A notes	296,000,000	296,000,000
Class B notes	22,000,000	22,000,000
Discount on class B notes	(431,922)	(477,483)
Class C notes	14,000,000	14,000,000
Class D notes	16,000,000	16,000,000
Discount on class D notes	(456,909)	(505,106)
Class E notes	17,960,044	17,960,044
Discount on class E notes	(1,175,354)	(1,299,337)
Total liabilities	$ 373,643,891	$ 389,589,586
PARTNERS' CAPITAL		
Preference shares principal	$ 30,000,000	$ 30,000,000
Preferred shares	14,577,740	9,478,573
Partners distributions	(26,936,112)	(20,540,583)
Net income	11,121,232	5,099,168
Total capital	28,762,860	24,037,158
Total liabilities and partners' capital	$ 402,406,751	$ 413,626,744

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

GSC Investment Corp. CLO 2007

Statement of Operations
(unaudited)

	For the three months ended November 30		For the nine months ended November 30	
	2012	2011	2012	2011
INVESTMENT INCOME				
Interest from investments	$ 4,843,433	$ 4,938,100	$ 14,699,180	$ 15,158,477
Interest from cash and cash equivalents	2,718	1,283	13,550	6,976
Other income	292,475	89,338	607,648	439,255
Total investment income	5,138,626	5,028,721	15,320,378	15,604,708
EXPENSES				
Interest expense	1,681,369	1,615,662	5,256,854	4,793,580
Professional fees	46,134	50,075	293,392	307,156
Misc. Fee Expense	15,494	11,757	83,081	158,416
Senior collateral monitoring fee	100,091	100,384	300,104	302,418
Subordinate collateral monitoring fee	400,363	401,536	1,200,415	1,209,673
Trustee expenses	25,778	25,291	75,646	75,374
Amortization expense	253,635	253,635	762,489	762,489
Total expenses	2,522,864	2,458,340	7,971,981	7,609,106
NET INVESTMENT INCOME	2,615,762	2,570,381	7,348,397	7,995,602
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain/(loss) on investments	269,472	106,318	1,681,602	(5,075,060)
Net unrealized appreciation/(depreciation) on investments	782,564	6,446,956	2,091,233	(7,191,712)
Net gain/(loss) on investments	1,052,036	6,553,274	3,772,835	(12,266,772)
NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 3,667,798	$ 9,123,655	$ 11,121,232	$ (4,271,170)

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

GSC Investment Corp. CLO 2007

Consolidated Schedule of Investments

November 30, 2012

(unaudited)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Elyria Foundry Company, LLC	Warrants	Equity	0.00%		—	$ —	$ —
Network Communications, Inc.	Common	Equity	0.00%		169,143	169,143	659,658
OLD AII, Inc (fka Aleris International Inc.)	Common	Equity	0.00%		2,624	224,656	128,576
PATS Aircraft, LLC	Common	Equity	0.00%		51,813	282,326	282,329
SuperMedia Inc. (fka Idearc Inc.)	Common Stock	Equity	0.00%		10,821	28,784	5,411
Academy, LTD.	Initial Term Loan (2012)	Loan	4.75%	8/3/2018	$1,985,000	1,970,290	1,992,444
ACCO Brands Corporation	Term B Loan	Loan	4.25%	5/1/2019	$ 375,278	371,841	378,561
Acosta, Inc.	Term D Loan	Loan	5.00%	3/2/2018	$4,183,659	4,117,676	4,220,266
Aeroflex Incorporated	Tranche B Term Loan	Loan	5.75%	5/9/2018	$3,345,517	3,332,491	3,339,529
Alere Inc. (fka IM US Holdings, LLC)	Incremental B-1 Term Loan	Loan	4.75%	6/30/2017	$1,985,000	1,944,046	1,993,516
Aptalis Pharma, Inc. (fka Axcan Intermediate Holdings Inc.)	Term B-1 Loan	Loan	5.50%	2/10/2017	$1,965,000	1,958,114	1,963,782
Aramark Corporation	LC-2 Facility	Loan	3.46%	7/26/2016	$ 79,187	79,187	79,336
Aramark Corporation	LC-3 Facility	Loan	3.46%	7/26/2016	$ 43,961	43,961	44,043
Aramark Corporation	U.S. Term B Loan (Extending)	Loan	3.46%	7/26/2016	$1,204,093	1,204,093	1,206,357
Aramark Corporation	U.S. Term C Loan	Loan	3.57%	7/26/2016	$2,545,700	2,545,700	2,550,486
Armstrong World Industries, Inc	Term Loan B-1	Loan	4.00%	3/10/2018	$2,128,332	2,114,455	2,139,315
Ashland Inc.	Term B Loan	Loan	3.75%	8/23/2018	$ 740,000	738,482	745,624
Asurion, LLC (fka Asurion Corporation)	Amortizing Term Loan	Loan	4.75%	7/23/2017	$1,000,000	990,707	1,003,750
Asurion, LLC (fka Asurion Corporation)	Term Loan (First Lien)	Loan	5.50%	5/24/2018	$5,659,091	5,614,478	5,702,440
Aurora Diagnostics, LLC	Tranche B Term Loan	Loan	6.25%	5/26/2016	$3,188,889	3,198,996	3,180,917
Autotrader.com, Inc.	Tranche B-1 Term Loan	Loan	4.00%	12/15/2016	$3,840,515	3,840,515	3,865,478
Avantor Performance Materials Holdings, Inc.	Term Loan	Loan	5.00%	6/24/2017	$4,937,500	4,918,555	4,912,813
AZ Chem US Inc.	Term Loan	Loan	7.25%	12/22/2017	$1,574,545	1,534,359	1,597,676
BakerCorp International, Inc. (f/k/a B-Corp Holdings, Inc.)	Term Loan	Loan	5.00%	6/1/2018	$2,585,841	2,585,109	2,585,841
Biomet, Inc.	Dollar Term B-1 Loan	Loan	3.96%	7/25/2017	$1,995,000	1,995,000	2,009,963
Bombardier Recreational Products Inc.	Term B-2 Loan	Loan	4.46%	6/28/2016	$2,000,000	1,990,340	2,005,840
Burlington Coat Factory Warehouse Corporation	Term B-1 Loan	Loan	5.50%	2/23/2017	$3,000,000	2,989,629	3,020,880
C.H.I. Overhead Doors, Inc. (CHI)	Term Loan (First Lien)	Loan	7.25%	8/17/2017	$2,983,844	2,936,520	2,983,844
Camp International Holding Company	Refinanced Term Loan (First Lien)	Loan	5.25%	5/31/2019	$1,000,000	990,243	1,005,000
Capital Automotive L.P.	Tranche B Term Loan	Loan	0.00%	3/11/2017	$2,879,345	2,886,543	2,884,153
Capstone Logistics, LLC	Term Note A	Loan	7.50%	9/16/2016	$2,963,427	2,928,307	2,918,975
Capsugel Holdings US, Inc.	Initial Term Loan (New)	Loan	4.75%	8/1/2018	$3,700,642	3,690,746	3,729,507
Celanese US Holdings LLC	Dollar Term C Loan (Extended)	Loan	3.11%	10/31/2016	$2,204,172	2,226,295	2,219,887
Cenveo Corporation	Term B Facility	Loan	6.63%	12/21/2016	$2,443,617	2,427,099	2,449,726
Charter Communications Operating, LLC	Term C Loan	Loan	3.46%	9/6/2016	$3,062,577	3,057,871	3,075,103
Charter Communications Operating, LLC	Term D Loan	Loan	4.00%	5/15/2019	$1,990,000	1,980,945	2,004,428
CHS/ Community Health Systems, Inc.	Extended Term Loan	Loan	3.81%	1/25/2017	$4,064,516	3,957,287	4,089,431
Cinedigm Digital Funding I, LLC	Term Loan	Loan	5.25%	4/29/2016	$1,164,109	1,157,458	1,164,109
Cinemark USA, Inc.	Extended Term Loan	Loan	3.46%	4/30/2016	$5,545,125	5,350,619	5,570,521
Contec, LLC	Second Lien Term Notes	Loan	10.00%	11/2/2016	$ 401,202	2,534,998	2,578,210
Covanta Energy Corporation	Term Loan	Loan	4.00%	3/28/2019	$ 497,500	495,252	497,813
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Term B Loan	Loan	5.00%	2/13/2017	$4,912,500	4,895,268	4,937,063
Crown Castle Operating Company	Tranche B Term Loan	Loan	4.00%	1/31/2019	$1,985,000	1,967,373	1,993,694
CSC Holdings, LLC (fka CSC Holdings Inc. (Cablevision))	Term A-3 Loan	Loan	2.46%	3/31/2015	$1,195,614	1,191,958	1,180,669

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Culligan International Company	Dollar Loan (First Lien)	Loan	6.25%	12/19/2017	$ 797,680	731,052	727,883
Culligan International Company	Dollar Loan (Second Lien)	Loan	9.50%	6/19/2018	$ 783,162	717,261	593,895
DaVita HealthCare Partners Inc. (fka DaVita Inc.)	Tranche B Term Loan	Loan	4.50%	10/20/2016	$3,959,698	3,959,698	3,979,496
DCS Business Services, Inc.	Term B Loan	Loan	7.25%	3/16/2018	$3,980,005	3,927,317	3,920,305
Dean Foods Company	2016 Tranche B Term Loan (extending)	Loan	3.21%	4/2/2016	$3,000,000	3,003,701	2,991,750
Del Monte Foods Company	Initial Term Loan	Loan	4.50%	3/8/2018	$1,438,139	1,435,434	1,433,350
Dollar General Corporation	Tranche B-1 Term Loan	Loan	2.96%	7/7/2014	$5,378,602	5,254,601	5,401,784
DS Waters of America, Inc.	Term Loan (First Lien)	Loan	10.50%	8/29/2017	$2,985,000	2,933,196	3,003,656
DynCorp International Inc.	Term Loan	Loan	6.25%	7/7/2016	$ 626,793	619,258	628,987
Education Management LLC	Tranche C-2 Term Loan	Loan	4.50%	6/1/2016	$3,935,720	3,722,533	3,219,930
eInstruction Corporation	Initial Term Loan	Loan	0.00%	7/2/2013	$2,997,722	2,931,236	899,317
Electrical Components International, Inc.	Synthetic Revolving Loan	Loan	6.75%	2/4/2016	$ 117,647	116,524	117,647
Electrical Components International, Inc.	Term Loan	Loan	6.75%	2/4/2017	$1,791,033	1,772,299	1,791,033
Evergreen Acqco 1 LP	New Term Loan	Loan	5.00%	7/9/2019	$ 498,750	493,882	498,905
Federal-Mogul Corporation	Tranche B Term Loan	Loan	2.15%	12/29/2014	$2,595,849	2,493,239	2,381,692
Federal-Mogul Corporation	Tranche C Term Loan	Loan	2.15%	12/28/2015	$1,324,413	1,262,570	1,215,149
First Data Corporation	2017 Dollar Term Loan	Loan	5.21%	3/24/2017	$2,111,028	2,022,364	2,066,168
First Data Corporation	2018 Dollar Term Loan	Loan	4.21%	3/23/2018	$2,290,451	2,213,243	2,180,693
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility B (Dollar)	Loan	4.86%	12/18/2015	$1,295,106	1,292,610	1,281,080
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility C (Dollar)	Loan	5.36%	12/20/2016	$1,295,106	1,292,160	1,287,556
Freescale Semiconductor, Inc.	Tranche B-1 Term Loan	Loan	4.46%	12/1/2016	$2,534,348	2,444,611	2,451,982
FTD Group, Inc.	Initial Term Loan	Loan	4.75%	6/11/2018	$3,715,723	3,682,030	3,738,760
Generac Power Systems, Inc.	Term Loan	Loan	6.25%	5/30/2018	$ 997,500	979,109	1,017,450
General Nutrition Centers, Inc.	Amended Tranche B Term Loan	Loan	3.75%	3/2/2018	$3,748,295	3,748,295	3,752,981
Goodyear Tire & Rubber Company, The	Loan (Second Lien)	Loan	4.75%	4/30/2019	$4,000,000	3,926,815	4,016,680
Grifols Inc.	New U.S. Tranche B Term Loan	Loan	4.50%	6/1/2017	$2,975,704	2,960,017	3,005,461
Grosvenor Capital Management Holdings, LLLP	Tranche C Term Loan	Loan	4.25%	12/5/2016	$3,342,748	3,253,094	3,288,429
Hanger Orthopedic Group, Inc.	Term C Loan	Loan	4.00%	12/1/2016	$3,920,667	3,930,935	3,920,667
HCA Inc.	Tranche B-3 Term Loan	Loan	3.46%	5/1/2018	$5,734,690	5,426,252	5,734,002
Health Management Associates, Inc.	Term B Loan	Loan	4.50%	11/16/2018	$2,977,500	2,951,738	3,003,523
HIBU PLC (fka Yell Group PLC)	Facility B1 - YB (USA) LLC (11/2009)	Loan	4.46%	7/31/2014	$3,030,606	2,983,167	596,029
HMH Holdings (Delaware) Inc.	Term Loan (Exit Facility)	Loan	7.25%	5/22/2018	$ 995,000	976,550	1,002,463
Hologic, Inc.	Tranche A Term Loan	Loan	3.21%	8/1/2017	$2,468,750	2,462,943	2,470,305
Hunter Defense Technologies, Inc.	Term Loan	Loan	3.52%	8/22/2014	$3,679,939	3,642,211	3,201,547
Huntsman International LLC	Extended Term B Loan	Loan	2.76%	4/19/2017	$3,920,000	3,881,526	3,918,589
Infor (US), Inc. ((fka Lawson Software Inc.)	Tranche B-2 Term Loan	Loan	5.25%	4/5/2018	$1,995,000	1,975,693	2,012,456
Inventiv Health, Inc. (fka Ventive Health, Inc)	Consolidated Term Loan	Loan	6.50%	8/4/2016	$ 492,090	492,090	465,640
J. Crew Group, Inc.	Loan	Loan	4.50%	3/7/2018	$ 985,000	985,000	984,448
Kalispel Tribal Economic Authority	Term Loan	Loan	7.50%	2/25/2017	$3,675,323	3,623,375	3,601,817
Key Safety Systems, Inc.	Term Loan (First Lien)	Loan	2.51%	3/8/2014	$3,790,786	3,654,834	3,749,732
Kinetic Concepts, Inc.	Dollar Term C-1 Loan	Loan	5.50%	5/4/2018	$ 496,250	479,089	498,731
Kronos Worldwide, Inc.	Initial Term Loan	Loan	5.75%	6/13/2018	$1,975,000	1,961,430	1,984,875
MetroPCS Wireless, Inc.	Tranche B-2 Term Loan	Loan	4.07%	11/3/2016	$2,495,830	2,498,490	2,505,190
Microsemi Corporation	Term Loan	Loan	4.00%	2/2/2018	$2,781,389	2,775,257	2,795,991
National CineMedia, LLC	Term Loan	Loan	3.46%	11/26/2019	$1,086,207	1,049,619	1,085,305
Newsday, LLC	Term Loan	Loan	0.00%	10/12/2016	$3,000,000	2,996,250	2,958,750
Novelis, Inc.	Term B-2 Loan	Loan	4.00%	3/10/2017	$ 990,000	969,828	991,228
Novelis, Inc.	Term Loan	Loan	4.00%	3/10/2017	$3,930,000	3,957,969	3,936,131
NPC International, Inc.	Term Loan	Loan	4.50%	12/28/2018	$ 490,833	490,833	493,901
NRG Energy, Inc.	Term Loan	Loan	4.00%	7/1/2018	$3,950,000	3,925,294	3,983,338
NuSil Technology LLC.	Term Loan	Loan	5.25%	4/7/2017	$ 823,729	823,729	823,729
OEP Pearl Dutch Acquisition B.V.	Initial BV Term Loan	Loan	6.50%	3/30/2018	$ 149,250	146,575	149,437
On Assignment, Inc.	Initial B Loan	Loan	5.00%	5/15/2019	$2,745,925	2,728,373	2,759,654
Onex Carestream Finance LP	Term Loan	Loan	5.00%	2/25/2017	$4,922,804	4,905,385	4,884,357

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
OpenLink International, Inc.	Initial Term Loan	Loan	7.75%	10/30/2017	$ 992,500	976,239	992,500
P.F. Chang's China Bistro, Inc. (Wok Acquisition Corp.)	Term Borrowing	Loan	5.25%	6/22/2019	$1,000,000	990,534	1,008,700
PATS Aircraft, LLC	Term Loan	Loan	8.50%	10/6/2016	$ 384,131	248,245	345,718
Penn National Gaming, Inc.	Term A Facility	Loan	1.72%	7/14/2016	$2,812,500	2,750,784	2,792,812
Penn National Gaming, Inc.	Term B Facility	Loan	3.75%	7/16/2018	$ 987,500	985,519	990,176
PetCo Animal Supplies, Inc.	New Loan	Loan	4.50%	11/24/2017	$1,500,000	1,498,357	1,505,820
Pharmaceutical Product Development, Inc. (Jaguar Holdings, LLC)	Term Loan	Loan	6.25%	12/5/2018	$1,985,000	1,959,370	2,012,691
Physician Oncology Services, LP	Delayed Draw Term Loan	Loan	7.75%	1/31/2017	$ 51,020	50,661	48,724
Physician Oncology Services, LP	Effective Date Term Loan	Loan	7.75%	1/31/2017	$ 419,961	417,003	401,062
Pinnacle Foods Finance LLC	Extended Initial Term Loan	Loan	3.71%	10/2/2016	$5,741,004	5,489,048	5,761,269
Polyone Corporation	Loan	Loan	5.00%	12/20/2017	$ 496,250	492,069	498,235
Preferred Proppants, LLC	Term B Loan	Loan	7.50%	12/15/2016	$1,985,000	1,952,084	1,826,200
Prestige Brands, Inc.	Term B Loan	Loan	5.27%	1/31/2019	$ 734,848	725,056	742,329
Pro Mach, Inc.	Term Loan	Loan	5.00%	7/6/2017	$1,956,155	1,941,042	1,957,387
Quintiles Transnational Corp.	Term B Loan	Loan	5.00%	6/8/2018	$3,950,000	3,918,848	3,956,913
Ranpak Corp.	USD Term Loan (First Lien)	Loan	4.75%	4/20/2017	$2,402,108	2,393,280	2,366,077
Rexnord LLC/RBS Global, Inc.	Term B Loan Refinancing	Loan	4.50%	4/1/2018	$1,985,000	1,985,000	2,001,952
Reynolds Group Holdings Inc.	U.S. Term Loan	Loan	4.75%	9/28/2018	$2,000,000	2,000,000	2,012,280
Rocket Software, Inc.	Term Loan (First Lien)	Loan	5.75%	2/8/2018	$1,985,000	1,950,427	1,991,451
Roundy's Supermarkets, Inc.	Tranche B Term Loan	Loan	5.75%	2/13/2019	$ 995,000	981,722	936,544
Rovi Solutions Corporation / Rovi Guides, Inc.	Tranche A-2 Loan	Loan	2.46%	3/29/2017	$2,000,000	1,981,202	1,945,000
Rovi Solutions Corporation / Rovi Guides, Inc.	Tranche B-2 Loan	Loan	4.00%	3/29/2019	$1,492,500	1,485,740	1,466,381
Royal Adhesives and Sealants, LLC	Term A Loan	Loan	7.25%	11/29/2015	$4,560,234	4,517,413	4,493,515
RPI Finance Trust	6.75 Year Term Loan(2012)	Loan	3.50%	5/9/2018	$5,412,536	5,386,241	5,435,106
Scientific Games International Inc.	Tranche B-1 Term Loan	Loan	3.21%	6/30/2015	$1,983,357	1,969,898	1,980,878
Scitor Corporation	Term Loan	Loan	5.00%	2/15/2017	$ 463,977	462,349	459,917
Scotsman Industries, Inc.	Term Loan	Loan	5.75%	4/30/2016	$1,700,114	1,696,124	1,702,240
Securus Technologies Holdings, Inc (fka Securus Technologies, Inc.)	Tranche 2 Term Loan (First Lien)	Loan	6.50%	5/31/2017	$1,990,000	1,971,927	1,996,229
Sensata Technology BV/Sensata Technology Finance Company, LLC	Term Loan	Loan	4.00%	5/12/2018	$2,977,387	2,977,387	2,986,855
Sensus USA Inc. (fka Sensus Metering Systems)	Term Loan (First Lien)	Loan	4.75%	5/9/2017	$1,970,000	1,962,687	1,966,316
ServiceMaster Company, The	Tranche B Term Loan	Loan	4.46%	1/31/2017	$2,858,551	2,869,200	2,850,061
SI Organization, Inc., The	New Tranche B Term Loan	Loan	4.50%	11/22/2016	$3,930,000	3,903,944	3,900,525
Sonneborn, LLC	Initial US Term Loan	Loan	6.50%	3/30/2018	$ 845,750	830,589	846,807
Sophia, L.P.	Initial Term Loan	Loan	6.25%	7/19/2018	$ 981,047	968,291	992,329
SRA International Inc.	Term Loan	Loan	6.50%	7/20/2018	$3,268,571	3,160,663	3,092,886
SRAM, LLC	Term Loan (First Lien)	Loan	4.76%	6/7/2018	$3,604,195	3,572,993	3,622,216
SS&C Technologies, Inc., /Sunshine Acquisition II, Inc.	Funded Term B-1 Loan	Loan	5.00%	6/7/2019	$ 849,906	841,983	859,110
SS&C Technologies, Inc., /Sunshine Acquisition II, Inc.	Funded Term B-2 Loan	Loan	5.00%	6/7/2019	$ 87,921	87,102	88,873
SunCoke Energy, Inc.	Tranche B Term Loan	Loan	4.00%	7/26/2018	$4,451,185	4,423,081	4,434,493
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche B U.S. Term Loan	Loan	3.86%	2/28/2016	$4,253,748	4,178,443	4,251,111
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche C Term Loan	Loan	3.96%	2/28/2017	$ 497,687	492,723	498,001
SuperMedia Inc. (fka Idearc Inc.)	Loan	Loan	11.00%	12/31/2015	$ 296,243	288,174	187,818
Syniverse Holdings, Inc.	Initial Term Loan	Loan	5.00%	4/23/2019	$ 498,750	494,178	501,244
Taminco Global Chemical Corporation	Tranche B-1 Dollar Term Loan	Loan	5.25%	2/15/2019	$1,492,500	1,483,406	1,502,455
Team Health, Inc.	Tranche B Term Loan	Loan	3.75%	6/29/2018	$4,443,750	4,425,954	4,399,313
Texas Competitive Electric Holdings Company, LLC (TXU)	2014 Term Loan (Non-Extending)	Loan	3.74%	10/10/2014	$5,580,862	5,519,373	3,770,207
Tomkins, LLC / Tomkins, Inc. (f/k/a Pinafore, LLC / Pinafore, Inc.)	Term B-1 Loan	Loan	4.25%	9/29/2016	$2,438,057	2,443,634	2,446,688
TransDigm Inc.	Tranche B-1 Term Loan	Loan	4.00%	2/14/2017	$3,958,561	3,969,794	3,971,545

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
TransDigm Inc.	Tranche B-2 Term Loan	Loan	4.00%	2/14/2017	$1,000,000	995,136	1,003,960
TransFirst Holdings, Inc.	Term Loan (First Lien)	Loan	2.96%	6/16/2014	$2,368,750	2,344,405	2,346,247
Tricorbraun Inc. (fka Kranson Industries, Inc.)	Term Loan	Loan	5.50%	5/3/2018	$1,995,000	1,985,941	1,997,494
Truven Health Analytics Inc. (fka Thomson Reuters (Healthcare) Inc.)	New Tranche B Term Loan	Loan	5.75%	6/6/2019	$ 498,750	489,016	498,625
Tube City IMS Corporation	Term Loan	Loan	5.75%	3/20/2019	$ 995,000	985,990	1,003,706
U.S. Security Associates Holdings, Inc.	Delayed Draw Term Loan	Loan	6.00%	7/28/2017	$ 162,185	160,924	162,590
U.S. Security Associates Holdings, Inc.	Term Loan B	Loan	6.00%	7/28/2017	$ 124,060	123,527	124,371
U.S. Security Associates Holdings, Inc.	Term Loan B	Loan	6.00%	7/28/2017	$ 828,632	822,188	830,703
U.S. Silica Company	Loan	Loan	4.75%	6/8/2017	$1,975,000	1,967,550	1,977,469
U.S. Xpress Enterprises, Inc.	Extended Term Loan	Loan	0.00%	11/13/2016	$3,000,000	2,940,000	2,940,000
United Surgical Partners International, Inc.	New Tranche B Term Loan	Loan	6.00%	4/3/2019	$2,487,500	2,453,627	2,493,719
Univar Inc.	Term B Loan	Loan	5.00%	6/30/2017	$3,934,937	3,933,968	3,900,113
UPC Financing Partnership	Facility AF	Loan	4.00%	1/31/2021	$1,000,000	970,050	998,330
USI Holdings Corporation	Tranche B Term Loan	Loan	2.71%	5/5/2014	$4,744,655	4,681,546	4,725,391
Valeant Pharmaceuticals International, Inc.	Series D Tranche B Term Loan	Loan	4.25%	2/13/2019	$2,985,000	2,972,883	2,994,045
Vantiv, LLC (fka Fifth Third Processing Solutions, LLC)	Tranche B Term Loan	Loan	3.75%	3/27/2019	$1,066,071	1,061,243	1,066,071
Verint Systems Inc.	Term Loan 2011	Loan	4.50%	10/27/2017	$1,970,000	1,962,531	1,979,023
Vertafore, Inc.	Term Loan (First Lien)	Loan	5.25%	7/29/2016	$2,992,390	2,992,390	2,996,879
Visant Corporation (fka Jostens)	Tranche B Term Loan (2011)	Loan	5.25%	12/22/2016	$3,767,519	3,767,519	3,405,837
Weight Watchers International, Inc.	Term D Loan	Loan	2.63%	6/30/2016	$2,707,453	2,671,765	2,699,547
Wendy's International, Inc	Term Loan	Loan	4.75%	5/15/2019	$1,000,000	990,653	1,007,320
Wolverine World Wide, Inc.	Tranche B Term Loan	Loan	4.00%	7/31/2019	$ 928,571	919,286	933,799
Yankee Candle Company, Inc., The	Initial Term Loan	Loan	5.25%	4/2/2019	$2,487,500	2,464,981	2,507,922
ALM 2010-1A	Floating—05/2020—B—00162VAE5	ABS	2.61%	5/20/2020	$4,000,000	3,742,563	3,657,600
BABSN 2007-1A	Floating—01/2021—D1 - 05617AAA9	ABS	3.71%	1/18/2021	$1,500,000	1,251,353	1,050,000
GALE 2007-3A	Floating—04/2021—E—363205AA3	ABS	3.96%	4/19/2021	$4,000,000	3,367,988	2,800,000
KATO 2006-9A	Floating—01/2019—B2L—486010AA9	ABS	3.82%	1/25/2019	$5,000,000	4,311,758	3,500,000
STCLO 2007-6A	Floating—04/2021—D- 86176YAG7	ABS	3.93%	4/17/2021	$5,000,000	4,025,572	3,500,000
						$388,766,439	**$382,198,536**

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

GSC Investment Corp. CLO 2007

Consolidated Schedule of Investments

February 29, 2012

(unaudited)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Elyria Foundry Company, LLC	Warrants	Equity	0.00%	—	2,000	$ —	$ —
Network Communications, Inc.	Common	Equity	0.00%	—	169,143	169,143	659,658
OLD All, Inc (fka Aleris International Inc.)	Common	Equity	0.00%	—	2,624	224,656	128,576
PATS Aircraft, LLC	Common	Equity	0.00%	—	51,813	282,326	282,329
SuperMedia Inc. (fka Idearc Inc.)	Common Stock	Equity	0.00%	—	10,821	28,784	5,411
Academy, LTD.	Initial Term Loan	Loan	6.00%	8/3/2018	$ 2,000,000	1,986,129	1,999,540
Acosta, Inc.	Term B Loan	Loan	4.75%	3/1/2018	$ 4,243,447	4,177,485	4,210,561
Advanced Lighting Technologies, Inc.	Deferred Draw Term Loan (First Lien)	Loan	3.00%	6/1/2013	$ 251,309	241,553	240,628
Advanced Lighting Technologies, Inc.	Term Loan (First Lien)	Loan	3.00%	6/1/2013	$ 4,582,873	4,478,009	4,388,101
Aeroflex Incorporated	Tranche B Term Loan	Loan	4.25%	5/9/2018	$ 3,814,483	3,797,573	3,715,459
Aerostructures Acquisition LLC	Term Loan	Loan	7.25%	3/1/2013	$ 554,722	543,949	542,240
Alere Inc. (fka IM US Holdings, LLC)	Incremental B-1 Term Loan	Loan	4.50%	6/30/2017	$ 2,000,000	1,951,950	1,992,500
Aptalis Pharma, Inc. (fka Axcan Intermediate Holdings Inc.)	Term Loan	Loan	5.50%	2/10/2017	$ 1,980,000	1,971,816	1,963,170
Ashland Inc.	Term B Loan	Loan	3.75%	8/23/2018	$ 996,964	994,651	1,000,872
Asurion, LLC (fka Asurion Corporation)	Term Loan (First Lien)	Loan	5.50%	5/24/2018	$ 5,659,091	5,608,344	5,635,040
Aurora Diagnostics, LLC	Tranche B Term Loan	Loan	6.25%	5/26/2016	$ 508,611	508,611	499,288
Autotrader.com, Inc.	Tranche B-1 Term Loan	Loan	4.00%	12/15/2016	$ 3,869,758	3,869,758	3,868,790
Avantor Performance Materials Holdings, Inc.	Term Loan	Loan	5.00%	6/24/2017	$ 4,975,000	4,952,760	4,875,500
AZ Chem US Inc.	Term Loan	Loan	7.25%	12/22/2017	$ 2,000,000	1,941,354	2,014,720
BakerCorp International, Inc. (f/k/a B-Corp Holdings, Inc.)	Term Loan	Loan	5.00%	6/1/2018	$ 497,500	495,278	496,754
Bass Pro Group, LLC	Term Loan	Loan	5.25%	6/13/2017	$ 2,985,000	2,958,694	2,977,000
BJ's Wholesale Club, Inc.	Initial Loan (First Lien) Retired 03/14/2012	Loan	7.00%	9/28/2018	$ 1,995,000	1,901,076	2,013,015
C.H.I. Overhead Doors, Inc. (CHI)	Term Loan (First Lien)	Loan	7.25%	8/17/2017	$ 3,079,513	3,022,863	3,035,876
Capstone Logistics, LLC	Term Note A	Loan	7.50%	9/16/2016	$ 2,991,353	2,948,863	2,946,483
Capsugel Holdings US, Inc.	Initial Term Loan	Loan	5.25%	8/1/2018	$ 3,990,000	3,979,634	4,012,783
Celanese US Holdings LLC	Dollar Term C Loan (Extended)	Loan	3.33%	10/31/2016	$ 3,464,824	3,506,288	3,478,198
Cenveo Corporation	Term B Facility	Loan	6.25%	12/21/2016	$ 2,737,105	2,715,168	2,719,150
Charter Communications Operating, LLC	Term C Loan	Loan	3.83%	9/6/2016	$ 3,979,695	3,972,997	3,949,291
CHS/ Community Health Systems, Inc.	Extended Term Loan	Loan	4.08%	1/25/2017	$ 4,170,088	4,042,207	4,120,589
Cinedigm Digital Funding I, LLC	Term Loan	Loan	5.25%	4/29/2016	$ 1,482,007	1,471,669	1,468,121
Cinemark USA, Inc.	Extended Term Loan	Loan	3.63%	4/30/2016	$ 5,587,889	5,348,623	5,576,546
Consolidated Container Company LLC	Loan (First Lien)	Loan	2.50%	3/28/2014	$ 5,195,532	4,906,062	5,052,655
Contec, LLC	Tranche B Term Loan	Loan	0.00%	7/28/2014	$ 2,644,318	2,613,795	1,057,727
Covanta Energy Corporation	Funded Letter of Credit	Loan	1.98%	2/10/2014	$ 877,007	860,931	871,525
Covanta Energy Corporation	Term Loan	Loan	1.79%	2/10/2014	$ 1,698,170	1,666,874	1,687,557
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Term B Loan	Loan	5.00%	2/13/2017	$ 4,950,000	4,929,526	4,912,875
CRC Health Corporation	Term B-2 Loan	Loan	5.08%	11/16/2015	$ 1,991,877	1,896,087	1,782,730
Crown Castle Operating Company	Tranche B Term Loan	Loan	4.00%	1/31/2019	$ 2,000,000	1,980,071	1,990,540
CSC Holdings, LLC (fka CSC Holdings Inc (Cablevision))	Term A-3 Loan	Loan	2.24%	3/31/2015	$ 1,360,526	1,355,021	1,333,316

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Culligan International Company	Dollar Loan	Loan	2.50%	11/24/2012	$ 2,393,216	$ 2,360,219	$ 1,714,141
DaVita Inc.	Tranche B Term Loan	Loan	0.00%	10/20/2016	$ 3,989,924	3,989,924	3,999,061
Del Monte Foods Company	Initial Term Loan	Loan	4.50%	3/8/2018	$ 1,492,500	1,489,291	1,464,098
Dollar General Corporation	Tranche B-1 Term Loan	Loan	3.14%	7/7/2014	$ 5,378,602	5,196,110	5,382,905
DS Waters of America, Inc.	Term Loan (First Lien)	Loan	0.00%	8/29/2017	$ 3,000,000	2,446,849	2,456,712
DynCorp International Inc.	Term Loan	Loan	6.25%	7/7/2016	$ 732,056	721,414	729,538
Education Management LLC	Tranche C-2 Term Loan	Loan	4.63%	6/1/2016	$ 3,967,860	3,706,684	3,712,448
eInstruction Corporation	Initial Term Loan	Loan	6.51%	7/2/2013	$ 3,005,574	2,923,634	2,705,017
Electrical Components International, Inc.	Synthetic Revolving Loan	Loan	6.75%	2/4/2016	$ 117,647	116,257	104,118
Electrical Components International, Inc.	Term Loan	Loan	6.75%	2/4/2017	$ 1,804,706	1,782,426	1,597,165
Federal-Mogul Corporation	Tranche B Term Loan	Loan	2.20%	12/29/2014	$ 2,616,289	2,475,132	2,500,204
Federal-Mogul Corporation	Tranche C Term Loan	Loan	2.19%	12/28/2015	$ 1,334,841	1,257,114	1,275,614
Fidelity National Information Services, Inc.	Term B Loan	Loan	4.25%	7/18/2016	$ 1,000,000	990,338	1,004,450
First Data Corporation	2018 Dollar Term Loan	Loan	4.24%	3/23/2018	$ 2,290,451	2,202,287	2,041,845
First Data Corporation	Non Extending B-1 Term Loan	Loan	2.99%	9/24/2014	$ 1,971,336	1,933,908	1,890,472
First Data Corporation	Non Extending B-2 Term Loan	Loan	2.99%	9/24/2014	$ 990,052	971,955	949,440
FleetPride Corporation	Term Loan	Loan	6.75%	12/6/2017	$ 1,000,000	980,767	995,000
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility B (Dollar)	Loan	5.08%	12/18/2015	$ 1,295,106	1,291,993	1,221,454
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility C (Dollar)	Loan	5.58%	12/20/2016	$ 1,295,106	1,291,613	1,227,929
Freescale Semiconductor, Inc.	Tranche B-1 Term Loan	Loan	4.52%	12/1/2016	$ 1,534,348	1,468,484	1,496,711
Fresenius Medical Care AG & Co., KGaA/Fresenius Medical Care Holdings, Inc.	Tranche B Term Loan	Loan	1.95%	3/31/2013	$ 4,224,718	4,206,870	4,209,889
FTD Group, Inc.	Initial Term Loan	Loan	4.75%	6/11/2018	$ 3,982,494	3,943,002	3,902,844
Generac Power System, Inc.	Tranche B Term Loan	Loan	3.75%	2/9/2019	$ 500,000	497,509	497,855
General Nutrition Centers, Inc.	Tranche B Term Loan	Loan	4.25%	3/2/2018	$ 3,750,000	3,621,437	3,738,900
Goodyear Tire & Rubber Company, The	Loan (Second Lien)	Loan	1.75%	4/30/2014	$ 5,700,000	5,339,456	5,607,375
Graphic Packaging International, Inc.	Term B Loan Retired 03/16/2012	Loan	2.34%	5/16/2014	$ 3,045,465	2,910,836	3,041,993
Grifols Inc.	New U.S. Tranche B Term Loan	Loan	0.00%	6/1/2017	$ 500,000	497,500	499,530
Grosvenor Capital Management Holdings, LLLP	Tranche C Term Loan	Loan	4.31%	12/5/2016	$ 3,430,885	3,321,594	3,276,495
Hanger Orthopedic Group, Inc.	Term C Loan	Loan	4.01%	12/1/2016	$ 3,960,000	3,972,323	3,905,550
HCA Inc.	Tranche B-3 Term Loan	Loan	3.49%	5/1/2018	$ 5,734,690	5,383,348	5,638,634
Health Management Associates, Inc.	Term B Loan	Loan	4.50%	11/16/2018	$ 3,000,000	2,970,763	2,981,640
Hilsinger Company, The	Term Loan	Loan	5.26%	12/31/2013	$ 1,218,491	1,203,274	1,072,272
Hunter Defense Technologies, Inc.	Term Loan	Loan	3.83%	8/22/2014	$ 4,459,263	4,388,148	3,879,559
Huntsman International LLC	Extended Term B Loan	Loan	0.00%	4/19/2017	$ 4,000,000	3,955,000	3,923,200
Hygenic Corporation, The	Term Loan	Loan	2.76%	4/30/2013	$ 1,563,048	1,536,828	1,438,004
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Delayed Draw Term Loan (First Lien)	Loan	6.00%	7/28/2015	$ 1,314,907	1,229,818	1,276,828
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Initial U.S. Term Loan (First Lien)	Loan	6.00%	7/28/2015	$ 2,520,239	2,356,915	2,447,253
Inventiv Health, Inc. (fka Ventive Health, Inc)	Consolidated Term Loan	Loan	6.50%	8/4/2016	$ 494,587	494,587	475,422
J. Crew Group, Inc.	Loan	Loan	4.75%	3/7/2018	$ 992,500	992,500	970,963
Kalispel Tribal Economic Authority	Term Loan	Loan	7.50%	2/25/2017	$ 3,859,091	3,794,849	3,627,546
Key Safety Systems, Inc.	Term Loan (First Lien)	Loan	2.59%	3/8/2014	$ 3,821,774	$ 3,604,295	$ 3,667,718
Kinetic Concepts, Inc.	Dollar Term B-1 Loan	Loan	7.00%	5/4/2018	$ 500,000	483,349	508,125

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Leslie's Poolmart, Inc.	Tranche B Term Loan	Loan	4.50%	11/21/2016	$ 3,960,000	3,965,615	3,920,400
Metal Services, LLC	Delayed Draw Term Loan	Loan	9.75%	9/29/2017	$ 132,353	129,737	132,022
Metal Services, LLC	U.S. Term Loan	Loan	9.75%	9/29/2017	$ 1,367,647	1,340,612	1,364,228
Microsemi Corporation	Term Loan	Loan	0.00%	2/2/2018	$ 3,000,000	2,992,500	2,997,750
National CineMedia, LLC	Term Loan	Loan	2.05%	2/13/2015	$ 2,655,172	2,572,741	2,608,707
Nielsen Finance LLC	Class A Dollar Term Loan	Loan	2.26%	8/9/2013	$ 720,738	710,645	717,134
Novelis, Inc.	Term B-2 Loan	Loan	4.00%	3/10/2017	$ 997,500	973,592	993,141
Novelis, Inc.	Term Loan	Loan	4.00%	3/10/2017	$ 3,960,000	3,993,151	3,939,487
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)	Term Loan (First Lien)	Loan	6.50%	4/27/2017	$ 4,937,500	4,913,011	4,873,313
NPC International, Inc.	Term Loan	Loan	6.75%	12/28/2018	$ 500,000	490,246	502,970
NRG Energy, Inc.	Term Loan	Loan	4.00%	7/1/2018	$ 3,980,000	3,951,892	3,961,334
NuSil Technology LLC	Term Loan	Loan	5.25%	4/7/2017	$ 905,085	905,085	902,071
Onex Carestream Finance LP	Term Loan	Loan	5.00%	2/25/2017	$ 4,961,770	4,941,092	4,707,479
OpenLink International, Inc.	Initial Term Loan	Loan	7.75%	10/30/2017	$ 1,000,000	981,105	1,000,000
PATS Aircraft, LLC	Term Loan	Loan	8.50%	10/6/2016	$ 431,472	248,964	388,325
Pelican Products, Inc.	Term Loan	Loan	5.00%	3/7/2017	$ 2,673,704	2,673,704	2,653,651
Penn National Gaming, Inc.	Term A Facility	Loan	1.79%	7/14/2016	$ 2,925,000	2,847,453	2,837,250
Penn National Gaming, Inc.	Term B Facility	Loan	3.75%	7/16/2018	$ 995,000	992,736	996,930
PetCo Animal Supplies, Inc.	New Loan	Loan	0.00%	11/24/2017	$ 1,500,000	1,498,125	1,493,115
Pharmaceutical Product Development, Inc. (Jaguar Holdings, LLC)	Term Loan	Loan	6.25%	12/5/2018	$ 2,000,000	1,970,941	2,017,860
Pharmaceutical Research Associates Group B.V.	Dutch Dollar Term Loan	Loan	3.81%	12/15/2014	$ 799,151	753,650	775,176
Physician Oncology Services, LP	Delayed Draw Term Loan	Loan	6.25%	1/31/2017	$ 51,020	50,596	49,235
Physician Oncology Services, LP	Effective Date Term Loan	Loan	6.25%	1/31/2017	$ 419,961	416,468	405,262
Pinnacle Foods Finance LLC	Term Loan	Loan	2.84%	4/2/2014	$ 4,796,078	4,694,850	4,766,054
Polyone Corporation	Loan	Loan	5.00%	12/20/2017	$ 500,000	495,160	500,730
PRA International	U.S. Term Loan	Loan	3.81%	12/15/2014	$ 2,512,401	2,439,376	2,437,029
Preferred Proppants, LLC	Term B Loan	Loan	7.50%	12/15/2016	$ 2,000,000	1,960,652	1,945,000
Pre-Paid Legal Services, Inc.	Tranche A Term Loan	Loan	7.50%	12/31/2016	$ 2,695,122	2,659,371	2,607,530
Prestige Brands, Inc.	Term B Loan	Loan	5.25%	1/31/2019	$ 1,000,000	985,047	1,003,060
Pro Mach, Inc.	Term Loan	Loan	6.25%	7/6/2017	$ 1,990,000	1,972,106	1,930,300
Quintiles Transnational Corp.	Term B Loan	Loan	5.00%	6/8/2018	$ 3,980,000	3,944,328	3,953,692
RailAmerica, Inc.	Initial Loan	Loan	0.00%	3/1/2019	$ 500,000	497,500	497,500
Ranpak Corp.	USD Term Loan (First Lien)	Loan	4.75%	4/20/2017	$ 2,744,392	2,732,572	2,716,948
Rexnord LLC/RBS Global, Inc.	Tranche B-2 Term B Loan Retired 03/15/2012	Loan	2.50%	7/19/2013	$ 1,607,683	1,566,832	1,590,609
Reynolds Group Holdings Inc.	Tranche B Term Loan	Loan	6.50%	2/9/2018	$ 1,963,643	1,963,643	1,977,880
Reynolds Group Holdings Inc.	Tranche C Term Loan	Loan	6.50%	8/9/2018	$ 1,973,590	1,955,434	1,992,398
Rocket Software, Inc.	Term Loan (First Lien)	Loan	7.00%	2/8/2018	$ 2,000,000	1,960,110	1,997,500
Roundy's Supermarkets, Inc.	Tranche B Term Loan	Loan	5.75%	2/13/2019	$ 1,000,000	985,035	1,000,780
Royal Adhesives and Sealants, LLC	Term A Loan	Loan	7.25%	11/29/2015	$ 4,785,882	4,729,636	4,715,862
RPI Finance Trust	6.75 Year Term Loan	Loan	4.00%	5/9/2018	$ 5,472,500	5,447,342	5,462,868
Safety-Kleen Systems, Inc.	Term Loan B	Loan	5.00%	2/21/2017	$ 250,000	247,501	250,000
Savers, Inc.	New Term Loan	Loan	4.25%	3/4/2017	$ 464,891	464,891	464,426
Scientific Games International Inc.	Tranche B-1 Term Loan	Loan	0.00%	6/30/2015	$ 2,000,000	1,985,000	1,985,000
Scitor Corporation	Term Loan	Loan	5.00%	2/15/2017	$ 476,818	474,846	458,937
Scotsman Industries, Inc.	Term Loan	Loan	5.75%	4/30/2016	$ 1,873,081	1,867,006	1,863,716
Seminole Tribe of Florida	Term B-1 Delay Draw Loan	Loan	2.13%	3/5/2014	$ 616,208	605,662	607,476
Seminole Tribe of Florida	Term B-2 Delay Draw Loan	Loan	2.13%	3/5/2014	$ 2,230,224	2,192,054	2,198,622
Seminole Tribe of Florida	Term B-3 Delay Draw Loan	Loan	2.13%	3/5/2014	$ 1,108,287	1,082,950	1,092,583
Sensata Technology BV/Sensata Technology Finance Company, LLC	Term Loan	Loan	0.00%	5/12/2018	$ 3,000,000	3,000,000	2,994,150
Sensus USA Inc. (fka Sensus Metering Systems)	Term Loan (First Lien)	Loan	4.75%	5/9/2017	$ 1,985,000	1,976,380	1,981,030
SI Organization, Inc., The	New Tranche B Term Loan	Loan	4.50%	11/22/2016	$ 3,960,000	3,928,772	3,794,987
Sophia, L.P.	Initial Term Loan	Loan	6.25%	7/19/2018	$ 1,000,000	$ 985,259	$ 1,010,630
SRA International Inc.	Term Loan	Loan	6.52%	7/20/2018	$ 3,725,714	3,582,427	3,665,171

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
SRAM, LLC	Term Loan (First Lien)	Loan	4.76%	6/7/2018	$ 3,886,998	3,850,268	3,882,139
SunCoke Energy, Inc.	Tranche B Term Loan	Loan	4.00%	7/26/2018	$ 4,484,984	4,452,979	4,473,771
SunGard Data Systems Inc (Solar Capital Corp.)	Incremental Term B Loan	Loan	3.74%	2/28/2014	$ 356,996	356,996	355,911
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche A U.S. Term Loan	Loan	2.00%	2/28/2014	$ 140,691	138,222	140,363
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche B U.S. Term Loan	Loan	4.06%	2/28/2016	$ 3,253,748	3,173,463	3,246,265
Sunquest Information Systems, Inc. (Misys Hospital Systems, Inc.)	Term Loan (First Lien)	Loan	6.25%	12/16/2016	$ 992,500	980,580	986,714
SuperMedia Inc. (fka Idearc Inc.)	Loan	Loan	11.00%	12/31/2015	$ 326,109	317,228	164,685
Taminco Global Chemical Corporation	Dollar Term Loan	Loan	6.25%	2/15/2019	$ 500,000	490,024	501,875
TDG Holding Company (fka Dwyer Acquisition, Inc.)	Term Loan	Loan	7.00%	12/23/2015	$ 3,463,273	3,422,302	3,411,324
Team Health, Inc.	Tranche B Term Loan	Loan	3.75%	6/29/2018	$ 4,477,500	4,457,147	4,331,981
Texas Competitive Electric Holdings Company, LLC (TXU)	2014 Term Loan (Non-Extending)	Loan	3.76%	10/10/2014	$ 5,580,862	5,494,432	3,406,670
TransDigm Inc.	Tranche B-1 Term Loan	Loan	4.00%	2/14/2017	$ 3,988,779	4,002,125	3,985,269
TransFirst Holdings, Inc.	Term Loan (First Lien)	Loan	3.00%	6/16/2014	$ 2,387,500	2,350,983	2,282,044
U.S. Security Associates Holdings, Inc.	Delayed Draw Term Loan	Loan	6.00%	7/28/2017	$ 163,000	161,527	161,778
U.S. Security Associates Holdings, Inc.	Term Loan B	Loan	6.00%	7/28/2017	$ 125,000	124,375	124,688
U.S. Security Associates Holdings, Inc.	Term Loan B	Loan	6.00%	7/28/2017	$ 834,908	827,364	832,820
U.S. Silica Company	Loan	Loan	4.75%	6/8/2017	$ 1,990,000	1,981,242	1,972,588
Univar Inc.	Term B Loan	Loan	5.00%	6/30/2017	$ 3,964,975	3,963,846	3,928,021
UPC Financing Partnership	Facility AB	Loan	4.75%	12/31/2017	$ 1,000,000	971,447	998,250
USI Holdings Corporation	Tranche B Term Loan	Loan	2.75%	5/5/2014	$ 4,782,211	4,685,075	4,678,581
Valeant Pharmaceuticals International, Inc.	Tranche B Term Loan	Loan	3.75%	2/13/2019	$ 1,000,000	995,002	996,880
Vantiv, LLC (fka Fifth Third Processing Solutions, LLC)	Term B-1 Loan (First Lien)	Loan	4.50%	11/3/2016	$ 3,979,950	3,988,810	3,982,776
Verint Systems Inc.	Term Loan 2011	Loan	4.50%	10/27/2017	$ 1,985,000	1,976,319	1,978,807
Visant Corporation (fka Jostens)	Tranche B Term Loan (2011)	Loan	5.25%	12/22/2016	$ 3,767,519	3,767,519	3,611,430
Weight Watchers International, Inc.	Term B Loan	Loan	1.88%	1/26/2014	$ 1,229,200	1,220,261	1,221,518
Weight Watchers International, Inc.	Term D Loan	Loan	2.88%	6/30/2016	$ 2,728,226	2,684,697	2,714,585
Wendy's/Arby's Restaurants, LLC	Term Loan	Loan	5.00%	5/24/2017	$ 1,122,902	1,118,702	1,123,745
Wil Research Laboratories, LLC	Term B Loan	Loan	4.00%	9/26/2013	$ 1,808,039	1,726,498	1,663,396
WireCo WorldGroup Inc.	Term Loan	Loan	5.00%	2/10/2014	$ 1,992,943	1,967,101	1,953,084
Yankee Candle Company, Inc., The	Term Loan	Loan	2.25%	2/6/2014	$ 2,537,336	2,419,753	2,523,428
Yell Group Plc	Facility B1—YB (USA) LLC (11/2009)	Loan	3.99%	7/31/2014	$ 3,139,856	3,090,757	961,141
ALM 2010-1A	Floating—05/2020—B—00162VAE5	Other/Structured Finance Securities	2.78%	5/20/2020	$ 4,000,000	3,716,602	3,657,600
BABSN 2007-1A	Floating—01/2021—D1—05617AAA9	Other/Structured Finance Securities	3.81%	1/18/2021	$ 1,500,000	1,236,977	1,050,000
GALE 2007-3A	Floating—04/2021—E—363205AA3	Other/Structured	4.06%	4/19/2021	$ 4,000,000	3,311,208	2,800,000
KATO 2006-9A	Floating—01/2019—B2L—486010AA9	Other/Structured Finance Securities	4.06%	1/25/2019	$ 5,000,000	4,227,490	3,500,000
STCLO 2007-6A	Floating—04/2021—D—86176YAG7	Other/Structured Finance Securities	4.17%	4/17/2021	$ 5,000,000	4,077,701	3,500,000
						$390,023,603	$381,364,466

Note 5. Agreements

On July 30, 2010, the Company entered into an investment advisory and management agreement (the "Management Agreement") with our Manager. The initial term of the Management Agreement is two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. On July 9, 2012, our board of directors approved the renewal of the Management Agreement for an additional one-year term. Pursuant to the Management Agreement, our Manager implements our business strategy on a day-to-day basis and performs certain services for us, subject to oversight by our board of directors. Our Manager is responsible for, among other duties, determining investment criteria, sourcing, analyzing and executing investment transactions, asset sales, financings and performing asset management duties. Under the Management Agreement, we have agreed to pay our Manager a management fee for investment advisory and management services consisting of a base management fee and an incentive fee.

The base management fee of 1.75% is calculated based on the average value of our gross assets (other than cash or cash equivalents, but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters, and appropriately adjusted for any share issuances or repurchases during the applicable fiscal quarter.

The incentive fee consists of the following two parts:

The first, payable quarterly in arrears, equals 20% of our pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding quarter, that exceeds a 1.875% quarterly (7.5% annualized) hurdle rate measured as of the end of each fiscal quarter, subject to a "catch-up" provision. Under this provision, in any fiscal quarter, our Manager receives no incentive fee unless our pre-incentive fee net investment income exceeds the hurdle rate of 1.875%. Our Manager will receive 100% of pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter (9.376% annualized); and 20% of the amount of the our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter (9.376% annualized).

The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Management Agreement) and equals 20% of our "incentive fee capital gains," which equals our realized capital gains on a cumulative basis from August 31, 2010 through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis from August 31, 2010, less the aggregate amount of any previously paid capital gain incentive fee. Importantly, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from August 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and our Manager will be entitled to 20% of incentive fee capital gains that arise after August 31, 2010. In addition, for the purpose of the "incentive fee capital gains" calculations, the cost basis for computing realized gains and losses on investments held by us as of August 31, 2010 will equal the fair value of such investments as of such date.

For the three months ended November 30, 2012 and 2011, we accrued $0.5 million and $0.4 million in base management fees, respectively. For the three months ended November 30, 2012 and 2011, we incurred $0.1 million and $0.3 million in incentive fees related to pre-incentive fee net

Note 5. Agreements (Continued)

investment income, respectively. For the three months ended November 30, 2012, we reduced the incentive fees related to capital gains by $0.5 million. For the three months ended November 30, 2011, we accrued $0.9 million in incentive fees related to capital gains. For the nine months ended November 30, 2012 and 2011, we accrued $1.5 million and $1.2 million in base management fees, respectively. For the nine months ended November 30, 2012 and 2011, we incurred $0.4 million and $0.3 million in incentive fees related to pre-incentive fee net investment income, respectively. For the nine months ended November 30, 2012 and 2011, we accrued $0.5 million and $0.5 million in incentive fees related to capital gains, respectively. The accruals related to the capital gains incentive fees were calculated using both realized and unrealized capital gains for the period. The actual incentive fee related to capital gains will be determined and payable in arrears at the end of the fiscal year and will include only realized capital gains for the period. As of November 30, 2012, $0.5 million of base management fees and $2.8 million of incentive fees were accrued and included in management and incentive fees payable in the accompanying consolidated statement of assets and liabilities.

On July 30, 2010, the Company entered into a separate administration agreement (the "Administration Agreement") with our Manager, pursuant to which our Manager, as our administrator, has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide managerial assistance on our behalf to those portfolio companies to which we are required to provide such assistance. The initial term of the Administration Agreement is two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. The amount of expenses payable or reimbursable thereunder by the Company is capped at $1 million for the initial two year term of the Administration Agreement. On July 9, 2012, our board of directors approved the renewal of the Administration Agreement for an additional one-year term and determined to maintain the cap on the payment or reimbursement of expenses by the Company thereunder to $1 million for the additional one-year term.

For the three months ended November 30, 2012 and 2011, we recognized $0.3 million and $0.3 million in administrator expenses for the periods, pertaining to bookkeeping, record keeping and other administrative services provided to us in addition to our allocable portion of rent and other overhead related expenses. For the nine months ended November 30, 2012 and 2011, we recognized $0.8 million and $0.7 million in administrator expenses for the periods, pertaining to bookkeeping, record keeping and other administrative services provided to us in addition to our allocable portion of rent and other overhead related expenses. As of November 30, 2012, $0.1 million of administrator expenses were accrued and included in due to manager in the accompanying consolidated statement of assets and liabilities.

Note 6. Borrowings

Credit Facility

As a BDC, we are only allowed to employ leverage to the extent that our asset coverage, as defined in the 1940 Act, equals at least 200% after giving effect to such leverage. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing.

Note 6. Borrowings (Continued)

On April 11, 2007, we entered into a $100.0 million revolving securitized credit facility (the "Revolving Facility"). On May 1, 2007, we entered into a $25.7 million term securitized credit facility (the "Term Facility" and, together with the Revolving Facility, the "Facilities"), which was fully drawn at closing. In December 2007, we consolidated the Facilities by using a draw under the Revolving Facility to repay the Term Facility. In response to the market wide decline in financial asset prices, which negatively affected the value of our portfolio, we terminated the revolving period of the Revolving Facility effective January 14, 2009 and commenced a two-year amortization period during which all principal proceeds from the collateral was used to repay outstanding borrowings. A significant percentage of our total assets had been pledged under the Revolving Facility to secure our obligations thereunder. Under the Revolving Facility, funds were borrowed from or through certain lenders and interest was payable monthly at the greater of the commercial paper rate and our lender's prime rate plus 4.00% plus a default rate of 2.00% or, if the commercial paper market was unavailable, the greater of the prevailing LIBOR rates and our lender's prime rate plus 6.00% plus a default rate of 3.00%.

In March 2009, we amended the Revolving Facility to increase the portion of the portfolio that could be invested in "CCC" rated investments in return for an increased interest rate and expedited amortization. As a result of these transactions, we expected to have additional cushion under our borrowing base under the Revolving Facility that would allow us to better manage our capital in times of declining asset prices and market dislocation.

On July 30, 2009, we exceeded the permissible borrowing limit under the Revolving Facility for 30 consecutive days, resulting in an event of default under the Revolving Facility. As a result of this event of default, our lender had the right to accelerate repayment of the outstanding indebtedness under the Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. Acceleration of the outstanding indebtedness and/or liquidation of the collateral could have had a material adverse effect on our liquidity, financial condition and operations.

On July 30, 2010, we used the net proceeds from (i) the stock purchase transaction and (ii) a portion of the funds available to us under a $40.0 million senior secured revolving credit facility (the "Replacement Facility") with Madison Capital Funding LLC, in each case, described in "Note 12. Recapitalization Transaction" below, to pay the full amount of principal and accrued interest, including default interest, outstanding under the Revolving Facility. As a result, the Revolving Facility was terminated in connection therewith. Substantially all of our total assets have been pledged under the Replacement Facility to secure our obligations thereunder.

On February 24, 2012, we amended our senior secured revolving credit facility with Madison Capital Funding LLC to, among other things:

- expand the borrowing capacity under the credit facility from $40 million to $45 million;
- extend the period during which we may make and repay borrowings under the credit facility from July 30, 2013 to February 24, 2015 (the "Revolving Period"). The Revolving Period may end upon the occurrence of an event of default, by action of the lenders or automatically. All

Note 6. Borrowings (Continued)

borrowings and other amounts payable under the credit facility are due and payable five years after the end of the Revolving Period; and

- remove the condition that we may not acquire additional loan assets without the prior written consent of Madison Capital Funding LLC.

As of November 30, 2012, there was $14.9 million outstanding under the Replacement Facility and the Company was in compliance with all of the limitations and requirements of the Replacement Facility. The carrying amount of the amount outstanding under the Replacement Facility approximates its fair value. $2.8 million of financing costs related to the Replacement Facility have been capitalized and are being amortized over the term of the facility. For the three months ended November 30, 2012 and 2011, we recorded $0.4 million and $0.1 million of interest expense related to the Replacement Facility, respectively. For the three months ended November 30, 2012 and 2011, we recorded $0.1 million and $0.2 million of amortization of deferred financing costs related to the Replacement Facility, respectively. The interest rates during the nine months ended November 30, 2012 and 2011 on the outstanding borrowings of the Replacement Facility were 7.50% and 7.50%, respectively. For the nine months ended November 30, 2012 and 2011, we recorded $1.5 million and $0.5 million of interest expense related to the Replacement Facility, respectively. For the nine months ended November 30, 2012 and 2011, we recorded $0.3 million and $0.5 million of amortization of deferred financing costs related to the Replacement Facility, respectively.

The Replacement Facility contains limitations as to how borrowed funds may be used, such as restrictions on industry concentrations, asset size, weighted average life, currency denomination and collateral interests. The Replacement Facility also includes certain requirements relating to portfolio performance, the violation of which could result in the limit of further advances and, in some cases, result in an event of default, allowing the lenders to accelerate repayment of amounts owed thereunder. The Replacement Facility has an eight year term, consisting of a three year period (the "Revolving Period"), under which the Company may make and repay borrowings, and a final maturity five years from the end of the Revolving Period. Availability on the Replacement Facility will be subject to a borrowing base calculation, based on, among other things, applicable advance rates (which vary from 50% to 75% of par or fair value depending on the type of loan asset) and the value of certain "eligible" loan assets included as part of the Borrowing Base. Funds may be borrowed at the greater of the prevailing LIBOR rate and 2.00%, plus an applicable margin of 5.50%. At the Company's option, funds may be borrowed based on an alternative base rate, which in no event will be less than 3.00%, and the applicable margin over such alternative base rate is 4.50%. In addition, the Company will pay the lenders a commitment fee of 0.75% per year on the unused amount of the Replacement Facility for the duration of the Revolving Period.

Our borrowing base under the Replacement Facility was $27.7 million at November 30, 2012. For purposes of determining the borrowing base, most assets are assigned the values set forth in our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q filed with the SEC. Accordingly, the November 30, 2012 borrowing base relies upon the valuations set forth in the Quarterly Report on Form 10-Q for the period ended August 31, 2012. The valuations presented in this

Note 6. Borrowings (Continued)

Quarterly Report on Form 10-Q will not be incorporated into the borrowing base until after this Quarterly Report on Form 10-Q is filed with the SEC.

SBA Debentures

SBIC LP is able to borrow funds from the SBA against regulatory capital (which approximates equity capital) that is paid in and is subject to customary regulatory requirements including but not limited to an examination by the SBA. As of November 30, 2012, we have funded SBIC LP with $25.0 million of equity capital, and have $4.0 million of SBA-guaranteed debentures outstanding. SBA debentures are non-recourse to us, have a 10-year maturity, and may be prepaid at any time without penalty. The interest rate of SBA debentures is fixed at the time of issuance, often referred to as pooling, at a market-driven spread over 10-year U.S. Treasury Notes. SBA current regulations limit the amount that SBIC LP may borrow to a maximum of $150.0 million, which is up to twice its potential regulatory capital.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $18 million and have average annual fully taxed net income not exceeding $6 million for the two most recent fiscal years. In addition, an SBIC must devote 25% of its investment activity to "smaller" concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding $6 million and has average annual fully taxed net income not exceeding $2 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services.

SBIC LP is subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that SBIC LP will receive SBA guaranteed debenture funding, which is dependent upon SBIC LP continuing to be in compliance with SBA regulations and policies. The SBA, as a creditor, will have a superior claim to SBIC LP's assets over our stockholders in the event we liquidate SBIC LP or the SBA exercises its remedies under the SBA-guaranteed debentures issued by SBIC LP upon an event of default.

The Company received exemptive relief from the Securities and Exchange Commission to permit it to exclude the debt of SBIC LP guaranteed by the SBA from the definition of senior securities in the 200% asset coverage test under the 1940 Act. This allows the Company increased flexibility under the 200% asset coverage test by permitting it to borrow up to $150 million more than it would otherwise be able to absent the receipt of this exemptive relief.

As of November 30, 2012, there was $4.0 million outstanding of SBA debentures. The carrying amount of the amount outstanding of SBA debentures approximates its fair value. $0.6 million of financing costs related to the SBA debentures have been capitalized and are being amortized over the

Note 6. Borrowings (Continued)

term of the commitment and drawdown. For the three months ended November 30, 2012, we recorded $0.001 million of interest expense related to the SBA debentures. For the three months ended November 30, 2012, we recorded $0.03 million of amortization of deferred financing costs related to the SBA debentures. The interest rates during the nine months ended November 30, 2012 on the outstanding borrowings of the SBA debentures was 1.47%. For the nine months ended November 30, 2012, we recorded $0.001 million of interest expense related to the SBA debentures. For the nine months ended November 30, 2012, we recorded $0.04 million of amortization of deferred financing costs related to the SBA debentures. There were no outstanding SBA debentures at November 30, 2011.

Note 7. Directors Fees

The independent directors receive an annual fee of $40,000. They also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the Audit Committee receives an annual fee of $5,000 and the chairman of each other committee receives an annual fee of $2,000 for their additional services in these capacities. In addition, we have purchased directors' and officers' liability insurance on behalf of our directors and officers. Independent directors have the option to receive their directors' fees in the form of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the three months ended November 30, 2012 and 2011, we accrued $0.05 million and $0.05 million for directors' fees expense, respectively. For the nine months ended November 30, 2012 and 2011, we accrued $0.2 million and $0.2 million for directors' fees expense, respectively. As of November 30, 2012, $0.05 million in directors' fees expense were unpaid and included in accounts payable and accrued expenses in the consolidated statements of assets and liabilities. As of November 30, 2012, we had not issued any common stock to our directors as compensation for their services.

Note 8. Stockholders' Equity

On May 16, 2006, GSC Group, Inc. ("GSC Group") capitalized the LLC, by contributing $1,000 in exchange for 6.7 shares, constituting all of the issued and outstanding shares of the LLC.

On March 20, 2007, the Company issued 95,995.5 and 8,136.2 shares of common stock, priced at $150.00 per share, to GSC Group and certain individual employees of GSC Group, respectively, in exchange for the general partnership interest and a limited partnership interest in GSC Partners CDO III GP, LP, collectively valued at $15.6 million. At this time, the 6.7 shares owned by GSC Group in the LLC were exchanged for 6.7 shares of the Company.

On March 28, 2007, the Company completed its IPO of 725,000 shares of common stock, priced at $150.00 per share, before underwriting discounts and commissions. Total proceeds received from the

Note 8. Stockholders' Equity (Continued)

IPO, net of $7.1 million in underwriter's discount and commissions, and $1.0 million in offering costs, were $100.7 million.

On November 13, 2009, the Company declared a dividend of $18.25 per share payable on December 31, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $2.50 per share. Based on shareholder elections, the dividend consisted of $2.1 million in cash and 864,872.5 of newly issued shares of common stock.

On July 30, 2010, our Manager and its affiliates purchased 986,842 shares of common stock at $15.20 per share. Total proceeds received from this sale were $15.0 million. See "Note 12. Recapitalization Transaction."

On August 12, 2010, the Company effected a one-for-ten reverse stock split of our outstanding common stock. As a result of the reverse stock split, every ten shares of our common stock were converted into one share of our common stock. Any fractional shares received as a result of the reverse stock split were redeemed for cash. The total cash payment in lieu of shares was $230. Immediately after the reverse stock split, we had 2,680,842 shares of our common stock outstanding.

On November 12, 2010, the Company declared a dividend of $4.40 per share payable on December 29, 2010. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $1.2 million or $0.44 per share. Based on shareholder elections, the dividend consisted of approximately $1.2 million in cash and 596,235 shares of common stock.

On November 15, 2011, the Company declared a dividend of $3.00 per share payable on December 30, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.0 million or $0.60 per share. Based on shareholder elections, the dividend consisted of approximately $2.0 million in cash and 599,584 shares of common stock.

On November 9, 2012, the Company declared a dividend of $4.25 per share payable on December 31, 2012. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $3.3 million or $0.85 per share. Based on shareholder elections, the dividend consisted of approximately $3.3 million in cash and 853,455 shares of common stock.

Note 9. Earnings Per Share

In accordance with the provisions of FASB ASC 260, "Earnings per Share" ("ASC 260"), basic earnings per share is computed by dividing earnings available to common shareholders by the weighted

Note 9. Earnings Per Share (Continued)

average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

The following information sets forth the computation of the weighted average basic and diluted net increase in net assets per share from operations for the three and nine months ended November 30, 2012 and 2011 (dollars in thousands except share and per share amounts):

	For the three months ended		For the nine months ended	
	November 30, 2012	November 30, 2011	November 30, 2012	November 30, 2011
Basic and diluted				
Net increase in net assets from operations	$ 746	$ 6,213	$ 8,807	$ 10,195
Weighted average common shares outstanding	3,970,447	3,310,021	3,907,696	3,287,979
Earnings per common share—basic and diluted	$ 0.19	$ 1.88	$ 2.25	$ 3.10

Note 10. Dividend

On November 9, 2012, the Company declared a dividend of $4.25 per share payable on December 31, 2012. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $3.3 million or $0.85 per share.

Based on shareholder elections, the dividend consisted of approximately $3.3 million in cash and 853,455 shares of common stock, or 22% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.444 per share, which equaled the volume weighted average trading price per share of the common stock on December 14, 17, 19, 2012. The consolidated financial statements for the period ended November 30, 2012 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend in accordance with the provisions of ASC 505-20-S50 regarding disclosure of a capital structure change after the interim balance sheet but before the release of the financial statements.

On November 15, 2011, the Company declared a dividend of $3.00 per share payable on December 30, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.0 million or $0.60 per share.

Based on shareholder elections, the dividend consisted of approximately $2.0 million in cash and 599,584 shares of common stock, or 18% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.117 per share, which equaled the volume weighted

Note 10. Dividend (Continued)

average trading price per share of the common stock on December 20, 21 and 22, 2011. The consolidated financial statements for the period ended November 30, 2011 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend in accordance with the provisions of ASC 505-20-S50 regarding disclosure of a capital structure change after the interim balance sheet but before the release of the financial statements.

The following tables summarize dividends declared during the nine months ended November 30, 2012 and November 30, 2011 (dollars in thousands except per share amounts):

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
November 9, 2012	November 20, 2012	December 31, 2012	$ 4.25	$ 16,476
Total dividends declared			$ 4.25	$ 16,476

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
November 15, 2011	November 25, 2011	December 30, 2011	$ 3.00	$ 9,831
Total dividends declared			$ 3.00	$ 9,831

* Amount per share is calculated based on the number of shares outstanding at the date of declaration.

Note 11. Financial Highlights

The following is a schedule of financial highlights for the nine months ended November 30, 2012 and 2011:

	November 30, 2012	November 30, 2011
Per share data:		
Net asset value at beginning of period	$ 25.12	$ 26.26
Net investment income(1)	1.30	1.25
Net realized and unrealized gains and losses on investments and derivatives	0.95	1.84
Net increase in net assets from operations	2.25	3.09
Distributions declared from net investment income	(4.25)	(3.00)
Dilutive impact of dividends paid in stock(4)	(1.37)	(2.03)
Net asset value at end of period	$ 21.75	$ 24.32
Net assets at end of period	$ 102,892,221	$ 94,299,732
Shares outstanding at end of period	4,730,116	3,876,661
Per share market value at end of period	$ 15.70	$ 12.35
Total return based on market value(2)	26.07%	(25.80)%
Total return based on net asset value(3)	10.43%	13.80%
Ratio/Supplemental data:		
Ratio of net investment income to average net assets(6)	6.63%	6.04%
Ratio of operating expenses to average net assets(6)	5.29%	6.03%
Ratio of incentive management fees to average net assets(6)	1.16%	1.23%
Ratio of credit facility related expenses to average net assets(6)	2.36%	1.45%
Ratio of total expenses to average net assets(6)	8.81%	8.71%
Portfolio turnover rate(5)	14.64%	32.69%

(1) Net investment income per share is calculated using the weighted average shares outstanding during the period.

(2) Total investment return is calculated assuming a purchase of common shares at the current market value on the first day and a sale at the current market value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's dividend reinvestment plan. Total investment return does not reflect brokerage commissions. Total investment returns covering less than a full period are not annualized.

(3) Total investment return is calculated assuming a purchase of common shares at the current net asset value on the first day and a sale at the current net asset value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's

Note 11. Financial Highlights (Continued)

dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(4) Represents the dilutive effect of issuing common stock below net asset value per share during the period in connection with the satisfaction of the Company's annual RIC distribution requirement. See Note 10, Dividend.

(5) Portfolio turnover rate is calculated using the lesser of year-to-date sales excluding paydowns or year-to-date purchases over the average of the invested assets at fair value. Not annualized.

(6) Ratios are annualized.

Note 12. Recapitalization Transaction

In July 2010, we consummated a recapitalization transaction that was necessitated by the fact that we had exceeded permissible borrowing limits under the Revolving Facility in July 2009, which resulted in an event of default under the Revolving Facility. As a result of the event of default under the Revolving Facility, the lender had the right to accelerate repayment of the outstanding indebtedness under the Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. We engaged the investment banking firm of Stifel, Nicolaus & Company to evaluate strategic transaction opportunities and consider alternatives for us in December 2008. On April 14, 2010, we entered into a stock purchase agreement with our Manager and certain of its affiliates and an assignment, assumption and novation agreement with our Manager, pursuant to which we assumed certain rights and obligations of our Manager under a debt commitment letter our Manager received from Madison Capital Funding LLC, indicating Madison Capital Funding's willingness to provide us with the Replacement Facility, subject to the satisfaction of certain terms and conditions. In addition, we and GSCP (NJ), L.P., our then external investment adviser, entered into a termination and release agreement, to be effective as of the closing of the transaction contemplated by the stock purchase agreement, pursuant to which GSCP (NJ), L.P., among other things, agreed to waive any and all accrued and unpaid deferred incentive management fees up to and as of the closing of the transaction contemplated by the stock purchase agreement but continued to be entitled to receive the base management fees earned through the date of the closing of the transaction contemplated by the stock purchase agreement.

On July 30, 2010, the transactions contemplated by the stock purchase agreement with our Manager and certain of its affiliates was completed, and included the following actions:

- the private sale of shares of our common stock for $15 million in aggregate purchase price to our Manager and certain of its affiliates;
- the closing of the $40 million Replacement Facility with Madison Capital Funding;
- the execution of a registration rights agreement with the investors in the private sale transaction, pursuant to which we agreed to file a registration statement with the SEC to register for resale the shares of our common stock sold in the private sale transaction;

Note 12. Recapitalization Transaction (Continued)

- the execution of a trademark license agreement with our Manager pursuant to which our Manager granted us a non-exclusive, royalty-free license to use the "Saratoga" name, for so long as our Manager or one of its affiliates remains our investment adviser;
- replacing GSCP (NJ), L.P. as our investment adviser and administrator with our Manager by executing an investment advisory and management agreement, which was approved by our stockholders, and an administration agreement with our Manager;
- the resignations of Robert F. Cummings, Jr. and Richard M. Hayden, both of whom are affiliates of GSCP (NJ) L.P., as members of the board of directors and the election of Christian L. Oberbeck and Richard A. Petrocelli, both of whom are affiliates of our Manager, as members of the board of directors;
- the resignation of all of our then existing executive officers and the appointment by our board of directors of Mr. Oberbeck as our chief executive officer and president and Mr. Petrocelli as our chief financial officer, secretary and chief compliance officer; and
- our name change from "GSC Investment Corp." to "Saratoga Investment Corp."

We used the net proceeds from the private sale transaction and a portion of the funds available to us under the Replacement Facility to pay the full amount of principal and accrued interest, including default interest, outstanding under Revolving Facility. The Revolving Facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the quarter ended November 30, 2012.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Saratoga Investment Corp.

We have audited the accompanying consolidated statements of assets and liabilities of Saratoga Investment Corp. (the "Company"), including the consolidated schedules of investments, as of February 29, 2012 and February 28, 2011, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years ended February 29, 2012, February 28, 2011 and 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of February 29, 2012, by correspondence with the custodian and management or agents of the underlying investments. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Saratoga Investment Corp. at February 29, 2012 and February 28, 2011, and the consolidated results of its operations, changes in its net assets and its cash flows for the three years ended February 29, 2012, February 28, 2011 and 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
New York, NY
May 23, 2012
Except for Note 4, as to which the date is
April 27, 2013

Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

	As of	
	February 29, 2012	February 28, 2011
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of $73,161,722 and $73,779,271, respectively)	$ 69,513,434	$ 57,292,723
Control investments (cost of $23,540,517 and $27,364,350, respectively)	25,846,414	22,732,038
Total investments at fair value (amortized cost of $96,702,239 and $101,143,621, respectively)	95,359,848	80,024,761
Cash and cash equivalents	1,325,698	10,735,755
Cash and cash equivalents, securitization accounts	25,534,195	4,369,987
Outstanding interest rate cap at fair value (cost of $131,000 and $131,000, respectively)	75	16,265
Interest receivable, (net of reserve of $273,361 and $14,796, respectively)	1,689,404	1,666,083
Deferred credit facility financing costs, net	1,199,490	1,638,768
Management fee receivable	227,581	231,753
Other assets	94,823	85,166
Receivable from unsettled trades	59,511	—
Total assets	$ 125,490,625	$ 98,768,538
LIABILITIES		
Revolving credit facility	$ 20,000,000	$ 4,500,000
Payable for unsettled trades	4,072,500	4,900,000
Management and incentive fees payable	2,885,670	2,203,806
Accounts payable and accrued expenses	704,949	785,486
Interest and credit facility fees payable	53,262	67,792
Due to manager	394,094	240,000
Total liabilities	$ 28,110,475	$ 12,697,084
NET ASSETS		
Common stock, par value $.001, 100,000,000 common shares authorized, 3,876,661 and 3,277,077 common shares issued and outstanding, respectively	$ 3,877	$ 3,277
Capital in excess of par value	161,644,426	153,768,680
Distribution in excess of net investment income	(13,920,068)	(8,918,890)
Accumulated net realized loss from investments and derivatives	(48,874,767)	(37,548,016)
Net unrealized depreciation on investments and derivatives	(1,473,318)	(21,233,597)
Total Net Assets	97,380,150	86,071,454
Total liabilities and Net Assets	$ 125,490,625	$ 98,768,538
NET ASSET VALUE PER SHARE	$ 25.12	$ 26.26

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Operations

	For the year ended February 29, 2012	For the year ended February 28, 2011	For the year ended February 28, 2010
INVESTMENT INCOME			
Interest from investments			
Non-control/Non-affiliate investments	$ 7,055,709	$ 8,745,939	$ 10,902,482
Control investments	4,198,007	3,295,359	2,397,514
Total interest income	11,253,716	12,041,298	13,299,996
Interest from cash and cash equivalents	7,865	8,857	23,624
Management fee income	2,011,516	2,032,357	2,057,397
Other income	238,579	90,503	236,259
Total investment income	13,511,676	14,173,015	15,617,276
EXPENSES			
Interest and credit facility financing expenses	1,297,985	2,611,839	4,096,041
Base management fees	1,617,496	1,645,552	1,950,760
Professional fees	1,455,380	3,325,475	2,071,027
Administrator expenses	1,000,000	810,416	670,720
Incentive management fees	1,257,087	1,868,503	327,684
Insurance	578,746	704,800	869,969
Directors fees and expenses	208,851	373,385	294,932
General & administrative	389,825	478,730	265,575
Other expense	5,445	—	—
Expenses before expense waiver and reimbursement	7,810,815	11,818,700	10,546,708
Expense reimbursement	—	(258,562)	(670,720)
Waiver of deferred incentive management fees	—	(2,636,146)	—
Total expenses net of expense waiver and reimbursement	7,810,815	8,923,992	9,875,988
NET INVESTMENT INCOME BEFORE INCOME TAXES	5,700,861	5,249,023	5,741,288
Income tax expense, including excise tax	—	—	(27,445)
NET INVESTMENT INCOME	5,700,861	5,249,023	5,713,843
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized loss from investments	(12,185,997)	(24,684,262)	(6,653,983)
Net unrealized appreciation (depreciation) on investments	19,776,469	36,419,362	(9,525,054)
Net unrealized appreciation (depreciation) on derivatives	(16,190)	(25,882)	2,634
Net gain (loss) on investments	7,574,282	11,709,218	(16,176,403)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 13,275,143	$ 16,958,241	$ (10,462,560)
WEIGHTED AVERAGE—BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE*	$ 3.87	$ 6.96	$ (9.86)
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING—BASIC AND DILUTED*	3,434,345	2,437,577	1,061,351

* Earnings per share and Weighted average shares outstanding for the year ended February 28, 2010 have been adjusted to reflect a one-for-ten reverse stock split in August 2010.

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Schedule of Investments

February 29, 2012

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Non-control/Non-affiliated investments—71.4%(b)						
Coast Plating, Inc.(d)	Aerospace	First Lien Term Loan 11.77% Cash, 9/13/2014	$ 2,550,000	$ 2,550,000	$ 2,550,000	2.6%
Coast Plating, Inc.(d)	Aerospace	First Lien Term Loan 12.52% Cash, 9/13/2014	$ 950,000	950,000.0	950,000	1.0%
		Total Aerospace		3,500,000	3,500,000	3.6%
Legacy Cabinets Holdings(d)(h)	Building Products	Common Stock Voting A-1	2,535	220,900	—	0.0%
Legacy Cabinets Holdings(d)(h)	Building Products	Common Stock Voting B-1	1,600	139,424	—	0.0%
Legacy Cabinets, Inc.(d)	Building Products	First Lien Term Loan 7.25% (1.00% Cash/6.25% PIK), 5/3/2014	$ 312,198	312,198	221,629	0.2%
		Total Building Products		672,522	221,629	0.2%
Targus Group International, Inc.(d)	Consumer Products	First Lien Term Loan 11.00% Cash, 5/24/2016	$ 3,980,000	3,911,828	3,944,976	4.1%
Targus Holdings, Inc.(d)	Consumer Products	Unsecured Notes 10.00% PIK, 6/14/2019	$ 1,799,479	1,799,479	963,621	1.0%
Targus Holdings, Inc.(d)(h)	Consumer Products	Common Stock	62,413	566,765	2,675,645	2.7%
		Total Consumer Products		6,278,072	7,584,242	7.8%
CFF Acquisition LLC(d)	Consumer Services	First Lien Term Loan 7.50% Cash, 7/31/2015	$ 2,684,141	2,462,831	2,448,205	2.5%
PrePaid Legal Services, Inc.(d)	Consumer Services	First Lien Term Loan 11.00% Cash, 12/31/2016	$ 3,000,000	2,920,411	2,940,000	3.0%
		Total Consumer Services		5,383,242	5,388,205	5.5%
M/C Acquisition Corp., LLC(d)	Education	First Lien Term Loan 10.00% (4.25% Cash/5.75% PIK), 12/31/2012	$ 2,944,596	1,790,662	591,864	0.6%
M/C Acquisition Corp., LLC(d)(h)	Education	Class A Common Stock	544,761	30,242	—	0.0%
		Total Education		1,820,904	591,864	0.6%
Advanced Lighting Technologies, Inc. (d)	Electronics	Second Lien Term Loan 6.25% Cash, 6/1/2014	$ 2,000,000	1,902,053	1,910,400	2.0%
Group Dekko, Inc. (fka Dekko Technologies, LLC)(d)	Electronics	Second Lien Term Loan 10.50% (6.50% Cash/4.00% PIK), 5/1/2013	$ 7,571,152	7,571,152	7,003,316	7.2%
		Total Electronics		9,473,205	8,913,716	9.2%
USS Parent Holding Corp.(d)(h)	Environmental	Non Voting Common Stock	765	133,002	97,810	0.1%
USS Parent Holding Corp.(d)(h)	Environmental	Voting Common Stock	17,396	3,025,798	2,225,180	2.3%
		Total Environmental		3,158,800	2,322,990	2.4%
DCS Business Services, Inc.(d)	Financial Services	First Lien Term Loan 14.00% Cash, 9/30/2012	$ 1,600,000	1,604,464	1,600,000	1.6%
Big Train, Inc.(d)	Food and Beverage	First Lien Term Loan 7.75% Cash, 3/31/2012	$ 1,406,768	1,389,640	1,368,785	1.4%
HOA Restaurant Group, LLC.(d)	Food and Beverage	Senior Secured Notes 11.25% Cash, 4/1/2017	$ 4,000,000	3,880,000	3,880,000	4.0%
		Total Food and Beverage		5,269,640	5,248,785	5.4%
Maverick Healthcare Group(d)	Healthcare Services	First Lien Term Loan 10.75% Cash, 12/31/2016	$ 4,950,000	4,867,725	4,824,270	5.0%
McMillin Companies LLC(d)(h)	Homebuilding	Senior Secured Notes 0% Cash, 12/31/2013	$ 550,000	511,952	288,915	0.3%

Saratoga Investment Corp.

Consolidated Schedule of Investments (Continued)

February 29, 2012

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Capstone Logistics, LLC(d)	Logistics	First Lien Term Loan 7.50% Cash, 9/16/2016	$ 997,118	982,954	997,118	1.0%
Capstone Logistics, LLC(d)	Logistics	First Lien Term Loan 13.50% Cash, 9/16/2016	$ 4,000,000	3,943,183	4,000,000	4.1%
Worldwide Express Operations, LLC(d)	Logistics	First Lien Term Loan 7.50% Cash, 6/30/2013	$ 6,680,276	6,412,355	6,103,100	6.3%
		Total Logistics		11,338,492	11,100,218	11.4%
Sabre Industries, Inc(d)	Manufacturing	Senior Unsecured Loan 15.00% (12.00% Cash/3.00% PIK), 6/6/2016	$ 6,000,000	5,852,741	6,000,000	6.2%
Elyria Foundry Company, LLC(d)	Metals	Senior Secured Notes 17.00% (13.00% Cash/4.00% PIK), 3/1/2013	$ 7,428,456	7,224,787	6,537,041	6.7%
Elyria Foundry Company, LLC(d)(h)	Metals	Warrants to Purchase Limited Liability Company Interests	3,000	—	—	0.0%
		Total Metals		7,224,787	6,537,041	6.7%
Network Communications, Inc.(d)	Publishing	Unsecured Notes 8.60% PIK, 1/14/2020	$ 2,422,095	1,924,577	1,044,892	1.0%
Network Communications, Inc.(d)(h)	Publishing	Common Stock	211,429	—	691,373	0.7%
Penton Media, Inc.(d)	Publishing	First Lien Term Loan 5.00% (4.00% Cash/ 1.00% PIK), 8/1/2014	$ 4,839,526	4,280,599	3,655,294	3.8%
		Total Publishing		6,205,176	5,391,559	5.5%
Sub Total Non-control/Non-affiliated investments				73,161,722	69,513,434	71.4%
Control investments—26.5%(b)						
GSC Partners CDO GP III, LP(g)(h)	Financial Services	100% General Partnership Interest	—	—	—	0.0%
GSC Investment Corp. CLO 2007 LTD.(d)(e)(g)	Structured Finance Securities	Other/Structured Finance Securities 17.38%, 1/21/2020	$30,000,000	23,540,517	25,846,414	26.5%
Sub Total Control investments				23,540,517	25,846,414	26.5%
Affiliate investments—0.0%(b)						
GSC Partners CDO GP III, LP(f)(h)	Financial Services	6.24% Limited Partnership Interest	—	—	—	0.0%
Sub Total Affiliate investments				—	—	0.0%
TOTAL INVESTMENTS—97.9% (b)				**$96,702,239**	**$ 95,359,848**	**97.9%**

Outstanding interest rate cap	Interest rate	Maturity	Notional	Cost	Fair Value	% of Net Assets
Interest rate cap	8.0%	2/9/2014	$ 19,591,837	$ 87,000	$ 54	0.0%
Interest rate cap	8.0%	11/30/2013	10,332,000	44,000	21	0.0%
Total Outstanding interest rate cap				$ 131,000	$ 75	0.0%

* Amounts to less than 0.05%

(a) All of our equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except GSC Investment Corp. CLO 2007 Ltd. and GSC Partners CDO GP III, LP.

(b) Percentages are based on net assets of $97,380,150 as of February 29, 2012.

(c) Because there is no readily available market value for these investments, the fair value of these investments is approved in good faith by our board of directors. (see Note 3 to the consolidated financial statements).

(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 6 to the consolidated financial statements).

(e) 17.38% represents the modeled effective interest rate that is expected to be earned over the life of the investment.

(f) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was an Affiliate are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(g) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Investment Corp. CLO 2007 LTD.	$ —	$ —	$ —	$4,198,007	$ 2,011,516	$ —	$ 6,938,209
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(h) Non-income producing at February 29, 2012.

Saratoga Investment Corp.

Consolidated Schedule of Investments

February 28, 2011

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Non-control/Non-affiliated investments—83.3%(b)						
Legacy Cabinets Holdings(d)(i)	Building Products	Common Stock Voting A-1	$ 2,535	$ 220,900	$ —	0.0%
Legacy Cabinets Holdings(d)(i)	Building Products	Common Stock Voting B-1	1,600	139,424	—	0.0%
Legacy Cabinets, Inc.(d)(i)	Building Products	First Lien Term Loan 7.25%, 5/3/2014	$ 293,474	293,474	154,455	0.2%
		Total Building Products		653,798	154,455	0.2%
Hopkins Manufacturing Corporation(d)	Consumer Products	Second Lien Term Loan 7.54%, 1/26/2012	$ 3,250,000	3,249,024	3,233,750	3.7%
Targus Holdings, Inc.(d)	Consumer Products	First Lien Term Loan 8.75%, 11/22/2012	$ 3,169,227	3,057,616	3,147,834	3.7%
Targus Holdings, Inc.(d)	Consumer Products	Unsecured Notes 10.00%, 12/14/2015	$ 1,538,235	1,538,235	985,547	1.1%
Targus Holdings, Inc.(d)(i)	Consumer Products	Common Stock	62,413	566,765	2,881,608	3.3%
		Total Consumer Products		8,411,640	10,248,739	11.8%
CFF Acquisition LLC(d)	Consumer Services	First Lien Term Loan 7.50%, 7/31/2013	$ 285,876	285,876	244,424	0.3%
M/C Acquisition Corp., LLC(d)	Education	First Lien Term Loan 1.00%, 12/31/2012	$ 870,791	870,791	258,625	0.3%
M/C Acquisition Corp., LLC(d)(i)	Education	Class A Common Stock	166,327	30,241	—	0.0%
		Total Education		901,032	258,625	0.3%
Advanced Lighting Technologies, Inc.(d)	Electronics	Second Lien Term Loan 6.29%, 6/1/2014	$ 2,000,000	1,858,442	1,867,092	2.2%
Dekko Technologies, LLC(d)	Electronics	Second Lien Term Loan 10.50%, 1/20/2012	$ 7,198,935	7,198,935	6,766,999	7.9%
		Total Electronics		9,057,377	8,634,091	10.1%
USS Parent Holding Corp.(d)(i)	Environmental	Non Voting Common Stock	765	133,002	124,311	0.1%
USS Parent Holding Corp.(d)(i)	Environmental	Voting Common Stock	17,396	3,025,798	2,828,080	3.3%
		Total Environmental		3,158,800	2,952,391	3.4%
Bankruptcy Management Solutions, Inc.(d)	Financial Services	Second Lien Term Loan 1.25%, 8/20/2015	$ 2,450,499	2,450,499	110,272	0.1%
Bankruptcy Management Solutions, Inc.(d)(i)	Financial Services	Common Stock	$ 27,197	—	—	0.0%
Bankruptcy Management Solutions, Inc.(d)(i)	Financial Services	Warrants	$ 2,510	—	—	0.0%
DCS Business Services, Inc.	Financial Services	First Lien Term Loan 13.75%, 9/30/2012	$ 1,600,000	1,612,135	1,600,000	1.9%
		Total Financial Services		4,062,634	1,710,272	2.0%

Saratoga Investment Corp.

Consolidated Schedule of Investments (Continued)

February 28, 2011

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Big Train, Inc.(d)	Food and Beverage	First Lien Term Loan 7.75%, 3/31/2012	$ 1,687,008	1,403,224	1,545,637	1.8%
PRACS Institute, LTD(d)	Healthcare Services	Second Lien Term Loan 10.00%, 4/17/2013	$ 4,093,750	4,069,847	3,014,420	3.5%
Maverick Healthcare Group(d)	Healthcare Services	First Lien Term Loan 10.75%, 12/31/2016	$ 5,000,000	4,900,000	5,000,000	5.8%
		Total Healthcare Services		8,969,847	8,014,420	9.3%
McMillin Companies LLC(d)	Homebuilding	Senior Secured Notes 9.53%, 10/31/2013	$ 1,100,000	1,067,024	816,200	0.9%
Worldwide Express Operations, LLC(d)	Logistics	First Lien Term Loan 7.50%, 6/30/2013	$ 2,865,629	2,862,910	2,498,828	2.9%
Jason Incorporated(d)(i)	Manufacturing	Senior Secured Notes 10.25%, 12/21/2015	$ 2,414,272	2,414,272	2,391,318	2.8%
Specialized Technology Resources, Inc.(d)	Manufacturing	Second Lien Term Loan 7.26%, 12/15/2014	$ 5,000,000	4,833,437	4,966,500	5.8%
		Total Manufacturing		7,247,709	7,357,818	8.6%
Elyria Foundry Company, LLC(d)	Metals	Senior Secured Notes 17.00%, 3/1/2013	$ 5,100,000	5,017,225	4,231,222	4.9%
Elyria Foundry Company, LLC(d)(i)	Metals	Warrants to Purchase Limited Liability Company Interests	3,000	—	—	0.0%
		Total Metals		5,017,225	4,231,222	4.9%
Grant U.S. Holdings LLP(d)(e)(i)	Natural Resources	Second Lien Term Loan 0.00%, 9/20/2013	$ 6,349,512	6,349,348	—	0.0%
Energy Alloys, LLC(d)(i)	Oil and Gas	Second Lien Term Loan 3.00%, 6/30/2015	$ 6,429,092	6,429,092	316,954	0.4%
Energy Alloys, LLC(d)(i)	Oil and Gas	Warrants to Purchase Limited Liability Company Interests	3	—	—	0.0%
		Total Oil and Gas		6,429,092	316,954	0.4%
Terphane Holdings Corp.(d)(e)(i)	Packaging	Senior Secured Notes 14.00%, 6/15/2015	$ 2,500,000	2,500,000	2,453,250	2.9%
Network Communications, Inc.(d)(i)	Publishing	Unsecured Notes 8.60%, 1/14/2020	$ 1,285,714	1,285,714	929,314	1.1%
Network Communications, Inc.(d)(i)	Publishing	Common Stock	$ 211,429	—	900,688	1.0%
Penton Media, Inc.(d)	Publishing	First Lien Term Loan 5.00%, 8/1/2014	$ 4,839,376	4,116,021	4,025,393	4.7%
		Total Publishing		5,401,735	5,855,395	6.8%
Sub Total Non-control/Non-affiliated investments				73,779,271	57,292,721	66.6%

Saratoga Investment Corp.

Consolidated Schedule of Investments (Continued)

February 28, 2011

Company(a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Control investments—28.2%(b)						
GSC Partners CDO GP III, LP(h)(i)	Financial Services	100% General Partnership Interest	—	—	—	0.0%
GSC Investment Corp. CLO 2007 LTD.(d)(f)(h)	Structured Finance Securities	Other/Structured Finance Securities 11.99%, 1/21/2020	$ 30,000,000	27,364,350	22,732,038	26.4%
Sub Total Control investments				27,364,350	22,732,038	26.4%
Affiliate investments—0.0%(b)						
GSC Partners CDO GP III, LP(g)(i)	Financial Services	6.24% Limited Partnership Interest	—	—	—	0.0%
Sub Total Affiliate investments				—	—	0.0%
TOTAL INVESTMENTS—111.5%(b)				**$101,143,621**	**$ 80,024,759**	**93.0%**

Outstanding interest rate cap	Interest rate	Maturity	Notional	Cost	Fair Value	% of Net Assets
Interest rate cap	8.0%	2/9/2014	$29,387,755	$ 87,000	$ 11,893	0.0%
Interest rate cap	8.0%	11/30/2013	23,966,000	44,000	4,372	0.0%
Total Outstanding interest rate cap				$ 131,000	$ 16,265	0.0%

* Amounts to less than 0.05%

(a) All of our equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except Grant U.S. Holdings LLP, GSC Investment Corp. CLO 2007 Ltd., Terphane Holdings Corp., and GSC Partners CDO GP III, LP.

(b) Percentages are based on net assets of as of $86,071,454 February 28, 2011.

(c) Fair valued investment (see Note 3 to the consolidated financial statements).

(d) These securities are pledged as collateral under a revolving securitized credit facility (see Note 7 to the consolidated financial statements).

(e) Non-U.S. company. The principal place of business for Terphane Holdings Corp is Brazil, and for Grant U.S. Holdings LLP is Canada.

(f) 11.99% represents the modeled effective interest rate that is expected to be earned over the life of the investment.

(g) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was an Affiliate are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/ (losses)	Net Unrealized gains/ (losses)
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(h) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/ (losses)	Net Unrealized gains/ (losses)
GSC Investment Corp. CLO 2007 LTD.	$ —	$ —	$ —	$3,295,359	$ 2,032,357	$ —	$ 7,902,482
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(i) Non-income producing at February, 2011.

Saratoga Investment Corp.

Consolidated Statements of Changes in Net Assets

	For the year ended February 29, 2012	For the year ended February 28, 2011	For the year ended February 28, 2010
INCREASE (DECREASE) FROM OPERATIONS:			
Net investment income	$ 5,700,861	$ 5,249,023	$ 5,713,843
Net realized loss from investments	(12,185,997)	(24,684,262)	(6,653,983)
Net unrealized appreciation (depreciation) on investments	19,776,469	36,419,362	(9,525,054)
Net unrealized appreciation (depreciation) on derivatives	(16,190)	(25,882)	2,634
Net increase (decrease) in net assets from operations	13,275,143	16,958,241	(10,462,560)
DECREASE FROM SHAREHOLDER DISTRIBUTIONS:			
Distributions declared	(9,831,231)	(11,795,705)	(15,131,775)
Net decrease in net assets from shareholder distributions	(9,831,231)	(11,795,705)	(15,131,775)
CAPITAL SHARE TRANSACTIONS:			
Stock dividend distribution	7,864,784	10,615,905	13,058,710
Issuance of common stock, net of issuance costs	—	14,814,861	—
Net increase in net assets from capital share transactions	7,864,784	25,430,766	13,058,710
Total increase/(decrease) in net assets	11,308,696	30,593,302	(12,535,625)
Net assets at beginning of period	86,071,454	55,478,152	68,013,777
Net assets at end of period	$ 97,380,150	$ 86,071,454	$ 55,478,152
Net asset value per common share	$ 25.12	$ 26.26	$ 32.75
Common shares outstanding at end of period	3,876,661	3,277,077	1,694,011
Distribution in excess of net investment income	$ (13,920,068)	$ (8,918,890)	$ (2,846,135)

* Net Asset Value per share and end of year shares outstanding for the year ended February 28, 2010 has been adjusted to reflect a one-for-ten reverse stock split in August 2010.

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Cash Flows

	For the year ended February 29, 2012	For the year ended February 28, 2011	For the year ended February 28, 2010
Operating activities			
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 13,275,143	$ 16,958,241	$ (10,462,560)
ADJUSTMENTS TO RECONCILE NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES:			
Paid-in-kind interest income	(1,442,004)	(1,144,799)	(858,730)
Net accretion of discount on investments	(1,191,822)	(732,522)	(966,191)
Amortization of deferred credit facility financing costs	674,724	397,164	633,349
Reversal of deferred incentive management fees	—	(2,636,146)	—
Net realized (gain) loss from investments	12,185,997	24,684,262	6,653,983
Net unrealized (appreciation) depreciation on investments	(19,776,469)	(36,419,362)	9,525,054
Net unrealized (appreciation) depreciation on derivatives	16,190	25,882	(2,634)
Proceeds from sale and redemption of investments	33,568,147	31,974,810	15,185,210
Purchase of investments	(38,678,936)	(9,014,000)	—
(Increase) decrease in operating assets:			
Cash and cash equivalents, securitization accounts	(21,164,208)	(4,144,563)	952,777
Interest receivable	(23,321)	1,807,878	(386,293)
Management fee receivable	4,172	96,175	(90,558)
Other assets	(9,657)	55,106	180,988
Receivable from unsettled trades	(59,511)	—	—
Increase (decrease) in operating liabilities:			
Payable for unsettled trades	(827,500)	4,900,000	—
Management and incentive fees payable	681,864	1,768,859	190,426
Accounts payable and accrued expenses	(80,537)	(325,595)	410,544
Interest and credit facility fees payable	(14,530)	(199,374)	194,341
Due to manager	154,094	224,398	15,602
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	(22,708,164)	28,276,414	21,175,308
Financing activities			
Issuance of shares of common stock	—	15,000,001	—
Payment of common stock issuance costs	—	(185,140)	—
Borrowings on debt	20,000,000	20,000,000	—
Paydowns on debt	(4,500,000)	(52,492,222)	(22,002,451)
Credit facility financing cost	(235,446)	(2,035,932)	(103,582)
Payments of cash dividends	(1,966,447)	(1,179,800)	(2,073,066)
NET CASH PROVIDED BY (USED BY) FINANCING ACTIVITIES	13,298,107	(20,893,093)	(24,179,099)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(9,410,057)	7,383,321	(3,003,791)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,735,755	3,352,434	6,356,225
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,325,698	$ 10,735,755	$ 3,352,434
Supplemental Information:			
Interest paid during the period	$ 637,791	$ 2,414,049	$ 3,268,351
Supplemental non-cash information			
Paid-in-kind interest income	$ 1,442,004	$ 1,144,799	$ 858,730
Net accretion of discount on investments	$ 1,191,822	$ 732,522	$ 966,191
Amortization of deferred credit facility financing costs	$ 674,724	$ 397,164	$ 633,349
Reversal of deferred incentive management fees	$ —	$ 2,636,146	$ —
Stock dividend distribution	$ 7,864,784	$ 10,615,905	$ 13,058,710

See accompanying notes to consolidated financial statements.

Note 1. Organization and Basis of Presentation

Saratoga Investment Corp. (the "Company", "we", "our" and "us") is a non-diversified closed end management investment company incorporated in Maryland that has elected to be treated and is regulated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). We commenced operations on March 23, 2007 as GSC Investment Corp. and completed our initial public offering ("IPO") on March 28, 2007. We have elected to be treated as a regulated investment company ("RIC") under subchapter M of the Internal Revenue Code (the "Code"). We expect to continue to qualify and to elect to be treated for tax purposes as a RIC. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments.

GSC Investment, LLC (the "LLC") was organized in May 2006 as a Maryland limited liability company. As of February 28, 2007, the LLC had not yet commenced its operations and investment activities.

On March 21, 2007, the Company was incorporated and concurrently therewith the LLC was merged with and into the Company, with the Company as the surviving entity, in accordance with the procedure for such merger in the LLC's limited liability company agreement and Maryland law. In connection with such merger, each outstanding limited liability company interest of the LLC was converted into a share of common stock of the Company.

On July 30, 2010, the Company changed its name from "GSC Investment Corp." to "Saratoga Investment Corp." in conjunction with the transaction described in "Note 14. Recapitalization Transaction" below.

We are externally managed and advised by our investment adviser, Saratoga Investment Advisors, LLC (the "Manager"), pursuant to an investment advisory and management agreement. Prior to July 30, 2010, we were managed and advised by GSCP (NJ), L.P.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("GAAP") and include the accounts of the Company and its special purpose financing subsidiary, Saratoga Investment Funding, LLC (previously known as GSC Investment Funding LLC). All intercompany accounts and transactions have been eliminated in consolidation. All references made to the "Company," "we," and "us" herein include Saratoga Investment Corp. and its consolidated subsidiary, except as stated otherwise.

Note 2. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and income, gains (losses) and expenses during the period reported. Actual results could differ materially from those estimates.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value. Per section 12(d)(1)(A) of the 1940 Act, the Company may not invest in another registered investment company such as, a money market fund if such investment would cause the Company to exceed any of the following limitations:

- we were to own more than 3% of the total outstanding voting stock of the money market fund;
- we were to hold securities in the money market fund having an aggregate value in excess of 5% of the value of our total assets; or
- we were to hold securities in money market funds and other registered investment companies and BDCs having an aggregate value in excess of 10% of the value of our total assets.

Cash and Cash Equivalents, Securitization Accounts

Cash and cash equivalents, securitization accounts include amounts held in designated bank accounts in the form of cash and short-term liquid investments in money market funds representing payments received on securitized investments or other reserved amounts associated with our $40 million senior secured revolving credit facility with Madison Capital Funding LLC. The Company is required to use a portion of these amounts to pay interest expense, reduce borrowings, or pay other amounts in accordance with the related securitization agreements. Cash held in such accounts may not be available for the general use of the Company.

Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in companies in which we own more than 25% of the voting securities or maintain greater than 50% of the board representation. Under the 1940 Act, "Affiliated Investments" are defined as those non-control investments in companies in which we own between 5% and 25% of the voting securities. Under the 1940 Act, "Non-affiliated Investments" are defined as investments that are neither Control Investments nor Affiliated Investments.

Investment Valuation

The Company accounts for its investments at fair value in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires the Company to assume that its investments are to be sold at the statement of assets and liabilities date in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments for which market quotations are readily available are fair valued at such market quotations obtained from independent third party pricing services and market makers subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved, in good faith, by our board of directors based on input from our Manager, the audit committee of our board of directors and a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, market yield trend analysis, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- Each investment is initially valued by the responsible investment professionals of our Manager and preliminary valuation conclusions are documented and discussed with our senior management; and

- An independent valuation firm engaged by our board of directors reviews approximately one quarter of these preliminary valuations each quarter so that the valuation of each investment for which market quotes are not readily available is reviewed by the independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- The audit committee of our board of directors reviews each preliminary valuation and our Manager and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and

- Our board of directors discusses the valuations and approves the fair value of each investment, in good faith, based on the input of our Manager, independent valuation firm (to the extent applicable) and the audit committee of our board of directors.

Our investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flows analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO.

Note 2. Summary of Significant Accounting Policies (Continued)

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Derivative Financial Instruments

We account for derivative financial instruments in accordance with ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires recognizing all derivative instruments as either assets or liabilities on the consolidated statements of assets and liabilities at fair value. The Company values derivative contracts at the closing fair value provided by the counterparty. Changes in the values of derivative contracts are included in the consolidated statements of operations.

Investment Transactions and Income Recognition

Purchases and sales of investments and the related realized gains or losses are recorded on a trade-date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Company stops accruing interest on its investments when it is determined that interest is no longer collectible. Discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortizations of premium on investments.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reserved when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as a reduction in principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection.

Interest income on our investment in Saratoga CLO is recorded using the effective interest method in accordance with the provisions of ASC Topic 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Note 2. Summary of Significant Accounting Policies (Continued)

Paid-in-Kind Interest

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We stop accruing PIK interest if we do not expect the issuer to be able to pay all principal and interest when due.

Deferred Credit Facility Financing Costs

Financing costs incurred in connection with our credit facilities are deferred and amortized using the straight line method over the life of the respective facility.

Indemnifications

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, management feels that the likelihood of such an event is remote.

Income Taxes

The Company has filed an election to be treated for tax purposes as a RIC under Subchapter M of the Code and, among other things, intends to make the requisite distributions to its stockholders which will relieve the Company from federal income taxes. Therefore, no provision has been recorded for federal income taxes.

In order to qualify as a RIC, among other requirements, the Company is required to timely distribute to its stockholders at least 90% of its investment company taxable income, as defined by the Code, for each fiscal tax year. The Company will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned.

In accordance with certain applicable Treasury regulations and private letter rulings issued by the Internal Revenue Service, a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20% of the aggregate declared distribution. If too many stockholders elect to receive cash, each stockholder electing to receive cash will receive a pro rata amount of cash (with the balance of the distribution paid in stock). In no event will any stockholder,

Note 2. Summary of Significant Accounting Policies (Continued)

electing to receive cash, receive less than 20% of his or her entire distribution in cash. If these and certain other requirements are met, for U.S federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock.

ASC 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet a "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statement of operations. During the fiscal year ended February 29, 2012, the Company did not incur any interest or penalties. Although we file federal and state tax returns, our major tax jurisdiction is federal. The 2009, 2010 and 2011 federal tax years for the Company remain subject to examination by the IRS.

Dividends

Dividends to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by the board of directors. Net realized capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for reinvestment.

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividend distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends. If our common stock is trading below net asset value at the time of valuation, the plan administrator may receive the dividend or distribution in cash and purchase common stock in the open market, on the New York Stock Exchange or elsewhere, for the account of each participant in our dividend reinvestment plan.

Capital Gains Incentive Fee

The Company records an expense accrual on the Consolidated Statement of Operations, relating to the capital gains incentive fee payable on the Consolidated Statement of Assets and Liabilities, by the Company to its investment adviser when the unrealized gains on its investments exceed all realized capital losses on its investments given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. The actual incentive fee payable to the Company's investment adviser related to capital gains will be determined and payable in arrears at the end of each fiscal year and will include only realized capital gains for the period.

New Accounting Pronouncements

In December 2011, the FASB issued ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities, which requires entities to disclose information about offsetting and related arrangements to

Note 2. Summary of Significant Accounting Policies (Continued)

enable users of its financial statements to understand the effect of those arrangements on its financial position. The guidance is effective for fiscal years and interim periods beginning on or after January 1, 2013 with retrospective application for all comparative periods presented. The adoption of this guidance, which is related to disclosure only, is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"), which amends U.S. GAAP to conform it with fair value measurement and disclosure requirements in International Financial Reporting Standards ("IFRS"). The amendments in ASU 2011-04 change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. We are currently evaluating the impact this accounting standards update will have on our consolidated financial statements. The amendments in ASU 2011-04 are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011.

Risk Management

In the ordinary course of its business, the Company manages a variety of risks, including market risk and credit risk. Market risk is the risk of potential adverse changes to the value of investments because of changes in market conditions such as interest rate movements and volatility in investment prices.

Credit risk is the risk of default or non-performance by portfolio companies, equivalent to the investment's carrying amount.

The Company is also exposed to credit risk related to maintaining all of its cash and cash equivalents, including those in securitization accounts, at a major financial institution and credit risk related to any of its derivative counterparties.

The Company has investments in lower rated and comparable quality unrated high yield bonds and bank loans. Investments in high yield investments are accompanied by a greater degree of credit risk. The risk of loss due to default by the issuer is significantly greater for holders of high yield securities, because such investments are generally unsecured and are often subordinated to other creditors of the issuer.

Note 3. Investments

As noted above, the Company values all investments in accordance with ASC 820. ASC 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair

Note 3. Investments (Continued)

value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value may require significant management judgment or estimation. Such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence.

In addition to using the above inputs in investment valuations, the Company continues to employ the valuation policy approved by the board of directors that is consistent with ASC 820 (see Note 2). Consistent with our Company's valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

The following table presents fair value measurements of investments, by major class, as of February 29, 2012 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien term loans	$ —	$ —	$ 36,196	$ 36,196
Second lien term loans	—	—	8,914	8,914
Senior secured notes	—	—	10,706	10,706
Senior unsecured loans	—	—	6,000	6,000
Unsecured notes	—	—	2,008	2,008
Structured finance securities	—	—	25,846	25,846
Equity interest	—	—	5,690	5,690
Limited partnership interest	—	—	—	—
Total	$ —	$ —	$ 95,360	$ 95,360

Note 3. Investments (Continued)

The following table presents fair value measurements of investments, by major class, as of February 28, 2011 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien term loans	$ —	$ —	$ 18,475	$ 18,475
Second lien term loans	—	—	20,276	20,276
Senior secured notes	—	—	9,892	9,892
Unsecured notes	—	—	1,915	1,915
Structured finance securities	—	—	22,732	22,732
Equity interest	—	—	6,735	6,735
Limited partnership interest	—	—	—	—
Total	$ —	$ —	$ 80,025	$ 80,025

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended February 29, 2012 (dollars in thousands):

	First lien term loans	Second lien term loans	Senior secured notes	Senior unsecured loans	Unsecured notes	Structured finance securities	Common stock/equities	Total
Balance as of February 28, 2011	$ 18,475	$ 20,276	$ 9,892	$ —	$ 1,915	$ 22,732	$ 6,735	$ 80,025
Net unrealized gains (losses)	(1,256)	15,603	196	147	(807)	6,938	(1,045)	19,776
Purchases and other adjustments to cost	27,732	602	6,226	5,853	900	—	—	41,313
Sales and redemptions	(8,769)	(14,868)	(5,766)	—	—	(3,824)	(341)	(33,568)
Net realized gain (loss) from investments	14	(12,699)	158	—	—	—	341	(12,186)
Balance as of February 29, 2012	$ 36,196	$ 8,914	$ 10,706	$ 6,000	$ 2,008	$ 25,846	$ 5,690	$ 95,360

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales and redemptions represent net proceeds received from investments sold, and principal paydowns received, during the period.

The net change in unrealized gain/loss on investments held as of February 29, 2012 is $4,057,635 and is included in net unrealized appreciation (depreciation) on investments in the Consolidated Statements of Operations.

Note 3. Investments (Continued)

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended February 28, 2011 (dollars in thousands):

	First lien term loans	Second lien term loans	Senior secured notes	Unsecured notes	Structured finance securities	Common stock/equities	Total
Balance as of February 28, 2010	$ 16,653	$ 20,267	$ 27,742	$ 5,690	$ 16,698	$ 2,323	$ 89,373
Net unrealized gains (losses)	1,356	4,834	4,568	13,706	7,903	4,052	36,419
Purchases and other adjustments to cost	7,066	648	3,330	(511)	—	360	10,893
Sales and redemptions	(6,013)	(25)	(22,214)	(1,855)	(1,869)	—	(31,976)
Net realized loss from investments	(587)	(5,448)	(3,534)	(15,115)	—	—	(24,684)
Balance as of February 28, 2011	$ 18,475	$ 20,276	$ 9,892	$ 1,915	$ 22,732	$ 6,735	$ 80,025

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales and redemptions represent net proceeds received from investments sold, and principal paydowns received, during the period.

The net change in unrealized gain/loss on investments held as of February 28, 2011 is $12,695,325 and is included in net unrealized appreciation (depreciation) on investments in the Consolidated Statements of Operations.

The composition of our investments as of February 29, 2012, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien term loans	$ 38,379	39.7%	$ 36,196	38.0%
Second lien term loans	9,473	9.8	8,914	9.4
Senior secured notes	11,617	12.0	10,706	11.2
Senior unsecured loans	5,852	6.1	6,000	6.3
Unsecured notes	3,724	3.8	2,008	2.1
Structured finance securities	23,541	24.3	25,846	27.1
Equity interest	4,116	4.3	5,690	5.9
Limited partnership interest	—	—	—	—
Total	$ 96,702	100.0%	$ 95,360	100.0%

Note 3. Investments (Continued)

The composition of our investments as of February 28, 2011, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien term loans	$ 19,402	19.2%	$ 18,475	23.1%
Second lien term loans	36,439	36.0	20,276	25.3
Senior secured notes	10,999	10.9	9,892	12.4
Unsecured notes	2,824	2.8	1,915	2.4
Structured finance securities	27,364	27.0	22,732	28.4
Equity interest	4,116	4.1	6,735	8.4
Limited partnership interest	—	—	—	—
Total	$ 101,144	100.0%	$ 80,025	100.0%

For loans and debt securities for which market quotations are not available, we determine their fair value based on third party indicative broker quotes, where available, or the assumptions that a hypothetical market participant would use to value the security in a current hypothetical sale using a market yield valuation methodology. In applying the market yield valuation methodology, we determine the fair value based on such factors as market participant assumptions including synthetic credit ratings, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date. If, in our judgment, the market yield methodology is not sufficient or appropriate, we may use additional methodologies such as an asset liquidation or expected recovery model.

For equity securities of portfolio companies and partnership interests, we determine the fair value based on the market approach with value then attributed to equity or equity like securities using the enterprise value waterfall valuation methodology. Under the enterprise value waterfall valuation methodology, we determine the enterprise fair value of the portfolio company and then waterfall the enterprise value over the portfolio company's securities in order of their preference relative to one another. To estimate the enterprise value of the portfolio company, we weigh some or all of the traditional market valuation methods and factors based on the individual circumstances of the portfolio company in order to estimate the enterprise value. The methodologies for performing investments may be based on, among other things: valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, third party valuations of the portfolio company, considering offers from third parties to buy the company, estimating the value to potential strategic buyers and considering the value of recent investments in the equity securities of the portfolio company. For non-performing investments, we may estimate the liquidation or collateral value of the portfolio company's assets and liabilities. We also take into account historical and anticipated financial results.

Our investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the

Note 3. Investments (Continued)

characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flows analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO at February 29, 2012. The significant inputs for the valuation model include:

- Default rates: 3.0%
- Recovery rates: 35-75%
- Reinvestment rates: LIBOR plus 350 basis points
- Prepayment rate: 20%

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO")

On January 22, 2008, we invested $30 million in all of the outstanding subordinated notes of Saratoga CLO (which are referred in the unaudited balance sheet of Saratoga CLO below as "Preference shares"), a collateralized loan obligation fund managed by us that invests primarily in senior secured loans. Additionally, we entered into a collateral management agreement with Saratoga CLO pursuant to which we act as collateral manager to it. In return for our collateral management services, we are entitled to a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of Saratoga CLO's assets, to be paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return equal to or greater than 12%. For the years ended February 29, 2012, February 28, 2011 and 2010, we accrued $2.0, $2.0 and $2.1 million in management fee income, respectively and $4.2, $3.3 and $2.4 million in interest income, respectively, from Saratoga CLO. We did not accrue any amounts related to the incentive management fee as the 12% hurdle rate has not yet been achieved.

At February 29, 2012, the Company determined that the fair value of its investment in the subordinated notes of Saratoga CLO was $25.8 million, whereas the net asset value of Saratoga CLO on such date was $24.0 million. The Company does not believe that the net asset value of Saratoga CLO, which is the difference between Saratoga CLO's assets and liabilities at a given point in time, necessarily equates to the fair value of its investment in the subordinated notes of Saratoga CLO. Specifically, the Company determines the fair value of its investment in the subordinated notes of Saratoga CLO based on the present value of the projected future cash flows of the subordinated notes over the life of Saratoga CLO. At February 29, 2012, Saratoga CLO had investments with a principal balance of $380.2 million and a weighted average spread over LIBOR of 3.6%, and had debt of $366.0 million with a weighted average spread over LIBOR of 1.4%. As a result, Saratoga CLO earns a "spread" between the interest income it receives on its investments and the interest expense it pays on

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

its debt and other operating expenses, which is distributed quarterly to the Company as the holder of its subordinated notes. At February 29, 2012, the total "spread", or projected future cash flows of the subordinated notes, over the life of Saratoga CLO was $47.1 million, which had a present value of approximately $26.3 million, using a 16.0% discount rate. At February 29, 2012, the fair value of the subordinated notes, which we base upon the present value of the projected cash flows, was $25.8 million, which was greater than the net asset value of Saratoga CLO on such date by approximately $1.8 million.

At February 28, 2011, the Company determined that the fair value of its investment in the subordinated notes of GSCIC CLO was $22.7 million, whereas the net asset value of GSCIC CLO on such date was $26.9 million. The Company does not believe that the net asset value of GSCIC CLO, which is the difference between GSCIC CLO's assets and liabilities at a given point in time, necessarily equates to the fair value of its investment in the subordinated notes of GSCIC CLO. Specifically, the Company determines the fair value of its investment in the subordinated notes of GSCIC CLO based on the present value of the projected future cash flows of the subordinated notes over the life of GSCIC CLO. At February 28, 2011, GSCIC CLO had investments with a principal balance of $410.2 million and a weighted average spread over LIBOR of 3.6%, and had debt of $366.0 million with a weighted average spread over LIBOR of 1.4%. As a result, GSCIC CLO earns a "spread" between the interest income it receives on its investments and the interest expense it pays on its debt and other operating expenses, which is distributed quarterly to the Company as the holder of its subordinated notes. At February 28, 2011, the total "spread", or projected future cash flows of the subordinated notes, over the life of GSCIC CLO was $45.4 million, which had a present value of approximately $23.1 million, using a 20.0% discount rate. At February 28, 2011, the fair value of the subordinated notes, which we base upon the present value of the projected cash flows, was $22.7 million, which was less than the net asset value of GSCIC CLO on such date by approximately $4.2 million.

Below is certain summary financial information from the separate financial statements of Saratoga CLO as of February 29, 2012 and February 28, 2011 and for the years ended February 29, 2012, February 28, 2011 and 2010.

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

GSC Investment Corp. CLO 2007

Balance Sheet

	As of	
	February 29, 2012 (audited)	February 28, 2011 (unaudited)
ASSETS		
Investments		
Fair Value Loans	$ 365,780,893	$ 373,564,517
Fair Value Bonds	—	2,243,464
Fair Value Other/Structured finance securities	15,583,573	15,362,136
Total investments at fair value	381,364,466	391,170,117
Cash and cash equivalents	17,815,082	19,887,581
Receivable from open trades	10,046,640	—
Interest receivable	1,581,438	1,737,017
Other assets	—	—
Deferred bond issuance	2,819,118	3,545,449
Total assets	$ 413,626,744	$ 416,340,164
LIABILITIES		
Interest payable	$ 826,741	$ 701,640
Payable from open trades	24,857,147	25,151,104
Accrued senior collateral monitoring fee	45,516	46,351
Accrued subordinate collateral monitoring fee	182,064	185,402
Class A notes	296,000,000	296,000,000
Class B notes	22,000,000	22,000,000
Discount on class B notes	(477,483)	(538,121)
Class C notes	14,000,000	14,000,000
Class D notes	16,000,000	16,000,000
Discount on class D notes	(505,106)	(569,252)
Class E notes	17,960,044	17,960,044
Discount on class E notes	(1,299,337)	(1,464,346)
Total liabilities	$ 389,589,586	$ 389,472,822
PARTNERS' CAPITAL		
Preference shares principal	$ 30,000,000	$ 30,000,000
Preferred shares	9,478,573	(14,270,311)
Partners distributions	(20,540,583)	(12,611,230)
Net income	5,099,168	23,748,883
Total capital	24,037,158	26,867,342
Total liabilities and partners' capital	$ 413,626,744	$ 416,340,164

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

GSC Investment Corp. CLO 2007

Statement of Operations

	For the year ended February 29 2012 (audited)	For the year ended February 28 2011 (unaudited)	For the year ended February 28 2010 (unaudited)
INVESTMENT INCOME			
Interest from investments	$ 20,032,687	$ 20,838,831	$ 22,551,961
Interest from cash and cash equivalents	12,165	22,769	29,116
Other income	509,365	416,035	572,888
Total investment income	20,554,217	21,277,635	23,153,965
EXPENSES			
Interest expense	6,551,269	6,566,657	7,885,807
Professional fees	400,628	257,209	155,770
Misc. Fee Expense	176,768	3,532	21,542
Senior collateral monitoring fee	402,303	406,471	411,479
Subordinate collateral monitoring fee	1,609,213	1,625,886	1,645,917
Trustee expenses	100,551	101,625	102,828
Amortization expense	1,016,124	1,015,333	1,418,238
Total expenses	10,256,856	9,976,713	11,641,581
NET INVESTMENT INCOME	10,297,361	11,300,922	11,512,384
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain/(loss) on investments	(4,547,952)	750,253	(12,544,563)
Net unrealized appreciation/(depreciation) on investments	(650,241)	11,697,708	85,492,320
Net gain/(loss) on investments	(5,198,193)	12,447,961	72,947,757
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 5,099,168	$ 23,748,883	$ 84,460,141

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

GSC Investment Corp.

Consolidated Schedule of Investments

February 29, 2012

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Elyria Foundry Company, LLC	Warrants	Equity	0.00%	—	2,000	$ —	$ —
Network Communications, Inc.	Common	Equity	0.00%	—	169,143	169,143	659,658
OLD All, Inc (fka Aleris International Inc.)	Common	Equity	0.00%	—	2,624	224,656	128,576
PATS Aircraft, LLC	Common	Equity	0.00%	—	51,813	282,326	282,329
SuperMedia Inc. (fka Idearc Inc.)	Common Stock	Equity	0.00%	—	10,821	28,784	5,411
Academy, LTD.	Initial Term Loan	Loan	6.00%	8/3/2018	$ 2,000,000	1,986,129	1,999,540
Acosta, Inc.	Term B Loan	Loan	4.75%	3/1/2018	$ 4,243,447	4,177,485	4,210,561
Advanced Lighting Technologies, Inc.	Deferred Draw Term Loan (First Lien)	Loan	3.00%	6/1/2013	$ 251,309	241,553	240,628
Advanced Lighting Technologies, Inc.	Term Loan (First Lien)	Loan	3.00%	6/1/2013	$ 4,582,873	4,478,009	4,388,101
Aeroflex Incorporated	Tranche B Term Loan	Loan	4.25%	5/9/2018	$ 3,814,483	3,797,573	3,715,459
Aerostructures Acquisition LLC	Term Loan	Loan	7.25%	3/1/2013	$ 554,722	543,949	542,240
Alere Inc. (fka IM US Holdings, LLC)	Incremental B-1 Term Loan	Loan	4.50%	6/30/2017	$ 2,000,000	1,951,950	1,992,500
Aptalis Pharma, Inc. (fka Axcan Intermediate Holdings Inc.)	Term Loan	Loan	5.50%	2/10/2017	$ 1,980,000	1,971,816	1,963,170
Ashland Inc.	Term B Loan	Loan	3.75%	8/23/2018	$ 996,964	994,651	1,000,872
Asurion, LLC (fka Asurion Corporation)	Term Loan (First Lien)	Loan	5.50%	5/24/2018	$ 5,659,091	5,608,344	5,635,040
Aurora Diagnostics, LLC	Tranche B Term Loan	Loan	6.25%	5/26/2016	$ 508,611	508,611	499,288
Autotrader.com, Inc.	Tranche B-1 Term Loan	Loan	4.00%	12/15/2016	$ 3,869,758	3,869,758	3,868,790
Avantor Performance Materials Holdings, Inc.	Term Loan	Loan	5.00%	6/24/2017	$ 4,975,000	4,952,760	4,875,500
AZ Chem US Inc.	Term Loan	Loan	7.25%	12/22/2017	$ 2,000,000	1,941,354	2,014,720
BakerCorp International, Inc. (f/k/a B-Corp Holdings, Inc.)	Term Loan	Loan	5.00%	6/1/2018	$ 497,500	495,278	496,754
Bass Pro Group, LLC	Term Loan	Loan	5.25%	6/13/2017	$ 2,985,000	2,958,694	2,977,000
BJ's Wholesale Club, Inc.	Initial Loan (First Lien) Retired 03/14/2012	Loan	7.00%	9/28/2018	$ 1,995,000	1,901,076	2,013,015
C.H.I. Overhead Doors, Inc. (CHI)	Term Loan (First Lien)	Loan	7.25%	8/17/2017	$ 3,079,513	3,022,863	3,035,876
Capstone Logistics, LLC	Term Note A	Loan	7.50%	9/16/2016	$ 2,991,353	2,948,863	2,946,483
Capsugel Holdings US, Inc.	Initial Term Loan	Loan	5.25%	8/1/2018	$ 3,990,000	3,979,634	4,012,783
Celanese US Holdings LLC	Dollar Term C Loan (Extended)	Loan	3.33%	10/31/2016	$ 3,464,824	3,506,288	3,478,198
Cenveo Corporation	Term B Facility	Loan	6.25%	12/21/2016	$ 2,737,105	2,715,168	2,719,150
Charter Communications Operating, LLC	Term C Loan	Loan	3.83%	9/6/2016	$ 3,979,695	3,972,997	3,949,291
CHS/ Community Health Systems, Inc.	Extended Term Loan	Loan	4.08%	1/25/2017	$ 4,170,088	4,042,207	4,120,589
Cinedigm Digital Funding I, LLC	Term Loan	Loan	5.25%	4/29/2016	$ 1,482,007	1,471,669	1,468,121
Cinemark USA, Inc.	Extended Term Loan	Loan	3.63%	4/30/2016	$ 5,587,889	5,348,623	5,576,546
Consolidated Container Company LLC	Loan (First Lien)	Loan	2.50%	3/28/2014	$ 5,195,532	4,906,062	5,052,655
Contec, LLC	Tranche B Term Loan	Loan	0.00%	7/28/2014	$ 2,644,318	2,613,795	1,057,727
Covanta Energy Corporation	Funded Letter of Credit	Loan	1.98%	2/10/2014	$ 877,007	860,931	871,525
Covanta Energy Corporation	Term Loan	Loan	1.79%	2/10/2014	$ 1,698,170	1,666,874	1,687,557
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Term B Loan	Loan	5.00%	2/13/2017	$ 4,950,000	4,929,526	4,912,875
CRC Health Corporation	Term B-2 Loan	Loan	5.08%	11/16/2015	$ 1,991,877	1,896,087	1,782,730
Crown Castle Operating Company	Tranche B Term Loan	Loan	4.00%	1/31/2019	$ 2,000,000	1,980,071	1,990,540
CSC Holdings, LLC (fka CSC Holdings Inc (Cablevision))	Term A-3 Loan	Loan	2.24%	3/31/2015	$ 1,360,526	1,355,021	1,333,316
Culligan International Company	Dollar Loan	Loan	2.50%	11/24/2012	$ 2,393,216	$ 2,360,219	$ 1,714,141
DaVita Inc.	Tranche B Term Loan	Loan	0.00%	10/20/2016	$ 3,989,924	3,989,924	3,999,061

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Del Monte Foods Company	Initial Term Loan	Loan	4.50%	3/8/2018	$ 1,492,500	1,489,291	1,464,098
Dollar General Corporation	Tranche B-1 Term Loan	Loan	3.14%	7/7/2014	$ 5,378,602	5,196,110	5,382,905
DS Waters of America, Inc.	Term Loan (First Lien)	Loan	0.00%	8/29/2017	$ 3,000,000	2,446,849	2,456,712
DynCorp International Inc.	Term Loan	Loan	6.25%	7/7/2016	$ 732,056	721,414	729,538
Education Management LLC	Tranche C-2 Term Loan	Loan	4.63%	6/1/2016	$ 3,967,860	3,706,684	3,712,448
eInstruction Corporation	Initial Term Loan	Loan	6.51%	7/2/2013	$ 3,005,574	2,923,634	2,705,017
Electrical Components International, Inc.	Synthetic Revolving Loan	Loan	6.75%	2/4/2016	$ 117,647	116,257	104,118
Electrical Components International, Inc.	Term Loan	Loan	6.75%	2/4/2017	$ 1,804,706	1,782,426	1,597,165
Federal-Mogul Corporation	Tranche B Term Loan	Loan	2.20%	12/29/2014	$ 2,616,289	2,475,132	2,500,204
Federal-Mogul Corporation	Tranche C Term Loan	Loan	2.19%	12/28/2015	$ 1,334,841	1,257,114	1,275,614
Fidelity National Information Services, Inc.	Term B Loan	Loan	4.25%	7/18/2016	$ 1,000,000	990,338	1,004,450
First Data Corporation	2018 Dollar Term Loan	Loan	4.24%	3/23/2018	$ 2,290,451	2,202,287	2,041,845
First Data Corporation	Non Extending B-1 Term Loan	Loan	2.99%	9/24/2014	$ 1,971,336	1,933,908	1,890,472
First Data Corporation	Non Extending B-2 Term Loan	Loan	2.99%	9/24/2014	$ 990,052	971,955	949,440
FleetPride Corporation	Term Loan	Loan	6.75%	12/6/2017	$ 1,000,000	980,767	995,000
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility B (Dollar)	Loan	5.08%	12/18/2015	$ 1,295,106	1,291,993	1,221,454
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility C (Dollar)	Loan	5.58%	12/20/2016	$ 1,295,106	1,291,613	1,227,929
Freescale Semiconductor, Inc.	Tranche B-1 Term Loan	Loan	4.52%	12/1/2016	$ 1,534,348	1,468,484	1,496,711
Fresenius Medical Care AG & Co., KGaA/Fresenius Medical Care Holdings, Inc.	Tranche B Term Loan	Loan	1.95%	3/31/2013	$ 4,224,718	4,206,870	4,209,889
FTD Group, Inc.	Initial Term Loan	Loan	4.75%	6/11/2018	$ 3,982,494	3,943,002	3,902,844
Generac Power System, Inc.	Tranche B Term Loan	Loan	3.75%	2/9/2019	$ 500,000	497,509	497,855
General Nutrition Centers, Inc.	Tranche B Term Loan	Loan	4.25%	3/2/2018	$ 3,750,000	3,621,437	3,738,900
Goodyear Tire & Rubber Company, The	Loan (Second Lien)	Loan	1.75%	4/30/2014	$ 5,700,000	5,339,456	5,607,375
Graphic Packaging International, Inc.	Term B Loan Retired 03/16/2012	Loan	2.34%	5/16/2014	$ 3,045,465	2,910,836	3,041,993
Grifols Inc.	New U.S. Tranche B Term Loan	Loan	0.00%	6/1/2017	$ 500,000	497,500	499,530
Grosvenor Capital Management Holdings, LLLP	Tranche C Term Loan	Loan	4.31%	12/5/2016	$ 3,430,885	3,321,594	3,276,495
Hanger Orthopedic Group, Inc.	Term C Loan	Loan	4.01%	12/1/2016	$ 3,960,000	3,972,323	3,905,550
HCA Inc.	Tranche B-3 Term Loan	Loan	3.49%	5/1/2018	$ 5,734,690	5,383,348	5,638,634
Health Management Associates, Inc.	Term B Loan	Loan	4.50%	11/16/2018	$ 3,000,000	2,970,763	2,981,640
Hilsinger Company, The	Term Loan	Loan	5.26%	12/31/2013	$ 1,218,491	1,203,274	1,072,272
Hunter Defense Technologies, Inc.	Term Loan	Loan	3.83%	8/22/2014	$ 4,459,263	4,388,148	3,879,559
Huntsman International LLC	Extended Term B Loan	Loan	0.00%	4/19/2017	$ 4,000,000	3,955,000	3,923,200
Hygenic Corporation, The	Term Loan	Loan	2.76%	4/30/2013	$ 1,563,048	1,536,828	1,438,004
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Delayed Draw Term Loan (First Lien)	Loan	6.00%	7/28/2015	$ 1,314,907	1,229,818	1,276,828
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Initial U.S. Term Loan (First Lien)	Loan	6.00%	7/28/2015	$ 2,520,239	2,356,915	2,447,253
Inventiv Health, Inc. (fka Ventive Health, Inc)	Consolidated Term Loan	Loan	6.50%	8/4/2016	$ 494,587	494,587	475,422
J. Crew Group, Inc.	Loan	Loan	4.75%	3/7/2018	$ 992,500	992,500	970,963
Kalispel Tribal Economic Authority	Term Loan	Loan	7.50%	2/25/2017	$ 3,859,091	3,794,849	3,627,546
Key Safety Systems, Inc.	Term Loan (First Lien)	Loan	2.59%	3/8/2014	$ 3,821,774	$ 3,604,295	$ 3,667,718
Kinetic Concepts, Inc.	Dollar Term B-1 Loan	Loan	7.00%	5/4/2018	$ 500,000	483,349	508,125

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Leslie's Poolmart, Inc.	Tranche B Term Loan	Loan	4.50%	11/21/2016	$ 3,960,000	3,965,615	3,920,400
Metal Services, LLC	Delayed Draw Term Loan	Loan	9.75%	9/29/2017	$ 132,353	129,737	132,022
Metal Services, LLC	U.S. Term Loan	Loan	9.75%	9/29/2017	$ 1,367,647	1,340,612	1,364,228
Microsemi Corporation	Term Loan	Loan	0.00%	2/2/2018	$ 3,000,000	2,992,500	2,997,750
National CineMedia, LLC	Term Loan	Loan	2.05%	2/13/2015	$ 2,655,172	2,572,741	2,608,707
Nielsen Finance LLC	Class A Dollar Term Loan	Loan	2.26%	8/9/2013	$ 720,738	710,645	717,134
Novelis, Inc.	Term B-2 Loan	Loan	4.00%	3/10/2017	$ 997,500	973,592	993,141
Novelis, Inc.	Term Loan	Loan	4.00%	3/10/2017	$ 3,960,000	3,993,151	3,939,487
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)	Term Loan (First Lien)	Loan	6.50%	4/27/2017	$ 4,937,500	4,913,011	4,873,313
NPC International, Inc.	Term Loan	Loan	6.75%	12/28/2018	$ 500,000	490,246	502,970
NRG Energy, Inc.	Term Loan	Loan	4.00%	7/1/2018	$ 3,980,000	3,951,892	3,961,334
NuSil Technology LLC.	Term Loan	Loan	5.25%	4/7/2017	$ 905,085	905,085	902,071
Onex Carestream Finance LP	Term Loan	Loan	5.00%	2/25/2017	$ 4,961,770	4,941,092	4,707,479
OpenLink International, Inc.	Initial Term Loan	Loan	7.75%	10/30/2017	$ 1,000,000	981,105	1,000,000
PATS Aircraft, LLC	Term Loan	Loan	8.50%	10/6/2016	$ 431,472	248,964	388,325
Pelican Products, Inc.	Term Loan	Loan	5.00%	3/7/2017	$ 2,673,704	2,673,704	2,653,651
Penn National Gaming, Inc.	Term A Facility	Loan	1.79%	7/14/2016	$ 2,925,000	2,847,453	2,837,250
Penn National Gaming, Inc.	Term B Facility	Loan	3.75%	7/16/2018	$ 995,000	992,736	996,930
PetCo Animal Supplies, Inc.	New Loan	Loan	0.00%	11/24/2017	$ 1,500,000	1,498,125	1,493,115
Pharmaceutical Product Development, Inc. (Jaguar Holdings, LLC)	Term Loan	Loan	6.25%	12/5/2018	$ 2,000,000	1,970,941	2,017,860
Pharmaceutical Research Associates Group B.V.	Dutch Dollar Term Loan	Loan	3.81%	12/15/2014	$ 799,151	753,650	775,176
Physician Oncology Services, LP	Delayed Draw Term Loan	Loan	6.25%	1/31/2017	$ 51,020	50,596	49,235
Physician Oncology Services, LP	Effective Date Term Loan	Loan	6.25%	1/31/2017	$ 419,961	416,468	405,262
Pinnacle Foods Finance LLC	Term Loan	Loan	2.84%	4/2/2014	$ 4,796,078	4,694,850	4,766,054
Polyone Corporation	Loan	Loan	5.00%	12/20/2017	$ 500,000	495,160	500,730
PRA International	U.S. Term Loan	Loan	3.81%	12/15/2014	$ 2,512,401	2,439,376	2,437,029
Preferred Proppants, LLC	Term B Loan	Loan	7.50%	12/15/2016	$ 2,000,000	1,960,652	1,945,000
Pre-Paid Legal Services, Inc.	Tranche A Term Loan	Loan	7.50%	12/31/2016	$ 2,695,122	2,659,371	2,607,530
Prestige Brands, Inc.	Term B Loan	Loan	5.25%	1/31/2019	$ 1,000,000	985,047	1,003,060
Pro Mach, Inc.	Term Loan	Loan	6.25%	7/6/2017	$ 1,990,000	1,972,106	1,930,300
Quintiles Transnational Corp.	Term B Loan	Loan	5.00%	6/8/2018	$ 3,980,000	3,944,328	3,953,692
RailAmerica, Inc.	Initial Loan	Loan	0.00%	3/1/2019	$ 500,000	497,500	497,500
Ranpak Corp.	USD Term Loan (First Lien)	Loan	4.75%	4/20/2017	$ 2,744,392	2,732,572	2,716,948
Rexnord LLC/RBS Global, Inc.	Tranche B-2 Term B Loan Retired 03/15/2012	Loan	2.50%	7/19/2013	$ 1,607,683	1,566,832	1,590,609
Reynolds Group Holdings Inc.	Tranche B Term Loan	Loan	6.50%	2/9/2018	$ 1,963,643	1,963,643	1,977,880
Reynolds Group Holdings Inc.	Tranche C Term Loan	Loan	6.50%	8/9/2018	$ 1,973,590	1,955,434	1,992,398
Rocket Software, Inc.	Term Loan (First Lien)	Loan	7.00%	2/8/2018	$ 2,000,000	1,960,110	1,997,500
Roundy's Supermarkets, Inc.	Tranche B Term Loan	Loan	5.75%	2/13/2019	$ 1,000,000	985,035	1,000,780
Royal Adhesives and Sealants, LLC	Term A Loan	Loan	7.25%	11/29/2015	$ 4,785,882	4,729,636	4,715,862
RPI Finance Trust	6.75 Year Term Loan	Loan	4.00%	5/9/2018	$ 5,472,500	5,447,342	5,462,868
Safety-Kleen Systems, Inc.	Term Loan B	Loan	5.00%	2/21/2017	$ 250,000	247,501	250,000
Savers, Inc.	New Term Loan	Loan	4.25%	3/4/2017	$ 464,891	464,891	464,426
Scientific Games International Inc.	Tranche B-1 Term Loan	Loan	0.00%	6/30/2015	$ 2,000,000	1,985,000	1,985,000
Scitor Corporation	Term Loan	Loan	5.00%	2/15/2017	$ 476,818	474,846	458,937
Scotsman Industries, Inc.	Term Loan	Loan	5.75%	4/30/2016	$ 1,873,081	1,867,006	1,863,716
Seminole Tribe of Florida	Term B-1 Delay Draw Loan	Loan	2.13%	3/5/2014	$ 616,208	605,662	607,476
Seminole Tribe of Florida	Term B-2 Delay Draw Loan	Loan	2.13%	3/5/2014	$ 2,230,224	2,192,054	2,198,622
Seminole Tribe of Florida	Term B-3 Delay Draw Loan	Loan	2.13%	3/5/2014	$ 1,108,287	1,082,950	1,092,583
Sensata Technology BV/Sensata Technology Finance Company, LLC	Term Loan	Loan	0.00%	5/12/2018	$ 3,000,000	3,000,000	2,994,150
Sensus USA Inc. (fka Sensus Metering Systems)	Term Loan (First Lien)	Loan	4.75%	5/9/2017	$ 1,985,000	1,976,380	1,981,030
SI Organization, Inc., The	New Tranche B Term Loan	Loan	4.50%	11/22/2016	$ 3,960,000	3,928,772	3,794,987
Sophia, L.P.	Initial Term Loan	Loan	6.25%	7/19/2018	$ 1,000,000	$ 985,259	$ 1,010,630
SRA International Inc.	Term Loan	Loan	6.52%	7/20/2018	$ 3,725,714	3,582,427	3,665,171

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
SRAM, LLC	Term Loan (First Lien)	Loan	4.76%	6/7/2018	$ 3,886,998	3,850,268	3,882,139
SunCoke Energy, Inc.	Tranche B Term Loan	Loan	4.00%	7/26/2018	$ 4,484,984	4,452,979	4,473,771
SunGard Data Systems Inc (Solar Capital Corp.)	Incremental Term B Loan	Loan	3.74%	2/28/2014	$ 356,996	356,996	355,911
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche A U.S. Term Loan	Loan	2.00%	2/28/2014	$ 140,691	138,222	140,363
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche B U.S. Term Loan	Loan	4.06%	2/28/2016	$ 3,253,748	3,173,463	3,246,265
Sunquest Information Systems, Inc. (Misys Hospital Systems, Inc.)	Term Loan (First Lien)	Loan	6.25%	12/16/2016	$ 992,500	980,580	986,714
SuperMedia Inc. (fka Idearc Inc.)	Loan	Loan	11.00%	12/31/2015	$ 326,109	317,228	164,685
Taminco Global Chemical Corporation	Dollar Term Loan	Loan	6.25%	2/15/2019	$ 500,000	490,024	501,875
TDG Holding Company (fka Dwyer Acquisition, Inc.)	Term Loan	Loan	7.00%	12/23/2015	$ 3,463,273	3,422,302	3,411,324
Team Health, Inc.	Tranche B Term Loan	Loan	3.75%	6/29/2018	$ 4,477,500	4,457,147	4,331,981
Texas Competitive Electric Holdings Company, LLC (TXU)	2014 Term Loan (Non-Extending)	Loan	3.76%	10/10/2014	$ 5,580,862	5,494,432	3,406,670
TransDigm Inc.	Tranche B-1 Term Loan	Loan	4.00%	2/14/2017	$ 3,988,779	4,002,125	3,985,269
TransFirst Holdings, Inc.	Term Loan (First Lien)	Loan	3.00%	6/16/2014	$ 2,387,500	2,350,983	2,282,044
U.S. Security Associates Holdings, Inc.	Delayed Draw Term Loan	Loan	6.00%	7/28/2017	$ 163,000	161,527	161,778
U.S. Security Associates Holdings, Inc.	Term Loan B	Loan	6.00%	7/28/2017	$ 125,000	124,375	124,688
U.S. Security Associates Holdings, Inc.	Term Loan B	Loan	6.00%	7/28/2017	$ 834,908	827,364	832,820
U.S. Silica Company	Loan	Loan	4.75%	6/8/2017	$ 1,990,000	1,981,242	1,972,588
Univar Inc.	Term B Loan	Loan	5.00%	6/30/2017	$ 3,964,975	3,963,846	3,928,021
UPC Financing Partnership	Facility AB	Loan	4.75%	12/31/2017	$ 1,000,000	971,447	998,250
USI Holdings Corporation	Tranche B Term Loan	Loan	2.75%	5/5/2014	$ 4,782,211	4,685,075	4,678,581
Valeant Pharmaceuticals International, Inc.	Tranche B Term Loan	Loan	3.75%	2/13/2019	$ 1,000,000	995,002	996,880
Vantiv, LLC (fka Fifth Third Processing Solutions, LLC)	Term B-1 Loan (First Lien)	Loan	4.50%	11/3/2016	$ 3,979,950	3,988,810	3,982,776
Verint Systems Inc.	Term Loan 2011	Loan	4.50%	10/27/2017	$ 1,985,000	1,976,319	1,978,807
Visant Corporation (fka Jostens)	Tranche B Term Loan (2011)	Loan	5.25%	12/22/2016	$ 3,767,519	3,767,519	3,611,430
Weight Watchers International, Inc.	Term B Loan	Loan	1.88%	1/26/2014	$ 1,229,200	1,220,261	1,221,518
Weight Watchers International, Inc.	Term D Loan	Loan	2.88%	6/30/2016	$ 2,728,226	2,684,697	2,714,585
Wendy's/Arby's Restaurants, LLC	Term Loan	Loan	5.00%	5/24/2017	$ 1,122,902	1,118,702	1,123,745
Wil Research Laboratories, LLC	Term B Loan	Loan	4.00%	9/26/2013	$ 1,808,039	1,726,498	1,663,396
WireCo WorldGroup Inc.	Term Loan	Loan	5.00%	2/10/2014	$ 1,992,943	1,967,101	1,953,084
Yankee Candle Company, Inc., The	Term Loan	Loan	2.25%	2/6/2014	$ 2,537,336	2,419,753	2,523,428
Yell Group Plc	Facility B1—YB (USA) LLC (11/2009)	Loan	3.99%	7/31/2014	$ 3,139,856	3,090,757	961,141
ALM 2010-1A	Floating—05/2020—B—00162VAE5	Other/Structured Finance Securities	2.78%	5/20/2020	$ 4,000,000	3,716,602	3,657,600
BABSN 2007-1A	Floating—01/2021—D1—05617AAA9	Other/Structured Finance Securities	3.81%	1/18/2021	$ 1,500,000	1,236,977	1,050,000
GALE 2007-3A	Floating—04/2021—E—363205AA3	Other/Structured	4.06%	4/19/2021	$ 4,000,000	3,311,208	2,800,000
KATO 2006-9A	Floating—01/2019—B2L—486010AA9	Other/Structured Finance Securities	4.06%	1/25/2019	$ 5,000,000	4,227,490	3,500,000
STCLO 2007-6A	Floating—04/2021—D—86176YAG7	Other/Structured Finance Securities	4.17%	4/17/2021	$ 5,000,000	4,077,701	3,500,000
						$390,023,603	**$381,364,466**

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

GSC Investment Corp.

Consolidated Schedule of Investments

February 28, 2011

(unaudited)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Elyria Foundry Company, LLC	Warrants	Equity	0.00%	—	2,000	$ —	$ —
M/C Acquisition Corp.	Common	Equity	0.00%	—	378,434	68,806	—
Network Communications, Inc.	Common	Equity	0.00%	—	169,143	169,143	720,549
OLD AII, Inc (fka Aleris International Inc.)	Common	Equity	0.00%	—	2,624	224,656	128,576
SuperMedia Inc. (fka Idearc Inc.)	Common Stock	Equity	0.00%	—	10,821	2,881,566	5,411
ABP Corporation (Au Bon Pain)	Term Loan	Loan	8.50%	2/28/2013	$ 3,678,254	3,663,509	3,641,471
Acosta, Inc.	Term B Loan	Loan	0.00%	3/1/2018	$ 500,000	500,000	504,625
Acosta, Inc.	Term Loan Retired 03/01/2011	Loan	4.50%	7/28/2013	$ 1,904,344	1,860,734	1,901,926
Advanced Lighting Technologies, Inc.	Deferred Draw Term Loan (First Lien)	Loan	3.07%	6/1/2013	$ 253,920	236,167	236,570
Advanced Lighting Technologies, Inc.	Term Loan (First Lien)	Loan	3.06%	6/1/2013	$ 4,652,900	4,462,578	4,334,967
Aeroflex Incorporated	Tranche B-1 Term Loan Retired 05/09/2011	Loan	4.31%	8/15/2014	$ 3,896,513	3,839,728	3,906,254
Aeroflex Incorporated	Tranche B-2 Term Loan Retired 05/09/2011	Loan	4.81%	8/15/2014	$ 600,000	599,258	598,500
Aerostructures Acquisition LLC	Term Loan	Loan	7.25%	3/1/2013	$ 617,575	593,524	571,257
Affordable Care, Inc.	Term Loan	Loan	0.00%	12/31/2015	$ 1,000,000	985,000	985,000
APS Healthcare, Inc.	Term Loan (First Lien)	Loan	3.52%	3/30/2013	$ 1,848,940	1,808,135	1,802,717
Asurion, LLC (fka Asurion Corporation)	Term Loan (First Lien)	Loan	3.27%	7/3/2014	$ 5,925,000	5,811,967	5,828,719
Aurora Diagnostics, LLC	Tranche B Term Loan	Loan	6.25%	5/26/2016	$ 508,611	508,611	509,033
Autotrader.com, Inc.	Tranche B Term Loan	Loan	4.75%	12/15/2016	$ 2,000,000	1,990,316	2,018,760
Axcan Intermediate Holdings Inc.	Term Loan	Loan	3.67%	2/10/2017	$ 1,333,333	1,323,393	1,346,453
AZ Chem US Inc.	Term Loan Retired 03/11/2011	Loan	6.75%	11/21/2016	$ 989,362	975,102	1,001,422
AZ Chem US Inc.	Term Loan Retired 03/11/2011	Loan	6.75%	11/21/2016	$ 2,968,085	2,989,634	3,004,266
Bankruptcy Management Solutions, Inc.	Term Loan B	Loan	7.50%	8/20/2014	$ 3,956,481	3,544,161	1,819,981
C.H.I. Overhead Doors, Inc. (CHI)	Term Loan	Loan	7.61%	4/21/2015	$ 5,077,648	5,042,065	5,090,342
California Family Health LLC (fka CFF Acquisition LLC)	Term A Loan	Loan	7.50%	7/31/2015	$ 2,814,935	2,808,774	2,800,860
CCM Merger Inc. (Motor City Casino)	Term B Loan Retired 03/01/2011	Loan	8.50%	7/13/2012	$ 3,390,358	3,272,522	3,390,358
Celanese US Holdings LLC	Dollar Term B Loan (Non-Extended) Retired 05/06/2011	Loan	1.80%	4/2/2014	$ 682,863	669,206	684,495
Celanese US Holdings LLC	Dollar Term C Loan (Extended)	Loan	0.00%	10/31/2016	$ 3,500,000	3,548,125	3,530,135
Cenveo Corporation	Term B Facility	Loan	6.25%	12/21/2016	$ 3,000,000	2,970,945	3,027,510
CHS/ Community Health Systems, Inc.	Extended Term Loan	Loan	3.81%	1/25/2017	$ 1,360,448	1,341,805	1,367,930
CHS/ Community Health Systems, Inc.	Non-Extended Delayed Draw Term Loan	Loan	2.56%	7/25/2014	$ 139,402	135,936	138,646
CHS/ Community Health Systems, Inc.	Non-Extended Term Loan	Loan	2.56%	7/25/2014	$ 2,705,964	2,640,759	2,691,298
Cinedigm Digital Funding I, LLC	Term Loan	Loan	5.25%	4/29/2016	$ 1,861,233	1,845,123	1,870,539
Cinemark USA, Inc.	Extended Term Loan	Loan	3.54%	4/30/2016	$ 5,644,908	5,345,039	5,690,802
Citco III Limited	B Term Loan	Loan	4.46%	6/30/2014	$ 3,625,898	3,544,965	3,607,768
Consolidated Container Company LLC	Loan (First Lien)	Loan	2.50%	3/28/2014	$ 5,286,113	4,848,098	5,173,783
Consolidated Precision Products Corp.	Term Loan	Loan	7.75%	4/17/2014	$ 1,421,747	1,406,721	1,393,312
Contec, LLC	Tranche B Term Loan	Loan	7.75%	7/28/2014	$ 2,658,068	2,620,135	2,409,991
Continental Alloys & Services, Inc.	Term Facility	Loan	8.50%	6/15/2012	$ 3,003,802	2,886,239	3,001,308

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Covanta Energy Corporation	Funded Letter of Credit	Loan	1.70%	2/10/2014	$ 877,007	$ 852,656	$ 873,876
Covanta Energy Corporation	Term Loan	Loan	1.81%	2/10/2014	$ 1,715,999	1,668,245	1,709,873
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Term B Loan	Loan	5.00%	2/13/2017	$ 5,000,000	4,975,137	5,012,500
CRC Health Corporation	Term B-2 Loan	Loan	4.80%	11/16/2015	$ 2,000,000	1,877,839	1,992,500
Culligan International Company	Dollar Loan	Loan	2.52%	11/24/2012	$ 2,418,342	2,339,419	2,106,376
DeCrane Aerospace, Inc. (fka DeCrane Aircraft Holdings, Inc.)	Second Lien Term Loan	Loan	0.00%	2/21/2014	$ 969,493	924,594	664,103
Del Monte Foods Company	Initial Term Loan	Loan	0.00%	3/8/2018	$ 1,500,000	1,496,250	1,511,715
Dollar General Corporation	Tranche B-1 Term Loan	Loan	3.03%	7/7/2014	$ 5,378,602	5,118,264	5,389,036
DS Waters of America, Inc.	Term Loan	Loan	2.57%	10/29/2012	$ 495,888	482,802	485,350
DynCorp International Inc.	Term Loan	Loan	6.25%	7/7/2016	$ 997,500	979,658	1,005,809
Education Management LLC	Tranche C-2 Term Loan	Loan	4.31%	6/1/2016	$ 7,112,226	6,533,750	6,997,790
eInstruction Corporation	Initial Term Loan	Loan	4.31%	7/2/2013	$ 3,036,981	2,892,088	2,794,023
Electrical Components International, Inc.	Synthetic Revolving Loan	Loan	1.40%	2/4/2016	$ 117,647	115,903	117,941
Electrical Components International, Inc.	Term Loan	Loan	6.75%	2/4/2017	$ 1,882,353	1,854,389	1,887,059
Emdeon Business Services LLC	Term Loan (First Lien)	Loan	2.27%	11/16/2013	$ 4,877,709	4,730,606	4,855,369
Federal-Mogul Corporation	Tranche B Term Loan	Loan	2.20%	12/29/2014	$ 2,643,542	2,449,987	2,573,330
Federal-Mogul Corporation	Tranche C Term Loan	Loan	2.20%	12/28/2015	$ 1,348,746	1,249,431	1,312,923
First Data Corporation	Non Extending B-1 Term Loan	Loan	3.01%	9/24/2014	$ 3,727,178	3,628,773	3,555,728
First Data Corporation	Non Extending B-2 Term Loan	Loan	3.01%	9/24/2014	$ 1,868,259	1,820,772	1,783,123
FleetCor Technologies Operating Company, LLC	Tranche 1 Term Loan	Loan	2.51%	4/30/2013	$ 4,461,805	4,354,515	4,461,805
FleetCor Technologies Operating Company, LLC	Tranche 2 Term Loan	Loan	2.51%	4/30/2013	$ 901,783	880,096	901,783
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility B (Dollar)	Loan	4.80%	12/18/2015	$ 1,295,106	1,291,172	1,246,540
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility C (Dollar)	Loan	5.30%	12/20/2016	$ 1,295,106	1,290,884	1,253,015
Freescale Semiconductor, Inc.	Extended Maturity Term Loan	Loan	4.51%	12/1/2016	$ 1,549,402	1,468,869	1,549,216
Fresenius Medical Care AG & Co., KGaA/Fresenius Medical Care Holdings, Inc.	Tranche B Term Loan	Loan	1.68%	3/31/2013	$ 4,269,542	4,234,546	4,255,069
Georgia-Pacific LLC	Term Loan B	Loan	2.30%	12/23/2012	$ 2,876,959	2,765,714	2,878,887
Georgia-Pacific LLC	Term Loan C	Loan	3.55%	12/23/2014	$ 2,520,062	2,390,204	2,529,210
Goodyear Tire & Rubber Company, The	Loan (Second Lien)	Loan	1.96%	4/30/2014	$ 5,700,000	5,172,419	5,631,600
Graham Packaging Company, L.P.	C Term Loan	Loan	6.75%	4/5/2014	$ 4,586,342	4,586,342	4,605,467
Graphic Packaging International, Inc.	Term B Loan	Loan	2.30%	5/16/2014	$ 3,317,758	3,102,031	3,315,701
Grosvenor Capital Management Holdings, LLLP	Tranche C Term Loan	Loan	4.31%	12/5/2016	$ 3,548,952	3,412,119	3,531,207
GSI Holdings L.L.C.	Term Loan	Loan	3.32%	8/1/2014	$ 5,794,414	5,687,799	5,664,039
Hanger Orthopedic Group, Inc.	Term B Loan	Loan	5.25%	12/1/2016	$ 4,000,000	4,014,504	4,039,160
HCA Inc.	Tranche B-1 Term Loan	Loan	2.55%	11/18/2013	$ 5,734,690	5,470,319	5,720,353
Hilsinger Company, The	Term Loan	Loan	3.55%	12/31/2013	$ 1,438,859	1,411,074	1,294,973
Hoffmaster Group, Inc.	Term Loan (First Lien)	Loan	7.00%	6/2/2016	$ 3,728,750	3,656,667	3,733,411
Hunter Defense Technologies, Inc.	Term Loan	Loan	3.56%	8/22/2014	$ 4,600,368	4,496,163	4,493,042
Hygenic Corporation, The	Term Loan	Loan	2.80%	4/30/2013	$ 1,731,548	1,674,176	1,614,668
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Delayed Draw Term Loan (First Lien)	Loan	6.02%	7/28/2015	$ 1,329,765	1,218,397	1,311,813

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Initial U.S. Term Loan (First Lien)	Loan	6.02%	7/28/2015	$ 2,548,716	$ 2,334,952	$ 2,514,308
Insight Equity A.P. X, LP	Term Loan	Loan	4.47%	12/18/2012	$ 1,568,246	1,561,020	1,411,421
Intrapac Corporation/Corona Holdco	1st Lien Term Loan	Loan	3.80%	5/18/2012	$ 3,813,798	3,717,037	2,855,581
Inventiv Health, Inc. (fka Ventive Health, Inc)	Term B-1 Loan	Loan	4.75%	8/4/2016	$ 166,667	166,667	167,362
Inventiv Health, Inc. (fka Ventive Health, Inc)	Term B-2 Loan	Loan	1.63%	8/4/2016	$ —	—	1,390
J. Crew Group, Inc.	Loan	Loan	0.00%	3/7/2018	$ 1,000,000	1,000,000	1,002,190
Kalispel Tribal Economic Authority	Term Loan	Loan	7.50%	2/25/2017	$ 4,000,000	3,920,037	3,920,037
Key Safety Systems, Inc.	Term Loan (First Lien)	Loan	2.55%	3/8/2014	$ 3,863,090	3,536,408	3,752,026
Kinetek Industries, Inc.	Term B-1 Loan	Loan	3.94%	11/10/2013	$ 1,285,429	1,221,491	1,219,011
Kinetek Industries, Inc.	Term B-2 Loan	Loan	3.94%	11/10/2013	$ 130,372	123,957	123,636
Lender Processing Services, Inc.	Term Loan B	Loan	2.76%	7/2/2014	$ 633,750	630,214	631,373
Leslie's Poolmart, Inc.	Tranche B Term Loan (Expired 3.1.2011)	Loan	6.00%	11/21/2016	$ 4,000,000	4,006,665	4,040,000
M/C Acquisition Corp.	Tranche C Term Loan	Loan	1.00%	12/31/2012	$ 1,981,257	1,981,257	297,188
Matthew Warren Industries, Inc.	Term Loan	Loan	7.25%	11/1/2013	$ 1,396,992	1,332,049	1,131,564
National Diversified Sales, Inc.	Term Loan	Loan	3.56%	8/9/2011	$ 1,260,509	1,224,767	1,247,904
Nielsen Finance LLC	Class A Dollar Term Loan	Loan	2.26%	8/9/2013	$ 4,924,279	4,806,327	4,936,590
Novelis, Inc.	Term Loan (Old)	Loan	5.25%	12/17/2016	$ 4,000,000	4,039,222	4,056,800
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)	Term Loan (First Lien)	Loan	0.00%	4/27/2017	$ 4,000,000	3,960,000	3,960,000
NPC International, Inc.	Term Loan	Loan	2.04%	5/3/2013	$ 4,317,595	4,161,647	4,309,521
NRG Energy, Inc.	Extended Maturity Credit-Linked Deposit	Loan	3.55%	8/31/2015	$ 1,000,000	1,003,705	1,007,000
NRG Energy, Inc.	Original Maturity Credit-Linked Deposit	Loan	2.05%	2/1/2013	$ 739,113	723,964	738,085
NRG Energy, Inc.	Original Maturity Term Loan	Loan	2.04%	2/1/2013	$ 2,880,954	2,823,408	2,876,950
NuSil Technology LLC.	Tranche B Term Loan	Loan	6.00%	2/18/2015	$ 3,780,000	3,749,885	3,780,000
Nuveen Investments, Inc.	Non-Extended First-Lien Term Loan	Loan	3.30%	11/13/2014	$ 2,494,682	2,450,410	2,429,197
Nyco Holdings 3 ApS (Nycomed)	Facility B2	Loan	4.26%	12/29/2014	$ 1,766,354	1,687,712	1,730,391
Nyco Holdings 3 ApS (Nycomed)	Facility C2	Loan	4.76%	12/29/2015	$ 1,765,817	1,679,620	1,738,694
Onex Carestream Finance LP	Term Loan	Loan	0.00%	2/25/2017	$ 5,000,000	4,975,000	4,975,000
Pelican Products, Inc.	Term Loan Old	Loan	5.75%	11/30/2016	$ 3,000,000	2,971,226	3,020,010
Pharmaceutical Research Associates Group B.V.	Dutch Dollar Term Loan	Loan	3.56%	12/15/2014	$ 928,355	856,513	900,504
Physician Oncology Services, LP	Delayed Draw Term Loan	Loan	0.00%	1/31/2017	$ —	(510)	(51,020)
Physician Oncology Services, LP	Effective Date Term Loan	Loan	0.00%	1/31/2017	$ 448,980	444,490	444,490
Pinnacle Foods Finance LLC	Term Loan	Loan	2.76%	4/2/2014	$ 4,818,867	4,668,244	4,808,555
PRA International	U.S. Term Loan	Loan	3.56%	12/15/2014	$ 1,286,657	1,187,087	1,222,324
Prestige Brands, Inc.	Term Loan	Loan	4.75%	3/24/2016	$ 4,167,500	4,152,819	4,189,629
QA Direct Holdings, LLC	Term Loan Retired 03/23/2011	Loan	8.25%	8/10/2014	$ 1,756,006	1,746,771	1,747,226
QCE, LLC (Quiznos)	Term Loan (First Lien)	Loan	5.01%	5/5/2013	$ 2,713,190	2,642,924	2,579,457
Quintiles Transnational Corp.	Term B Loan (First Lien)	Loan	2.31%	3/31/2013	$ 1,350,372	1,341,560	1,346,996
Ranpak Corp.	US Dollar Term Loan B (First Lien) Retired 04/20/2011	Loan	4.77%	12/27/2013	$ 2,729,247	2,702,688	2,592,785
Repconstrickland, Inc.	Term B Loan	Loan	10.00%	2/19/2014	$ 2,982,729	2,963,648	2,744,111
Rexnord LLC/RBS Global, Inc.	Tranche B-2 Term B Loan	Loan	2.56%	7/19/2013	$ 1,624,606	1,553,407	1,614,940
Royal Adhesives and Sealants, LLC	Term A Loan	Loan	7.25%	11/29/2015	$ 5,000,000	4,925,515	4,925,515
Royalty Pharma Finance Trust	Tranche B Term Loan	Loan	2.55%	4/16/2013	$ 4,111,216	4,104,705	4,126,633
Scitor Corporation	Term Loan	Loan	5.00%	2/15/2017	$ 500,000	497,514	503,540
Scotsman Industries, Inc.	Term Loan	Loan	5.51%	4/30/2016	$ 942,875	934,736	946,411
Seminole Tribe of Florida	Term B-1 Delay Draw Loan	Loan	1.81%	3/5/2014	$ 623,301	607,432	619,592
Seminole Tribe of Florida	Term B-2 Delay Draw Loan	Loan	1.81%	3/5/2014	$ 2,254,231	2,196,806	2,240,818
Seminole Tribe of Florida	Term B-3 Delay Draw Loan	Loan	1.81%	3/5/2014	$ 1,418,608	1,377,771	1,410,167
SI Organization, Inc., The	New Tranche B Term Loan	Loan	4.50%	11/22/2016	$ 4,000,000	3,961,772	4,030,000
Specialized Technology Resources, Inc.	Term Loan (First Lien)	Loan	2.76%	6/13/2014	$ 3,525,541	3,444,179	3,283,160

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") (Continued)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
SunGard Data Systems Inc (Solar Capital Corp.)	Incremental Term B Loan	Loan	3.76%	2/28/2014	$ 500,000	$ 500,000	$ 503,325
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche A U.S. Term Loan	Loan	2.01%	2/28/2014	$ 197,048	191,855	196,124
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche B U.S. Term Loan	Loan	3.93%	2/28/2016	$ 4,557,119	4,416,466	4,579,905
Sunquest Information Systems, Inc. (Misys Hospital Systems, Inc.)	Term Loan (First Lien)	Loan	6.25%	12/16/2016	$ 1,000,000	985,480	1,005,000
SuperMedia Inc. (fka Idearc Inc.)	Loan	Loan	11.00%	12/31/2015	$ 359,815	347,869	238,604
Survey Sampling International, LLC	Term Loan	Loan	10.40%	12/31/2012	$ 1,775,683	1,766,073	1,154,194
Targus Holdings, Inc.	Tranche B Term Loan (First Lien)	Loan	8.75%	11/22/2012	$ 2,789,590	2,701,112	2,768,668
TDG Holding Company (fka Dwyer Acquisition, Inc.)	Term Loan	Loan	7.00%	12/23/2015	$ 4,000,000	3,940,238	3,940,000
Team Finance LLC (a.k.a Team Health Holdings, LLC)	Term Loan	Loan	2.27%	11/23/2012	$ 5,570,899	5,369,893	5,543,045
Telcordia Technologies, Inc.	Term Loan	Loan	6.75%	4/30/2016	$ 3,970,000	3,961,377	3,982,426
Texas Competitive Electric Holdings Company, LLC (TXU)	Initial Tranche B-2 Term Loan	Loan	3.79%	10/10/2014	$ 5,805,000	5,740,180	4,834,868
TransFirst Holdings, Inc.	Term Loan (First Lien)	Loan	3.06%	6/15/2014	$ 2,412,500	2,359,447	2,320,029
Tricorbraun Inc. (fka Kranson Industries, Inc.)	Term Loan B	Loan	2.51%	7/31/2013	$ 1,223,256	1,173,926	1,180,442
Triumph Group Inc.	Loan Retired 04/05/2011	Loan	4.50%	6/16/2016	$ 1,243,750	1,238,248	1,246,088
U.S. Security Holdings, Inc.	Acquisition Term Loan	Loan	4.04%	5/8/2013	$ 106,289	102,005	105,224
U.S. Security Holdings, Inc.	Tranche B Term Loan	Loan	4.04%	5/8/2013	$ 564,358	541,608	561,536
U.S. Silica Company	Loan	Loan	5.75%	5/9/2016	$ 1,343,250	1,337,430	1,344,929
United States Infrastructure Corporation (fka Stripe Acquisition, Inc.)	Term Loan	Loan	5.50%	5/13/2015	$ 1,393,000	1,381,246	1,394,741
Univar Inc.	Term B Loan	Loan	0.00%	6/30/2017	$ 3,000,000	3,000,000	3,000,000
USI Holdings Corporation	Tranche B Term Loan	Loan	2.77%	5/5/2014	$ 4,832,287	4,689,161	4,820,206
Visant Corporation (fka Jostens)	Tranche B Term Loan (2011)	Loan	0.00%	12/22/2016	$ 4,000,000	4,000,000	4,000,000
Weasler Engineering, Inc.	Term Loan	Loan	6.76%	9/30/2013	$ 1,195,707	1,023,493	1,171,792
Weight Watchers International, Inc.	Term B Loan	Loan	1.81%	1/26/2014	$ 1,242,139	1,228,356	1,239,034
Weight Watchers International, Inc.	Term D Loan	Loan	2.56%	6/30/2016	$ 2,755,924	2,701,780	2,765,377
Wendy's/Arby's Restaurants, LLC	Term Loan	Loan	5.00%	5/24/2017	$ 1,194,000	1,188,678	1,202,585
Wenner Media LLC	Term Loan	Loan	2.01%	10/2/2013	$ 2,830,535	2,750,229	2,717,314
Wesco Aircraft Hardware Corp.	Loan (Second Lien) Retired 04/07/2011	Loan	6.02%	3/28/2014	$ 1,720,000	1,655,183	1,721,428
Wil Research Laboratories, LLC	Term B Loan	Loan	4.31%	9/26/2013	$ 1,828,419	1,693,356	1,609,009
WireCo WorldGroup Inc.	Term Loan	Loan	5.25%	2/10/2014	$ 4,687,066	4,582,305	4,687,066
Worldwide Express Operations, LLC	Term Loan	Loan	7.50%	6/30/2013	$ 3,844,761	3,844,761	3,075,809
Yankee Candle Company, Inc.	Term Loan	Loan	2.27%	2/6/2014	$ 2,537,336	2,358,862	2,530,409
Yell Group Plc	Facility B1—YB (USA) LLC (11/2009)	Loan	4.01%	7/31/2014	$ 3,216,223	3,148,334	1,485,897
ALM 2010-1A	Floating—05/2020—B—00162VAE5	Other/Structured Finance Securities	2.58%	5/20/2020	$ 4,000,000	3,682,050	3,657,600
BABSN 2007-1A	Floating—01/2021—D1—05617AAA9	Other/Structured Finance Securities	3.55%	1/18/2021	$ 1,500,000	1,207,311	1,050,000
GALE 2007-3A	Floating—04/2021—E—363205AA3	Other/Structured Finance Securities	3.80%	4/19/2021	$ 4,000,000	3,235,640	2,800,000
KATO 2006-9A	Floating—01/2019—B2L—486010AA9	Other/Structured Finance Securities	3.80%	1/25/2019	$ 5,000,000	4,115,337	3,500,000
Network Communications, Inc.	8.600%—01/2020—6412BAD3	Unsecured Notes	8.60%	1/14/2020	$ 1,028,572	3,260,000	743,452
STCLO 2007-6A	Floating—04/2021—D—86176YAG7	Other/Structured Finance Securities	3.90%	4/17/2021	$ 5,000,000	3,976,453	3,500,000
Elyria Foundry Company, LLC	13.000%—03/2013—290608AA6	Unsecured Notes	17.00%	3/1/2013	$ 2,040,000	2,006,316	1,500,012
						$402,031,794	**$391,170,117**

Note 5. Income Taxes

The Company intends to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of taxable income and gains distributed to stockholders.

The Company owns 100% of Saratoga CLO, an exempted company incorporated in the Cayman Islands. For financial reporting purposes, the Saratoga CLO is not included as part of the consolidated financial statements. For federal income tax purposes, the Company has requested and received approval from the Internal Revenue Service to treat the Saratoga CLO as a disregarded entity. As such, for federal income tax purposes and for purposes of meeting the RIC qualification and diversification tests, the results of operations of the Saratoga CLO are included with those of the Company.

To qualify as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90% of its investment company taxable income, as defined by the Code. Because federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. As of February 29, 2012 and February 28, 2011, the Company reclassified for book purposes amounts arising from permanent book/tax differences primarily related to nondeductible excise tax, meals & entertainment, market discount, interest income with respect to the Saratoga CLO which is consolidated for tax purposes, and the tax character of distributions as follows (dollars in thousands):

	February 29, 2012	February 28, 2011
Accumulated net investment income/(loss)	$ (871)	$ 474
Accumulated net realized gains (losses) on investments	859	(474)
Additional paid-in-capital	12	—

For income tax purposes, distributions paid to shareholders are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid for the years ended February 29, 2012 and February 28, 2011 was as follows (dollars in thousands):

	February 29, 2012	February 28, 2011
Ordinary Income	$ 9,831	$ 11,796
Capital gains	—	—
Return of capital	—	—
Total	$ 9,831	$ 11,796

For federal income tax purposes, as of February 29, 2012, the aggregate net unrealized depreciation for all securities is $8.3 million. The aggregate cost of securities for federal income tax purposes is $459.1 million.

Note 5. Income Taxes (Continued)

For federal income tax purposes, as of February 28, 2011, the aggregate net unrealized depreciation for all securities is $18.2 million. The aggregate cost of securities for federal income tax purposes is $466.6 million.

At February 29, 2012 and February 28, 2011, the components of accumulated losses on a tax basis as detailed below differ from the amounts reflected per the Company's consolidated statements of assets and liabilities by temporary book/tax differences primarily arising from the consolidation of the Saratoga CLO for tax purposes, market discount and original issue discount income, interest income accrual on defaulted bonds, write-off of investments, and amortization of organizational expenditures (dollars in thousands).

	February 29, 2012	February 28, 2011
Post October loss deferred	$ (12,117)	$ (9,819)
Accumulated capital losses	(50,249)	(36,610)
Other temporary differences	(297)	(59)
Undistributed ordinary income	4,385	1,760
Unrealized depreciation	(8,266)	(18,172)
Total components of accumulated losses	$ (66,544)	$ (62,900)

Post-October losses represent losses realized on investments from November 1, 2011 to February 29, 2012, in accordance with federal income tax regulations, the Company has elected to defer and treat as having arisen in the following fiscal year.

The Company has incurred capital losses of $19.3, $14.1 and $3.2 million for the years ended February 28, 2011, 2010 and 2009. Such capital losses will be available to offset future capital gains if any and if unused, will expire on February 28, 2019, 2018 and 2017.

The Company has incurred a short term capital loss of $11.5 million and a long term capital loss of $2.1 million for the year ended February 29, 2012. Such capital losses will be available to offset future capital gains. There is no expiration for these capital losses.

Management has analyzed the Company's tax positions taken on federal income tax returns for all open years (fiscal years 2009-2012), and has concluded that no provision for uncertain income tax positions is required in the Company's financial statements.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Modernization Act") was enacted, and the provisions with the Modernization Act are effective for the Company for the year ended February 29, 2012. The Modernization Act is the first major piece of legislation affecting RICs since 1986 and it modernizes several of the federal income and excise tax provisions related to RICs. Some highlights of the enacted provisions are as follows:

New capital losses may now be carried forward indefinitely, and retain the character of the original loss. Under pre-enactment law, capital losses could be carried forward for eight years, and carried forward as short-term capital, irrespective of the character of the original loss.

The Modernization Act contains simplification provisions, which are aimed at preventing disqualification of a RIC for "inadvertent" failures of the asset diversification and/or qualifying income

Note 5. Income Taxes (Continued)

tests. Additionally, the Modernization Act exempts RICs from the preferential dividend rule, and repealed the 60-day designation requirement for certain types of pay-through income and gains.

Finally, the Modernization Act contains several provisions aimed at preserving the character of distributions made by a fiscal year RIC during the portion of its taxable year ending after October 31 or December 31, reducing the circumstances under which a RIC might be required to file amended Forms 1099 to restate previously reported distributions.

Note 6. Agreements

On July 30, 2010, the Company entered into an investment advisory and management agreement (the "Management Agreement") with our Manager. The initial term of the Management Agreement is two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. Pursuant to the Management Agreement, our Manager implements our business strategy on a day-to-day basis and performs certain services for us, subject to oversight by our board of directors. Our Manager is responsible for, among other duties, determining investment criteria, sourcing, analyzing and executing investments transactions, asset sales, financings and performing asset management duties. Under the Management Agreement, we have agreed to pay our Manager a management fee for investment advisory and management services consisting of a base management fee and an incentive fee.

The base management fee of 1.75% is calculated based on the average value of our gross assets (other than cash or cash equivalents, but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters, and appropriately adjusted for any share issuances or repurchases during the applicable fiscal quarter.

The incentive fee consists of the following two parts:

The first, payable quarterly in arrears, equals 20% of our pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding quarter, that exceeds a 1.875% quarterly (7.5% annualized) hurdle rate measured as of the end of each fiscal quarter, subject to a "catch-up" provision. Under this provision, in any fiscal quarter, our Manager receives no incentive fee unless our pre-incentive fee net investment income exceeds the hurdle rate of 1.875%. Our Manager will receive 100% of pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter (9.376% annualized); and 20% of the amount of the our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter (9.376% annualized). Notwithstanding the foregoing, with respect to any period ending on or prior to December 31, 2010, our manager will receive 20% of pre-incentive fee net investment income, if any, that exceeds the hurdle rate of 1.875% without any catch-up provision. Amounts received from our portfolio companies as a return of capital are not included in calculating this portion of the incentive fee. Since the hurdle rate is based on net assets, a return of less than the hurdle rate on total assets may still result in an incentive fee.

The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Management Agreement) and equals 20% of our "incentive fee capital gains," which equals our realized capital gains on a cumulative basis from May 31, 2010 through the end of the year, if any, computed net of all realized capital losses and unrealized capital

Note 6. Agreements (Continued)

depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. Importantly, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and our Manager will be entitled to 20% of incentive fee capital gains that arise after May 31, 2010. In addition, for the purpose of the "incentive fee capital gains" calculations, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 will equal the fair value of such investments as of such date.

The terms of the Management Agreement with our Manager is substantially similar to the terms (i.e., a quarterly base management fee of 1.75% of the average value of our total assets—other than cash or cash equivalents but including assets purchased with borrowed funds—at the end of the two most recently completed fiscal quarters, and an incentive fee) of the investment advisory and management agreement we had entered into with GSCP (NJ), L.P., our former investment adviser, except for the following material distinctions in the fee terms:

- The capital gains portion of the incentive fee was reset with respect to gains and losses from May 31, 2010, and therefore losses and gains incurred prior to such time will not be taken into account when calculating the capital gains fee payable to our Manager and, as a result, our Manager will be entitled to 20% of realized gains net of unrealized losses and realized losses that arise after May 31, 2010. In addition, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 equal the fair value of such investment as of such date. Under the investment advisory and management agreement with our former investment adviser, GSCP (NJ), L.P., the capital gains fee was calculated from March 21, 2007, and the gains were substantially outweighed by losses.

- Under the "catch up" provision, 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income that exceeds 1.875% (7.5% annualized) but is less than or equal to 2.344% in any fiscal quarter is payable to our Manager. This will enable our Manager to receive 20% of all net investment income as such amount approaches 2.344% in any quarter, and our Manager will receive 20% of any additional net investment income. Under the investment advisory and management agreement with our former investment adviser, GSCP (NJ), L.P. only received 20% of the excess net investment income over 1.875%.

- We will no longer have deferral rights regarding incentive fees in the event that the distributions to stockholders and change in net assets is less than 7.5% for the preceding four fiscal quarters.

For the years ended February 29, 2012, February 28, 2011 and 2010, we incurred $1.6, $1.6 and $2.0 million in base management fees, respectively. For the years ended February 29, 2012, February 28, 2011 and 2010, we incurred $0.5, $0.4 and $0.3 million in incentive fees related to pre-incentive fee net investment income. For the year ended February 28, 2011, we incurred $0.4 million in incentive fees related to pre-incentive fee net investment income and recorded a $2.6 million reversal in previously recorded deferred incentive management fees related to net investment income as a result of the agreement of our former investment adviser, GSCP (NJ), L.P., to waive such amount in connection with the recapitalization transaction described in "Note 14.

Note 6. Agreements (Continued)

Recapitalization Transaction" below. For the year ended February 29, 2012, we accrued $0.7 million in incentive management fees related to capital gains. The accrual is calculated using both realized and unrealized capital gains for the period. The actual incentive fee related to capital gains will be determined and payable in arrears at the end of the fiscal year and will include only realized capital gains for the period. As of February 29, 2012, $0.4 million of base management fees and $2.5 million of incentive fees were accrued and included in management and incentive fees payable in the accompanying consolidated statement of assets and liabilities. As of February 28, 2011, $2.2 million of management and incentive fees were accrued and included in management and incentive fees payable in the accompanying consolidated statement of assets and liabilities.

On July 30, 2010, the Company entered into a separate administration agreement (the "Administration Agreement") with our Manager, pursuant to which our Manager, as our administrator, has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide managerial assistance on our behalf to those portfolio companies to which we are required to provide such assistance. The initial term of the Administration Agreement is two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. The amount payable to our Manager as administrator is capped at $1 million for the initial two year term of the administration agreement.

The amount payable to GSCP (NJ), L.P., our former investment adviser and administrator, as administrator was capped to the effect that such amount, together with our other operating expenses, could not exceed an amount equal to 1.5% per annum of our net assets attributable to common stock. In addition, for the one-year term of the administration agreement that expired on March 21, 2011, GSCP (NJ), L.P. had agreed to waive our reimbursement obligation under the administration agreement until our total assets exceeded $500 million.

For the years ended February 29, 2012, February 28, 2011 and 2010, we recognized $1.0, $0.8 and $0.7 million in administrator expenses for the periods, pertaining to bookkeeping, record keeping and other administrative services provided to us in addition to our allocable portion of rent and other overhead related expenses. As of February 29, 2012, $0.4 million of administrator expenses were accrued and included in due to manager in the accompanying consolidated statement of assets and liabilities.

Note 7. Borrowings

As a BDC, we are only allowed to employ leverage to the extent that our asset coverage, as defined in the 1940 Act, equals at least 200% after giving effect to such leverage. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing.

On April 11, 2007, we entered into a $100.0 million revolving securitized credit facility (the "Revolving Facility"). On May 1, 2007, we entered into a $25.7 million term securitized credit facility (the "Term Facility" and, together with the Revolving Facility, the "Facilities"), which was fully drawn at closing. In December 2007, we consolidated the Facilities by using a draw under the Revolving Facility to repay the Term Facility. In response to the market wide decline in financial asset prices, which negatively affected the value of our portfolio, we terminated the revolving period of the

Note 7. Borrowings (Continued)

Revolving Facility effective January 14, 2009 and commenced a two-year amortization period during which all principal proceeds from the collateral was used to repay outstanding borrowings. A significant percentage of our total assets had been pledged under the Revolving Facility to secure our obligations thereunder. Under the Revolving Facility, funds were borrowed from or through certain lenders and interest was payable monthly at the greater of the commercial paper rate and our lender's prime rate plus 4.00% plus a default rate of 2.00% or, if the commercial paper market was unavailable, the greater of the prevailing LIBOR rates and our lender's prime rate plus 6.00% plus a default rate of 3.00%.

In March 2009, we amended the Revolving Facility to increase the portion of the portfolio that could be invested in "CCC" rated investments in return for an increased interest rate and expedited amortization. As a result of these transactions, we expected to have additional cushion under our borrowing base under the Revolving Facility that would allow us to better manage our capital in times of declining asset prices and market dislocation.

On July 30, 2009, we exceeded the permissible borrowing limit under the Revolving Facility for 30 consecutive days, resulting in an event of default under the Revolving Facility. As a result of this event of default, our lender had the right to accelerate repayment of the outstanding indebtedness under the Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. Acceleration of the outstanding indebtedness and/or liquidation of the collateral could have had a material adverse effect on our liquidity, financial condition and operations.

On July 30, 2010, we used the net proceeds from (i) the stock purchase transaction and (ii) a portion of the funds available to us under the $45.0 million senior secured revolving credit facility (the "Replacement Facility") with Madison Capital Funding LLC, in each case, described in "Note 14. Recapitalization Transaction" below, to pay the full amount of principal and accrued interest, including default interest, outstanding under the Revolving Facility. As a result, the Revolving Facility was terminated in connection therewith. Substantially all of our total assets have been pledged under the Replacement Facility to secure our obligations thereunder.

On February 24, 2012, we amended our senior secured revolving credit facility with Madison Capital Funding LLC to, among other things:

- expand the borrowing capacity under the credit facility from $40 million to $45 million;
- extend the period during which we may make and repay borrowings under the credit facility from July 30, 2013 to February 24, 2015 (the "Revolving Period"). The Revolving Period may upon the occurrence of an event of default, by action of the lenders or automatically. All borrowings and other amounts payable under the credit facility are due and payable five years after the end of the Revolving Period; and
- remove the condition that we may not acquire additional loan assets without the prior written consent of Madison Capital Funding LLC.

As of February 29, 2012, there was $20.0 million outstanding under the Replacement Facility and the Company is in compliance with all of the limitations and requirements of the Replacement Facility. $2.3 million of financing costs related to the Replacement Facility have been capitalized and are being amortized over the term of the facility. For the years ended February 29, 2012, February 28, 2011 and

Note 7. Borrowings (Continued)

2010, we recorded $0.6, $2.2 and $3.5 million of interest expense, respectively. For the years ended February 29, 2012, February 28, 2011 and 2010, we recorded $0.7, $0.4 and $0.6 million of amortization of deferred financing costs related to the Replacement Facility and Revolving Facility, respectively. The interest rates during the years ended February 29, 2012, February 28, 2011and 2010 on the outstanding borrowings ranged from 0.75% to 7.50%, 7.50% to 9.25%, and 1.37% to 9.25% respectively.

The Replacement Facility contains limitations as to how borrowed funds may be used, such as restrictions on industry concentrations, asset size, weighted average life, currency denomination and collateral interests. The Replacement Facility also includes certain requirements relating to portfolio performance, the violation of which could result in the limit of further advances and, in some cases, result in an event of default, allowing the lenders to accelerate repayment of amounts owed thereunder. The Replacement Facility has an eight year term, consisting of a three year period (the "Revolving Period"), under which the Company may make and repay borrowings, and a final maturity five years from the end of the Revolving Period. Availability on the Replacement Facility will be subject to a borrowing base calculation, based on, among other things, applicable advance rates (which vary from 50% to 75% of par or fair value depending on the type of loan asset) and the value of certain "eligible" loan assets included as part of the Borrowing Base. Funds may be borrowed at the greater of the prevailing LIBOR rate and 2.00%, plus an applicable margin of 5.50%. At the Company's option, funds may be borrowed based on an alternative base rate, which in no event will be less than 3.00%, and the applicable margin over such alternative base rate is 4.50%. In addition, the Company will pay the lenders a commitment fee of 0.75% per year on the unused amount of the Replacement Facility for the duration of the Revolving Period.

Our borrowing base under the Replacement Facility was $27.9 million at February 29, 2012. For purposes of determining the borrowing base, most assets are assigned the values set forth in our most recent quarterly report on Form 10-Q filed with the SEC. Accordingly, the February 29, 2012 borrowing base relies upon the valuations set forth in the quarterly report on Form 10-Q for the quarter ended November 30, 2011. The valuations presented in this Annual Report on Form 10-K will not be incorporated into the borrowing base until after this Annual Report on Form 10-K is filed with the SEC.

At any time prior to the second anniversary of the closing of the Replacement Facility and subject to certain conditions, we may request an increase in the Replacement Facility amount of up to $60 million for a combined aggregate Replacement Facility amount of $100 million.

Note 8. Interest Rate Cap Agreements

In April and May 2007, pursuant to the requirements of the Facilities, we, through wholly owned subsidiary, entered into interest rate cap agreements with Deutsche Bank AG with notional amounts of $34.0 million and $60.9 million at costs of $75,000, and $44,000, respectively. In May 2007, we increased the notional amount under the $34.0 million agreement from $34.0 million to $40.0 million for an additional cost of $12,000. The agreements expire in February 2014 and November 2013, respectively. These interest rate caps are treated as free-standing derivatives under ASC 815 and are presented at their fair value on the consolidated statements of assets and liabilities and the changes in their fair value are included on the consolidated statements of operations.

Note 8. Interest Rate Cap Agreements (Continued)

The agreements provide for a payment to us in the event LIBOR exceeds 8%, mitigating our exposure to increases in LIBOR. With respect to calculating the payments under these agreements, the notional amount is determined based on a pre-determined schedule set forth in the respective agreements which provides for a reduction in the notional amount at specified dates until the maturity of the agreements. As of November 30, 2010, we did not receive any such payments as the LIBOR has not exceeded 8%. As of February 29, 2012, the total notional amount outstanding for the interest rate caps was $29.9 million with an aggregate fair value of $75, which is recorded in outstanding interest cap at fair value on our consolidated statements of assets and liabilities. For the years ended February 29, 2012, February 28, 2011 and 2010, we recorded $(16,190), $(25,884) and $2,634 of unrealized (depreciation) /appreciation, respectively, on derivatives in our consolidated statements of operations related to the change in the fair value of the interest rate cap agreements.

The table below summarizes our interest rate cap agreements as of February 29, 2012 (dollars in thousands):

Instrument	Type	Notional	Interest Rate	Maturity	Fair Value
Interest Rate Cap	Free Standing Derivative	$ 19,592	8.0%	Feb 2014	$ .05
Interest Rate Cap	Free Standing Derivative	10,332	8.0	Nov 2013	.02
	Net fair value				$ .07

The table below summarizes our interest rate cap agreements as of February 28, 2011 (dollars in thousands):

Instrument	Type	Notional	Interest Rate	Maturity	Fair Value
Interest Rate Cap	Free Standing Derivative	$ 29,388	8.0%	Feb 2014	$ 12
Interest Rate Cap	Free Standing Derivative	23,966	8.0	Nov 2013	4
	Net fair value				$ 16

Note 9. Directors Fees

The independent directors receive an annual fee of $40,000. They also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the Audit Committee receives an annual fee of $5,000 and the chairman of each other committee receives an annual fee of $2,000 for their additional services in these capacities. In addition, we have purchased directors' and officers' liability insurance on behalf of our directors and officers. Independent directors have the option to receive their directors' fees in the form of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the years ended February 29, 2012, February 28, 2011 and 2010, we accrued $0.2, $0.4 and $0.3 million for directors' fees expense, respectively. As of February 29, 2012 and February 28, 2011, $49,500 and $51,000 in directors' fees expense were unpaid and included in accounts payable and

Note 9. Directors Fees (Continued)

accrued expenses in the consolidated statements of assets and liabilities. As of February 29, 2012, we had not issued any common stock to our directors as compensation for their services.

Note 10. Stockholders' Equity

On May 16, 2006, GSC Group, Inc. capitalized the LLC, by contributing $1,000 in exchange for 67 shares, constituting all of the issued and outstanding shares of the LLC.

On March 20, 2007, the Company issued 95,995.5 and 8,136.2 shares of common stock, priced at $150.00 per share, to GSC Group and certain individual employees of GSC Group, respectively, in exchange for the general partnership interest and a limited partnership interest in GSC Partners CDO III GP, LP, collectively valued at $15.6 million. At this time, the 6.7 shares owned by GSC Group in the LLC were exchanged for 6.7 shares of the Company.

On November 13, 2009, we declared a dividend of $18.25 per share payable on December 31, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $2.50 per share. Based on shareholder elections, the dividend consisted of $2.1 million in cash and 864,872.5 of newly issued shares of common stock.

On July 30, 2010, our Manager and its affiliates purchased 986,842 shares of common stock at $15.20 per share. Total proceeds received from this sale were $15.0 million. See "Note 14. Recapitalization Transaction."

On August 12, 2010, we effected a one-for-ten reverse stock split of our outstanding common stock. As a result of the reverse stock split, every ten shares of our common stock were converted into one share of our common stock. Any fractional shares received as a result of the reverse stock split were redeemed for cash. The total cash payment in lieu of shares was $230. Immediately after the reverse stock split, we had 2,680,842 shares of our common stock outstanding.

On November 12, 2010, we declared a dividend of $4.40 per share payable on December 29, 2010. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $1.2 million or $0.44 per share. Based on shareholder elections, the dividend consisted of approximately $1.2 million in cash and 596,235 shares of common stock.

On November 15, 2011, we declared a dividend of $3.00 per share payable on December 30, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.0 million or $0.60 per share. Based on shareholder elections, the dividend consisted of approximately $2.0 million in cash and 599,584 shares of common stock.

Note 11. Earnings Per Share

In accordance with the provisions of FASB ASC 260, "Earnings per Share" ("ASC 260"), basic earnings per share is computed by dividing earnings available to common shareholders by the weighted

Note 11. Earnings Per Share (Continued)

average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

The following information sets forth the computation of the weighted average basic and diluted net decrease in net assets per share from operations for the years ended February 29, 2012, February 28, 2011 and 2010 (dollars in thousands except share and per share amounts):

Basic and diluted	February 29, 2012	February 28, 2011	February 28, 2010
Net increase (decrease) in net assets from operations	$ 13,275	$ 16,958	$ (10,463)
Weighted average common shares outstanding	3,434,345	2,437,577	1,061,351
Earnings (loss) per common share-basic and diluted	$ 3.87	$ 6.96	$ (9.86)

Note 12. Dividend

On November 15, 2011, we declared a dividend of $3.00 per share payable on December 30, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.0 million or $0.60 per share.

Based on shareholder elections, the dividend consisted of approximately $2.0 million in cash and 599,584 shares of common stock, or 18% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.1171 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2011. The financial statements for the period ended November 30, 2011 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend in accordance with the provisions of ASC 505-20-S50 regarding disclosure of a capital structure change after the interim balance sheet but before the release of the financial statements.

On November 12, 2010, we declared a dividend of $4.40 per share payable on December 23, 2010. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $1.2 million or $0.44 per share.

Based on shareholder elections, the dividend consisted of approximately $1.2 million in cash and 596,235 shares of common stock, or 22% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 10.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.8049 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2010. The financial statements for the period ended November 30, 2010 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend in accordance with the provisions of

Note 12. Dividend (Continued)

ASC 505-20-S50 regarding disclosure of a capital structure change after the interim balance sheet but before the release of the financial statements.

The following tables summarize dividends declared during the years ended February 29, 2012, February 28, 2011 and 2010 (dollars in thousands except per share amounts):

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
November 15, 2011	November 25, 2011	December 30, 2011	$ 3.00	$ 9,831
Total dividends declared			$ 3.00	$ 9,831

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
November 12, 2010	November 19, 2010	December 29, 2010	$ 4.40	$ 11,796
Total dividends declared			$ 4.40	$ 11,796

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
November 13, 2009	November 25, 2009	December 31, 2009	$ 18.25	$ 15,132
Total dividends declared			$ 18.25	$ 15,132

* Amount per share is calculated based on the number of shares outstanding at the date of declaration. For 2009, the amount per share has been adjusted to reflect a one-for-ten reverse stock split effectuated in August 2010.

Note 13. Financial Highlights

The following is a schedule of financial highlights for the years ended February 29, 2012, February 28, 2011, 2010, 2009 and February 29, 2008:

For 2010, 2009 and 2008, the amount per share has been adjusted to reflect a one-for-ten reverse stock split effectuated in August 2010.

	February 29, 2012	February 28, 2011	February 28, 2010	February 28, 2009	February 29, 2008
Per share data:(7)					
Net asset value at beginning of period	$ 26.26	$ 32.75	$ 82.00	$ 118.00	$ 140.30
Net investment income(1)	1.66	2.15	5.40	16.70	13.00
Net realized and unrealized gains and losses on investments and derivatives	2.21	4.81	(15.30)	(42.40)	(19.80)
Net increase (decrease) in net assets from operations	3.87	6.96	(9.90)	(25.70)	(6.80)
Distributions declared from net investment income	(3.00)	(4.40)	(18.25)	(10.30)	(13.70)
Distributions declared from net realized capital gains	—	—	—	—	(1.80)
Total distributions to stockholders	(3.00)	(4.40)	(18.25)	(10.30)	(15.50)
Dilutive impact of dividends paid in stock(5)	(2.01)	(9.05)	(21.10)	—	—
Net asset value at end of period	$ 25.12	$ 26.26	$ 32.75	$ 82.00	$ 118.00
Net assets at end of period	$ 97,380,150	$ 86,071,454	$ 55,478,152	$ 68,013,777	$ 97,869,040
Shares outstanding at end of period	3,876,661	3,277,077	1,694,010	829,138	829,138
Per share market value at end of period(7)	$ 15.88	$ 21.25	$ 19.20	$ 19.90	$ 110.40
Total return based on market value(2)	12.82%	38.25%	113.10%	(70.33)%	0.45%
Total return based on net asset value(3)	17.51%	0.16%	(11.92)%	14.40%	10.96%
Ratio/Supplemental data:(6)					
Ratio of net investment income to average, net assets(4)(6)	6.11%	6.53%	8.10%	15.19%	8.11%
Ratio of operating expenses to average net assets(4)	5.63%	12.05%	9.78%	7.12%	5.91%
Ratio of incentive management fees to average net assets	1.35%	2.45%	0.52%	2.05%	0.64%
Ratio of credit facility related expenses to average net assets	1.39%	3.42%	6.54%	3.05%	4.51%
Ratio of total expenses to average net assets(4)	8.36%	12.02%	16.84%	12.23%	11.05%

(1) Net investment income per share is calculated using the weighted average shares outstanding during the period. Net investment income excluding expense waiver and reimbursement equals $2.05, $4.75, $15.46 and $10.80 per share for the years ended February 28, 2011, 2010, 2009 and February 29, 2008, respectively.

(2) Total investment return is calculated assuming a purchase of common shares at the current market value on the first day and a sale at the current market value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's dividend reinvestment plan. Total investment return does not reflect brokerage commissions. Total investment returns covering less than a full period are not annualized.

(3) Total investment return is calculated assuming a purchase of common shares at the current net asset value on the first day and a sale at the current net asset value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(4) For the year ended February 28, 2011, net of the expense waiver and reimbursement arrangement, the ratio of net investment income, operating expenses, total expenses to average net assets is 6.87%, 11.71%, and 11.68%, respectively. For the year ended February 28, 2010, net of the expense waiver and reimbursement arrangement, the ratio of net investment income, operating expenses, total expenses to average net assets is 9.12%, 8.71% and 15.77%, respectively. For the year ended February 28, 2009, net of the expense waiver and reimbursement arrangement, the ratio of net investment income, operating expenses, total expenses to average net assets is 16.21%, 5.94% and 11.04%, respectively. For the year ended February 29, 2008, net of the expense waiver and reimbursement agreement, the ratio of net investment income, operating expenses, total expenses to average net assets is 9.63%, 4.51% and 9.45%, respectively.

Note 13. Financial Highlights (Continued)

(5) Represents the dilutive effect of the common stock dividend issuance at a price below net asset value per share during the period in connection with the satisfaction of the Company's annual RIC distribution requirement. See Note 12. Dividend.

(6) These ratios for the years ended February 28, 2010, 2009 and February 29, 2008 do not include the effect of the waiver of deferred incentive fees which is (3.83)% on a non-annualized basis as this is a one time waiver.

(7) February 28, 2010, 2009 and February 29, 2008 data has been adjusted to reflect a one-for-ten reverse stock split effectuated in August 2010.

Note 14. Recapitalization Transaction

In July 2010, we consummated a recapitalization transaction that was necessitated by the fact that we had exceeded permissible borrowing limits under the Revolving Facility in July 2009, which resulted in an event of default under the Revolving Facility. As a result of the event of default under the Revolving Facility, the lender had the right to accelerate repayment of the outstanding indebtedness under the Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. We engaged the investment banking firm of Stifel, Nicolaus & Company to evaluate strategic transaction opportunities and consider alternatives for us in December 2008. On April 14, 2010, we entered into a stock purchase agreement with our Manager and certain of its affiliates and an assignment, assumption and novation agreement with our Manager, pursuant to which we assumed certain rights and obligations of our Manager under a debt commitment letter our Manager received from Madison Capital Funding LLC, indicating Madison Capital Funding's willingness to provide us with the Replacement Facility, subject to the satisfaction of certain terms and conditions. In addition, we and GSCP (NJ), L.P., our then external investment adviser, entered into a termination and release agreement, to be effective as of the closing of the transaction contemplated by the stock purchase agreement, pursuant to which GSCP (NJ), L.P., among other things, agreed to waive any and all accrued and unpaid deferred incentive management fees up to and as of the closing of the transaction contemplated by the stock purchase agreement but continued to be entitled to receive the base management fees earned through the date of the closing of the transaction contemplated by the stock purchase agreement.

On July 30, 2010, the transactions contemplated by the stock purchase agreement with our Manager and certain of its affiliates was completed, and included the following actions:

- the private sale of shares of our common stock for $15 million in aggregate purchase price to our Manager and certain of its affiliates;
- the closing of the $40 million Replacement Facility with Madison Capital Funding;
- the execution of a registration rights agreement with the investors in the private sale transaction, pursuant to which we agreed to file a registration statement with the SEC to register for resale the shares of our common stock sold in the private sale transaction;
- the execution of a trademark license agreement with our Manager pursuant to which our Manager granted us a non-exclusive, royalty-free license to use the "Saratoga" name, for so long as our Manager or one of its affiliates remains our investment adviser;
- replacing GSCP (NJ), L.P. as our investment adviser and administrator with our Manager by executing an investment advisory and management agreement, which was approved by our stockholders, and an administration agreement with our Manager;

Note 14. Recapitalization Transaction (Continued)

- the resignations of Robert F. Cummings, Jr. and Richard M. Hayden, both of whom are affiliates of GSCP (NJ) L.P., as members of the board of directors and the election of Christian L. Oberbeck and Richard A. Petrocelli, both of whom are affiliates of our Manager, as members of the board of directors;

- the resignation of all of our then existing executive officers and the appointment by our board of directors of Mr. Oberbeck as our chief executive officer and president and Mr. Petrocelli as our chief financial officer, secretary and chief compliance officer; and

- our name change from "GSC Investment Corp." to "Saratoga Investment Corp."

We used the net proceeds from the private sale transaction and a portion of the funds available to us under the Replacement Facility to pay the full amount of principal and accrued interest, including default interest, outstanding under Revolving Facility. The Revolving Facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010.

Note 15. Selected Quarterly Data (Unaudited)

	2012			
($ in thousands, except per share numbers)	**Qtr 4**	**Qtr 3**	**Qtr 2**	**Qtr 1**
Interest and related portfolio income	$ 2,947	$ 3,033	$ 2,887	$ 2,387
Net investment income	1,578	824	2,720	579
Net realized and unrealized gain (loss)	1,501	5,390	(4,448)	5,131
Net increase (decrease) in net assets resulting from operations	3,081	6,213	(1,728)	5,709
Net investment income (loss) per common share at end of each quarter	$ 0.79	$ 1.88	$ (0.53)	$ 1.74
Net realized and unrealized gain (loss) per common share at end of each quarter	$ 0.37	$ 1.63	$ (1.36)	$ 1.57
Dividends declared per common share	$ —	$ 3.00	$ —	$ —
Net asset value per common share	$ 25.12	$ 24.32	$ 27.48	$ 28.01

	2011			
($ in thousands, except per share numbers)	**Qtr 4**	**Qtr 3**	**Qtr 2**	**Qtr 1**
Interest and related portfolio income	$ 2,624	$ 4,580	$ 2,566	$ 2,270
Net investment income	830	1,935	2,482	2
Net realized and unrealized gain	3,463	1,375	4,218	2,653
Net increase in net assets resulting from operations	4,294	3,310	6,700	2,655
Net investment income per common share at end of each quarter	$ 0.25	$ 0.70	$ 1.21	$ 0.00
Net realized and unrealized gain per common share at end of each quarter	$ 1.06	$ 0.50	$ 2.06	$ 1.57
Dividends declared per common share	$ —	$ 4.40	$ —	$ —
Net asset value per common share	$ 26.26	$ 24.95	$ 29.71	$ 34.32

Note 15. Selected Quarterly Data (Unaudited) (Continued)

	2010			
($ in thousands, except per share numbers)	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Interest and related portfolio income	$ 3,637	$ 3,530	$ 3,685	$ 4,764
Net investment income	1,201	869	1,080	2,564
Net realized and unrealized gain (loss)	(10,067)	8,258	(17,168)	2,800
Net increase (decrease) in net assets resulting from operations	(8,866)	9,128	(16,088)	5,364
Net investment income per common share at end of each quarter	$ 0.70	$ 1.00	$ 1.30	$ 3.10
Net realized and unrealized gain (loss) per common share at end of each quarter	$ (5.90)	$ 9.10	$ (20.70)	$ 3.40
Dividends declared per common share	$ —	$ 18.25	$ —	$ —
Net asset value per common share	$ 32.75	$ 38.00	$ 69.10	$ 88.50

Note 16. Subsequent Events

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-K or would be required to be recognized in the consolidated financial statements as of and for the years ended February 29, 2012 except for the following:

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP, received an SBIC license from the SBA. See "Item 1. Business—Regulation—Small Business Investment Company Regulations." The SBIC license allows us, through our wholly-owned subsidiary, to issue SBA-guaranteed debentures. We applied for exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the 200% asset coverage ratio we are required to maintain under the 1940 Act. Pursuant to the 200% asset coverage ratio limitation, we are permitted to borrow one dollar for every dollar we have in assets less all liabilities and indebtedness not represented by debt securities issued by us or loans obtained by us.

If we receive this exemptive relief from the SEC, we will have increased capacity to fund up to $150 million (the maximum amount of SBA-guaranteed debentures an SBIC may currently have outstanding once certain conditions have been met) of investments with SBA-guaranteed debentures in addition to being able to fund investments with borrowings up to the maximum amount of debt that the 200% asset coverage ratio limitation would allow us to incur.

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SARATOGA INVESTMENT CORP.

% Notes due 2020

Prospectus

Joint Book-Running Managers

Ladenburg Thalmann & Co. Inc.
BB&T Capital Markets
William Blair

Lead Managers

Maxim Group LLC
National Securities Corporation

Co-Managers

C&Co/PrinceRidge
Dominick & Dominick LLC
Gilford Securities Incorporated

, 2013

PART C—OTHER INFORMATION

Item 25. Financial Statements and Exhibits

1. *Financial Statements*

2. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

Exhibit Number	Description
(a)(1)	Articles of Incorporation of Saratoga Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Form 10-Q for the quarterly period ended May 31, 2007, File No. 001-33376).
(a)(2)	Articles of Amendment of Saratoga Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed August 3, 2010).
(a)(3)	Articles of Amendment of Saratoga Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed August 13, 2010).
(b)	Amended and Restated Bylaws of Saratoga Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on March 5, 2008).
(c)	Not applicable.

Exhibit Number	Description
(d)(1)	Specimen certificate of Saratoga Investment Corp.'s common stock, par value $0.001 per share. (incorporated by reference to Saratoga Investment Corp.'s Registration Statement on Form N-2, File No. 333-169135, filed on September 1, 2010).
(d)(2)	Registration Rights Agreement dated July 30, 2010 between GSC Investment Corp., GSC CDO III L.L.C., and the investors party thereto (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on August 3, 2010).
(d)(4)	Form of Indenture by and between the Company and U.S. Bank National Association, as trustee.**
(d)(5)	Statement of Eligibility of Trustee on Form T-1.**
(d)(6)	Form of First Supplemental Indenture between the Company and U.S. Bank National Association.**
(d)(7)	Form of Note (Filed as Exhibit A to First Supplemental Indenture referred to in Exhibit (d)(6)).**
(e)	Form of Dividend Reinvestment Plan (incorporated by reference to Amendment No. 2 to the registrant's Registration Statement on Form N-2, File No. 333-138051, filed on January 12, 2007).
(f)	Not applicable.
(g)	Investment Advisory and Management Agreement dated July 30, 2010 between GSC Investment Corp. and Saratoga Investment Advisors, LLC (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on August 3, 2010).
(h)	Form of Underwriting Agreement.*
(i)	Not applicable.
(j)	Custodian Agreement dated March 21, 2007 between GSC Investment LLC and U.S. Bank National Association (incorporated by reference to Saratoga Investment Corp.'s Form 10-Q for the quarterly period ended May 31, 2007).
(k)(1)	Administration Agreement dated July 30, 2010 between GSC Investment Corp. and Saratoga Investment Advisors, LLC (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on August 3, 2010).
(k)(2)	Trademark License Agreement dated July 30, 2010 between Saratoga Investment Advisors, LLC and GSC Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on August 3, 2010).
(k)(3)	Credit, Security and Management Agreement dated July 30, 2010 by and among GSC Investment Funding LLC, Saratoga Investment Corp., Saratoga Investment Advisors, LLC, Madison Capital Funding LLC and U.S. Bank National Association (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on August 3, 2010).
(k)(4)	Amendment No. 1 to Credit, Security and Management Agreement dated February 24, 2012 by and among Saratoga Investment Funding LLC, Saratoga Investment Corp., Saratoga Investment Advisors, LLC, Madison Capital Funding LLC and U.S. Bank National Association (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on February 29, 2012).

Exhibit Number	Description
(k)(5)	Form of Indemnification Agreement between Saratoga Investment Corp. and each officer and director of Saratoga Investment Corp. (incorporated by reference to Amendment No. 2 to Saratoga Investment Corp.'s Registration Statement on Form N-2 filed on January 12, 2007).
(k)(6)	Indenture, dated as of January 22, 2008, among GSC Investment Corp. CLO 2007, Ltd., GSC Investment Corp. CLO 2007, Inc. and U.S. Bank National Association.*
(l)	Opinion and Consent of Sutherland Asbill & Brennan LLP, counsel for Saratoga Investment Corp.*
(m)	Not applicable.
(n)(1)	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.*
(n)(2)	Report of Ernst & Young LLP regarding the senior securities table contained herein*
(o)	Not applicable.
(p)	Not applicable.
(q)	Not applicable.
(r)	Code of Ethics of the Company adopted under Rule 17j-1 (incorporated by reference to Amendment No. 7 to the registrant's Registration Statement on Form N-2, File No. 333-138051, filed on March 22, 2007).
99.1	Statement of Computation of Ratios of Earnings to Fixed Charges.*

* Filed herewith

** To be filed by amendment.

Item 26. Marketing Arrangements

The information contained under the heading "Underwriting" on this Registration Statement is incorporated herein by reference.

Item 27. Other Expenses of Issuance and Distribution

Securities and Exchange Commission registration fee	$ 5,491
FINRA filing fee	6,538
New York Stock Exchange listing fees	26,050
Printing expenses(1)	25,000
Accounting fees and expenses(1)	80,000
Legal fees and expenses(1)	150,000
Miscellaneous(1)	6,921
Total	$ 300,000

The amounts set forth above, with the exception of the Securities and Exchange Commission fee, are in each case estimated. All expenses set forth above will be borne by the Registrant.

Item 28. Persons Controlled by or Under Common Control

The Registrant has one subsidiary, Saratoga Investment Funding LLC, a Delaware limited liability company. The Registrant owns 100% of the outstanding equity interests of Saratoga Investment Funding LLC.

In addition, the Registrant may be deemed to control GSC Investment Corp. CLO 2007 Ltd, one of the Registrant's portfolio companies.

Item 29. Number of Holders of Securities

The following table sets forth the approximate number of record holders of the Company's common stock as of March 31, 2013.

Title of Class	Number of Record Holders
Common Stock, $0.001 par value	26

Item 30. Indemnification

Reference is made to Section 2-418 of the Maryland General Corporation Law, Article VII of the Registrant's charter and Article XI of the Registrant's Amended and Restated Bylaws.

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. The Registrant's charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the Investment Company Act of 1940, as amended (the "1940 Act").

The Registrant's charter authorizes the Registrant, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while serving as the Registrant's director or officer and at the Registrant's request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The Registrant's bylaws obligate the Registrant, to the maximum extent permitted by Maryland law and subject to the requirements of the

1940 Act, to indemnify any present or former director or officer or any individual who, while serving as the Registrant's director or officer and at the Registrant's request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit the Registrant to indemnify and advance expenses to any person who served a predecessor of the Registrant in any of the capacities described above and any of the Registrant's employees or agents or any employees or agents of the Registrant's predecessor. In accordance with the 1940 Act, the Registrant will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Maryland law requires a corporation (unless its charter provides otherwise, which the Registrant's charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received unless, in either case, a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer in advance of final disposition of a proceeding upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Adviser and Administrator

The investment advisory agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Saratoga Investment Advisors, LLC (the "investment adviser") and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the investment adviser's services under the investment advisory agreement or otherwise as an investment adviser of the Registrant.

The administration agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Saratoga Investment Advisors, LLC and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to

indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Saratoga Investment Advisors, LLC's services under the administration agreement or otherwise as administrator for the Registrant.

The law also provides for comparable indemnification for corporate officers and agents. Insofar as indemnification for liability arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant has entered into indemnification agreements with its directors. The indemnification agreements are intended to provide the Registrant's directors the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that the Registrant shall indemnify the director who is a party to the agreement (an "Indemnitee"), including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, other than a proceeding by or in the right of the Registrant.

Item 31. Business and Other Connections of Investment Adviser

A description of any other business, profession, vocation or employment of a substantial nature in which the Adviser, and each managing director, director or executive officer of the Adviser, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the sections entitled "Management." Additional information regarding the Adviser and its officers and directors will be set forth in its Form ADV to be filed with the Securities and Exchange Commission.

Item 32. Location of Accounts and Records

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, and the rules thereunder are maintained at the offices of:

(1) the Registrant, Saratoga Investment Corp., 535 Madison Avenue, New York, New York 20022;

(2) the Transfer Agent, American Stock Transfer & Trust Company, 59 Maiden Lane, Plaza Level, New York, new York 10038;

(3) the Custodian, U.S. Bank National Association, 214 N. Tryon Street, 12th Floor, Charlotte, North Carolina 28202; and

(4) the Adviser, Saratoga Investment Advisors, LLC, 535 Madison Avenue, New York, New York 20022.

Item 33. Management Services

Not Applicable.

Item 34. Undertakings

(1) The Registrant undertakes to suspend the offering of shares until the prospectus is amended if (1) subsequent to the effective date of its registration statement, the net asset value declines more than ten percent from its net asset value as of the effective date of the registration statement; or (2) the net asset value increases to an amount greater than the net proceeds as stated in the prospectus.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) The Registrant undertakes that:

(a) For the purpose of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in The City of New York, in the State of New York, on the 29 day of April 2013.

SARATOGA INVESTMENT CORP.

By: /s/ CHRISTIAN L. OBERBECK

Name: Christian L. Oberbeck
Title: *Chief Executive Officer*

Pursuant to the requirements of the Securities Act of 1933, this Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ CHRISTIAN L. OBERBECK Christian L. Oberbeck	Chief Executive Officer and Director (Principal Executive Officer)	April 29, 2013
/s/ RICHARD A. PETROCELLI Richard A. Petrocelli	Chief Financial Officer, Chief Compliance Officer and Secretary (Principal Financial and Accounting Officer)	April 29, 2013
* Michael J. Grisius	President and Director	April 29, 2013
* Steven M. Looney	Director	April 29, 2013
* Charles S. Whitman III	Director	April 29, 2013
* G. Cabell Williams	Director	April 29, 2013

* Signed by Richard A. Petrocelli pursuant to a power of attorney signed by each individual on January 30, 2013.

QuickLinks

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SARATOGA INVESTMENT CORP.

% Senior Notes due 2020

UNDERWRITING AGREEMENT

, 2013

, 2013

Ladenburg Thalmann & Co. Inc.
As Representative of the several
Underwriters named in Schedule I attached hereto,
c/o Ladenburg Thalmann & Co. Inc.
520 Madison, 9th Floor
New York, New York 10022

Ladies and Gentlemen:

Saratoga Investment Corp., a corporation incorporated under the laws of the State of Maryland (the "**Fund**"), is a non-diversified closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). The Fund proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "**Underwriters**") $[•] total aggregate principal amount of its [•]% Senior Notes due 2020 (the "**Notes**"). The Securities will be issued pursuant to an indenture to be dated as of [•], 2013 between the Company and U.S. Bank National Association, as trustee (the "**Trustee**"), as amended and supplemented by that certain Supplemental Indenture to be dated as of [•], 2013 (such indenture, as so amended and supplemented, the "**Indenture**"). The Fund also proposes to sell to the several Underwriters up to an additional $[•] total aggregate principal amount of Notes (the "**Additional Notes**") if and to the extent that Landenburg Thalmann & Co. Inc., as the representative of the Underwriters in the offering (the "**Representative**"), shall have determined to exercise, on behalf of the Underwriters, the right to purchase such Additional Notes granted to the Underwriters in Section 3 hereof. The Notes and the Additional Notes are hereinafter collectively referred to as the "**Securities**."

Saratoga Investment Advisors, LLC, a Delaware limited liability company ("**Saratoga Investment Advisors**"), acts as the Fund's investment adviser pursuant to an Investment Advisory and Management Agreement between Saratoga Investment Advisors and the Fund, dated July 30, 2010 (the "**Investment Advisory Agreement**"). Saratoga Investment Advisors also acts as the Fund's administrator pursuant to an Administration Agreement between Saratoga Investment Advisors and the Fund dated July 30, 2010 (the "**Administration Agreement**", which together with the Investment Advisory Agreement are hereinafter referred to as the "**Fund Agreements**").

The Investment Company Act and the Securities Act of 1933, as amended (the "**Securities Act**"), are hereinafter referred to collectively as the "**Acts**," and the rules and regulations of the Securities and Exchange Commission (the "**Commission**") under the Acts and under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") are hereinafter referred to collectively as the "**Rules and Regulations**."

The Fund filed with the Commission a notification of election to be regulated as a business development company under the Investment Company Act on Form N-54A (File No. 814-00740) (the "**Notification of Election**") on March 21, 2007. The Fund has also prepared and filed with the Commission pursuant to the Securities Act, a registration statement on Form N-2

(File No. 333-186323) for the offer and sale of the Notes, which registration statement was declared effective by the Commission on [•], 2013. Such registration statement, as amended as of the Applicable Time (as defined below), including exhibits and financial statements and any prospectus relating to the Securities that is filed with the Commission pursuant to Rule 497 promulgated under the 1933 Act ("**Rule 497**") and deemed part of such registration statement as of its effective date (the "**Registration Statement**") pursuant to Rule 430A promulgated under the 1933 Act ("**Rule 430A**"), and, in the event any post-effective amendment thereto or any registration statement filed pursuant to Rule 462(b) under the 1933 Act (a "**Rule 462(b) Registration Statement**") becomes effective prior to the Closing Date (as defined below) (and, if any Additional Notes are purchased, at the Option Closing Date (as defined below)), such registration statement as so amended or such Rule 462(b) Registration Statement, as the case may be, is hereinafter referred to as the "**Registration Statement**." The preliminary prospectus, dated as of [•], 2013, which was included in the Registration Statement as of the date and time it became effective under the 1933 Act, is hereinafter referred to as the "**Preliminary Prospectus**." The final prospectus, dated as of [•], 2013, to be filed with the Commission pursuant to Rule 497 and which shall contain the pricing and related information permitted to be omitted from the Registration Statement as of its effective date in accordance with Rule 430A (the "**Rule 430A Information**"), is hereinafter referred to as the "**Prospectus**," except that if any revised prospectus or prospectus supplement shall be provided to the Underwriters by the Company for use in connection with the sale of the Securities which differs from the Prospectus, the term "Prospectus" shall also refer to such revised prospectus or prospectus supplement, as the case may be, from and after the time it is first provided to the Underwriters for such use. All references in this Agreement to the Registration Statement, the Preliminary Prospectus and the Prospectus, or any amendments or supplements to any of the foregoing shall be deemed to include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("**EDGAR**") system.

For purposes of this Agreement, "**Omitting Prospectus**" means any written advertisement used with the written consent of the Fund in the public offering of the Securities and filed with the Commission pursuant to Rule 482 of the Rules and Regulations ("**Rule 482**"). "**Time of Sale Prospectus**" means, as of the Applicable Time (as defined below), the Preliminary Prospectus, together with the information set forth on Schedule II hereto (which information the Underwriters have informed the Fund is being conveyed orally by the Underwriters to prospective purchasers at or prior to the Underwriters' confirmation of sales of the Securities in the offering). As used herein, the terms "Registration Statement," "Preliminary Prospectus," "Time of Sale Prospectus" and "Prospectus" shall include the documents, if any, incorporated by reference therein.

"**Applicable Time**" means [•] (Eastern Time) on [•], 2013 or such other time as agreed by the Fund and the Representative.

1. Representations and Warranties.

Representations and Warranties of the Fund. The Fund represents and warrants to each of the Underwriters as of the date hereof, the Applicable Time and the Closing Date as follows:

(a) The Registration Statement has been filed with, and declared effective by, the Commission; no notice of objection of the Commission to the use of such Registration Statement or any post-effective amendment thereto has been received by the Fund; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the knowledge of the Fund, threatened by the Commission. The Preliminary Prospectus and the Prospectus delivered to the Underwriters for use in connection with this offering was identical in all material respects to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T. At the time of filing the Registration Statement and any post-effective amendments thereto, and at the date hereof, the Fund was not and is not an "ineligible issuer," as defined in Rule 405 of the Rules and Regulations.

(b) At the respective times the Registration Statement and any post-effective amendment thereto (filed before the Closing Date) became effective and at the Closing Date (and, if any Additional Notes are purchased, at the Option Closing Date), the Registration Statement, any post-effective amendment thereto complied and will comply in all material respects with the requirements of the Securities Act and the Rules and Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither the Prospectus nor any amendment or supplement thereto, as of the respective dates thereof and at the Closing Date (and, if any Additional Notes are purchased, at the Option Closing Date), contained or will contain an untrue statement of a material fact or omitted or will omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Time of Sale Prospectus, at the Applicable Time, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The representations and warranties in this paragraph do not apply to statements in or omissions from the Registration Statement, the Time of Sale Prospectus or the Prospectus made solely in reliance upon and in conformity with written information furnished to the Fund by the Representative on behalf of any Underwriter for use in the Registration Statement, the Time of Sale Prospectus or Prospectus.

(c) The Fund has been duly incorporated and is validly existing in good standing as a corporation under the laws of the State of Maryland. The Fund has full power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and enter into this Agreement and is in good standing and is duly qualified to transact business in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the condition, financial or otherwise, or on the earnings, business, operations, prospects or property of the Fund (a "**Fund Material Adverse Effect**"). The Fund has no consolidated subsidiaries, other than Saratoga Investment Funding LLC, Saratoga Investment Corp. SBIC LP and Saratoga Investment Corp. GP, LLC.

(d) The Fund has duly elected to be treated by the Commission under the Investment Company Act as a "business development company" (the "**BDC Election**") and

the Fund has not filed with the Commission any notice of withdrawal of the BDC Election pursuant to Section 54(c) of the Investment Company Act, and no order of suspension or revocation of such BDC Election has been issued or proceedings therefor initiated or, to the knowledge of the Fund, threatened by the Commission.

(e) The Fund is, and at all times through the completion of the transactions contemplated hereby will be, in compliance in all material respects with the applicable terms and conditions of the Act, the Investment Company Act and the Rules and Regulations. No person is serving or acting as an officer or director of, or investment adviser to, the Fund except in accordance with the provisions of the Investment Company Act and the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"). Except as otherwise disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, to the knowledge of the Fund, based on information provided to the Fund by directors of the Fund, no director of the Fund is an "interested person" of the Fund or an "affiliated person" of any Underwriter (each as defined in the Investment Company Act).

(f) Each of this Agreement and the Fund Agreements has been duly authorized by the Fund. Each Fund Agreement complies with all applicable provisions of the Investment Company Act, the Advisers Act and the applicable Rules and Regulations. Each Fund Agreement has been duly executed and delivered by the Fund and (assuming the due and valid authorization, execution and delivery by the other parties thereto) represents a valid and binding agreement of the Fund, enforceable against the Fund in accordance with its terms, except (i) as rights to indemnity and contribution may be limited by federal or state securities laws or principles of public policy and subject to the qualification that the enforceability of the Fund's obligations thereunder may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, receivership, moratorium, and other laws relating to or affecting creditors' rights generally and by general equitable principles whether enforcement is considered in a proceeding in equity or at law (the "Enforceability Exceptions"), and (ii) in the case of the Investment Advisory Agreement, with respect to termination under the Investment Company Act or the reasonableness or fairness of compensation payable thereunder.

(g) None of (i) the execution and delivery by the Fund of, and the performance by the Fund of its obligations under, this Agreement and each Fund Agreement, or (ii) the issue and sale by the Fund of the Securities as contemplated by this Agreement conflicts with or will conflict with, result in, or constitute a violation, breach of, default under, (x) the Articles of Incorporation of the Fund, as amended to date (the "**Charter**") or the Amended and Restated Bylaws of the Fund, as amended to date (the "**Bylaws**") (y) any agreement, indenture, note, bond, license, lease or other instrument or obligation binding upon the Fund that is material to the Fund, or (z) any law, rule or regulation applicable to the Fund or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Fund, whether foreign or domestic; except, with respect to clauses (y) or (z), any contravention which would have neither (1) a Fund Material Adverse Effect or (2) a material adverse effect on the consummation of the transactions contemplated by this Agreement; *provided* that no representation or warranty is made with respect to compliance with the laws of any jurisdiction outside of the United States in connection with the offer or sale of the Securities in such jurisdiction by any Underwriter.

(h) No consent, approval, authorization, order or permit of, license from, or qualification with, any governmental body, agency or authority, self-regulatory organization or court or other tribunal, whether foreign or domestic, is required to be obtained by the Fund prior to the Closing Date for the performance by the Fund of its obligations under this Agreement or the Fund Agreements, except such as have been obtained and as may be required by (i) the Acts, the Advisers Act, the Exchange Act, or the applicable Rules and Regulations, (ii) the rules and regulations of the Financial Industry Regulatory Authority ("**FINRA**") or the New York Stock Exchange ("**NYSE**"), (iii) by the securities or "blue sky laws" of the various states and foreign jurisdictions in connection with the offer and sale of the Securities or (iv) such as which the failure to obtain would have neither (i) a Fund Material Adverse Effect or (ii) a material adverse effect on the consummation of the transactions contemplated by this Agreement.

(i) The authorized, issued and outstanding capital stock of the Fund conforms in all material respects to the description thereof under the heading "Description of Our Common Stock" in each of the Time of Sale Prospectus and the Prospectus, and this Agreement, the Charter, the Bylaws and the Fund Agreements conform in all material respects to the descriptions thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(j) This Agreement, the Charter and the Bylaws and the Fund Agreements comply with all applicable provisions of the Acts and the applicable Rules and Regulations, and all approvals of such documents required under the Investment Company Act by the Fund's shareholders and Board of Directors have been obtained and are in full force and effect. The Indenture has been qualified under the Trust Indenture Act of 1939, as amended, (the "Trust Indenture Act"), and all approvals, if any, of such documents required under the Trust Indenture Act have been obtained and are in full force and effect.

(k) The Fund Agreements are in full force and effect and neither the Fund nor, to the knowledge of the Fund, any other party to any such agreement is in default thereunder, and no event has occurred which with the passage of time or the giving of notice or both would constitute a default by the Fund thereunder, and the Fund is not currently in breach of, or in default under, any other written agreement or instrument to which it or its property is bound or affected, the default under or breach of which could reasonably be expected to result in a Fund Material Adverse Effect.

(l) The shares of common stock, par value $0.001 per share (the "**Common Stock**"), of the Fund outstanding have been duly authorized and are validly issued, fully paid and non-assessable. None of the outstanding shares of Common Stock of the Fund was issued in violation of the preemptive or other similar rights of any securityholder of the Fund. Other than as contemplated in the Time of Sale Prospectus and the Prospectus, no options, warrants or other rights to purchase, agreements or other obligations to issue, or rights to convert any obligations into or exchange any securities for, shares of capital stock of or ownership interests in the Fund are outstanding.

(m) The Indenture has been duly authorized by the Fund and upon effectiveness of the Registration Statement was or will have been duly qualified under the

Trust Indenture Act and, when duly executed and delivered in accordance with its terms by the Fund and the Trustee, will constitute a valid and legally binding agreement of the Fund enforceable against the Fund in accordance with its terms, except as enforceability may be limited by the Enforceability Exceptions.

(n) The Securities have been duly authorized by the Company and, when duly executed, authenticated, issued and delivered as provided in the Indenture and paid for as provided herein, will be duly and validly issued and outstanding and will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms, subject to the Enforceability Exceptions, and will be entitled to the benefits of the Indenture.

(o) The Fund has filed a registration statement on Form 8-A relating to the Securities pursuant to Section 12(b) of the Exchange Act. An application for listing of the Securities for trading on the NYSE has been filed by the Fund.

(p) Each Omitting Prospectus, as of the date thereof and as of the Closing Date, (i) complies in all material respects with the requirements of Rule 482, (ii) does not contain an untrue statement of a material fact and (iii) complied and will comply in all material respects with the Securities Act and the applicable Rules and Regulations. Except for the Omitting Prospectuses identified on Schedule III hereto, the Fund has not prepared, used or referred to and will not, without your prior consent, prepare, use or refer to any Omitting Prospectus.

(q) Since November 30, 2012, except as disclosed in the Registration Statement, the Time of Sale Prospectus or the Prospectus, there has not occurred any material adverse change, or any development reasonably likely to involve a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Fund except as would not result in a Fund Material Adverse Effect, and there have been no transactions entered into by the Fund which are material to the Fund other than those in the ordinary course of its business or as described in the Time of Sale Prospectus.

(r) There are no legal or governmental proceedings pending or, to the knowledge of the Fund, threatened to which the Fund is a party or to which any of the properties of the Fund is subject (i) other than proceedings described in all material respects in the Time of Sale Prospectus and proceedings that would not result in a Fund Material Adverse Effect on the Fund, or on the power or ability of the Fund to perform its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement, the Time of Sale Prospectuses or the Prospectus and are not so described.

(s) The statements in the Registration Statement, the Time of Sale Prospectus under the headings "Specific Terms of the Notes and the Offering," "Management Agreements", "Regulation", "Material United States Federal Income Tax Considerations," "Description of the Notes", insofar as such statements summarize legal matters, agreements, documents or proceedings discussed therein, are accurate and fair summaries of such legal matters, agreements, documents or proceedings.

(t) The Fund has all necessary consents, authorizations, approvals, orders (including exemptive orders), licenses, certificates, permits, qualifications and registrations of and from, and has made all declarations and filings with, all governmental authorities, self-regulatory organizations and courts and other tribunals, whether foreign or domestic, to own and use its assets and to conduct its business in the manner described in the Time of Sale Prospectus and the Prospectus, except to the extent that the failure to obtain or file the foregoing would not result in a Fund Material Adverse Effect.

(u) Each of the Preliminary Prospectus and the Prospectus, as of the respective dates thereof, and the Time of Sale Prospectus, as of the Applicable Time, complied in all material respects with the Securities Act and the applicable Rules and Regulations.

(v) When the Notification of Election was filed with the Commission, it (i) contained all statements required to be stated therein in accordance with, and complied in all material respects with the requirements of, the Investment Company Act, as applicable to business development companies, and (ii) did not include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading.

(w) Except as otherwise contemplated in the Time of Sale Prospectus and the Prospectus, the financial statements included in the Registration Statement, the Time of Sale Prospectus and the Prospectus, together with the related notes thereto (collectively, the "**Fund Financial Statements**"), present fairly the financial condition of the Fund as of the date indicated and said Fund Financial Statements comply as to form with the requirements of Regulation S-X under the Securities Act and have been prepared in conformity with generally accepted accounting principles ("**GAAP**"). The supporting schedules to such Fund Financial Statements, if any, present fairly in accordance with GAAP the information required to be stated therein. Ernst & Young LLP, whose report appears in the Time of Sale Prospectus and the Prospectus and who have certified the Fund Financial Statements and supporting schedules, if any, included in the Registration Statement, is an independent registered public accounting firm as required by the Acts and the applicable Rules and Regulations.

(x) There are no material restrictions, limitations or regulations with respect to the ability of the Fund to invest its assets as described in the Time of Sale Prospectus and the Prospectus, other than as described therein.

(y) Neither the Fund nor any of its agents or representatives (other than the Underwriters in their capacity as such) has prepared, made, used, authorized, approved or referred to any written communication that constitutes an offer to sell or solicitation of an offer to buy the Securities other than (i) the Registration Statement, the Preliminary Prospectus and the Prospectus, and any amendment or supplement to any of the foregoing, and (ii) the Omitting Prospectuses, if any, identified on Schedule III hereto. All other promotional material (including "road show slides" or "road show scripts") prepared by the Fund or Saratoga Investment Advisors for use in connection with the offering and sale of the Securities ("**Road Show Material**") is not inconsistent with the Registration Statement, the Preliminary Prospectus or the Prospectus, and when taken together with the Time of Sale

Prospectus, at the Applicable Time, did not contain any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(z) There are no contracts, agreements or understandings between the Fund and any person granting such person the right to require the Fund to file a registration statement under the Securities Act with respect to any securities of the Fund or to require the Fund to include such securities with the Securities registered pursuant to the Registration Statement.

(aa) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Fund has not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (ii) the Fund has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock, other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Fund, except in each case as contemplated in the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(bb) The Fund owns or possesses, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by it, and the Fund has not received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Fund.

(cc) The Common Stock of the Fund is listed on the NYSE under the ticker symbol "SAR." The Fund has not received any notice that it is not in compliance with the listing or maintenance requirements of the NYSE with respect to its Common Stock. The Company believes that it is, and has no reason to believe that it will not in the foreseeable future continue to be, in material compliance with all such listing and maintenance requirements.

(dd) To the extent that the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the Commission and NYSE thereunder (the "**Sarbanes-Oxley Act**"), have been applicable to the Fund, there is and has been no failure on the part of the Fund to comply with any applicable provision of the Sarbanes-Oxley Act that would reasonably be expected to result in a Fund Material Adverse Effect.

(ee) The Fund maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations and with the applicable requirements of the Acts; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability and compliance with the books and records requirements under the Acts; (iii)

access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Since the date of the Fund's most recent audited financial statements included in the Prospectus, there has been (i) no material weakness in the Fund's internal control over financial reporting (whether or not remediated); (ii) no fraud, whether or not material, that involves management or employees who have a role in the Fund's internal controls; and (iii) no change in the Fund's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

(ff) The Fund maintains "disclosure controls and procedures" (as such term is defined in Rules 13a-15 of the Rules and Regulations; such disclosure controls and procedures are effective; and the Fund is not aware of any material weakness in such controls and procedures.

(gg) Neither the Fund nor, to the knowledge of the Fund, any employee nor agent of the Fund has made any payment of funds of the Fund or received or retained any funds, which payment, receipt or retention is of a character to be disclosed in the Registration Statement, the Time of Sale Prospectus or the Prospectus.

(hh) Any statistical and market-related data included in the Registration Statement, the Time of Sale Prospectus and the Prospectus are based on or derived from sources that the Fund believes to be reliable and accurate.

(ii) There are no contracts or documents which are required to be described in the Registration Statement, the Time of Sale Prospectus or the Prospectus (or the documents incorporated by reference therein) or to be filed as exhibits thereto by the Securities Act or the Rules and Regulations which have not been so described and filed as required.

(jj) The operations of the Fund are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements and the money laundering statutes and the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Fund with respect to the Money Laundering Laws is pending or, to the knowledge of the Fund, threatened.

(kk) Neither the Fund nor Saratoga Investment Advisors nor, to the knowledge of the Fund, any director, officer, agent, employee or affiliate of the Fund or Saratoga Investment Advisors is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corruption Practices Act of 1977, as amended, and the rules and regulations thereunder ("**FCPA**"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in FCPA) or any foreign political

party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Fund or Saratoga Investment Advisors, and to the knowledge of the Fund or Saratoga Investment Advisors, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(ll) Neither the Fund nor Saratoga Investment Advisors nor, to the knowledge of the Fund, any director, officer, agent, employee or affiliate of the Fund or Saratoga Investment Advisors is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasure Department ("**OFAC**") and neither the Fund or Saratoga Investment Advisors will directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(mm) The Fund is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; all policies of insurance insuring the Fund or its business, assets, employees, officers and directors, including the Fund's directors and officers errors and omissions insurance policy and its fidelity bond required by Rule 17g-1 of the Rules and Regulations, are in full force and effect and the Fund is in compliance with the terms of such policies and fidelity bond in all material respects; and there are no claims by the Fund under any such policies or fidelity bond as to which any insurance company is denying liability or defending under a reservation of rights clause; the Fund has not been refused any insurance coverage sought or applied for; and the Fund has no reason to believe that it will not be able to renew its existing insurance coverage and fidelity bond as and when such coverage and fidelity bond expires or to obtain similar coverage and fidelity bond from similar insurers as may be necessary to continue its business at a cost that would not result in a Fund Material Adverse Effect, except as set forth in or contemplated in the Registration Statement, the Time of Sale Prospectus or the Prospectus.

(nn) Except as set forth in or contemplated in the Preliminary Prospectus, the Time of Sale Prospectus or the Prospectus, the Fund (i) does not have any material lending or other relationship with any bank or lending affiliate of the Representative (the description of such arrangements and outstanding indebtedness thereunder is true, accurate and complete in all respects) and (ii) does not intend to use any of the proceeds from the sale of the Securities hereunder to repay any outstanding debt owed to any affiliate of the Representative.

(oo) There are no business relationships or related-party transactions involving the Fund or any other person required to be described in the Registration Statement, the Preliminary Prospectus or the Prospectus which have not been described as required, it being understood and agreed that the Fund and Saratoga Investment Advisors make no representation or warranty with respect to such relationships involving any Underwriter or any affiliate of such Underwriter and any other person that have not been disclosed to the Fund by the relevant Underwriter in connection with this offering.

(pp) None of the Fund, Saratoga Investment Advisors nor any of their affiliates has taken, directly or indirectly, any action which constitutes or is designed to cause or result in, or which could reasonably be expected to constitute, cause or result in, the stabilization or manipulation of the price of any security to facilitate the sale or resale of the Securities.

(qq) The Fund owns, leases or has rights to use all such properties as are necessary to the conduct of its operations as presently conducted.

(rr) No director or officer of the Fund or Saratoga Investment Advisors is subject to any non-competition agreement or non-solicitation agreement with any employer or prior employer which could materially affect his ability to be and act in his respective capacity of the Fund or Saratoga Investment Advisors or result in a Fund Material Adverse Effect.

(ss) The Fund is currently organized and operates in compliance in all material respects with the requirements to be taxed as, and has duly elected to be taxed as (which election has not been revoked), a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "**Code**"). The Fund intends to direct the investment of the net proceeds received by it from the sale of the Securities in the manner specified in

the Registration Statement, the Time of Sale Prospectus and the Prospectus under the caption "Use of Proceeds" and in such a manner as to continue to comply with the requirements of Subchapter M of the Code.

(tt) The Fund has (i) appointed a Chief Compliance Officer and (ii) adopted and implemented written policies and procedures which the Board of Directors of the Fund has determined are reasonably designed to prevent violation of the Federal Securities laws in a manner required by and consistent with Rule 38a-1 under the Investment Company Act and is in compliance in all material respects with such Rule.

Any certificate signed by or on behalf of the Fund and delivered to the Representative or counsel for the Underwriters in connection with the offering of the Securities shall be deemed to a representation and warranty by the Fund as to the matters covered therein to each Underwriter.

2. *Representations and Warranties of Saratoga Investment Advisors.* Saratoga Investment Advisors represents and warrants to and agrees with each of the Underwriters as of the date hereof as follows:

(a) Saratoga Investment Advisors has been duly formed and is validly existing as a limited liability company in good standing under the laws of the State of Delaware, with the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and enter into this Agreement and the other Fund Agreements to which Saratoga Investment Advisors is a party, as the case may be, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the condition, financial or otherwise, or on the earnings, business or operations of Saratoga Investment Advisors, as the case may be (an

"**Adviser/Administrator Material Adverse Effect**"). Saratoga Investment Advisors has no subsidiaries.

(b) Saratoga Investment Advisors is duly registered as an investment adviser under the Advisers Act, and is not prohibited by the Advisers Act or the Investment Company Act from acting under the Investment Advisory Agreement as an investment adviser to the Fund as contemplated by the Registration Statement, the Time of Sale Prospectus and the Prospectus, and no order of suspension or revocation of such registration has been issued or proceedings therefor initiated or, to the knowledge of Saratoga Investment Advisors, threatened by the Commission.

(c) Each of this Agreement and the Fund Agreements to which Saratoga Investment Advisors is a party, as the case may be, has been duly authorized by Saratoga Investment Advisors, as applicable. Each Fund Agreement to which Saratoga Investment Advisors is a party, complies with the applicable provisions of the Investment Company Act, the Advisers Act and the applicable Rules and Regulations. Each Fund Agreement to which Saratoga Investment Advisors is a party has been duly executed and delivered by Saratoga Investment Advisors, as applicable and (assuming the due and valid authorization, execution and delivery by the other parties thereto) represents a valid and binding agreement of Saratoga Investment Advisors, as applicable, enforceable against Saratoga Investment Advisors, as applicable, in accordance with its terms, except (i) as rights to indemnity and contribution may be limited by federal or state securities laws or principles of public policy and subject to the qualification that the enforceability of Saratoga Investment Advisors' obligations thereunder, as applicable, may be limited by Enforceability Exceptions, and (ii) in the case of the Investment Advisory Agreement, with respect to termination under the Investment Company Act or the reasonableness or fairness of compensation payable thereunder.

(d) The execution and delivery by Saratoga Investment Advisors of, and the performance by Saratoga Investment Advisors, of its obligations under, this Agreement does not conflict with or will conflict with, result in, or constitute a violation, breach of, default under, (x) the limited liability company operating agreement of Saratoga Investment Advisors (y) any agreement, indenture, note, bond, license, lease or other instrument or obligation binding upon Saratoga Investment Advisors that is material to Saratoga Investment Advisors, or (z) any law, rule or regulation applicable to Saratoga Investment Advisors, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over Saratoga Investment Advisors, whether foreign or domestic; except, with respect to clauses (y) or (z), any contravention which would have neither (i) an Adviser/Administrator Material Adverse Effect or (ii) a material adverse effect on the consummation of the transactions contemplated by this Agreement; *provided* that no representation or warranty is made with respect to compliance with the laws of any jurisdiction outside of the United States in connection with the offer or sale of the Securities in such jurisdiction by any Underwriter.

(e) No consent, approval, authorization, order or permit of, license from, or qualification or registration with any governmental body, agency or authority, self-regulatory organization or court or other tribunal, whether foreign or domestic, is required to be

obtained by Saratoga Investment Advisors, prior to the Closing Date for the performance by Saratoga Investment Advisors of its obligations under this Agreement or any Fund Agreement to which it is a party, except such as have been obtained and as may be required by the Acts, the Advisers Act or the applicable Rules and Regulations.

(f) There are no legal or governmental proceedings pending or, to the knowledge of Saratoga Investment Advisors, threatened to which Saratoga Investment Advisors is a party or to which any of the properties of Saratoga Investment Advisors is subject (i) other than proceedings accurately described in all material respects in the Time of Sale Prospectus and proceedings that would not have a material adverse effect on Saratoga Investment Advisors or on the power or ability of Saratoga Investment Advisors to perform its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement, the Time of Sale Prospectuses or the Prospectus and are not so described.

(g) Saratoga Investment Advisors has all necessary consents, authorizations, approvals, orders (including exemptive orders), licenses, certificates, permits, qualifications and registrations of and from, and has made all declarations and filings with, all governmental authorities, self-regulatory organizations and courts and other tribunals, whether foreign or domestic, to own and use its assets and to conduct its business in the manner described in the Time of Sale Prospectus and the Prospectus, except to the extent that the failure to obtain or file the foregoing would not result in an Adviser/Administrator Material Adverse Effect.

(h) Saratoga Investment Advisors has the financial resources available to it necessary for the performance of its services and obligations as contemplated in the Time of Sale Prospectus and by this Agreement and each Fund Agreement to which it is a party.

(i) The Investment Advisory Agreement is in full force and effect and neither Saratoga Investment Advisors nor, to the knowledge of Saratoga Investment Advisors, any other party to the Investment Advisory Agreement is in default thereunder, and, no event has occurred which with the passage of time or the giving of notice or both would constitute a default by Saratoga Investment Advisors under such document.

(j) All information furnished by Saratoga Investment Advisors for use in the Registration Statement, the Time of Sale Prospectus and Prospectus, including, without limitation, the description of Saratoga Investment Advisors (the "**Investment Adviser Information**") does not, and on the Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information not misleading (in the case of the Time of Sale Prospectus and the Prospectus, in light of the circumstances under which such information is provided).

(k) There has not occurred any material adverse change, or any development reasonably likely to involve a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of Saratoga Investment Advisors as it relates to the Fund from that set forth in the Time of Sale Prospectus, and there have been no transactions entered into by Saratoga Investment Advisors which are material to Saratoga

Investment Advisors as it relates to the Fund other than those in the ordinary course of its business or as described in the Time of Sale Prospectus.

(l) Neither Saratoga Investment Advisors, nor any of its affiliates, has taken, directly or indirectly, any action which constitutes or is designed to cause or result in, or which could reasonably be expected to constitute, cause or result in, the stabilization or manipulation of the price of any security to facilitate the sale or resale of the Securities.

(m) The operations of Saratoga Investment Advisors are and have been conducted at all times in compliance with applicable Money Laundering Laws and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving Saratoga Investment Advisors with respect to the Money Laundering Laws is pending or, to the knowledge of Saratoga Investment Advisors, threatened.

(n) Saratoga Investment Advisors maintains a system of internal controls sufficient to provide reasonable assurance that (i) transactions effectuated by it under the Investment Advisory Agreement are executed in accordance with its management's general or specific authorization and (ii) access to the Fund's assets is permitted only in accordance with its management's general or specific authorization.

(o) Saratoga Investment Advisors maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions for which it has bookkeeping and record keeping responsibility for under the Administration Agreement are recorded as necessary to permit preparation of the Fund's financial statements in conformity with GAAP and to maintain accountability for the Fund's assets and (ii) the recorded accountability for such assets if compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Any certificate signed by or on behalf of Saratoga Investment Advisors and delivered to the Representative or counsel for the Underwriters in connection with the offering of the Securities shall be deemed to a representation and warranty by Saratoga Investment Advisors as to the matters covered therein to each Underwriter.

3. *Agreements to Sell and Purchase*.

(a) On the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, the Fund hereby agrees to sell to the several Underwriters, and each Underwriter, agrees, severally and not jointly, to purchase from the Fund the respective principal amount of Notes set forth in Schedule I hereto opposite its name at the purchase price per Note set forth in Schedule II hereto (the "**Purchase Price**").

(b) On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Fund agrees to sell to the Underwriters the Additional Notes and the Underwriters shall have the right to purchase, severally and not jointly, up to an additional $[•] total aggregate principal amount of Additional Notes (without giving effect to any accrued interest from the Closing Date to the Option Closing Date, as defined below) at the Purchase Price set forth in paragraph (a) above. The Representative may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice to the

Fund not later than thirty (30) days after the date of this Agreement. Any exercise notice shall specify the total aggregate principal amount of Additional Notes to be purchased by the Underwriters and the date on which such Additional Notes are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the Closing Date for the Notes not later than ten business days after the date of such notice. Additional Notes may be purchased as provided in Section 5 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Notes. On each Option Closing Date, if any, that Additional Notes are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the aggregate principal amount of Additional Notes that bears the same proportion to the total aggregate principal amount of Additional Notes to be purchased on such Option Closing Date as the aggregate principal amount of Notes set forth in Schedule I hereto opposite the name of such Underwriter bears to the total aggregate principal amount of Notes.

4. *Terms of Public Offering*. The Fund and Saratoga Investment Advisors each understands that the Underwriters propose to make a public offering of their respective portions of the Securities on the terms set forth in the Prospectus as soon as the Representative deems advisable after this Agreement has been executed and delivered.

5. *Payment and Delivery*. Payment for the Notes shall be made to the Fund in Federal or other funds immediately available to a bank account designated by the Fund against delivery of the Notes, with any transfer taxes payable in connection with the sale of the Notes duly paid by the Company, for the respective accounts of the several Underwriters at [10:00 A.M.] (New York City time), on the fifth full business day following the date of this Agreement, or at such other time on the same or such other date determined by agreement between the Fund and the Representative. The time and date of such payment are herein referred to as the "**Closing Date**."

Payment for any Additional Notes shall be made to the Fund in Federal or other funds immediately available to a bank account designated by the Fund against delivery of such Additional Notes, with any transfer taxes payable in connection with the sale of the Additional Notes duly paid by the Company, for the respective accounts of the several Underwriters at [10:00 A.M.] (New York City time), on the date specified in the corresponding notice described in Section 3 or

at such other time on the same or on such other date, in any event not later than [•], 2013, as shall be designated in writing by the Representative. The time and date of any such payment for Additional Notes are herein referred to as the "**Option Closing Date**."

The Notes and Additional Notes shall be registered in such names and in such denominations as the Representative shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Notes and Additional Notes shall be delivered through the facilities of The Depository Trust Company on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters.

6. *Conditions to the Fund's, Saratoga Investment Advisor's and the Underwriters' Obligations*.

(a) The respective obligations of the Fund and Saratoga Investment Advisors, and the several obligations of the Underwriters, hereunder are subject to the condition that the Registration Statement has become effective and at the Closing Date no stop order suspending the effectiveness of the Registration Statement shall have been issued under the Securities Act and no proceedings with respect thereto shall have been initiated or, to the Fund's knowledge, threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 497 of the Rules and Regulations.

(b) The several obligations of the Underwriters are subject to the following further conditions:

(i) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have occurred any Fund Material Adverse Effect, from that set forth in the Time of Sale Prospectus that, in the Representative's reasonable judgment, is material and adverse and that makes it, in the Representative's reasonable judgment, impracticable to market the Securities on the terms and in the manner contemplated in the Time of Sale Prospectus.

(ii) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Fund, to the effect that the representations and warranties of the Fund and contained in this Agreement are true and correct as of the Closing Date and that the Fund has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date. The Underwriters shall also have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of Saratoga Investment Advisors, to the effect that the representations and warranties of Saratoga Investment Advisors and contained in this Agreement are true and correct as of the Closing Date and that Saratoga Investment Advisors has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

Each officer signing and delivering such a certificate may rely upon his or her knowledge as to proceedings threatened.

(iii) Each of Saratoga Investment Advisors and the Fund shall have performed all of their respective obligations to be performed hereunder on or prior to the Closing Date.

(iv) The Underwriters shall have received on the Closing Date an opinion and negative assurance letter of Sutherland Asbill & Brennan LLP, counsel for the Fund and Saratoga Investment Advisors, dated the Closing Date, satisfactory to the Representative and counsel for the Underwriters in form and substance, to the effect set forth in Exhibit A hereto.

(v) The Underwriters shall have received on the Closing Date the favorable opinion of Blank Rome LLP, counsel for the Underwriters, dated the Closing Date, and covering such matters as the Underwriters shall reasonably request.

The opinion of Sutherland Asbill & Brennan LLP described in Section 6(b)(iv) above shall be rendered to the Underwriters at the request of the Fund and Saratoga Investment Advisors, as applicable, and shall so state therein. Each of the foregoing shall include a statement to the effect that it may be relied upon by counsel to the Underwriters as to the laws of the State of Maryland and Delaware, respectively, in any opinion delivered to the Underwriters.

(vi) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Ernst & Young LLP, independent registered public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus, *provided* that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(vii) All filings, applications and proceedings taken by the Fund and Saratoga Investment Advisors in connection with the registration of the Securities under the Securities Act and the applicable Rules and Regulations shall be satisfactory in form and substance to the Representative and counsel for the Underwriters.

(viii) No action, suit, proceeding, inquiry or investigation shall have been instituted or threatened by the Commission which would adversely affect the Fund's standing as a business development company under the Investment Company Act or the standing of Saratoga Investment Advisors as a registered investment adviser under the Advisers Act.

(ix) The Securities shall have been duly authorized for listing on the NYSE, subject only to official notice of issuance thereof.

(x) The Underwriters shall have obtained a Conditional No Objections Letter from FINRA regarding the fairness and reasonableness of the Underwriting terms and arrangements.

The several obligations of the Underwriters to purchase Additional Notes hereunder are subject to the delivery to the Representative on the applicable Option Closing Date of such documents as the Representative may reasonably request with respect to the good standing of the Fund and Saratoga Investment Advisors, the due authorization and issuance of the Additional Notes to be sold on such Option Closing Date and other matters related to the issuance of such

Additional Notes, and officers' certificates, opinions of Sutherland Asbill & Brennan LLP to the effect set forth above, and comfort letters of Ernst & Young LLP to the effect set forth above, except that such certificates, opinions and comfort letters shall be dated as of the applicable Option Closing Date and statements and opinions above contemplated to be given as of the Closing Date shall instead be made and given as of such Option Closing Date.

7. *Covenants of the Fund and Saratoga Investment Advisors*. In further consideration of the agreements of the Underwriters herein contained, the Fund covenants and agrees, and Saratoga Investment Advisors covenant and agree with the Underwriters as follows:

(a) To notify the Underwriters as soon as practicable, and confirm such notice in writing, of the happening of any event during the period mentioned in Section 7(h) below which in the judgment of the Fund makes any statement in the Registration Statement, the Time of Sale Prospectus, any Omitting Prospectus or the Prospectus untrue in any material respect or which requires the making of any change in or addition to the Registration Statement, the Time of Sale Prospectus, any Omitting Prospectus or the Prospectus in order to make the statements therein not misleading in any material respect. If at any time the Commission shall issue any order suspending the effectiveness of the Registration Statement, the Fund will use its best efforts to obtain the withdrawal of such order at the earliest possible moment.

(b) To furnish to the Representative in New York City, without charge, prior to 10:00 A.M. (New York City time) on the business day next succeeding the date of this Agreement and during the period mentioned in Section 7(h) below, as many copies of the Preliminary Prospectus, Prospectus and any supplements and amendments thereto or to the Registration Statement as the Representative may reasonably request.

(c) Before amending or supplementing the Registration Statement, the Preliminary Prospectus or the Prospectus, to furnish to the Representative a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which the Representative reasonably objects, and to file with the Commission within the applicable period specified in Rule 497 under the Securities Act any prospectus required to be filed pursuant thereto.

(d) To furnish to the Representative a copy of each proposed Omitting Prospectus to be prepared by or on behalf of, used by, or referred to by the Fund and not to use or refer to any proposed Omitting Prospectus to which the Representative reasonably objects.

(e) If the Time of Sale Prospectus is being used to solicit offers to buy the Securities at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus materially conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer materially conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law, as applicable.

(f) The Fund will use the net proceeds received by it from the sale of the Securities in the manner specified in the Time of Sale Prospectus.

(g) The Fund hereby agrees that, without the prior written consent of the Representative on behalf of the Underwriters, it will not, during the period ending 90 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any debt securities or any securities convertible into or exercisable or exchangeable for debt securities or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of debt securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of debt securities or such other securities, in cash or otherwise or (iii) file any registration statement with the Commission relating to the offering of any debt securities or any securities convertible into or exercisable or exchangeable for debt securities. Notwithstanding the foregoing, if (1) during the last 17 days of the 90-day restricted period, the Fund issues an earnings release or material news or a material event relating to the Fund occurs; or (2) prior to the expiration of the 90-day restricted period, the Fund announces that it will release earnings results during the 16-day period following the last day of the 90-day restricted period, then in each case the restrictions imposed by this Agreement shall continue to apply until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of material news or a material event relating to the Fund, as the case may be, unless the Representative waives, in writing, such extension. The agreements contained in this paragraph shall not apply to the Securities to be sold hereunder.

(h) The Fund and Saratoga Investment Advisors will not take any action designed to cause or result in the manipulation of the price of any security of the Fund to facilitate the sale of Securities in violation of the Acts or the Exchange Act and the applicable Rules and Regulations, or the securities or "blue sky" laws of the various states and foreign jurisdictions in connection with the offer and sale of Securities.

(i) If, during such period after the first date of the public offering of the Securities as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses the Representative will furnish to the Fund) to which Securities may have been sold by the Representative on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law, as applicable.

(j) To endeavor to qualify the Securities for offer and sale under the securities or "blue sky" laws of such jurisdictions as the Underwriters shall reasonably request.

(k) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of the obligations of the Fund and Saratoga Investment Advisors under this Agreement, including: (i) the fees, disbursements and expenses of the Fund's counsel and the Fund's accountants in connection with the registration and delivery of the Securities under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, and any Omitting Prospectus prepared by or on behalf of, used by, or referred to by the Fund and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Securities to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any "blue sky" memorandum in connection with the offer and sale of the Securities under state securities laws and all expenses in connection with the qualification of the Securities for offer and sale under state securities laws as provided in Section 7(j) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky memorandum, (iv) all filing fees and the reasonable disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Securities by FINRA, (v) all costs and expenses incident to listing the Securities on the NYSE, (vi) the cost of printing certificates representing the Securities, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Fund relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Securities, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with production of road show slides and graphics, the reasonable fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Fund, and the travel and lodging expenses of the representatives and officers of the Fund and any such consultants, (ix) the document production charges and expenses associated with printing this Agreement and (x) all other costs and expenses incident to the performance of the obligations of the Fund hereunder for which provision is not otherwise made in this Section 7(k). It is understood, however, that except as provided in this Section, Section 8 entitled "Indemnity and Contribution" and the last paragraph of Section 10 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Securities by them, the travel and lodging expenses of the representatives of the Underwriters in connection with any "road show" presentations, and any advertising expenses connected with any offers they may make.

(l) The Fund will comply with all applicable securities and other applicable laws, rules and regulation, including, without limitation, the Sarbanes-Oxley Act, and will use reasonable efforts to cause the Fund's directors and officers, in their capabilities, as such, to comply with such laws, rules and regulations, including, without limitation, the provisions of Sarbanes-Oxley Act.

(m) The Fund will use reasonable best efforts to maintain its status as a "business development company" under the 1940 Act, provided, however, that the Fund may change the nature of its business so as to cease to be, or withdraw its election to be treated as, a business development company with the approval of its Board of Directors and a vote of shareholders to the extent required by Section 58 of the 1940 Act.

(n) The Fund will use reasonable best efforts to comply with the requirements of Subchapter M of the Code to qualify as a regulated investment company under the Code, with respect to any fiscal year in which the Fund is a business development company.

(o) The Fund and Saratoga Investment Advisors will use their reasonable efforts to perform all of the agreements required of them by this Agreement and discharge all conditions of theirs to closing as set forth in this Agreement.

(p) Before using, approving or referring to any Road Show Material, the Fund will furnish to the Representative and counsel to the Underwriters a copy of such material for review and will not make, prepare, use authorize, approve or refer to any such material to which the Representative reasonably objects.

(q) As soon as practicable, the Fund will make generally available to its security holders and to the Representatives an earnings statement or statements of the Fund which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act.

8. *Indemnity and Contribution.* (a) The Fund and Saratoga Investment Advisors, jointly and severally, agree to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each partner, director, officer, trustee, manager, member and shareholder of any Underwriter (each, an "**Underwriter Indemnified Party**") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim), caused by, arising out of, related to or based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, the Preliminary Prospectus, any Omitting Prospectus, any Road Show Material, the Time of Sale Prospectus, or the Prospectus or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon written information furnished to the Fund or Saratoga Investment Advisors by the Representative on behalf of any Underwriter expressly for use therein.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless each of the Fund and Saratoga Investment Advisors, and each of their respective partners, directors, trustees, managers, members and shareholders (as the case may be), and each officer of the Fund who signs the Registration Statement and each person, if any, who controls the Fund and/or Saratoga Investment Advisors within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each, a "**Fund Indemnified Party**") to the same extent as the foregoing indemnity from the Fund and Saratoga

Investment Advisors to such Underwriter, but only with reference to written information relating to the Underwriters furnished to the Fund by the Representative on behalf of any Underwriter expressly for use in the Registration Statement, as originally filed with the Commission, or any amendment thereof, any preliminary prospectus, any Omitting Prospectus, any Road Show Material or the Time of Sale Prospectus.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b), such person (the "**indemnified party**") shall promptly notify the person against whom such

indemnity may be sought (the "**indemnifying party**") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements reasonably incurred of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with an actual conflict of interest, or (iii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses reasonably incurred of more than one separate firm (in addition to any local counsel) for all Underwriter Indemnified Parties, collectively, and (ii) the fees and expenses reasonably incurred of more than one separate firm (in addition to any local counsel) for all Fund Indemnified Parties, collectively. In the case of any such separate firm for the Underwriter Indemnified Parties, such firm shall be designated in writing by the Representative. In the case of any such separate firm for the Fund Indemnified Parties, such firm shall be designated in writing by the Fund. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there is a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for the reasonable fees and expenses of counsel as contemplated by the second and third sentences of this Section 8(c), the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the material terms of such settlement at least 30 days prior to such settlement being entered into, and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any

indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in Section 8(a) or 8(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Fund and/or Saratoga Investment Advisors on the one hand and the Underwriters on the other hand from the offering of the Securities or (ii) if the allocation provided by clause 8(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Fund and/or Saratoga Investment Advisors on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Fund and/or Saratoga Investment Advisors on the one hand and the Underwriters on the other hand in connection with the offering of the Securities shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Securities (before deducting expenses) received by the Fund and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate net proceeds of the Securities. The relative fault of the Fund and/or Saratoga Investment Advisors on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Fund or Saratoga Investment Advisors or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective aggregate principal amount of Securities they have purchased hereunder, and not joint.

(e) The Fund, Saratoga Investment Advisors and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 8 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 8(d) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 8 and the representations, warranties and other statements of the Fund and Saratoga Investment Advisors contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter Indemnified Party or by or on behalf of any Fund Indemnified Party and (iii) acceptance of and payment for any of the Securities.

(g) No party shall be entitled to indemnification under this Section 8 if such indemnification of such party would violate Section 17(i) of the Investment Company Act.

9. *Termination*. The Underwriters may terminate this Agreement by notice given by the Representative to the Fund, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the NYSE, the NYSE Amex LLC, the NASDAQ Stock Market, (ii) trading of any securities of the Fund shall have been suspended on any exchange or in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in the Representative's judgment, is material and adverse and which,

singly or together with any other event specified in this clause (v), makes it, in your judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Securities on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus.

10. *Effectiveness; Defaulting Underwriters*.

(a) This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

(b) If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Securities that it has or they have agreed to purchase hereunder on such date, and the aggregate principal amount of Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Securities to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the aggregate principal amount of Notes set forth opposite their respective names in Schedule I bears to the aggregate principal amount of Notes set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as the Representative may specify, to purchase the Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the aggregate principal amount of Securities that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 10 by an amount in excess of one-tenth of such aggregate principal amount of Securities

without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Notes and the aggregate principal amount of Securities with respect to which such default occurs is more than one-tenth of the aggregate principal amount of Securities to be purchased on such date, and arrangements satisfactory to the Representative and the Fund for the purchase of such Securities are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter. In any such case either the Representative or the Fund shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any other documents or arrangements may be affected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Notes and the aggregate principal amount of Additional Notes with respect to which such default occurs is more than one-tenth of the aggregate principal amount of Additional Notes to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Notes to be sold on such Option Closing Date or (ii) purchase not less than the principal amount of Additional Notes that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

(c) If this Agreement shall be terminated by the Underwriters (other than pursuant to Section 9(i), (iii), (iv) or (v)) because of any failure or refusal on the part of the Fund or Saratoga Investment Advisors to comply with the terms or to fulfill any of the conditions of this Agreement other than the condition specified in Section 7(k) of this Agreement, or if for any reason the Fund and Saratoga Investment Advisors shall be unable to perform its obligations under this Agreement, the Fund and Saratoga Investment Advisors, jointly and severally, will reimburse the Underwriters, severally, for all out-of-pocket accountable expenses (including the reasonable fees and disbursements of their counsel) actually incurred by the Underwriters in connection with this Agreement or the offering contemplated hereunder up to a maximum of $75,000.

11. *Entire Agreement*. (a) This Agreement supersedes all prior agreements and understandings (whether written or oral) between and among the Fund, Saratoga Investment Advisors and the Underwriters, or any of them, with respect to the subject matter hereof.

(b) The Fund and Saratoga Investment Advisors acknowledge that in connection with the offering of the Securities: (i) the Underwriters have acted at arms length, are not agents of, and owe no fiduciary duties to, the Fund, Saratoga Investment Advisors or any other person, (ii) the Underwriters owe the Fund and Saratoga Investment Advisors only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement), if any, and (iii) the Underwriters may have interests that differ from those of the Fund and Saratoga Investment Advisors. Each of the Fund and Saratoga Investment Advisors agree that it will not claim that the Underwriters owe an agency, fiduciary or similar duty to the Fund or Saratoga Investment Advisors in connection with offer or sale of the Securities or the process leading thereto.

12. *Counterparts*. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. *Applicable Law*. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to contracts made and to be performed within the State of New York.

14. *Headings*. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

15. *Notices*. All communications hereunder shall be in writing and effective only upon receipt and (A) if to the Underwriters, shall be sufficient in all respects if delivered, mailed or sent to the Representative in care of Ladenburg Thalmann & Co. Inc., 520 Madison, 9th Floor, New York, New York 10022, Attention: Equity Syndicate Desk (facsimile no. (631)-794-2330), with a copy to the Legal Department, with a copy to Blank Rome LLP, 405 Lexington Avenue, New York, New York 10174, Attention: Thomas Westle, Esq. (facsimile no. (212) 885-5001); and (B) if to the Fund or Saratoga Investment Advisors, shall be sufficient in all respects if delivered, mailed or sent to the Fund or Saratoga Investment Advisors, as applicable, at the offices of the Fund at 535 Madison Avenue, New York, NY 10022, Attention: Christian Oberbeck (facsimile no. (212) 750-3343), with a copy to Sutherland Asbill & Brennan, LLP, 700 Sixth St. NW, Suite 700, Washington, DC 20001, Attention: Steven B. Boehm (facsimile no. (202) 637-3593).

[*Signature page follows.*]

Very truly yours,

SARATOGA INVESTMENT CORP.

By: _____
Name: Richard A. Petrocelli
Title: Chief Financial Officer, Chief Compliance Officer and Secretary

SARATOGA INVESTMENT ADVISORS, LLC

By: _____
Name: Richard A. Petrocelli
Title: Managing Director

Accepted as of the date hereof

Ladenburg Thalmann & Co. Inc.

Acting on behalf of itself and
the several Underwriters named in
Schedule I hereto

By: Ladenburg Thalmann & Co. Inc.

By: _____
Name: Steven Kaplan
Title: Managing Director

Signature Page to Underwriting Agreement

SCHEDULE I

Underwriter	**Principal Amount of Notes To Be Purchased**
Ladenburg Thalmann & Co. Inc.	
Total	

XXVIII

SCHEDULE II

Pricing Information

XXIX

SCHEDULE III

Omitting Prospectuses

XXX

EXHIBIT A

OPINION OF COUNSEL TO THE FUND AND SARATOGA INVESTMENT ADVISORS

[TO BE PROVIDED]

XXXI

Exhibit (k)(6)

EXECUTION COPY

INDENTURE

GSC INVESTMENT CORP. CLO 2007, LTD.
as Issuer,

GSC INVESTMENT CORP. CLO 2007, INC.
as Co-Issuer

AND

U.S. BANK NATIONAL ASSOCIATION
as Trustee, Custodian and Securities Intermediary

Dated as of January 22,2008
COLLATERALIZED DEBT OBLIGATIONS

TABLE OF CONTENTS

Exhibit F	Form of Opinion of Maples and Calder
Exhibit G	Form of Opinions of Stroock & Stroock & Lavan LLP
Exhibit H	Form of Opinion of Alston & Bird LLP
Exhibit I	Form of DTC Notice to Investors

INDENTURE, dated as of January 22, 2008, among GSC INVESTMENT CORP. CLO 2007, LTD., an exempted company with limited liability incorporated under the laws ofthe Cayman Islands (the "Issuer"), GSC INVESTMENT CORP. CLO 2007, INC., a corporation incorporated under the laws of the State of Delaware (the "Co-Issuer," and together with the Issuer, the "Co-Issuers"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee (herein, together with its permitted successors and assigns in the trusts hereunder, called the "Trustee"), custodian and securities intermediary (the "Custodian" and the "Securities Intermediary," respectively).

PRELIMINARY STATEMENT

The Co-Issuers are duly authorized to execute and deliver this Indenture to provide for the Notes issuable as provided in this Indenture. All covenants and agreements made by the Co Issuers herein are for the benefit and security ofthe Noteholders, the Collateral Manager, any Hedge Counterparties, the Collateral Administrator, the Subordinated Note Paying Agent, and the Trustee (collectively, the "Secured Parties") and for the benefit of (but not as security for) the Subordinated Noteholders. The Co-Issuers are entering into this Indenture, and the Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. All things necessary to make this Indenture a valid agreement of the Co-Issuers in accordance with its terms have been done.

GRANTING CLAUSES

The Issuer hereby Grants to the Trustee, for the benefit ofthe Secured Parties all of its right, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising, all securities, loans, investments, accounts, instruments, financial assets, investment property, general intangibles, payment intangibles, chattel paper, documents, instruments, letter of credit rights, commercial tort claims, deposit accounts and all other property of any type or nature (subject, in the case of Synthetic Security Collateral, to the prior lien, if any, of the related Synthetic Security Counterparty) (the "Collateral"), including without limitation:

1. all Collateral Debt Securities and Equity Securities, including any part thereof which consists of general intangibles or investment property (each, as defined in the UCC) that are (i) listed, as of the Closing Date, on Schedule A to this Indenture, (ii) listed, as of the Effective Date, on a schedule to be provided by the Issuer to the Trustee or (iii) Delivered or credited to the Trustee, or for which a Security Entitlement is delivered or credited to the Trustee or which are (or for which Security Entitlements are) credited to one or more ofthe Accounts on or after the Closing Date (directly or through the Securities Intermediary or a bailee) and, in each case, all payments thereon or with respect thereto;

2. the Accounts;

3. Eligible Investments purchased with funds on deposit in any Account, all funds on deposit in any Account and all income from the investments of funds in any Account;

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4. all Cash or Money delivered to the Trustee (or its bailee) including the Deposit;

5. the Issuer's rights under any Hedge Agreements (including any collateral pledged for the benefit of the Issuer thereunder);

6. the Issuer's rights under the Collateral Management Agreement as set forth in Article 15, the Collateral Administration Agreement and the Initial Purchase Agreement;

7. any Synthetic Security Collateral subject to the prior lien of the Synthetic Security Counterparty; and

8. all proceeds with respect to the foregoing;

excluding, however, the Excepted Property.

Such Grants are made to the Trustee in trust for the benefit of the Secured Parties, to secure, in accordance with the Priority of Payments, (i) the payment of all amounts due on the Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note by reason of difference in time of issuance or otherwise, except as otherwise provided in this Indenture, including in Section 2.7, Article 5, Article 11 and Section 13.1, (ii) the payment of all other amounts owed under this Indenture, including without limitation, amounts payable to the Collateral Manager pursuant to the Collateral Management Agreement and amounts payable to any Hedge Counterparties under any Hedge Agreements and (iii) the Co-Issuers' obligations under this Indenture, the Collateral Management Agreement and any Hedge Agreements (collectively, the "Secured Obligations"), all as provided in this Indenture.

Except to the extent otherwise provided in this Indenture, this Indenture shall constitute a security agreement under the laws ofthe State ofNew York applicable to agreements made and to be performed therein, for the benefit of the Secured Parties. Upon the occurrence of any Event of Default hereunder, and in addition to any other rights available under this Indenture or any other Instruments included in the Collateral held, subject to Section 6.16 hereof, for the benefit and security of the Secured Parties or otherwise available at law or in equity but subject to the terms hereof, the Trustee shall have all rights and remedies of a secured party on default under the laws of the State ofNew York and other applicable law to enforce the assignments and security interests contained herein and, in addition, shall have the right, subject to compliance with any mandatory requirements of applicable law and the terms of this Indenture, to sell or apply any rights and other interests assigned or pledged hereby in accordance with the terms hereof at public and private sale.

The Trustee acknowledges such Grants, accepts the trusts hereunder in accordance with the provisions hereof, and agrees to perform the duties herein to the best of its ability such that the interests of the Secured Parties as stated herein may be adequately and effectively protected.

The Issuer hereby authorizes Stroock & Stroock & Lavan LLP to file, on behalf of the Trustee, a Record or Records (as such term is defined in the Uniform Commercial Code of the District of Columbia), including, without limitation, financing or continuation statements and amendments thereto, in all jurisdictions and with all filing offices as the Trustee may determine,

in its sole discretion, are necessary or advisable to perfect the security interest granted to the Trustee in connection herewith. Such financing or continuation statements and amendments thereto may describe the collateral in the same manner as described in any security agreement or pledge agreement entered into by the parties in connection herewith or may contain an indication or description of collateral that describes such property in any other manner as the Trustee may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the collateral granted to the Trustee in connection herewith, including, without limitation, describing such property as "all assets whether now owned or hereafter acquired" or "all personal property whether now owned or hereafter acquired."

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions.

Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Indenture, and the definitions of such terms are equally applicable both to the singular and plural forms of such terms and to the masculine, feminine and neuter genders of such terms. Whenever any reference is made to an amount the determination of which is governed by Section 1.2, the provisions of Section 1.2 shall be applicable to such determination or calculation, whether or not reference is specifically made to Section 1.2, unless some other method of calculation or determination is expressly specified in the particular provision.

"Accountants' Certificate": A certificate of a firm of Independent certified public accountants of recognized international reputation appointed by the Collateral Manager on behalf of the Issuer pursuant to Section 10.7(a), which may be the firm of Independent accountants that audits the financial statements of the Issuer or the Collateral Manager.

"Accounts": The Custodial Account, the Payment Account, the Interest Reserve Account, the Collection Account, the Expense Reserve Account, the Loan Funding Account, any Hedge Replacement Account, the Subordinated Note Distribution Account, the Quarterly Reserve Account, the Synthetic Letters of Credit Withholding Tax Account, any Hedge Termination Receipts Account and any Hedge Counterparty Collateral Account together with any successor accounts or replacements thereof.

"Act": The meaning specified in Section 14.2.

"Administration Agreement": The administration agreement, dated as of December 10, 2007, entered into between the Issuer and the Administrator, as amended from time to time.

"Administrative Expenses": Amounts (including indemnities) due or accrued and unpaid with respect to any Payment Date to (i) the Trustee pursuant to Section 6.7; (ii) Moody's for fees and expenses in connection with its rating ofNotes and credit estimate fees; (iii) S&P for fees and expenses in connection with its rating of the Notes, including ongoing surveillance fees and credit estimate fees with respect to the Notes and the Collateral Debt Securities; (iv) the Independent accountants, agents and counsel of the Issuer for fees and expenses; (v) the Collateral Administrator pursuant to the Collateral Administration Agreement; (vi) the Collateral

Manager pursuant to the Collateral Management Agreement (other than the Collateral Management Fees); (vii) the Subordinated Note Paying Agent pursuant to the Subordinated Note Paying Agency Agreement; (viii) the Administrator pursuant to the Administration Agreement in respect of certain services provided to the Issuer; (ix) any other Person in respect of any governmental fee, charge or tax (including, without limitation, Cayman Islands government registration and annual return fees and Registered Office fees); (x) the Initial Purchasers under the Initial Purchase Agreement and (xi) any other Person in respect of any other fees or expenses (other than Collateral Management Fees, but including any fees and expenses associated with effecting any Optional Redemption, Replacement or Pricing Amendment) permitted under this Indenture and the documents delivered pursuant to or in connection with this Indenture and the Notes; provided that Administrative Expenses shall not include amounts payable under any Hedge Agreement or under the Subordinated Notes.

"Administrator": Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands, acting in the capacity as administrator of the Issuer under the Administration Agreement, or any substitute Administrator duly appointed by the Board of Directors of the Issuer and in accordance with the Administration Agreement.

"Affiliate" or "Affiliated": With respect to a Person, (i) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (ii) any other Person who is a director, Officer or employee (a) of such Person, (b) of any subsidiary or parent company of such Person or (c) of any Person described in clause (i) above. For the purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of such Person or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing; provided, that for the avoidance of doubt, the Affiliates of the Issuer shall not include the Administrator or any companies, other than the Issuer, controlled by the Administrator solely by virtue of such control or to which the Administrator provides directors and/or acts as Share Trustee.

"Aged Defaulted Obligations": All Defaulted Obligations (including any Exchanged Defaulted Obligations received in exchange for Defaulted Obligations) that have been Defaulted Obligations for more than one month.

"Agent Members": Members of, or participants in, a Depository.

"Aggregate Excess Spread": As of any date of determination, the amount obtained by multiplying:

(a) the amount (not less than zero) equal to LIBOR applicable to the Notes during the applicable Interest Accrual Period in which such date of determination occurs minus 0.25%; by

(b) the amount (not less than zero) equal to (i) the aggregate principal amount of all Floating Rate Collateral Debt Securities (other than any Deferred Interest Obligations to the extent of any non-cash interest and the unfunded portion of any Delayed-Draw Loan or any

Revolving Credit Facility), as of such date of determination minus (ii) the Effective Date Par Amount.

"Aggregate Outstanding Amount": When used with respect to any ofthe Notes or the Subordinated Notes, as of any date of determination, the aggregate principal amount of such Notes or Subordinated Notes Outstanding as of such date of determination (including, in the case of the Class C Notes, Class D Notes and Class E Notes, any Deferred Interest previously added to the principal amount of such Notes that remains unpaid).

"Applicable Recovery Rate": With respect to any Collateral Debt Security, the lower of (A) the Moody's Recovery Rate (for the category of assets of which such Collateral Debt Security is an example) for such Collateral Debt Security and (B) the Standard & Poor's Recovery Rate (for the category of assets of which such Collateral Debt Security is an example) for such Collateral Debt Security and the rating corresponding to the rating on the Controlling Class.

"Applicable Threshold": With respect to the Due Period immediately preceding the date of any Tax/Regulatory Redemption or proposed Tax/Regulatory Redemption, 5% or more of the aggregate interest payments on all of the Collateral Debt Securities during such Due Period.

"Asset Specific Counterparty": The counterparty under any Asset Specific Hedge or any permitted assignee or successor under any Asset Specific Hedge (x) the Moody's rating of which is at least equal to the rating required by clause (B) of the definition of"Minimum Rating" upon the date of entry into the Asset Specific Hedge and (y) the short-term credit rating of which is "A-1" by S&P or, if no short-term credit rating exists, the long-term credit rating of which is "A+" by S&P upon the date of entry into the Asset Specific Hedge or with respect to which Rating Agency Confirmation has been received.

"Asset Specific Hedge": Any interest rate cap, swap or other agreement entered into between the Issuer and an Asset Specific Counterparty that addresses interest rate exposure in connection with the purchase or holding by the Issuer of a specified Fixed Rate Collateral Debt Security, and that entitles the Issuer to receive from the related Asset Specific Counterparty payments based on 3-month LIDOR, in the case of an obligation on which interest payments are made quarterly, or 6-month LIBOR, in the case of any obligation on which interest payments are made semi-annually, in each case at prevailing market rates, as determined by the Collateral Manager at the date of execution of such agreement. In addition to the foregoing, each Asset Specific Hedge will be subject to the following conditions: (a) the initial notional balance of each Asset Specific Hedge shall be equal to the scheduled principal amount of the related Asset Specific Hedged Collateral Debt Security, determined as of the effective date of each Asset Specific Hedge; (b) each Asset Specific Hedge will amortize according to the same schedule as (or according to the expected amortization of, as determined by the Collateral Manager) and terminate on or prior to the maturity date of, the related Asset Specific Hedged Collateral Debt Security; (c) the payment dates ofthe Asset Specific Hedge must match the payment dates of either the related Asset Specific Hedged Collateral Debt Security, or the Notes; (d) if the related Asset Specific Hedged Collateral Debt Security is sold by the Issuer, the Asset Specific Hedge must be terminated (and the Asset Specific Hedge shall be terminated in such circumstance) and the amount due or received in connection with such termination will be subtracted from or added

to the Sale Proceeds received in connection with such sale; (e) if the related Asset Specific Hedged Collateral Debt Security is called or prepaid, the Asset Specific Hedge must be terminated (and the Asset Specific Hedge shall be terminated in such circumstance) and any amount received in connection with such termination will be considered Sale Proceeds and any amount payable in connection with such termination will be paid first from any call, redemption and prepayment premiums received from such related Asset Specific Hedged Collateral Debt Security and second from the Principal Proceeds received from such related Asset Specific Hedged Collateral Debt Security; (f) each Asset Specific Hedge will contain appropriate limited recourse and non-petition provisions that are equivalent *(mutatis mutandis)* to those contained in Sections 2.7(j) and 5.4(e) and are expressed to survive any termination of such Asset Specific Hedge; and (g) receipt by the Issuer of Rating Agency Confirmation (and, in the case of S&P, the recovery rate assigned by S&P) at the inception of any Asset Specific Hedge and receipt by the Issuer of a Rating Agency Confirmation from Moody's upon termination of any Asset Specific Hedge (other than (x) in the case of a sale, exchange, transfer or other disposition of or the default of the related Asset Specific Hedged Collateral Debt Security or (y) a termination in respect of which no termination payment is payable by the Issuer (or the Trustee on its behalf)).

"Asset Specific Hedged Collateral Debt Security": Any Fixed Rate Collateral Debt Security that is the subject of an Asset Specific Hedge. Such Asset Specific Hedged Collateral Debt Security will be considered a Floating Rate Collateral Debt Security and will be deemed to pay interest at the floating rate coupon resulting from adjusting the fixed rate coupon of the Fixed Rate Collateral Debt Security by the related Asset Specific Hedge. If such Asset Specific Hedged Collateral Debt Security is callable, the call premium of such Asset Specific Hedged Collateral Debt Security must be either a fixed call premium of at least 2% (at the time of purchase) or a make-whole call premium.

"Assumed Reinvestment Rate": With respect to any account or fund securing the Notes, LIBOR determined as of the most recent LIBOR Determination Date minus 0.50% per annum; provided that in no event shall the "Assumed Reinvestment Rate" be less than 1%.

"Attached Equity Security": Any Collateral Debt Security with a warrant, equity option, conversion feature or other equity feature that is purchased as a component of such Collateral Debt Security or in combination therewith.

"Attached Margin Security": An Attached Equity Security constituting Margin Stock.

"Authenticating Agent": With respect to any Class of the Notes, the Person designated by the Trustee to authenticate such Notes, on behalf of the Trustee pursuant to Section 6.14.

"Authorized Officer": With respect to the Issuer or the Co-Issuer, any Officer who is authorized to act for the Issuer or the Co-Issuer, as applicable, in matters relating to, and binding upon, the Issuer or the Co-Issuer. With respect to the Collateral Manager, any officer, employee or agent of the Collateral Manager who is authorized to act for the Collateral Manager in matters relating to, and binding upon, the Collateral Manager with respect to the subject matter of the request, certificate or order in question. With respect to the Trustee or any other bank or trust company acting as trustee of an express trust or as custodian, a Trust Officer. With respect to U.S. Bank, in any of its capacities hereunder including, but not limited to, its capacity as

Collateral Administrator or as Custodian, any officer, employee or agent of U.S. Bank, who is authorized to act for U.S. Bank, in matters relating to, and binding upon, U.S. Bank, with respect to the subject matter of the request, certificate or order in question. Each party may receive and accept a certification of the authority of any other party as conclusive evidence of the authority of any Person to act, and such certification may be considered as in full force and effect until receipt by such other party of written notice to the contrary.

"Available Subordinated Note Financed Amount": As of any date of determination, an amount equal to the Subordinated Note Financed Amount, reduced by the aggregate purchase price of all Attached Margin Securities (including, with respect to any Attached Margin Security that constitutes a Revolving Credit Facility or a Delayed-Draw Loan, the amount on deposit in the Loan Funding Account with respect to such Attached Margin Security) that are included in the Collateral as of such date of determination.

"Average Life": On any Measurement Date with respect to any Collateral Debt Security, the quotient obtained by dividing (a) the sum of the products of (i) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive Scheduled Distribution of principal of such Collateral Debt Security and (ii) the respective amounts of principal of such Scheduled Distribution by (b) the sum of all successive Scheduled Distributions of principal on such Collateral Debt Security. For purposes of this definition, the Scheduled Distributions in respect of a Collateral Debt Security shall include the par amount thereof (or such greater amount, if applicable) on the earliest date that a put option to the issuer of such security (or other equivalent right) may be exercised by the Issuer at a price that is equal to or greater than the par amount of such security or obligation.

"Balance": On any date, with respect to Cash or Eligible Investments in any account, the aggregate of the (i) current balance of Cash, demand deposits, time deposits, certificates of deposit and federal funds; (ii) principal amount of interest-bearing corporate and government securities, money market accounts, repurchase obligations and Reinvestment Agreements; and (iii) purchase price (but not greater than the face amount) of non-interest-bearing government and corporate securities and commercial paper.

"Bankruptcy Code": The United States Bankruptcy Code, Title 11 of the United States Code, as amended from time to time (or any corresponding provisions of succeeding law) and/or any bankruptcy, insolvency, reorganization or similar law enacted under the laws of the Cayman Islands.

"Benefit Plan Investor": Any (A) "employee benefit plan" (as defined in Section 3(3) of ERISA), subject to the fiduciary responsibility provisions of Title I of ERISA, (B) "Plan" (as defined in Section 4975(e)(l) of the Code), subject to Section 4975 of the Code, including without limitation individual retirement accounts and Keogh Plans, or (C) entity whose underlying assets include plan assets by reason of such an employee benefit plan's or plan's investment in such entity, including without limitation, as applicable, an insurance company general account or a wholly owned subsidiary thereof.

"Board of Directors": With respect to the Issuer, the directors of the Issuer duly appointed by the shareholders or the Board of Directors of the Issuer and with respect to the Co Issuer, the directors of the Co-Issuer duly appointed by the stockholders of the Co-Issuer.

"Board Resolution": With respect to the Issuer, a resolution of the Board of Directors of the Issuer and with respect to the Co-Issuer, a resolution ofthe Board ofDirectors ofthe Co-Issuer.

"Bond": A publicly issued or privately placed debt obligation of a corporation or other entity that is organized under the laws of any Moody's Group Country or Tax Advantaged Jurisdiction (or any state or political subdivision thereof) which debt obligation is not a Loan or a Structured Finance Security and is able to be granted to the Trustee pursuant to this Indenture.

"Bond Obligation": Any Bond or Synthetic Security the Reference Obligation with respect to which is a Bond.

"Bridge Security": Any Collateral Debt Security that is a debt obligation incurred in connection with an actual or proposed merger, acquisition, consolidation, sale of all or substantially all of the assets of a person or entity, restructuring (other than a bankruptcy or similar restructuring) or similar transaction, which debt obligation by its terms is required to be repaid within one year of the incurrence thereof with proceeds from additional borrowings or other refinancings (other than any additional borrowing or refinancing if one or more financial institutions will have provided the issuer of such debt obligation with a binding written commitment to provide the same); provided, that each Bridge Security must be publicly rated by Moody's or has been issued a credit estimate by Moody's.

"Business Day": Any day other than (i) Saturday or Sunday or (ii) a day on which banking institutions are authorized or obligated by applicable law, regulation or executive order to close in New York, New York, or the city in which the Corporate Trust Office is located (which, initially, shall be Charlotte, NC); provided that, if any action is required of the Irish Paying Agent, then, for purposes of determining when such Irish Paying Agent action is required, Dublin, Ireland shall be considered in determining the "Business Day."

"Calculation Agent": The meaning specified in Section 7.16.

"Cash": Such coin or currency of the United States of America as at the time shall be legal tender for payment of all public and private debts.

"CDS Principal Balance":

(a) For the period commencing on the Closing Date and ending immediately prior to (and not including) the Effective Date, the Effective Date Par Amount; and

(b) On and after the Effective Date, without duplication, the aggregate principal balance (including, with respect to Revolving Credit Facilities and Delayed Draw Loans, amounts on deposit in the Loan Funding Account in respect of the unfunded portion thereof) of:

(i) Collateral Debt Securities (excluding Defaulted Obligations and Equity Securities);

(ii) Eligible Investments purchased with, and Cash constituting, Principal Proceeds;

(iii) Eligible Investments purchased with, and Cash constituting, Unused Proceeds; and

(iv) Purchased Accrued Interest.

provided, however, that any portion of such principal balance consisting of deferred or capitalized interest on a PIK Security or a Partial PIK Security shall be excluded.

"CERT": A test that is satisfied if, as of any Determination Date related to the first Payment Date and any subsequent Measurement Date occurring during the Reinvestment Period, the Class E Overcollateralization Ratio is at least 105.1%.

"Certificate of Authentication": The meaning specified in Section 2.1.

"Certificated Notes": Notes issued in definitive, certificated form.

"Certificated Security": The meaning specified in Section 8-102(a)(4) ofthe UCC.

"Class": Each ofthe Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Subordinated Notes, in any case, as the context may require.

"Class A Break Even Default Rate": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined through application ofthe S&P CDO Monitor), such that after giving effect to S&P's assumptions on recoveries and timing of defaults and interest rates and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class A Notes in full by their Stated Maturity and the timely payment of interest on the Class A Notes.

"Class A Interest Amount": With respect to each LIBOR Determination Date, the amount of interest for the related Interest Accrual Period payable in respect of each U.S.$100,000 outstanding principal amount of Class A Notes.

"Class A Interest Distribution Amount": With respect to any Payment Date, the aggregate amount of interest accrued, at the Class A Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class A Notes on the first day of such Interest Accrual Period (after giving effect to any redemption ofthe Class A Notes on such first day).

"Class A Interest Rate": With respect to any Class A Note for each Interest Accrual Period, the annual rate at which interest accrues on such Class A Note, which shall be equal to LIBOR for such Interest Accrual Period plus 0.75% per annum.

"Class A Loss Differential": As of any Measurement Date, the rate calculated by subtracting the Class A Scenario Default Rate on such date from the Class A Break Even Default Rate on such date.

"Class A Notes": The Class A Floating Rate Senior Notes due 2020.

"Class A Scenario Default Rate": As of any Measurement Date, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "AAA" by S&P, determined by application of the S&P CDO Monitor Test on such date.

"Class A/B Coverage Test": A test comprised of the Class A/B Interest Coverage Ratio Test and the Class A/B Overcollateralization Ratio Test.

"Class A/B Interest Coverage Ratio": As of any Measurement Date, the ratio (expressed as a percentage) obtained by dividing: (i) the Interest Coverage Numerator by (ii) the sum of (y) the Class A Interest Distribution Amount and (z) the Class B Interest Distribution Amount due on such Measurement Date (or, if such Measurement Date is not a Payment Date, the immediately succeeding Payment Date).

"Class A/B Interest Coverage Ratio Test": A test that is satisfied if, on any Measurement Date occurring on or after the Determination Date related to the second Payment Date, the Class A/B Interest Coverage Ratio is at least 120.0%.

"Class A/B Overcollateralization Ratio": As of any Measurement Date, the ratio (expressed as a percentage) obtained by dividing: (i) the Principal Collateral Value minus the sum of (x) the Excess Triple C Amount and (y) the Discount Amount; by (ii) the sum of the Aggregate Outstanding Amounts of the Class A Notes and the Class B Notes.

"Class A/B Overcollateralization Ratio Test": A test that is satisfied if, as of any Measurement Date, the Class A/B Overcollateralization Ratio is at least 115.1%.

"Class B Break Even Default Rate": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined through application ofthe S&P CDO Monitor), such that after giving effect to S&P's assumptions on recoveries and timing of defaults and interest rates and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class B Notes in full by their Stated Maturity and the timely payment of interest on the Class B Notes.

"Class B Interest Amount": With respect to each LIBOR Determination Date, the amount of interest for the related Interest Accrual Period payable in respect of each U.S.$100,000 outstanding principal amount of Class B Notes.

"Class B Interest Distribution Amount": With respect to any Payment Date, the aggregate amount of interest accrued, at the Class B Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class B Notes on the first day of such Interest Accrual Period (after giving effect to any redemption of the Class B Notes on such first day).

"Class B Interest Rate": With respect to any Class B Note, for each Interest Accrual Period, the annual rate at which interest accrues on such Class B Note, which shall be equal to LIBOR for such Interest Accrual Period plus 2.50% per annum.

"Class B Loss Differential": As of any Measurement Date, the rate calculated by subtracting the Class B Scenario Default Rate on such date from the Class B Break Even Default Rate on such date.

"Class B Notes": The Class B Floating Rate Senior Notes due 2020.

"Class B Scenario Default Rate": As of any Measurement Date, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "AA" by S&P, as determined by application of the S&P CDO Monitor Test on such date.

"Class C Break Even Default Rate": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined through application of the S&P CDO Monitor), such that after giving effect to S&P's assumptions on recoveries and timing of defaults and interest rates and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class C Notes in full by their Stated Maturity and the ultimate payment of interest on the Class C Notes.

"Class C Coverage Test": A test comprised of the Class C Overcollateralization Ratio Test and the Class C Interest Coverage Ratio Test.

"Class C Deferred Interest": The meaning specified in Section 2.7(a)(ii).

"Class C Interest Amount": With respect to each LIBOR Determination Date, the amount of interest for the related Interest Accrual Period payable in respect of each U.S.$100,000 outstanding principal amount of Class C Notes.

"Class C Interest Coverage Ratio": As of any Measurement Date, the ratio (expressed as a percentage) obtained by dividing: (i) the Interest Coverage Numerator by (ii) the sum of (x) the Class A Interest Distribution Amount, (y) the Class B Interest Distribution Amount and (z) the Class C Interest Distribution Amount due on such Measurement Date (or, if such Measurement Date is not a Payment Date, the immediately succeeding Payment Date).

"Class C Interest Coverage Ratio Test": A test that is satisfied on any Measurement Date occurring on or after the Determination Date related to the second Payment Date, if the Class C Interest Coverage Ratio is at least 114.0%.

"Class C Interest Distribution Amount": With respect to any Payment Date, the aggregate amount of interest accrued, at the Class C Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class C Notes on the first day of such Interest Accrual Period (after giving effect to any redemption of the Class C Notes on such first day).

"Class C Interest Rate": With respect to any Class C Note for each Interest Accrual Period, the annual rate at which interest accrues on such Class C Note, which shall be equal to LIBOR for such Interest Accrual Period plus 3.75% per annum.

"Class C Loss Differential": As of any Measurement Date, the rate calculated by subtracting the Class C Scenario Default Rate on such date from the Class C Break Even Default Rate on such date.

"Class C Notes": The Class C Deferrable Floating Rate Notes due 2020.

"Class C Overcollateralization Ratio": As of any Measurement Date, the ratio (expressed as a percentage) obtained by dividing: (i) Principal Collateral Value minus the sum of (x) the Excess Triple C Amount and (y) the Discount Amount; by (ii) the sum of the Aggregate Outstanding Amounts of the Class A Notes, the Class B Notes and the Class C Notes.

"Class C Overcollateralization Ratio Test": A test that is satisfied if, as of any Measurement Date, the Class C Overcollateralization Ratio is at least 111.8%.

"Class C Scenario Default Rate": As of any Measurement Date, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "A" by S&P, as determined by application of the S&P CDO Monitor Test on such date.

"Class D Break Even Default Rate": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined through application of the S&P CDO Monitor), such that after giving effect to S&P's assumptions on recoveries and timing of defaults and interest rates and to the Priority of Payments, will result in sufficient funds remaining for the payment of the Class D Notes in full by their Stated Maturity and the ultimate payment of interest on the Class D Notes.

"Class D Coverage Test": A test comprised of the Class D Overcollateralization Ratio Test and the Class D Interest Coverage Ratio Test.

"Class D Deferred Interest": The meaning specified in Section 2.7(a)(iii).

"Class D Interest Amount": With respect to each LIBOR Determination Date, the amount of interest for the related Interest Accrual Period payable in respect of each U.S.$100,000 outstanding principal amount of Class D Notes.

"Class D Interest Coverage Ratio": As of any Measurement Date, the ratio (expressed as a percentage) obtained by dividing: (i) the Interest Coverage Numerator by (ii) the sum of(w) the Class A Interest Distribution Amount, (x) the Class B Interest Distribution Amount, (y) the Class C Interest Distribution Amount and (z) the Class D Interest Distribution Amount due on such Measurement Date (or, if such Measurement Date is not a Payment Date, the immediately succeeding Payment Date).

"Class D Interest Coverage Ratio Test": A test that is satisfied on any Measurement Date occurring on or after the Determination Date related to the second Payment Date, if the Class D Interest Coverage Ratio is at least 110.0%.

"Class D Interest Distribution Amount": With respect to any Payment Date, the aggregate amount of interest accrued, at the Class D Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class D Notes on the first day of such Interest Accrual Period (after giving effect to any redemption of the Class D Notes on such first day).

"Class D Interest Rate": With respect to any Class D Note for each Interest Accrual Period, the annual rate at which interest accrues on such Class D Nate, which shall be equal to LIBOR for such Interest Accrual Period plus 4.70% per annum.

"Class D Loss Differential": As of any Measurement Date, the rate calculated by subtracting the Class D Scenario Default Rate on such date from the Class D Break Even Default Rate on such date.

"Class D Notes": The Class D Deferrable Floating Rate Notes due 2020.

"Class D Overcollateralization Ratio": As of any Measurement Date, the ratio (expressed as a percentage) obtained by dividing: (i) Principal Collateral Value minus the sum of (x) the Excess Triple C Amount and (y) the Discount Amount; by (ii) the sum of the Aggregate Outstanding Amounts of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

"Class D Overcollateralization Ratio Test": A test that is satisfied if, as of any Measurement Date, the Class D Overcollateralization Ratio is at least 107.2%.

"Class D Scenario Default Rate": As of any Measurement Date, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "BBB" by S&P, as determined by application of the S&P CDO Monitor Test on such date.

"Class E Break Even Default Rate": As of any Measurement Date, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined through application of the S&P CDO Monitor), such that after giving effect to S&P's assumptions on recoveries and timing of defaults and interest rates and to the Priority of Payments, will result in sufficient funds remaining for the payment ofthe Class E Notes in full by their Stated Maturity and the ultimate payment of interest on the Class E Notes.

"Class E Deferred Interest": The meaning specified in Section 2.7(a)(iv).

"Class E Interest Amount": With respect to each LIBOR Determination Date, the amount of interest for the related Interest Accrual Period payable in respect of each U.S.$100,000 outstanding principal amount of Class E Notes.

"Class E Interest Distribution Amount": With respect to any Payment Date, the aggregate amount of interest accrued, at the Class E Interest Rate, during the related Interest Accrual Period on the Aggregate Outstanding Amount of the Class E Notes on the first day of such Interest Accrual Period (after giving effect to any redemption of the Class E Notes on such first day).

"Class E Interest Rate": With respect to any Class E Note for each Interest Accrual Period, the annual rate at which interest accrues on such Class E Note, which shall be equal to LIBOR for such Interest Accrual Period plus 6.45% per annum.

"Class E Loss Differential": As of any Measurement Date, the rate calculated by subtracting the Class E Scenario Default Rate on such date from the Class E Break Even Default Rate on such date.

"Class E Notes": The Class E Deferrable Floating Rate Notes due 2020.

"Class E Overcollateralization Ratio": As of any Measurement Date, the ratio (expressed as a percentage) obtained by dividing: (i) Principal Collateral Value minus the sum of (x) the Excess Triple C Amount and (y) the Discount Amount; by (ii) the sum of the Aggregate Outstanding Amounts of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

"Class E Overcollateralization Ratio Test": A test that is satisfied if, as of any Measurement Date, the Class E Overcollateralization Ratio is at least 104.3%.

"Class E Scenario Default Rate": As of any Measurement Date, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a rating of "BB" by S&P, as determined by application of the S&P CDO Monitor Test on such date.

"Clearing Agency": An organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Corporation": The meaning specified in Section 8-102(a)(5) of the UCC.

"Clearing Corporation Security": A Collateral Debt Security that is a security that is (i) in bearer form or endorsed in blank by an appropriate Person or (ii) registered in the name of a Clearing Corporation or the nominee of such Clearing Corporation and, if a Certificated Security, is held in the custody of such Clearing Corporation.

"Clearstream": Clearstream Banking, societe anonyme, a limited liability company organized under the laws of the Grand Duchy of Luxembourg, and any successor or successors thereto.

"Clearstream Security": A "security" (as defined in Section 8-102(a)(15) ofthe UCC) that (i) is a debt or equity security and (ii) is capable of being transferred to the Custodian's account at Clearstream pursuant to Section 3.3(b) and the definition of "Deliver," whether or not such transfer has occurred.

"Closing Date": January 22, 2008.

"Code": The United States Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

"Co-Issuer": GSC Investment Corp. CLO 2007, Inc., a corporation incorporated under the laws of the State of Delaware, until a successor Person shall have become the Co-Issuer pursuant to the applicable provisions of this Indenture, and thereafter "Co-Issuer" shall mean such successor Person.

"Co-Issuers": The Issuer and the Co-Issuer.

"Collateral": The meaning specified in the Granting Clauses hereof.

"Collateral Account Control Agreement": The Collateral Account Control Agreement, dated as of the date hereof, between the Issuer, as debtor, the Trustee, as Secured Party, and U.S. Bank, as Securities Intermediary, as amended from time to time in accordance with the provisions hereof and thereof, in substantially the form attached hereto as Exhibit E.

"Collateral Administration Agreement": The Collateral Administration Agreement, dated as of January 22, 2008, among the Issuer, the Collateral Manager and the Collateral Administrator, relating to certain administrative duties with respect to the Collateral, as amended from time to time in accordance with the terms hereof and thereof.

"Collateral Administrator": U.S. Bank National Association, in its capacity as collateral administrator under the Collateral Administration Agreement, until a successor Person shall become the collateral administrator pursuant to the provisions of the Collateral Administration Agreement, and thereafter "Collateral Administrator" shall mean such successor Person.

"Collateral Debt Security": Any asset that, as of the date of its acquisition (or commitment by the Issuer to acquire such asset):

(A) is: (i) a Loan Obligation; or

(ii) a Bond Obligation; or

(iii) a Structured Finance Security; or

(iv) a Synthetic Security; and

(B) that:

(1) is Dollar denominated and is not convertible into, or payable in, any other currency;

(2) the obligor thereon or issuer thereof is organized in a Non-Emerging Market Country;

(3) except with respect to a Deliverable Asset, is not a Credit Risk Obligation or a Defaulted Obligation (other than a Current Pay Obligation or an Exchanged Defaulted Obligation) (assuming solely for the purposes hereof that the reference in each such definition to a "Collateral Debt Security" is a reference to an obligation that would be a Collateral Debt Security but for this subclause (3));

(4) except with respect to a Deliverable Asset, is not the subject of an Offer (other than an Offer to exchange such security for a security that constitutes a Collateral Debt Security and that such Offer is registered under the Securities Act or such security is issued pursuant to Rule 144A (or another exemption from registration) under the Securities Act, where the replacement security would have terms that are similar to, or more favorable to the Issuer than, the security being exchanged) and has not been called for redemption;

(5) does not provide at any time over its life for conversion or exchange into an Equity Security, except at the option of the holder thereof;

(6) is eligible to be entered into by, or sold, assigned or participated to, the Issuer and pledged to the Trustee;

(7) any payments on such security or other asset are not subject to withholding tax if such asset is owned by the Issuer, unless the issuer or obligor thereunder (and the guarantor, if any) is required to make "gross-up" payments that cover the full amount of any such withholding tax (except in the case of (A) the equity component of any Attached Equity Securities and (B) withholding taxes with respect to commitment fees associated with the Collateral Debt Securities constituting Revolving Credit Facilities, Synthetic Letters of Credit or Delayed-Draw Loans);

(8) is not a debt obligation pursuant to which future advances or payments may be required to be made by the holder thereof, other than a Synthetic Security, a Delayed-Draw Loan or a Revolving Credit Facility;

(9) is an asset with a Moody's Rating and an S&P Rating or is guaranteed as to the timely payment of principal and interest by the government of the United States or any agency or instrumentality thereof (provided, that the long-term debt of such agency or instrumentality is rated "Aaa" by Moody's and "AAA" by S&P);

(10) with respect to any asset that is not a Synthetic Security, provides for payment in Cash of an amount of principal over the life of such security or obligation or at its stated maturity that is at least equal to its stated principal balance at the time of purchase or the time of maturity, with respect to Delayed Draw Loans and Revolving Credit Facilities;

(11) is not a debt security or loan whose S&P rating includes an "r," "t," "p," "pi" or "q" subscript, unless the Issuer obtains Rating Agency Confirmation (from S&P only);

(12) is not a lease;

(13) is not a PIK Security that has any deferred or capitalized interest outstanding, unless such PIK Security is a Partial PIK Security or the payment of interest has resumed and the Collateral Manager, in its commercially reasonable judgment, expects the issuer of or obligor on such PIK Security to continue making such interest payments;

(14) with respect to any asset that is not a Synthetic Security or Attached Equity Security, is Registered (unless such asset is described in subclause (7) ofthis definition);

(15) if such asset is an Attached Equity Security, such asset satisfies the Equity Purchase Restriction;

(16) is not an obligation that, by its terms, provides for a decrease in coupon payments over time, unless such obligation is a loan or debt security or a Synthetic Security the coupon payments on which are subject to decrease as a result of an objective improvement in the creditworthiness of the obligor thereof (or, as applicable, the related Reference Obligation or Reference Obligor);

(17) is not an obligation or a security of an issuer or obligor located in a country that on the date such obligation or security is acquired by the Issuer, imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such obligation or security;

(18) provides for payment of interest at least semi-annually (except with respect to a Zero Coupon Security);

(19) will not cause either of the Co-Issuers or the pool of Collateral to become an investment company required to be registered under the Investment Company Act;

(20) is an asset, the terms of which have been fully negotiated prior to the date of the Issuer's commitment to acquire such asset;

(21) is not an obligation whose repayment is subject to substantial non-credit related risk, as determined by the Collateral Manager in its commercially reasonable judgment, but in any event, is not a catastrophe bond;

(22) is not a U.S. Real Property Interest within the meaning of Section 897 ofthe Code;

(23) if such security is a Synthetic Security, then: (a) any Deliverable Asset that may be delivered in settlement of such Synthetic Security meets, at the time the Issuer acquires such Synthetic Security, this definition, (b) such Synthetic Security does not include any credit events other than "Failure to Pay'' and "Bankruptcy", (c)

each credit event is settled only through a physical delivery of a Deliverable Asset to the Issuer; (d) if a Reference Obligation is designated in the Synthetic Security, the applicable Reference Obligation has, in the judgment of the Collateral Manager, a Market Value greater than 80% of par (on the date on which the Issuer agrees to acquire or enter into the applicable Synthetic Security); (e) if a Reference Obligation is designated in the Synthetic Security and the Reference Obligation is a Senior Secured Loan, the Deliverable Asset must be a Senior Secured Loan, secured by a first priority security interest, which ranks at least pari passu with the Reference Obligation; (f) the "Deliverable Obligation Category" of the Deliverable Assets pursuant to such Synthetic Security does not include "Payment"; and (g) the "Deliverable Obligation Characteristics" of the Deliverable Assets pursuant to the applicable Synthetic Security includes "Not Subordinated";

(24) if the issuer of the security is a U.S. entity or is engaged in a U.S. trade or business (for U.S. federal income tax purposes), the security is either not an equity interest (other than a grantor trust interest in securities that would qualify under this subclause (24)) for U.S. federal income tax purposes or the issuer is a corporation for U.S. federal income tax purposes;

(25) if the security is a debt obligation for U.S. federal income tax purposes (or a grantor trust interest in debt obligations for U.S. federal income tax purposes), such debt obligations are issued after July 18, 1984 and the debt obligations (or, in the case of a grantor trust, such grantor trust interests) are in registered form for federal income tax purposes; and

(26) if acquired would not cause the Issuer to be engaged in a U.S. trade or business (for U.S. federal income tax purposes) or otherwise subject the Issuer to taxation.

A debt security which is exchanged for, or results from an amendment, modification or waiver of the terms of, a Collateral Debt Security, pursuant to an Offer shall be deemed to be delivered for all purposes of this Indenture (including the Reinvestment Criteria) as of the date of such exchange, amendment, modification or waiver.

"Collateral Management Agreement": The Collateral Management Agreement, dated as of January 22, 2008, between the Issuer and the Collateral Manager, as amended from time to time in accordance with the terms hereof and thereof.

"Collateral Management Fees": The Senior Collateral Management Fee, the Subordinated Collateral Management Fee and the Incentive Management Fee.

"Collateral Manager": GSC Investment Corp., a non-diversified closed end investment company that has elected to be treated as a business development company under the Investment Company Act incorporated in the State of Maryland, in its capacity as Collateral Manager under the Collateral Management Agreement until a successor Person shall become the Collateral Manager pursuant to the provisions of the Collateral Management Agreement, and thereafter "Collateral Manager" shall mean such successor Person.

"Collateral Manager Securities": Any Securities held by the Collateral Manager, an Affiliate of the Collateral Manager or any other entity as to which the Collateral Manager or an Affiliate has discretionary authority over the voting of such Securities; provided that "Collateral Manager Securities" shall not include Securities held by an entity for which the Collateral Manager or an Affiliate acts as external investment adviser, if the voting of such Securities with respect to the matter in question is in fact directed by a board of directors or similar governing body with a Majority of members that are independent from the Collateral Manager and its Affiliates.

"Collateral Quality Test Modification": The meaning specified in Section 8.1.

"Collateral Quality Tests": The Diversity Test, the Weighted Average Life Test, the Weighted Average Spread Test, the Weighted Average Coupon Test, the Weighted Average Rating Test, the Moody's Weighted Average Recovery Rate Test, the S&P Weighted Average Recovery Rate Test and the S&P CDO Monitor Test.

"Collection Account": The Note Financed Collection Account and the Subordinated Note Financed Collection Account.

"Company Announcements Office": The Company Announcements Office of the Irish Stock Exchange.

"Controlling Class": The Class A Notes, so long as any Class A Notes are Outstanding, then (after the Class A Notes are no longer Outstanding) the Class B Notes, so long as any Class B Notes are Outstanding, then (after the Class B Notes are no longer Outstanding) the Class C Notes, so long as any Class C Notes are Outstanding, then (after the Class C Notes are no longer Outstanding) the Class D Notes, so long as any Class D Notes are Outstanding, then (after the Class D Notes are no longer Outstanding) the Class E Notes, so long as any Class E Notes are Outstanding and then (after the Class E Notes are no longer Outstanding) the Subordinated Notes.

"Controlling Person": Any Person, other than a Benefit Plan Investor, exercising control over the assets of the entity or providing investment advice to the entity for a fee (direct or indirect) or any affiliate of such Person.

"Corporate Trust Office": The principal corporate trust office of the Trustee, currently located at 214 North Tryon Street, 26th Floor, Charlotte, North Carolina, 28202, Attention: CDO Trust Services — GSC Investment Corp. CLO 2007, Ltd. or such other address as the Trustee may designate from time to time by notice to the Noteholders, the Collateral Manager, the Custodian, the Collateral Administrator and the Co-Issuers or the principal corporate trust office of any successor Trustee.

"Coverage Test Modification": The meaning specified in Section 8.1.

"Coverage Tests": The Overcollateralization Ratio Tests and the Interest Coverage Ratio Tests.

"Credit Improved Objective Criteria": Criteria satisfied with respect to a Collateral Debt Security if the Collateral Manager, in its commercially reasonable judgment, believes such Collateral Debt Security has improved in credit quality or has improved financial prospects and:

(A) such Collateral Debt Security has been upgraded by at least one rating subcategory by Moody's or put on a watch list for possible upgrade by Moody's since the date it was acquired by the Issuer; or

(B) (x) in the case of a Bond Obligation, such Bond Obligation has changed in Market Value during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either 3% more positive, or 3% less negative, as the case may be, than the percentage change in the Merrill Lynch High Yield Index, Bloomberg ticker JOAO, Average Price Option, over the same period or (y) in the case of a Loan Obligation, such Loan Obligation has changed in Market Value during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either 0.50% more positive, or 0.50% less negative, as the case may be, than the percentage change in the average price of an Eligible Loan Index over the same period; or

(C) such Collateral Debt Security has experienced a decrease in credit spread (x) by 0.5% or more, in the event that the original credit spread was 4% or more, (y) by 0.375% or more, in the event that the original credit spread was 2% or more but less than 4% or (z) by 0.25% or more, in the event that the original credit spread was under 2%, in each case since the date on which such Collateral Debt Security was purchased by or on behalf of the Issuer.

"Credit Improved Obligation": Any Collateral Debt Security that, in the Collateral Manager's commercially reasonable judgment, has significantly improved in credit quality or has improved financial prospects or that meets the Credit Improved Objective Criteria.

"Credit Risk Objective Criteria": Any Collateral Debt Security that, in the Collateral Manager's commercially reasonable judgment, has a significant risk of declining in credit quality and, with lapse of time, becoming a Defaulted Obligation and:

(A) such Collateral Debt Security has been downgraded by at least one rating subcategory by Moody's or put on a watch list for possible downgrade by Moody's since the date it was acquired by the Issuer; or

(B) (X) in the case of a Bond Obligation, such Bond Obligation has changed in Market Value during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either 3% more negative, or 3% less positive, as the case may be, than the percentage change in the Merrill Lynch High Yield Index, Bloomberg ticker JOAO, Average Price Option, over the same period or (Y) in the case of a Loan Obligation, such Loan Obligation has changed in Market Value during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either 0.50% more negative, or 0.50% less positive, as the case may be, than the percentage change in the average price of an Eligible Loan Index over the same period; or

(C) such Collateral Debt Security has experienced an increase in credit spread (x) by 0.5% or more, in the event that the original credit spread was 4% or more, (y) by 0.375% or

more, in the event that the original credit spread was 2% or more but less than 4%, or (z) by 0.25% or more, in the event that the original credit spread was under 2%, in each case since the date on which such Collateral Debt Security was purchased by or on behalf of the Issuer; or

(D) such Collateral Debt Security is not current on scheduled Cash interest payments due to a deferral of interest provision.

"Credit Risk Obligation": Any Collateral Debt Security that, in the Collateral Manager's commercially reasonable judgment, has a significant risk of declining in credit quality and, with lapse of time, becoming a Defaulted Obligation or that meets the Credit Risk Objective Criteria.

"Current Pay Obligation": A Collateral Debt Security (other than a DIP Loan) that would otherwise be a Defaulted Obligation but as to which (i) no scheduled interest or principal payments (including previously deferred interest) are currently due and payable and unpaid, (ii) if the issuer of or obligor on such Collateral Debt Security is subject to a bankruptcy proceeding, a bankruptcy court has authorized the payment of interest due and payable on such Collateral Debt Security, (iii) has a Moody's Rating of at least "Caa2" (if rated by Moody's) (or, if Moody's has withdrawn its rating on such Collateral Debt Security, the Moody's Rating for such Collateral Debt Security shall have been at least "Caa2" prior to any such withdrawal) and (iv) the Market Value (determined pursuant to clause (a) or (b) of the definition of Market Value) of such Collateral Debt Security is at least 80% of par or, if such Collateral Debt Security's Moody's Rating is "Caa2", the Market Value (determined pursuant to clause (a) or (b) of the definition of Market Value) thereof is at least 85% of par.

"Current Portfolio": The portfolio (measured by principal balance) of Collateral Debt Securities, Principal Proceeds and Unused Proceeds held as Cash and Eligible Investments purchased with Principal Proceeds and Unused Proceeds, existing immediately prior to the maturation, sale or other disposition of a Collateral Debt Security or immediately prior to the acquisition of a Collateral Debt Security, as the case may be.

"Custodial Account": A custodial account in the United States at the Custodian, established in the name of the Trustee pursuant to Section 10.3(f).

"Custodian": The initial Securities Intermediary appointed pursuant to Section 6.15, and each other securities intermediary with which an Account is maintained, as the context may require. Any successor custodian shall be a Qualified Financial Institution having a combined capital and surplus of at least U.S.$200,000,000, shall be subject to supervision or examination by federal or state banking authority and shall have an office within the United States.

"Daily Official List": The list of securities or units admitted to listing on the Irish Stock Exchange which is published by the Irish Stock Exchange on a daily basis.

"Default": Any Event of Default or any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Defaulted Hedge Termination Payment": Any termination payment required to be made by the Issuer to a Hedge Counterparty pursuant to any Hedge Agreement in the event of a termination of such Hedge Agreement resulting from an "event of default" in respect of which

such Hedge Counterparty is the sole "defaulting party" or a "termination event" in respect of which such Hedge Counterparty is the sole "affected party" (each, as defined in the applicable Hedge Agreement).

"Defaulted Interest": Any scheduled interest due and payable in respect of any Class A Note or Class B Note or, if no Class A Notes or Class B Notes are Outstanding, in respect of any Class C Note or, if no Class A Notes, Class B Notes or Class C Notes are Outstanding, in respect of any Class D Note or, if no Class A Notes, Class B Notes, Class C Notes or Class D Notes are Outstanding, in respect of any Class E Note, including any interest on such interest (accrued at the applicable Note Interest Rate), that is not punctually paid or duly provided for on the applicable Payment Date or at the Stated Maturity of the applicable Note. For the avoidance of doubt, Class C Deferred Interest, Class D Deferred Interest or Class E Deferred Interest, as applicable, that is added to the Aggregate Outstanding Amount of the Class C Notes, the Class D Notes or the Class E Notes, as applicable, shall not constitute Defaulted Interest.

"Defaulted Obligation": Any Collateral Debt Security (including a Deliverable Asset) as to which any of the following have occurred:

(1) *Payment Default.* There has occurred and is continuing a payment default, without giving effect to any applicable waiver or grace period (provided, that a payment default of up to five days that in the Collateral Manager's commercially reasonable judgment, as certified in writing by the Collateral Manager to the Trustee, is due to non-credit related reasons shall not cause a security or obligation to be a Defaulted Obligation).

(2) *Other Default and Acceleration.* There is known to the Issuer or the Collateral Manager to exist a default (other than any payment default) and the holders thereof have accelerated the maturity of all or a portion of the principal amount of such obligation, but only until such default has been cured or waived and such security satisfies the criteria for inclusion of securities in the Collateral described in the definition of "Collateral Debt Security" or "Eligible Investment," as applicable.

(3) *Bankruptcy and Certain Distressed Exchanges.* Any bankruptcy, insolvency or receivership proceeding has been initiated by or against the issuer or obligor of such security or obligation and is unstayed and undismissed or there has been effected any distressed exchange or other debt restructuring where the issuer or obligor of such security or obligation offered the debt holders a new security or package of securities that in the Collateral Manager's commercially reasonable judgment either amounts to a diminished financial obligation or has the purpose of helping the issuer or obligor to avoid default.

(4) *Cross Default.* The Collateral Manager has actual knowledge that the obligor thereof is in default (without giving effect to any applicable grace period or waiver) as to payment of principal and/or interest on any other obligation of such obligor that is senior to or pari passu with the Collateral Debt Security in right of payment (and such default has not been cured) and at least one of the following conditions is satisfied: (i) both such other obligation and the Collateral Debt Security are full recourse unsecured obligations or (ii) the security interest securing the other obligation is senior to or pari passu with the security interest securing the Collateral Debt Security; provided, however, that a Collateral Debt Security shall not constitute a

Defaulted Security under this clause (4) if it is a Current Pay Obligation or DIP Loan unless the other obligation in default as described above in this clause (4) became defaulted after the date on which such Current Pay Obligation or DIP Loan was acquired, or, if later, the date on which it satisfied the definition of Current Pay Obligation or DIP Loan, as applicable.

(5) *Default Rating.* It has a Moody's Rating of"D" or had a rating of"D" prior to the rating having been withdrawn or has an S&P Rating of "D" or "SD" or had a rating of "D" or "SD" prior to the rating having been withdrawn.

(6) *Structured Finance Security Default Rating.* It is a Structured Finance Security and has a Moody's Rating of "Ca" or lower or an S&P Rating of "CC" or lower, or with respect to which the issuer rating of "Ca" or lower by Moody's or any issuer rating by S&P has been subsequently withdrawn by Moody's or S&P, as applicable, and has not been reinstated as of the date of determination.

(7) *Defaulted Partial PIK Security.* A Partial PIK Security if the portion of interest that is required to be paid in Cash thereon has not been paid in full when due.

(8) *Defaulted Synthetic Security.* It is a Synthetic Security:

(A) referencing a Reference Obligation that would, if such Reference Obligation were a Collateral Debt Security, constitute a "Defaulted Obligation" under this definition; or

(B) with respect to which the Synthetic Security Counterparty has defaulted in the performance of any of its payment obligations under the Synthetic Security or has an S&P Rating of "D" or "SD."

(9) *Defaulted Participation.* It is a Participation in a loan or security:

(1) that would, if such loan or security were a Collateral Debt Security owned directly by the Issuer, constitute a "Defaulted Obligation" under this definition; or

(2) with respect to which the Selling Institution has defaulted in the performance of any of its payment obligations under the related participation agreement or has an S&P Rating of "D" or "SD."

Notwithstanding the foregoing, a Collateral Debt Security will not constitute a "Defaulted Obligation" under the following circumstances:

(A) *Qualifying Collateral Debt Security Acquired in Distressed Exchange or as Deliverable Asset.* A security or obligation will not constitute a "Defaulted Obligation" under clause (3) or (4) of the definition thereofif(i) it has been acquired in a distressed exchange or other debt restructuring (including an Exchanged Defaulted Obligation) or is a Deliverable Asset and the most recent interest payment and any scheduled principal payment due on such date thereon has been paid and such security or obligation otherwise meets the definition of "Collateral Debt Security", (ii) in the case of a Deliverable Asset, it would have satisfied the definition of "Collateral Debt Security" if it had been acquired on such date other than in connection with a Synthetic Security (and, if multiple securities are received in exchange for a

Collateral Debt Security, each security so received shall be considered individually in determining whether such security meets the definition of "Collateral Debt Security") and (iii) it is not a "Defaulted Obligation" under any clause other than clause (3) or (4) ofthe definition thereof; provided further that a security or obligation excepted from the definition of "Defaulted Obligation" pursuant to this clause (A) may become a Defaulted Obligation if the circumstances described under clause (3) or (4) occur with respect to such security or obligation on a subsequent occasion.

(B) *Current Pay Obligations and DIP Loans*. Neither a Current Pay Obligation nor a DIP Loan will constitute a "Defaulted Obligation" under clause (3) or (4) ofthe definition thereof; provided that the aggregate principal amount of Current Pay Obligations so excluded from this definition is not in excess of7.5% ofthe CDS Principal Balance.

Notwithstanding the foregoing, the Collateral Manager may designate any Collateral Debt Security as a Defaulted Obligation if, in the Collateral Manager's commercially reasonable judgment (which judgment shall not be questioned as a result of subsequent events), the credit quality of the issuer or obligor (or, in the case of a Synthetic Security, the Synthetic Security Counterparty or the Reference Obligor) of such Collateral Debt Security has significantly deteriorated such that there is a reasonable expectation of payment default as of the next scheduled distribution date with respect to such Collateral Debt Security.

"Defaulted Synthetic Security Termination Payment": Any termination payment required to be made by the Issuer to a Synthetic Security Counterparty pursuant to any Synthetic Security (and calculated as set forth in such Synthetic Security) as a result of an "event of default" or "termination event" as to which the Synthetic Security Counterparty is the sole "defaulting party" or the sole "affected party" (each, as defined in the applicable Synthetic Security).

"Deferred Interest": Class C Deferred Interest, Class D Deferred Interest and/or Class E Deferred Interest, as applicable.

"Deferred Interest Obligation": Any PIK Security (other than a Defaulted Obligation) that is currently deferring interest or paying interest in kind and has been deferring interest or paying interest in kind for the lesser of twelve full calendar months or two consecutive payment dates with respect to the full amount of any regularly scheduled interest payment on such security.

"Delayed-Draw Loan": A Loan with respect to which the Issuer may be obligated to make or otherwise fund future term-loan advances to a borrower. Except as provided to the contrary herein or as the context requires otherwise, the principal balance of a Delayed-Draw Loan shall be deemed to include amounts on deposit in the Loan Funding Account in respect of the unfunded portion thereof. For avoidance of doubt, a Collateral Debt Security no longer shall constitute a Delayed-Draw Loan after the Issuer's commitment to make future advances thereunder has been reduced to zero.

"Deliver" or "Delivered" or "Delivery": The taking of the following steps:

(i) in the case of each Certificated Security or Instrument (other than a Clearing Corporation Security, Euroclear Security or Clearstream Security or an Instrument referred to in clause (vii) below), (A) causing the delivery of such Certificated Security or Instrument to the Custodian registered in the name of the Custodian or its affiliated nominee or endorsed, by an effective endorsement, to the Custodian or in blank, (B) causing the Custodian to identify continuously

on its books and records that such Certificated Security or Instrument is credited to the relevant Account and (C) causing the Custodian to maintain continuous possession of such Certificated Security or Instrument;

(ii) in the case of each Uncertificated Security (other than a Clearing Corporation Security, Euroclear Security or Clearstream Security), (A) causing such Uncertificated Security to be continuously registered on the books of the issuer thereof to the Custodian and (B) causing the Custodian to identify continuously on its books and records that such Uncertificated Security is credited to the relevant Account;

(iii) in the case of each Clearing Corporation Security, causing (A) the relevant Clearing Corporation to credit such Clearing Corporation Security to a securities account of the Custodian at such Clearing Corporation, (B) the Custodian to identify continuously on its books and records that such Clearing Corporation Security is credited to the relevant Account, and (C) such Clearing Corporation Security to be (1) continuously registered to the Clearing Corporation or its nominee and (in the case of a Clearing Corporation Security that is a Certificated Security) continuously maintained in the possession of such Clearing Corporation and (2) continuously credited by such Clearing Corporation to the securities account of the Custodian;

(iv) in the case of each Euroclear Security and Clearstream Security, causing (A) Euroclear or Clearstream, as the case may be, to credit such Euroclear Security or Clearstream Security to the Custodian's client securities account at Euroclear or Clearstream, as the case may be, (B) the Custodian to identify continuously on its books and records that such Euroclear Security or Clearstream Security is credited to the relevant Account, and (C) such Euroclear Security or Clearstream Security to be (1) continuously registered to Euroclear or Clearstream, as the case may be, and (2) continuously identified on the books and records of Euroclear or Clearstream, as the case may be, as credited to the securities account of the Custodian;

(v) in the case of each Government Security, causing (A) the crediting of such Government Security to a securities account of the Custodian at a Federal Reserve Bank, (B) the Custodian to identify continuously on its books and records that such Government Security is credited to the relevant Account, and (C) the continuous crediting of such Government Security to one or more book-entry accounts for the Custodian at such Federal Reserve Bank;

(vi) in the case of each financial asset (as defined in Section 8-102(a)(9) ofthe UCC) not covered by the foregoing clauses (i) through (v), causing the transfer of such financial asset to the Custodian in accordance with applicable law and regulation and causing the Custodian to credit such financial asset to the relevant Account;

(vii) in the case of each bank loan, Participation or subparticipation, (A) if such bank loan, Participation or subparticipation, as applicable, is evidenced by an instrument or certificated security by complying with clause (i) above or (B) if such bank loan, Participation or

subparticipation, as applicable, is not evidenced by an instrument or certificated security by (x) causing the Issuer or the Trustee to become and remain the registered owner thereof and (y) complying with Section 7.5 relating to Financing Statements;

(viii) in the case of any other general intangible, by complying with Section 7.5 with respect to Financing Statements and obtaining any necessary consents to the security interest of the Trustee therein (such consent shall not be necessary with respect to those general intangibles that are "payment intangibles" to the extent that any anti-assignment clause is rendered ineffective under the UCC); and

(ix) in the case of any Account or Eligible Investment which constitutes a "deposit account" (as defined in Section 9-102(a)(29) of the UCC) by causing the bank maintaining such deposit account to agree in writing that it shall comply with all instructions originated by the Trustee and directing the disposition of funds in such deposit account without further consent of the Issuer.

"Deliverable Asset": An asset that is delivered to the Issuer upon the occurrence of a "credit event" or other event resulting in physical delivery of a security or obligation under a Synthetic Security.

"Deposit": Any Cash or Money deposited with the Trustee by the Issuer on the Closing Date for inclusion as Collateral and deposited by the Trustee in the Collection Account on the Closing Date.

"Depository": The Depository Trust Company, its nominees, and their respective successors.

"Designated Maturity": The meaning specified in Schedule C attached hereto.

"Determination Date": The last day of each Due Period.

"DIP Loan": Any interest in a loan or financing facility with a Moody's Rating and an S&P Rating that is acquired directly by way of assignment (i) which is an obligation of a debtor in-possession as described in §1107 of the Bankruptcy Code or a trustee (if appointment of such trustee has been ordered pursuant to § 1104 of the Bankruptcy Code) (a "Debtor") organized under the laws of the United States or any State therein, (ii) which is paying interest in Cash on a current basis; (iii) the terms of which have been approved by an order of the United States Bankruptcy Court, the United States District Court, or any other court of competent jurisdiction, the enforceability of which order is not subject to any pending contested matter or proceeding (as such terms are defined in the Federal Rules of Bankruptcy Procedure) and which order provides that: (a) such Loan is secured by liens on the Debtor's otherwise unencumbered assets pursuant to§ 364(c)(2) of the Bankruptcy Code; or (b) such Loan is secured by liens of equal or senior priority on property of the Debtor's estate that is otherwise subject to a lien pursuant to § 364(d) of the Bankruptcy Code; and (iv) unless the Issuer obtains confirmation from each of the Rating Agencies that the acquisition of such Loan would not result in a qualification, downgrade or withdrawal of its then current rating of any of the Notes, such Collateral Debt Security has (x) a rating from Moody's of at least "Caa1" and (y) an S&P Rating of at least "CCC" (which rating shall have been confirmed by S&P since the most recent filing of any petition or material

proceeding in bankruptcy). The Issuer shall notify each Rating Agency in writing of any amendment to any DIP Loan promptly upon receipt by the Issuer of notice thereof.

"Discount-Adjusted Spread": With respect to any Purchased Discount Asset (excluding any Defaulted Obligation, any PIK Security and any Partial PIK Security to the extent of any capitalized interest thereon, and the unfunded portion of any Revolving Credit Facility or Delayed-Draw Loan), the lesser of (a) the

number obtained by dividing the Effective Spread of each Purchased Discount Asset by its purchase price (expressed as a percentage of the par value of such Purchased Discount Asset) and (b) the Effective Spread of such Purchased Discount Asset plus 0.50%.

"Discount Amount": An amount equal to the sum of the product (for each Discount Asset and each Purchased Discount Asset (without duplication)) of (A) the principal balance of such Collateral Debt Security as of such date and (B) one minus the purchase price (expressed as a percentage of par) at which such Collateral Debt Security was acquired by the Issuer; provided that a Collateral Debt Security shall only be included in one of the definitions of "Excess Triple C Amount" or "Discount Amount," which shall be the applicable definition that results in the greatest sum of Excess Triple C Amount and Discount Amount.

"Discount Asset": Any Collateral Debt Security (excluding any Current Pay Obligation, Defaulted Obligation, Zero Coupon Security or Step-Up Coupon Security), that is:

(i) in the case of a Loan Obligation (A) if such Loan Obligation has a Moody's rating of less than "B3" or a Moody's rating of "B3" on credit watch for downgrade, such Loan is acquired by the Issuer at a purchase price which is less than 85% of its principal balance or (B) if such Loan Obligation has a Moody's Rating of at least "B3" (and not on credit watch for downgrade), such Loan is acquired by the Issuer at a purchase price which is less than 80% of its principal balance, in each case, until such time as the Market Value of such Loan Obligation exceeds 90% of its principal balance for 30 consecutive days; or

(ii) in the case of a Bond Obligation or Structured Finance Security (A) if such Collateral Debt Security has a Moody's rating of less than "B3" or a Moody's rating of "B3" on credit watch for downgrade, such Bond Obligation or Structured Finance Security is acquired by the Issuer at a purchase price which is less than 80% of its principal balance or (B) if such Bond Obligation or Structured Finance Security has a Moody's Rating of at least "B3" (and not on credit watch for downgrade), such Bond Obligation or Structured Finance Security is acquired by the Issuer at a purchase price which is less than 75% of its principal balance, in each case, until such time as the Market Value of such Bond Obligation or Structured Finance Security exceeds 85% of its principal balance for 30 consecutive days and 60 consecutive days, respectively.

"Distribution": Any payment of principal or interest or any dividend or premium payment made on, or any other distribution in respect of, a security or loan. For the avoidance of doubt, any Collateral Debt Securities and/or Equity Securities received in connection with an Offer or distressed (or other) exchange shall not constitute a Distribution.

"Diversity Score": A single number that indicates Collateral Debt Security concentration in terms ofboth issuer and industry concentration. The Diversity Score for the Collateral Debt

Securities (other than Collateral Debt Securities that are collateralized loan obligations backed primarily by high-yield Loans) is calculated by summing each of the Industry Diversity Scores, which are calculated as follows:

(i) An "Average Par Amount" is calculated by summing the Issuer Par Amounts and dividing such amount by the sum of the number of issuers of and obligors on Collateral Debt Securities (other than the issuers of or obligors on Defaulted Obligations and obligations described in clauses (iii) and (iv) of the proviso to the definition of "Diversity Score"); provided, that all Affiliated issuers or obligors shall be considered to be one issuer or one obligor, as the case maybe.

(ii) An "Issuer Par Amount" is calculated for each issuer or obligor of Collateral Debt Securities (other than issuers of and obligors on Defaulted Obligations) by summing the principal balances of all Collateral Debt Securities in the Collateral issued by such issuer or such obligor (excluding, in the case of PIK Securities, the portion of such principal balance constituting deferred or capitalized interest); provided, that in calculating the Issuer Par Amount for each issuer or obligor, Affiliated issuers or obligors shall be considered to be a single issuer or obligor to the extent provided in the definition of "Average Par Amount."

(iii) An "Equivalent Unit Score" is calculated for each issuer or obligor of Collateral Debt Securities (other than the issuers of and obligors on Defaulted Obligations) as the lesser of (A) one and (B) the Issuer Par Amount for such issuer or obligor divided by the Average Par Amount.

(iv) An "Aggregate Industry Equivalent Unit Score" is then calculated for each of the Moody's Industry Classification Group listed on Schedule B-1 hereto, by summing the Equivalent Unit Scores for each issuer (other than the issuers of and obligors on Defaulted Obligations) in such Moody's Industry Classification Group.

(v) An "Industry Diversity Score" is then established by reference to the Diversity Score Table set forth in Schedule D hereto for the related Aggregate Industry Equivalent Unit Score; provided, that if the Aggregate Industry Equivalent Unit Score falls between any two such scores shown in the Diversity Score Table, then the Industry Diversity Score shall be the lower of the two Industry Diversity Scores in the Diversity Score Table.

For purposes of calculating the Diversity Score, (i) a Synthetic Security shall be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and not of the Synthetic Security), and the issuer of such related Reference Obligation shall be deemed to be the related Reference Obligor, (ii) all Affiliates of an obligor shall be treated as a single obligor together with such obligor, except as otherwise specified by Moody's on a case by case basis, (iii) any Collateral Debt Security that is an obligation issued in connection with a collateralized loan obligation transaction shall be disregarded and (iv) any Synthetic Security constituting a leveraged index synthetic shall be disregarded.

In the event Moody's modifies the Moody's Industry Classification Groups, the Collateral Manager may elect to have each Collateral Debt Security reallocated among such modified Moody's Industry Classification Groups for purposes of determining the Industry

Diversity Score and the Diversity Score; provided, that (i) the Collateral Manager shall have provided written notice of such election to Moody's and (ii) Rating Agency Confirmation has been obtained from Moody's with respect to such reallocation.

"Diversity Test": A test that is satisfied if, as of the Effective Date and any subsequent Measurement Date, the Diversity Score (rounded to the nearest whole number) equals or exceeds 45.

"Dollar" or "U.S.$": A dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for all debts, public and private.

"Downgrade Event": As of the applicable Measurement Date, that Moody's has (A) withdrawn its rating on any of the Notes (unless such rating has been subsequently restored); (B) reduced its rating on the Class A Notes or the Class B Notes at least one subcategory below the initial rating as in effect on the Closing Date (unless such rating has been subsequently upgraded back to such initial rating); or (C) reduced its rating on the Class C Notes, the Class D Notes and/or the Class E Notes at least two subcategories below the initial rating as in effect on the Closing Date (unless such rating has been subsequently upgraded to a level that is no more than one subcategory below such initial rating); provided, that at least a Majority of the Controlling Class have not voted to suspend the application of the Downgrade Event (during which suspension no Downgrade Event shall be deemed to have occurred), which vote must be repeated if the rating of any such Class of Notes is subsequently further reduced or withdrawn by Moody's.

"Due Date": Each date on which a Distribution is due on a Pledged Security.

"Due Period": With respect to any Payment Date, the period commencing on (and including) the day immediately following the seventh Business Day prior to the preceding Payment Date (or commencing on (and including) the Closing Date, in the case ofthe Due Period relating to the first Payment Date), and ending on (and including) the seventh Business Day prior to such current Payment Date (or ending on (and including) the day preceding such current Payment Date, in the case of a Due Period that is applicable to the Payment Date relating to the Stated Maturity of any Note).

"Effective Date": The date determined in accordance with Section 3.4(a)(iii).

"Effective Date Par Amount": U.S.$400,894,000.

"Effective Date Ratings Downgrade": The meaning specified in Section 7.14(a).

"Effective Spread": With respect to any Floating Rate Collateral Debt Security, the current per annum rate at which it pays interest in excess of LIBOR or, if such Floating Rate Collateral Debt Security bears interest based on a floating rate index other than LIBOR, the Effective Spread will be the then-current base rate applicable to such Floating Rate Collateral Debt Security plus the rate at which such Floating Rate Collateral Debt Security pays interest in excess of such base rate minus three-month LIBOR; provided, that the Effective Spread for any Revolving Credit Facility or Delayed-Draw Loan for which an amount is deposited to the Loan Funding Account in respect of the unfunded portion of such loan, shall be the sum of (i) any

commitment fee paid in respect of such Revolving Credit Facility or Delayed-Draw Loan during the related Due Period expressed as a per annum rate, multiplied by a ratio with a numerator equal to the unfunded amount and a denominator equal to the principal balance of such Delayed Draw Loan or Revolving Credit Facility and (ii) the per annum rate payable in respect of any funded amount in excess of the per annum rate implied by the current three-month LIBOR multiplied by a ratio with a numerator equal to the funded amount and a denominator equal to principal balance of such Delayed-Draw Loan or Revolving Credit Facility; provided, further, that the Effective Spread for any Synthetic Letter of Credit with respect to which the applicable Notes Paying Agent and/or Subordinated Note Paying Agent is not withholding from amounts payable to the Issuer any amount in respect of taxes shall be the Effective Spread as would otherwise be calculated under this definition multiplied by 70.0%.

"EI Minimum Long-Term Rating": A credit rating of "Aa2" by Moody's (or, in the case of a money market fund, a Moody's mutual fund market risk rating of at least "MR1+"and a long term rating of "Aaa" by Moody's; or, in the case of a money market fund that is registered as a 2a-7 fund under the Investment Company Act of 1940, a long term rating of "Aaa" by Moody's) and "AA-" by S&P (or, in the case of a money market fund, "AAAm" or ''AAAm-G'').

"EI Minimum Short-Term Rating": A credit rating of "P-1" by Moody's and "A-1+"by S&P or if the related Eligible Investment matures by the earlier of 60th day after acquisition and the next Payment Date, "A-1" by S&P.

"Eligible Investments": Any Dollar denominated investment that, at the time it is Delivered to the Trustee (directly or through the Securities Intermediary or bailee), is one or more of the following obligations or securities, including, without limitation, any Eligible Investments for which the Trustee or an Affiliate of the Trustee or the Custodian or an Affiliate of the Custodian provides services or receives a fee as sponsor, administrative agent or in any similar capacity:

(i) direct Registered obligations of, and Registered obligations the timely payment of principal of and interest on which is fully and expressly guaranteed by, the United States of America or any agency or instrumentality of the United States of America or is expressly backed by the full faith and credit of the United States of America;

(ii) demand and time deposits in, certificates of deposit of, bankers' acceptances issued by, or federal funds sold by any depository institution or trust company incorporated under the laws of the United States of America (including U.S. Bank) or any state thereof and subject to supervision and examination by federal and/or state banking authorities so long as the commercial paper or debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating not less than (A) the EI Minimum Short-Term Rating, in the case of commercial paper and short-term obligations or (B) the EI Minimum Long-Term Rating, in the case of long-term obligations; provided, that in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days,

the issuer thereof must also have at the time of such investment a long-term credit rating of not less than the EI Minimum Long-Term Rating;

(iii) unleveraged repurchase obligations with respect to (a) any security described in clause (i) or (b) any other security issued or guaranteed by an agency or instrumentality of the United States of America, in either case entered into with a depository institution or trust company (acting as principal) described in clause (ii) or entered into with a corporation (acting as principal) whose obligations are rated not less than (A) the EI Minimum Short-Term Rating, in the case of commercial paper and short-term obligations or (B) the EI Minimum Long-Term Rating, in the case of long-term obligations; provided, that in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than the EI Minimum Long-Term Rating;

(iv) Registered debt securities (other than mortgage-backed securities) bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any state thereof that have a credit rating not less than the EI Minimum Long Term Rating at the time of such investment or contractual commitment providing for such investment;

(v) commercial paper or other short-term obligations having at the time of such investment a credit rating of not less than the EI Minimum Short-Term Rating, and that are Registered and either are bearing interest or are sold at a discount from the face amount thereof and have a maturity of not more than 183 days from their date of issuance; provided, that if such commercial paper or short-term debt obligations have a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than the EI Minimum Long-Term Rating;

(vi) a Reinvestment Agreement issued by any bank (if treated as a deposit by such bank), or a Registered Reinvestment Agreement issued by any insurance company or other corporation or entity (if treated as indebtedness for United States federal income tax purposes), in each case that has a credit rating of not less than the EI Minimum Short-Term Rating; provided, that if such agreement has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than the EI Minimum Long-Term Rating; provided, further, that the Issuer may invest in Reinvestment Agreements only if (x) Rating Agency Confirmation is received from Standard & Poor's with regard to such investment and (y) upon the liquidation thereof or otherwise the Issuer shall receive no less than the par value of such investment;

(vii) money market funds the investments of which are limited to any investments described in clauses (i) through (vi) (without regard to any limitations therein relating to maturity, rating, jurisdictions in which issuers are organized or to whose laws or regulations issuers are subject or whether a security or obligation is Registered, except that in the case of a money market fund organized in the United States, all of its investments must be registered in securities issued by the government of the United States or any agency or instrumentality thereof and dividends must be "interest related dividends" within the meaning of Code section 871(k)) and which funds have, at all times, a credit rating of not less than the EI Minimum Long-Term

Rating (including any such funds in which the Trustee or any of its Affiliates, or the Custodian or any of its Affiliates, is collateral manager or investment adviser)

(viii) solely prior to the Effective Date and solely with respect to Unused Proceeds, Registered debt securities issued or fully guaranteed as to the timely payment of principal and interest by the government of the United States or any agency or instrumentality thereof; provided, that the long-term debt of such agency or instrumentality is rated "Aaa" by Moody's or "AAA" by S&P;

and, in each case, with a Stated Maturity or right of withdrawal (giving effect to any applicable grace period) no later than the Business Day immediately preceding the Payment Date immediately following the Due Period in which the date of investment occurs; provided, that Eligible Investments shall not include any interest-only security, any mortgage-backed security, any security purchased at a price in excess of 100% of par, any security subject to an Offer, any security whose rating by S&P includes an "f," "r," "t," "p," "pi" or "q" subscript (unless Rating Agency Confirmation has been received with respect to the acquisition of such security) or any security whose repayment is subject to substantial non-credit related risk as determined in good faith by the Collateral Manager; and provided, further, that the payments in respect of the investment will not be subject to withholding tax unless the issuer or obligor (and guarantor, if any) thereof is required to make "gross-up" payments that cover the full amount of any such withholding tax on an after tax basis.

"Eligible Loan Index": With respect to each Collateral Debt Security that is a Loan Obligation, one of the following indices: the CSFB Leveraged Loan Indices (formerly D.J. Leveraged Loan Index Plus), the Deutsche Bank Leveraged Loan Index, the Goldman Sachs / Loan Pricing Corporation Liquid Leveraged Loan Index, the Bane of America Securities Leveraged Loan Index, the S&P / LSTA Leveraged Loan Indices or any other loan index as reasonably determined by the Collateral Manager.

"Enhanced Bond": A Collateral Debt Security created by combining one or more Zero Coupon Securities or Step-Up Coupon Securities (the "principal asset") with one or more contracts or securities to create or enhance quarterly or semi-annual cash payments (the "interest asset"); provided, however, that:

(A) (i) in the case of an interest asset consisting of a security, the issuer thereof must be rated (x) at the time of purchase at least "A2" by Moody's and (y) at all other times at least "A3" by Moody's and at least "A" by S&P, (ii) in the case of an interest asset consisting of a contract, Rating Agency Confirmation has been received with respect to the purchase thereof or (iii) the obligation of the issuer or counterparty of such interest asset must be fully collateralized in accordance with the applicable security or contract or unwound; and

(B) the coupon created by the cash payments payable on the interest asset shall be equal to or greater than the market coupon for assets with ratings equivalent to the rating of the principal asset, as determined in the reasonable discretion of the Collateral Manager.

All quarterly or semi-annual cash payments made with respect to Enhanced Bonds excluding principal paid on the underlying principal asset will be deemed Interest Proceeds. For the purpose of the definition of "Collateral Debt Security," Enhanced Bonds will not be deemed Zero Coupon Securities or Step-Up Coupon Securities, and the principal assets, but not the interest assets, will be included in the principal amount of the Collateral Debt Securities. Upon the sale of the principal asset component of an Enhanced Bond, the interest asset component must also be sold or unwound within five Business Days of such sale. If the interest asset component of an Enhanced Bond (or relevant portion thereof) is sold or unwound, the principal asset component will no longer be treated as an Enhanced Bond, but instead shall be treated as a Zero Coupon Security or Step-Up Coupon Security, as applicable. For purposes of the Diversity Test and the Weighted Average Rating Test, an Enhanced Bond will be included as a Collateral Debt Security having the relevant characteristics of the principal asset component and not of the interest asset component. Any such contracts that apply to more than one bond will provide for partial termination upon the sale of any such bond.

"Entitlement Holder": The meaning specified in Section 8-102(a)(7) of the UCC.

"Equity Purchase Restriction": With respect to the purchase of any Attached Equity Security, a restriction on the purchase of such Collateral Debt Security that is satisfied if the equity component (including any warrants, equity option or conversion feature value, as applicable) is equal to or less than 2% of the total purchase price of such Collateral Debt Security as determined in the sole discretion of the Collateral Manager.

"Equity Security": Any equity security or other security or obligation that is not, as of the date of its acquisition (or commitment by the Issuer to acquire such asset), eligible for purchase on its own by the Issuer as a Collateral Debt Security (including, without limitation, any equity security or other security or

obligation received by the Issuer pursuant to a distressed exchange or other debt restructuring by an issuer of a Defaulted Obligation not constituting a Collateral Debt Security), including a security or obligation that has been purchased by the Issuer but is subsequently determined by the Collateral Manager in its commercially reasonable judgment, not to have been a Collateral Debt Security at the time of purchase thereof. For the avoidance of doubt, once the equity component of an Attached Equity Security may be sold separately from the related debt instrument then such equity component shall become an Equity Security and, before that time, an Attached Equity Security is not an Equity Security. If the issuer of the equity security is a U.S. entity (or is engaged in a U.S. trade or business for U.S. federal income tax purposes), the issuer must be a corporation for U.S. federal income tax purposes in order for such equity security to be eligible for purchase by the Issuer.

"ERISA": The United States Employee Retirement Income Security Act of 1974, as amended from time to time (or any corresponding provisions of succeeding law).

"ERISA Plans": "Employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, and any entity whose underlying assets include the assets of any such plan.

"Euroclear": Euroclear Bank S.A./N.V., as operator of the Euroclear system, and any successor or successors thereto.

"Euroclear Security": A "security'' (as defined in Section 8-102(a)(15) of the UCC) that (i) is a debt or equity security and (ii) is (or a Security Entitlement in respect thereto is) capable of being transferred to the Custodian's account at Euroclear pursuant to Section 3.3(b) and the definition of "Deliver," whether or not such transfer has occurred.

"Event of Default": The meaning specified in Section 5.1.

"Excel Default Model Input File": An electronic spreadsheet file to be provided to S&P, which file shall include (subject to the Issuer's ability to obtain such information from the Trustee), the cash balances in the Accounts as of the last day of the most recently concluded Due Period and the following information (to the extent such information is not confidential) with respect to each Collateral Debt Security (or for Synthetic Securities with respect to related Reference Obligations) and, with respect to clause (1), the Accounts: (a) the name and country of organization of the issuer thereof and the particular issue held by the Issuer, (b) the CUSIP or other applicable identification number associated with such Collateral Debt Security, if available (c) the par value of such Collateral Debt Security, (d) the type of issue (including, by way of example, whether such Collateral Debt Security is a bond or loan), using such abbreviations as may be selected by the Trustee, (e) a description of the index or other applicable benchmark upon which the interest payable on such Collateral Debt Security is based (including, by way of example, fixed rate, step-up rate, zero coupon and LIBOR), (f) the coupon (in the case of a Collateral Debt Security which bears interest at a fixed rate) or the spread over the applicable index (in the case of a Collateral Debt Security which bears interest at a floating rate), (g) the S&P Industry Classification Group for such Collateral Debt Security, (h) the stated maturity date of such Collateral Debt Security, (i) the S&P rating of such Collateral Debt Security or the issuer thereof, as applicable, (j) the priority category assigned by S&P to such Collateral Debt Security, if available, (k) whether such Collateral Debt Security is a Cov-Lite Loan (as defined in Scheduled E hereto) and (1) such other information as the Trustee may determine to include in such file.

"Excepted Property": (i) The account maintained by the Administrator on behalf of the Issuer in the Cayman Islands for the deposit of the proceeds of the paid up share capital of the Issuer's ordinary shares and amounts on deposit therein; (ii) the Subordinated Note Distribution Account and the amounts on deposit therein from time to time; (iii) Eligible Investments purchased with funds on deposit in the Subordinated Note Distribution Account and financial assets and investment properties credited thereto and income from the investment of funds therein, including any part thereof which consists of general intangibles or investment properties (each, as defined in the UCC) relating thereto; (iv) all transaction fees received by the Issuer in respect of the issue of the Securities; and (v) the paid up share capital of the Co-Issuer from the issue of its common stock together with, in each case, interest and income thereon and the proceeds thereof

"Excess Triple C Amount": With respect to any Measurement Date and with respect to each Triple C Obligation held by the Issuer on such Measurement Date, an amount equal to the excess, if any, of (I) the aggregate principal balance thereof over (II) the Market Value thereof; provided that a Collateral Debt Security shall only be included in one of the definitions of "Excess Triple C Amount" or "Discount Amount," which shall be the applicable definition that results in the greatest sum of Excess Triple C Amount and Discount Amount.

For purposes of calculating the Excess Triple C Amount, the principal balance of a Triple C Obligation that is a PIK Security or Partial PIK Security shall exclude any portion of such principal balance consisting of deferred or capitalized interest.

"Exchange Act": The United States Securities Exchange Act of 1934, as amended from time to time (or any corresponding provisions of succeeding law).

"Exchanged Defaulted Obligation": The meaning specified in Section 12.2(m).

"Exchanged Equity Security": Any Equity Security received in exchange for or in connection with a Collateral Debt Security pursuant to an Offer or in connection with a distressed exchange or other restructuring.

"Exchanged Margin Security": Any Exchanged Equity Security constituting Margin Stock.

"Expense Reserve Account": The trust account established pursuant to Section 10.3(e).

"Financing Statements": Financing statements relating to the Collateral naming the Issuer as debtor and the Trustee as secured party.

"Fixed Rate Collateral Debt Securities": Collateral Debt Securities (other than Defaulted Obligations) that bear interest at a fixed rate (and shall include Zero Coupon Securities and Step Up Coupon Securities that do not currently bear interest).

"Fixed Rate Excess": As of any Measurement Date, a fraction (expressed as a percentage) the numerator of which is the product of(i) the greater of zero and the excess of the Weighted Average Coupon for such Measurement Date over the minimum percentage necessary to pass the Weighted Average Coupon Test on such Measurement Date and (ii) the aggregate principal amount of all Fixed Rate Collateral Debt Securities held by the Issuer as of such Measurement Date,

and the denominator of which is the aggregate principal amount of all Floating Rate Collateral Debt Securities held by the Issuer as of such Measurement Date. In computing the Fixed Rate Excess on any Measurement Date, the Weighted Average Coupon for the Measurement Date will be computed as if the Spread Excess were equal to zero.

"Floating Amounts": The Class A Interest Amount, the Class B Interest Amount, the Class C Interest Amount, the Class D Interest Amount and the Class E Interest Amount.

"Floating Rate Collateral Debt Securities": Collateral Debt Securities (other than Defaulted Obligations) that bear interest at a floating rate.

"Floating Rates": The Class A Interest Rate, the Class B Interest Rate, the Class C Interest Rate, the Class D Interest Rate and the Class E Interest Rate.

"Form-Approved Synthetic Security": A Synthetic Security:

(i) the documentation of which conforms (but for the amount and timing of periodic payments, the name of the Reference Obligation, the notional amount, the

effective date, the termination date and other similarly necessary changes) to a form in respect of which a Rating Agency Confirmation was previously obtained for use in this transaction (which form provides, or provides a methodology for determining, the S&P Rating, the Moody's Rating, the Standard & Poor's Recovery Rate and the Moody's Recovery Rate with respect to Synthetic Securities entered into thereunder); and

(ii) for which the Issuer has provided Moody's and S&P notice of the purchase of such Synthetic Security no less than five Business Days after such purchase;

provided, that Moody's or S&P may revoke its consent to a Form Approved Synthetic Security, effective with respect to Synthetic Securities thereafter acquired or entered into (except in respect of trades executed but not settled) upon receipt of notice by the Issuer, who shall provide notice of such revocation to the Trustee.

"Forward Sale Agreement": The forward sale agreement dated December 10, 2007 between the Issuer and Lehman Commercial Paper Inc.

"GAAP": The meaning specified in Section 6.3(k).

"Global Notes": The meaning specified in Section 2.2(c).

"Global Securities": Collectively, the Global Notes.

"Government Security": A security (other than a security issued by the Government National Mortgage Association) issued or guaranteed by the United States of America or an agency or instrumentality thereof representing a full faith and credit obligation of the United States of America and, with respect to each of the foregoing, that is maintained in book-entry form on the records of a Federal Reserve Bank.

"Grant": To grant, bargain, sell, warrant, alienate, remise, demise, convey, assign, transfer, mortgage, pledge, create and grant a security interest in and right of set-off against, deposit, set over and confirm. A Grant of the Pledged Securities, or of any other instrument, shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including without limitation the immediate continuing right to claim for, collect, receive and receipt for principal and interest payments in respect of the Pledged Securities, and all other amounts payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Hedge Agreements": An Interest Rate Hedge, Timing Hedge or Asset Specific Hedge, as the context may require.

"Hedge Counterparty": An Interest Rate Hedge Counterparty, Timing Hedge Counterparty or Asset Specific Counterparty, as the context may require.

"Hedge Counterparty Collateral Account": The trust account established by the Trustee pursuant to Section 7.18(j).

"Hedge Payment Amount": With respect to any Hedge Agreements and any Payment Date, the net amount, if any, then due and payable by the Issuer to the related Hedge Counterparties, including any amounts so payable in respect of a termination or notional reduction of any Hedge Agreement.

"Hedge Receipt Amount": With respect to any Hedge Agreements and any Payment Date, the net amount, if any, then due and payable to the Issuer by the related Hedge Counterparties, including any amounts so payable in respect of a termination or notional reduction of any Hedge Agreement.

"Hedge Replacement Account": The meaning specified in Section 7.18(b).

"Hedge Replacement Proceeds": With respect to any Replacement Hedge, any amounts received from the counterparty thereto in consideration for entering into a replacement agreement that preserves for the Issuer the economic equivalent of the terminated Interest Rate Hedge.

"Hedge Shortfall Amount": The amount by which the costs of entering into a Replacement Hedge exceed the funds available therefor in the Hedge Termination Receipts Account.

"Hedge Termination Receipts": The meaning specified in Section 7.18(b).

"Hedge Termination Receipts Account": The meaning specified in Section 7.18(b).

"Holder," or (with respect only to Notes) "Noteholder" or (with respect only to Subordinated Notes) "Subordinated Noteholder": With respect to any Note, the Registered Holder; and, with respect to any Subordinated Note, the Person in whose name such Subordinated Note is registered in the Subordinated Note Register.

"Incentive Management Fee": A quarterly fee payable in arrears to the Collateral Manager on each Payment Date, in accordance with the Priority of Payments, in an amount equal to 20% of the amounts available for distribution on each such Payment Date pursuant to Sections ll.l(a)(i)(W) and ll.l(a)(ii)(L).

"Indenture": This instrument as originally executed and, if from time to time supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, as so supplemented or amended. All references in this instrument to designated "Articles," "Sections," "subsections" and other subdivisions are to the designated Articles, Sections, subsections and other subdivisions of this instrument as originally executed. The words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, subsection or other subdivision.

"Independent": As to any Person, any other Person (including, in the case of an accountant, or lawyer, a firm of accountants or lawyers and any member thereof) who (i) does not have and is not committed to acquire any material direct or any material indirect financial interest in such Person or in any Affiliate of such Person, and (ii) is not connected with such Person as an Officer, employee, promoter, underwriter, voting trustee, partner, director or Person performing similar functions. "Independent" when used with respect to any accountant may include an accountant who audits the books of such Person if in addition to satisfying the criteria set forth above the accountant is independent with respect to such Person within the meaning of Rule 101 of the Code of Ethics of the American Institute of Certified Public Accountants. Whenever any Independent Person's opinion or certificate is to be furnished to the Trustee, such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Initial Purchase Agreement": The purchase agreement dated on or about the date the Securities were priced, among the Co-Issuers and the Initial Purchasers, relating to the offer and sale of the Initial Purchaser Securities.

"Initial Purchasers": Lehman Brothers Inc. and Lehman Brothers International (Europe) in their capacities as initial purchasers of the Initial Purchaser Securities under the Initial Purchase Agreement.

"Initial Purchaser Securities": The Notes and the Subordinated Notes.

"Instruments": The meaning specified in Section 9-102(a)(47) of the UCC.

"Interest Accrual Period": (i) with respect to the first Payment Date, the period from (and including) the Closing Date to (but excluding) such first Payment Date and (ii) with respect to each Payment Date thereafter, the period from (and including) the immediately preceding Payment Date to (but excluding) such current Payment Date, in each case until the principal of the Notes is paid or made available for payment.

"Interest Coverage Numerator": With respect to any Measurement Date, the number obtained by summing:

(a) the scheduled interest payments due (in each case regardless of whether the due date for any such interest payment has yet occurred) in the Due Period in which such Measurement Date occurs on (1) the Collateral Debt Securities (excluding Purchased Accrued Interest to the extent it would constitute Principal Proceeds under clause (ix) of the definition thereof, accrued and unpaid interest on Defaulted Obligations except to the extent such amounts are Interest Proceeds under clause (vii) of the definition of "lnterest Proceeds" and Collateral Debt Securities that have deferred or capitalized interest outstanding); provided, that no interest shall be included with respect to any Collateral Debt Security to the extent that such Collateral Debt Security, although not a Defaulted Obligation, does not provide for the scheduled payment of interest in Cash or with respect to which the Collateral Manager has actual knowledge that such payment of interest will not be made, and (2) the Eligible Investments held by the Issuer; plus

(b) any other Interest Proceeds scheduled to be received or applied with respect to the related Payment Date; plus

(c) any net amount (without duplication) scheduled to be paid (which shall be a negative amount) or received (which shall be a positive amount) by the Issuer to or from any Hedge Counterparty under any Hedge Agreement on or before the following Payment Date (other than Hedge Termination Receipts); plus

(d) any amounts (without duplication) in the Interest Reserve Account that are designated as Interest Proceeds at the discretion of the Collateral Manager; minus

(e) the amounts payable pursuant to subclauses (A) through (D) of Section 11.1(a)(i) on such related Payment Date.

"Interest Coverage Ratio Tests": The Class A/B Interest Coverage Ratio Test, the Class C Interest Coverage Ratio Test and the Class D Interest Coverage Ratio Test.

"Interest Distribution Amount": With respect to any Payment Date, the sum of the Class A Interest Distribution Amount, Class B Interest Distribution Amount, Class C Interest Distribution Amount, Class D Interest Distribution Amount and Class E Interest Distribution Amount.

"Interest Proceeds": With respect to any Payment Date (without duplication and excluding the Excepted Property and any proceeds thereof), to the extent (except as specified in clauses (iv) and (vi) below) received in Cash during the related Due Period, provided that Quarterly Pay Reserve Amounts received in a Due Period shall be deemed to be received in the next following Due Period, shall consist of:

(i) all payments of interest or dividends on:

(A) Collateral Debt Securities (other than Defaulted Obligations except as provided in clause (vii) below);

(B) Eligible Investments; and

(C) in accordance with Section 12.4, any Synthetic Security Collateral;

excluding, however, in each case, any Purchased Accrued Interest to the extent included in clause (ix) of the definition of "Principal Proceeds";

(ii) the portion of the Sale Proceeds of a Collateral Debt Security or Eligible Investment that represents compensation to the Issuer for accrued and unpaid interest on such asset (except to the extent that such amount represents Purchased Accrued Interest, to the extent included in clause (ix) of the definition of "Principal Proceeds");

(iii) all late payment fees, all commitment fees and all other fees and commissions received in connection with the Collateral Debt Securities and Eligible Investments (other than fees and commissions received in connection with the purchase, sale, restructuring or default of

Collateral Debt Securities and Eligible Investments) and, unless designated as Principal Proceeds in the discretion of the Collateral Manager, all amendment and waiver fees;

(iv) all payments pursuant to any Hedge Agreements received by the Issuer on or prior to such Payment Date (including payments under Timing Hedges, but excluding Hedge Termination Receipts);

(v) all payments of principal of Eligible Investments acquired with Interest Proceeds and Eligible Investments in the Expense Reserve Account;

(vi) any amounts in the Interest Reserve Account that are designated as Interest Proceeds at the discretion of the Collateral Manager; and

(vii) all payments or distributions of any kind (including principal payments) or recoveries on Defaulted Obligations, Exchanged Equity Securities or Equity Securities that are not included in clause (ii) of the definition of "Principal Proceeds" and all quarterly or semi-annual Cash payments made with respect to Enhanced Bonds excluding principal paid on the underlying "principal assets" (as defined in the definition of Enhanced Bond).

For the avoidance of doubt, "Interest Proceeds" shall not at any time include Excepted Property.

"Interest Rate Hedge": The interest rate cap, swap and other agreements that address interest rate exposure entered into between the Issuer and any Interest Rate Hedge Counterparty (other than an Asset Specific Hedge or a Timing Hedge); provided, that each Interest Rate Hedge will contain appropriate limited recourse and non-petition provisions that are equivalent (mutatis mutandis) to those contained in Sections 2.7(j) and 5.4(e) and are expressed to survive termination.

"Interest Rate Hedge Counterparty": Any institution or institutions with whom the Issuer enters into an Interest Rate Hedge or any permitted assignees or successors of such institutions under any such Interest Rate Hedge in accordance with Section 7.18 and with respect to which Rating Agency Confirmation has been received (provided, that such approval and Rating Agency Confirmation shall be deemed to have been given with respect to any Interest Rate Hedge entered into on the Closing Date).

"Interest Reserve Account": The trust account established pursuant to Section 10.3(g).

"Investment Company Act": The United States Investment Company Act of 1940, as (amended from time to time (or any corresponding provisions of succeeding law).

"Irish Paying Agent": The meaning specified in Section 7.2.

"Issuer": GSC Investment Corp. CLO 2007, Ltd., a limited liability company incorporated under the laws of the Cayman Islands, until a successor Person shall have become the Issuer pursuant to the applicable provisions of this Indenture, and thereafter "Issuer" shall mean such successor Person.

"Issuer Charter": The Memorandum and Articles of Association of the Issuer, as the same may be further amended, supplemented or otherwise modified and in effect from time to time.

"Issuer Order" and "Issuer Request": A written order or request dated and signed in the name of the Issuer by an Authorized Officer of the Issuer, or by an Authorized Officer of the Collateral Manager where permitted pursuant to the Collateral Management Agreement, as the context may require or permit.

"LIBOR": The meaning specified in Schedule C attached hereto.

"LIBOR Determination Date": The meaning specified in Schedule C attached hereto.

"Loan": Any secured or unsecured loan (which may be in the form of a Revolving Credit Facility, Synthetic Letter of Credit, Delayed-Draw Loan, Current Pay Obligation or DIP Loan and may include an Attached Equity Security) governed by a credit agreement, loan agreement or similar agreement.

"Loan Funding Account": The trust account established pursuant to Section 10.3(b).

"Loan Obligations": Any Loans, Participations or Synthetic Securities the Reference Obligations with respect to which are Loans.

"London Banking Day'': The meaning specified in Schedule C attached hereto.

"Majority": With respect to any Class or Classes of Notes or the Subordinated Notes, the Holders of more than 50% of the Aggregate Outstanding Amount of the Notes of such Class or Classes, as the case may be.

"Margin Stock": "Margin Stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System.

"Market Value": On any Measurement Date with respect to a Collateral Debt Security (including any Defaulted Obligation and, for the purposes of this definition only, a Reference Obligation), (a) the price supplied by Loan Pricing Corp., Markit (as successor to LoanX, Inc.) or Interactive Data Corporation or another Independent nationally recognized pricing service (provided, that each such other pricing service has been pre-approved by the Rating Agencies or the Issuer shall have received Rating Agency Confirmation with respect to each such other pricing service), in each case as selected by the Collateral Manager, (b) if no pricing service referred to in clause (a) (including any such other pricing service selected by the Collateral Manager) is then reporting the price for such Collateral Debt Security, the arithmetic average of bid-side quotations for the purchase of the Collateral Debt Security obtained by the Collateral Manager from three Independent broker-dealers (including the administrative agent or other Person acting in similar capacity with respect to such Collateral Debt Security, if any) in the relevant market (or, in the event that, notwithstanding the Collateral Manager's reasonable efforts, there are only two Independent broker-dealers (including the administrative agent or other Person acting in similar capacity with respect to such Collateral Debt Security, if any) from which a bid price can be obtained, the lower of the bid prices from such dealers, or, in the event

that, notwithstanding the Collateral Manager's reasonable efforts, there is only one Independent broker-dealer (including the administrative agent or other Person acting in similar capacity with respect to such Collateral Debt Security, if any) from which a bid price can be obtained, the one bid price from such dealer, or (c) if the value cannot be determined in the manner described in clause (a) or (b) above, an amount equal to the lesser of (A) the value of such Collateral Debt Security as determined by the Collateral Manager in good faith using its commercially reasonable business judgment; provided that, if the Collateral Manager is contemporaneously assigning a market value to such security for other portfolios that it manages, the value assigned pursuant to this clause (c)(A) must be the same value as determined for such other portfolios; provided further, that if the Collateral Manager (or its external investment adviser) is not subject to the Investment Adviser's Act of 1940 a value pursuant to this clause (c)(A) shall be reduced to zero from and after the date that is 30 days after the date such value is assigned pursuant to this clause (c)(A), and (B) the Principal Balance of the Collateral Debt Security as of such date multiplied by the greater of 70% or the Standard & Poor's Recovery Rate, as determined for the Controlling Class, applicable to such Collateral Debt Security.

"Master Participation Agreement": The participation agreement dated January 22, 2008 between the Issuer and Lehman Commercial Paper Inc.

"Maturity": With respect to any Note, the date on which the Aggregate Outstanding Amount of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise. When used in respect of a Collateral Debt Security for purposes of such calculations in respect of the Portfolio Profile Test, the Ramp-Up Test, and the Weighted Average Life Test, the maturity of a security or obligation shall, at the option of the Collateral Manager, be deemed to be the earliest date that a put option to the issuer of such security (or other equivalent right) may be exercised by the Issuer at a price that is equal to or greater than the par amount of such security or obligation; provided, however, that the Issuer shall exercise any such put option prior to the Stated Maturity of the Notes.

"Measurement Date": (i) The Effective Date, (ii) after the Effective Date, any day on which a purchase, sale or substitution of or default in respect of a Collateral Debt Security occurs, (iii) any Determination Date and (iv) any other Business Day, with not less than two Business Days' notice, requested by Moody's or by S&P.

"Minimum Aggregate Par Amount": With respect to the Ramp-Up Matrix, the aggregate par amount of Collateral Debt Securities set forth in the row for such period next to the phrase "Minimum Aggregate Par Amount."

"Minimum Rating": At any time with respect to any Hedge Counterparty on any Hedge Agreement (or a guarantor of any Hedge Counterparty's obligations under any Hedge Agreement under an unconditional guarantee):

(A) either (A) a short-term rating by S&P of"A-1" or above or (B), if no short-term rating exists, a long-term unsecured debt or counterparty rating by S&P of "A+" or above; and

(B) if the Hedge Counterparty has a short-term rating by Moody's, a short- term rating by Moody's of"P-1" or above and a long-term unsecured debt or counterparty rating by Moody's of"A1" or above and (B) otherwise a long-term unsecured debt or counterparty rating by Moody's of "Aa3" or above.

For purposes of calculating a Minimum Rating, each applicable rating on credit watch by Moody's with positive or negative implication at the time of such calculation will be treated as having been upgraded or downgraded by one rating subcategory, as the case may be.

"Money": The meaning specified in Section 1-201(24) of the UCC.

"Monthly Report": The meaning specified in Section 10.5(a).

"Moody's": Moody's Investors Service, Inc. and any successor or successors thereto.

"Moody's Default Probability Rating": The meaning specified in Schedule E attached hereto.

"Moody's Group Countries": The Moody's Group I Countries, Moody's Group II Countries, Moody's Group III Countries and Moody's Group IV Countries, collectively, and each one individually being a "Moody's Group Country," and, within each group, with respect to any particular country, so long as such country has a long-term foreign currency rating of at least "AA" by Standard & Poor's and "Aa2" by Moody's as of the applicable date of determination.

"Moody's Group I Country": Any of the following countries (so long as the unguaranteed, unsecured and otherwise unsupported long term U.S. Dollar sovereign debt obligations of such country are rated "Aa2" or better by Moody's): Australia, the Netherlands, the United Kingdom and any country subsequently determined by Moody's to be a Moody's Group I Country; provided, that a Collateral Debt Security issued by an issuer organized or with headquarters in Bermuda or the Cayman Islands shall only be treated as issued by an issuer in a Moody's Group I Country if in the commercially reasonable judgment of the Collateral Manager, the revenues of such issuer are originated primarily in any Moody's Group I Country (other than Bermuda or the Cayman Islands) or the United States or Canada.

"Moody's Group II Country": Any of the following countries (so long as the unguaranteed, unsecured and otherwise unsupported long term U.S. Dollar sovereign debt obligations of such country are rated "Aa2" or better by Moody's): Germany, Ireland, Sweden, Switzerland and any country subsequently determined by Moody's to be a Moody's Group II Country.

"Moody's Group III Country": Any of the following countries (so long as the unguaranteed, unsecured and otherwise unsupported long term U.S. Dollar sovereign debt obligations of such country are rated "Aa2" or better by Moody's): Austria, Belgium, Denmark, Finland, France, Iceland, Liechtenstein, Luxembourg, Norway, Spain and any country subsequently determined by Moody's to be a Moody's Group III Country.

"Moody's Group IV Country": Any of the following countries (so long as the unguaranteed, unsecured and otherwise unsupported long term U.S. Dollar sovereign debt

obligations of such country are rated "Aa2" or better by Moody's): Greece, Italy, Portugal, Japan and any country subsequently determined by Moody's to be a Moody's Group IV Country.

"Moody's Industry Classification Group": Any of the industrial classification groups set forth in Schedule B-1 hereto, and any such classification groups that may be subsequently established by Moody's and provided by the Collateral Manager or Moody's to the Trustee and the Collateral Administrator.

"Moody's Rating": The meaning specified in Schedule E attached hereto.

"Moody's Rating Factor": For purposes of computing the Weighted Average Rating Test, the number assigned below to the applicable Moody's Default Probability Rating of each Collateral Debt Security or, in the event Moody's establishes additional Moody's Ratings, such other numbers as may be assigned by Moody's and provided by the Collateral Manager or Moody's to the Trustee.

Moody's Default Probability Rating	Moody's Rating Factor	Moody's Default Probability Rating	Moody's Rating Factor
Aaa	1	Ba1	940
Aa1	10	Ba2	1350
Aa2	20	Ba3	1766
Aa3	40	B1	2220
A1	70	B2	2720
A2	120	B3	3490
A3	180	Caa1	4770
Baa1	260	Caa2	6500
Baa2	360	Caa3	8070
Baa3	610	Ca or lower	10000

The Moody's Rating Factor for any Collateral Debt Security that is a Structured Finance Security shall be equal to: $\frac{A \times 55\%}{1-B}$

where: "A" means the number determined with respect to such Collateral Debt Security pursuant to the table above; and "B" means the Moody's Priority Category Recovery Rate with respect to such Collateral Debt Security.

Short-term securities rated "P-1" shall be assigned a Moody's Rating Factor equivalent to that of the senior unsecured rating of the issuer. Short-term securities rated "P-1" of an issuer that does not have such a senior unsecured rating shall be assigned a Moody's Rating Factor of 120.

For purposes of the Weighted Average Rating Test, any Collateral Debt Security issued or guaranteed by the United States government or any agency or instrumentality thereof is assigned a Moody's Weighted Average Rating Factor of 1.

"Moody's Recovery Rate": With respect to any Collateral Debt Security, the recovery rate determined in accordance with the tables applicable to Moody's set forth in Schedule E.

"Moody's Test Matrix": Subject to the provisions provided below, on and after the Effective Date, the following chart will be used to determine compliance with the Weighted Average Rating Test. If the Diversity Score and/or the Weighted Average Spread falls between rows and/or columns, interpolation will be taken between two adjacent rows and/or two adjacent columns, as applicable, on a straight-line basis, with the result being rounded to two decimal points, and such result shall be the applicable maximum Weighted Average Rating Factor; provided, that for purposes of this matrix, (a) if the Weighted Average Spread of the Collateral Debt Securities is above 3.50%, the row corresponding to 3.50% will be used, (b) if the Weighted Average Spread of the Collateral Debt Securities is below 2.40%, the row corresponding to 2.40% will be used, (c) if the Diversity Score of the Collateral Debt Securities is above 75, the column corresponding to 75 will be used, and (d) if the Diversity Score of the Collateral Debt Securities is below 45, the column corresponding to 45 will be used.

	Diversity				
Weighted Average Spread	45	55	60	65	75
2.40%	2,090	2,135	2,160	2,180	2,200
2.50%	2,175	2,235	2,260	2,280	2,325
2.60%	2,235	2,310	2,340	2,365	2,420
2.70%	2,305	2,375	2,390	2,400	2,460
2.80%	2,350	2,440	2,475	2,500	2,560
2.90%	2,385	2,510	2,560	2,575	2,630
3.00%	2,420	2,550	2,600	2,615	2,695
3.10%	2,455	2,585	2,640	2,655	2,755
3.20%	2,490	2,620	2,670	2,695	2,795

3.30%	2,525	2,660	2,710	2,735	2,835
3.40%	2,560	2,690	2,750	2,795	2,875
3.50%	2,600	2,725	2,790	2,830	2,900
		Maximum Weighted Average Rating Factor(1)			

(1) In each case, *plus* the Recovery Rate Modifier (as defined herein).

"Moody's Weighted Average Recovery Rate Test": A test that is satisfied as of any Measurement Date if the Weighted Average Recovery Rate (Moody's) is greater than or equal to 45.0%.

"Newly Defaulted Obligations": All Defaulted Obligations that have been Defaulted Obligations for less than one month.

"New York Presenting Agent": The meaning specified in Section 2.10(b).

"Non-Call Period": The period from (and including) the Closing Date to (and excluding) the Payment Date in January 2011.

"Non-Emerging Market Countrv": Any of Australia, Austria, the Bahamas, Belgium, Bermuda, the British Virgin Islands, Canada, the Cayman Islands, the Channel Islands, Denmark, Finland, France, Germany, Ireland, the Isle of Man, Italy, Luxembourg, the Netherlands, the Netherlands Antilles, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States; provided, that such country has a long-

term Sovereign rating with respect to Dollar denominated obligations of at least "Aa2" by Moody's and a foreign currency issuer credit rating of at least "AA" by S&P.

"Non-Permitted Holder": The meaning specified in Section 2.11(b).

"Note Financed Collateral Debt Securities": All Collateral Debt Securities other than Subordinated Note Financed Collateral Debt Securities.

"Note Financed Collection Account": The trust account designated the "Note Financed Collection Account" established pursuant to Section 10.2(a).

"Note Financed Loan Funding Subaccount": The subaccount of the Loan Funding Account designated as the "Note Financed Loan Funding Subaccount" pursuant to Section 10.3(c).

"Note Interest Rate": With respect to the Notes of any Class, the annual rate at which interest accrues on the Notes of such Class, as specified in Section 2.3 and in such Notes.

"Note Register" and "Note Registrar": The respective meanings specified in Section 2.5(a).

"Note Unused Proceeds": Any Unused Proceeds other than Subordinated Note Unused Proceeds.

"Noteholder": See "Holder" above.

"Notes": The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

"Notes Paying Agent": Any Person authorized by the Issuer to pay any amounts to be paid on any Notes on behalf of the Issuer as specified in Section 7.2.

"Offer": With respect to any Collateral Debt Security, (i) any offer by the issuer of such Collateral Debt Security or by any other Person made to all of the holders of such Collateral Debt Security to purchase or otherwise acquire such Collateral Debt Security (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert or exchange such Collateral Debt Security into or for Cash, securities or any other type of consideration or (ii) any solicitation by the issuer of such Collateral Debt Security or any other Person to amend, modify or waive any provision of such Collateral Debt Security or any related Underlying Instrument.

"Offering Memorandum": The Offering Memorandum with respect to the Securities dated January 16, 2008.

"Officer": With respect to the Issuer, the Co-Issuer and any other corporation, the Chairman of the Board of Directors, any Director, the President, any Vice President, the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer of such entity; with

respect to any partnership, any general partner thereof; and with respect to any bank or trust company acting as trustee of an express trust or as custodian, any Trust Officer.

"Opinion of Counsel": A written opinion addressed to the Trustee, and, if applicable, Moody's and S&P, in form and substance reasonably satisfactory to such addressees of an attorney at law admitted to practice in any state of the United States or the District of Columbia (or the Cayman Islands, in the case of an opinion relating to the laws of the Cayman Islands), which attorney may, except as otherwise expressly provided in this Indenture, be counsel for the Issuer or the Co-Issuer, as the case may be, and which attorney shall be reasonably satisfactory to the Trustee. Whenever an Opinion of Counsel is required hereunder, such Opinion of Counsel may rely on opinions of other counsel who are so admitted and so satisfactory which opinions of other counsel shall accompany such Opinion of Counsel and shall either be addressed to the Trustee, Moody's and/or S&P, as applicable, or shall state that the Trustee, Moody's and S&P, as applicable, shall be entitled to rely thereon.

"Optional Redemption": The meaning specified in Section 9.l(a)(ii).

"Outstanding": With respect to the Subordinated Notes, means the outstanding and issued Subordinated Notes of the Issuer that are Outstanding under the Subordinated Note Paying Agency Agreement. With respect to the Notes, any Classes of Notes, as of any Measurement Date, all of such Notes, Classes of Notes, as the case may be, theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore canceled by the Note Registrar or the Subordinated Note Registrar, as applicable, or delivered to the Note Registrar or Subordinated Note Registrar for cancellation;

(ii) Notes or portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Trustee or any Notes Paying Agent in trust for the Holders of such Notes; provided, that, if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Notes in exchange for or in lieu of which other Notes, as applicable, have been authenticated and delivered pursuant to this Indenture, unless proof satisfactory to the Trustee is presented that any such Notes, as applicable, are held by a holder in due course; and

(iv) Notes alleged to have been mutilated, defaced, destroyed, lost or stolen for which replacement Notes, as applicable, have been issued as provided in Section 2.6;

provided, that in determining whether the Holders of the requisite Aggregate Outstanding Amount have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Notes owned by the Issuer, the Co-Issuer or any Affiliate thereof (excluding the Collateral Manager and its Affiliates) shall be disregarded and deemed not to be Outstanding, except that, with respect to this clause, in determining whether the Trustee or its agent shall be

protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Trustee actually knows to be so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer, the Co-Issuer or any Affiliate thereof (excluding the Collateral Manager and its Affiliates).

"Overcollateralization Ratio Tests": The Class A/B Overcollateralization Ratio Test, the Class C Overcollateralization Ratio Test, the Class D Overcollateralization Ratio Test and the Class E Overcollateralization Ratio Test.

"Partial PIK Security": Any Collateral Debt Security with respect to which (i) the related underlying instruments require a portion of the interest due thereon to be paid in Cash on each payment date therefor and do not permit such portion to be deferred or capitalized, (ii) such underlying instruments permit the obligor thereon (or, in the case of a Synthetic Security, the related Reference Obligor) to defer or capitalize the remaining portion of the interest due thereon, and (iii) if such Collateral Debt Security is a Fixed Rate Collateral Debt Security, the interest rate applicable thereto required to be paid in Cash is greater than the interpolated swap rate, or, if such Collateral Debt Security is a Floating Rate Collateral Debt Security, the interest rate applicable thereto required to be paid in Cash is greater than 0.50% plus LIBOR or such other floating rate benchmark as may be applicable to such Floating Rate Collateral Debt Security. For purposes of determining the applicable interpolated swap rate, the designated maturity shall be deemed to equal to the average life of the Partial PIK Security, as determined by the Collateral Manager at the time of the acquisition thereof. For purposes of the Weighted Average Spread Test and the Weighted Average Coupon Test, the Effective Spread or per annum fixed rate, as applicable, of a Partial PIK Security shall be deemed to equal the rate at which interest was required to be paid in Cash on the most recently scheduled payment date on the outstanding balance of such security.

"Participation": A participation or subparticipation interest in a Loan, including a Synthetic Letter of Credit structured as a participation, but excluding any participation interest relating to Pre-Closing Collateral Debt Securities, the settlement dates for which have not yet occurred.

"Payment Account": The trust account established pursuant to Section 10.3(a).

"Payment Date": The 20th day of each January, April, July and October of each calendar year or, if any such date is not a Business Day, the immediately following Business Day, and the Stated Maturity, commencing in July 2008.

"Payment Date Report": The meaning specified in Section 10.5(b).

"Person": An individual, corporation (including a business trust or a limited liability company), partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

"PIK Security": A security (other than a Partial PIK Security) that (i) permits deferral and/or capitalization of interest or other periodic distribution otherwise due including, without limitation, by providing for the payment of interest through the issuance of additional debt securities identical to such debt security or through additions to the principal amount thereof for a specified period in the future or for the remainder of its life or by capitalizing interest due on such debt security as principal, and (ii) expressly provides that such deferral and/or capitalization does not constitute a default or event of default (however denominated) under such security or the related Underlying Instruments. Each Collateral Debt Security constituting a PIK Security will be considered as having a principal balance which excludes any deferred or capitalized interest thereon.

"Placement Agency Agreement": The placement agency agreement dated as of January 22, 2008 among the Issuer, Lehman Brothers Inc. and Lehman Brothers International (Europe).

"Plan" or "Plans": "Plans" as defined in Section 4975 of the Code that are subject to Section 4975 of the Code, together with ERISA Plans.

"Pledged Securities": As of any Measurement Date, the Collateral Debt Securities, the Eligible Investments (excluding Eligible Investments on deposit in or otherwise credited to the Subordinated Note Distribution Account) and any Equity Securities that have been Granted to the Trustee.

"Portfolio Profile Test": A test that is satisfied if, as of the Effective Date and any subsequent Measurement Date, in the aggregate, the Collateral Debt Securities comply with all of the minimum and maximum percentage requirements set forth below:

(1) not less than 90.0% of the CDS Principal Balance shall consist of Senior Secured Loans, when taken together with Cash constituting Principal Proceeds, Unused Proceeds and Eligible Investments purchased with Principal Proceeds and Unused Proceeds;

(2) not less than 95.0% of the CDS Principal Balance shall consist of Floating Rate Collateral Debt Securities, Participations in Floating Rate Collateral Debt Securities and Synthetic Securities the Reference Obligations with respect to which are Floating Rate Collateral Debt Securities, when taken together with Cash constituting Principal Proceeds, Unused Proceeds and Eligible Investments purchased with Principal Proceeds and Unused Proceeds;

(3) not more than 10.0% of the CDS Principal Balance will consist of Second Lien Loans, Senior Unsecured Loans, Bonds and Structured Finance Securities in the aggregate; provided that Second Lien Loans may in the aggregate constitute up to 10.0% of the CDS Principal Balance; provided, further, that Senior Unsecured Loans may in the aggregate constitute up to 5.0% of the CDS Principal Balance; provided, further, that Bonds may in the aggregate constitute up to 5.0% of the CDS Principal Balance; provided, further, that Structured Finance Securities may in the aggregate constitute up to 5.0% of the CDS Principal Balance;

(4) not more than 10.0% of the CDS Principal Balance shall consist of Revolving Credit Facilities and Delayed-Draw Loans;

(5) not more than 20.0% of the CDS Principal Balance shall consist of Synthetic Securities and Participations (including, for the avoidance of doubt, any Synthetic Letter of Credit that is structured as a Participation);

(6) the percentage of the CDS Principal Balance that represents (i) the aggregate of Participations and Synthetic Securities entered into with a single Person as Selling Institution and/or, in the case of Moody's only, Synthetic Security Counterparty shall not exceed the percentage set forth opposite the credit rating of such Person in the column entitled "Individual Selling Institution/Synthetic Security Counterparty Limit" in the table below and (ii) the aggregate of Participations and/or Synthetic Securities entered into with Selling Institutions and/or, in the case of Moody's only, Synthetic Security Counterparties, as the case may be, having the same credit rating shall not exceed the percentage set forth opposite such rating in the column entitled "Aggregate Selling Institution/ Synthetic Security Counterparty Limit" in the table below:

Long-Term Senior Unsecured Debt Rating of Selling Institution or Synthetic Security Counterparty***		Individual Selling Institution / Synthetic Security Counterparty Limit	Aggregate Selling Institution / Synthetic Security Counterparty Limit
Moody's	S&P		
Aaa	AAA	20%	20%
Aa1	AA+	10%	10%
Aa2	AA	10%	10%
Aa3	AA-	10%	10%
A1	A+	5%	5%
A2*	A**	5%	5%

* Applies only so long as Moody's short-term unsecured debt rating is "P-l."

** Applies only so long as the S&P short-term unsecured debt rating is at least "A-1."

*** For purposes of determining compliance with this credit rating requirement, so long as the actively-monitored Moody's long-term senior unsecured debt rating of a Selling Institution or Synthetic Security Counterparty is on watch list for possible downgrade by Moody's, such credit rating shall be one subcategory below its then current Moody's rating or, so long as such credit rating is on watch list for possible upgrade by Moody's, such credit rating shall be one subcategory above its then current Moody's rating.

provided, however, that the Issuer may enter into a Participation with a Selling Institution or enter into a Synthetic Security with a Synthetic Security Counterparty, in either case having, at such time, a long-term senior unsecured debt rating below "A2" by Moody's and "A" by S&P (or otherwise in excess ofthe limitations specified in the table above) if Rating Agency Confirmation (from S&P only) has been obtained; provided, further, for the avoidance of doubt, the limitations set forth above with respect to a Synthetic Security Counterparty will not apply to S&P, and, subject to the limitations with respect to Moody's specified in the table above, the Issuer may enter into a Synthetic Security with any Synthetic Security Counterparty having at such time a long-term senior unsecured debt rating of at least "A+" by S&P;

(7) not more than 1.5% of the CDS Principal Balance shall consist of securities issued by or loans to a single obligor; provided that any three single issuers or obligors (other than issuers of DIP Loans) may each represent up to 2.0% of the CDS Principal Balance;

(8) not more than 10.0% of the CDS Principal Balance shall consist of Collateral Debt Securities belonging to the same Moody's industry classification group; provided that any three Moody's industry classification groups may each constitute up to 12.0% of the CDS Principal Balance; provided, further, that with respect to any Synthetic Security, the Moody's industry classification group shall be based on the Reference Obligor and not the Synthetic Security Counterparty;

(9) not more than 10.0% of the CDS Principal Balance will consist of Collateral Debt Securities belonging to the same S&P Industry Classification Group; provided that any three S&P Industry Classification Group may each constitute up to 12.0% of the CDS Principal Balance; provided, further, that with respect to any Synthetic Security, the S&P industry classification group will be based on the Reference Obligor and not the Synthetic Security Counterparty;

(10) (a) not more than 20.0% of the CDS Principal Balance shall consist of Collateral Debt Securities, in the aggregate, that are issued by issuers organized or incorporated in any country other than the United States and its territories; (b) not more than 20.0% of the CDS Principal Balance shall consist of Collateral Debt Securities, in the aggregate, that are issued by issuers organized or incorporated under the laws of Moody's

Group I Countries; provided that not more than 10.0% of the CDS Principal Balance shall consist of Collateral Debt Securities that are issued by issuers organized or incorporated under the laws of any one Moody's Group I Country other than Canada; provided further that not more than 15.0% of the CDS Principal Balance shall consist of Collateral Debt Securities, in the aggregate, that are issued by issuers organized or incorporated under the laws of Canada; (c) not more than 5.0% of the CDS Principal Balance shall consist of Collateral Debt Securities, in the aggregate, that are issued by issuers organized or incorporated under the laws of Moody's Group II Countries; provided that not more than 2.5% of the CDS Principal Balance shall consist of Collateral Debt Securities that are issued by issuers organized or incorporated under the laws of any one Moody's Group II Country; (d) not more than 5.0% of the CDS Principal Balance shall consist of Collateral Debt Securities, in the aggregate, that are issued by issuers organized or incorporated under the laws of Moody's Group III Countries; provided that not more than 2.5% of the CDS Principal Balance shall consist of Collateral Debt Securities that are issued by issuers organized or incorporated under the laws of any one Moody's Group III Country; (e) not more than 3.0% of the CDS Principal Balance shall consist of Collateral Debt Securities, in the aggregate, that are issued by issuers organized or incorporated under the laws of Moody's Group IV Countries provided that not more than 1.5% of the CDS Principal Balance shall consist of Collateral Debt Securities that are issued by issuers organized or incorporated under the laws of any one Moody's Group IV Country; and (f) not more than 7.5% of the CDS Principal Balance shall

consist of Collateral Debt Securities, in the aggregate, that are issued by issuers organized or incorporated in any Tax Advantaged Jurisdiction.

(11) not more than 7.5% of the CDS Principal Balance shall consist of Collateral Debt Securities with an S&P Rating of "CCC+" or lower (provided, however, that the Issuer may purchase a Collateral Debt Security with the proceeds of the disposition of, or receive a Collateral Debt Security in exchange for, a Collateral Debt Security of the same issuer or obligor so long as such Collateral Debt Security has an S&P Rating of "CCC-" or above, and is pari passu with, or senior to, and has an S&P Rating that is no lower than, the Collateral Debt Security so sold or exchanged, without violating the Reinvestment Criteria herein notwithstanding that the limitation described in this clause (11) is exceeded);

(12) not more than 7.5% of the CDS Principal Balance shall consist of Collateral Debt Securities with a Moody's Default Probability Rating of "Caa1" or lower (provided, however, that the Issuer may purchase a Collateral Debt Security with the proceeds of the disposition of, or receive a Collateral Debt Security in exchange for, a Collateral Debt Security of the same issuer or obligor so long as such Collateral Debt Security has a Moody's Default Probability Rating of "Caa3" or above, and is pari passu with, or senior to, and has a Moody's Default Probability Rating that is no lower than, the Collateral Debt Security so sold or exchanged, without violating the Reinvestment Criteria herein notwithstanding that the limitation described in this clause (12) is exceeded);

(13) not more than 5.0% of the CDS Principal Balance shall consist of Attached Equity Securities;

(14) not more than 5.0% of the CDS Principal Balance shall consist of PIK Securities;

(15) not more than 5.0% of the CDS Principal Balance shall consist of Partial PIK Securities;

(16) not more than 7.5% of the CDS Principal Balance shall consist of DIP Loans;

(17) not more than 7.5% of the CDS Principal Balance shall consist of Current Pay Obligations which were Current Pay Obligations at the time of the purchase or commitment to purchase by the Issuer;

(18) not more than 5.0% of the CDS Principal Balance shall consist of Collateral Debt Securities that mature after the Stated Maturity of the Notes;

(19) not more than 5.0% of the CDS Principal Balance shall consist of Exchanged Defaulted Obligations;

(20) not more than 5.0% of the CDS Principal Balance shall consist of Fixed Rate Collateral Securities;

(21) not more than 5.0% of the CDS Principal Balance shall consist of securities that pay interest less frequently than quarterly; provided that no more than 0% of the CDS Principal Balance shall consist of securities that pay interest less frequently than semi-annually;

(22) not more than 5.0% of the CDS Principal Balance shall consist of Asset Specific Hedged Collateral Debt Securities;

(23) not more than 0.0% of the CDS Principal Balance shall consist of Enhanced Bonds;

(24) not more than 10.0% of CDS Principal Balance shall consist of Collateral Debt Securities as to which the S&P Rating for such Collateral Debt Security is derived from another rating;

(25) not more than 5.0% of the CDS Principal Balance shall consist of Bridge Securities;

(26) not more than 5.0% of the CDS Principal Balance shall consist of Step-Up Coupon Securities;

(27) not more than 5.0% of the CDS Principal Balance shall consist of Zero Coupon Securities;

(28) not more than 5.0% of the CDS Principal Balance shall consist of Synthetic Letters of Credit; and

(29) not more than 10.0% of the CDS Principal Balance shall consist of Loans (or Participations therein) of obligors whose outstanding credit facilities have a maximum aggregate principal balance of less than $100,000,000.

"Pre-Closing Collateral Debt Securities": The Collateral Debt Securities to be purchased by the Issuer as of the Closing Date pursuant to the Forward Sale Agreement (the "Pre-Closing Collateral Debt Securities").

"Pricing Amendment": The meaning specified in Section 9.7.

"Principal Collateral Value": As of any Measurement Date, the sum of:

(a) the CDS Principal Balance (excluding that portion, if any, that represents (A) amounts in the Expense Reserve Account, (B) any amounts in the Interest Reserve Account, (C) Zero Coupon Securities, (D) Step-Up Coupon Securities and (E) Deferred Interest Obligations);

(b) the aggregate accreted value of Collateral Debt Securities (excluding Defaulted Obligations, Deferred Interest Obligations and Current Pay Obligations) that are (i) Zero Coupon Securities or (ii) Step-Up Coupon Securities;

(c) the amount obtained by summing, with respect to each Defaulted Obligation, the least of:

(i) in the case of an Aged Defaulted Obligation only, the Market Value of such Defaulted Obligation;

(ii) in the case of a Newly Defaulted Obligation or an Aged Defaulted Obligation, the product of: (x) the principal balance (excluding, in the case of a PIK Security or a Partial PIK Security, any portion of such principal balance consisting of deferred or capitalized interest) of such Defaulted Obligation or, if such Defaulted Obligation is a Zero Coupon Security or Step-Up Coupon Security, the accreted value thereof and (y) the Applicable Recovery Rate with respect to such Defaulted Obligation; and

(iii) in the case of an Aged Defaulted Obligation that has been a Defaulted Obligation for more than two years (including, in the case of any Exchanged Defaulted Obligation, the period that the exchanged Collateral Debt Security constituted a Defaulted Obligation), zero; and

(d) the amount obtained by summing, for each Deferred Interest Obligation, the lesser of (i) the Market Value of such Deferred Interest Obligation or (ii) the product of (x) the principal balance (excluding, in the case of a PIK Security or a Partial PIK Security, any portion of such principal balance consisting of deferred or capitalized interest) of such Deferred Interest Obligation or, if such Deferred Interest Obligation is a Zero Coupon Security or a Step-Up Coupon Security, the accreted value thereof and (y) the Applicable Recovery Rate with respect to such Deferred Interest Obligation.

"Principal Proceeds": With respect to any Payment Date (without duplication and excluding the Excepted Property and any proceeds thereof) to the extent received in Cash during the related Due Period (except as specified in clauses (vi), (vii), (viii), (x), (xi) and (xiii) below) consist of:

(i) all principal payments (including scheduled payments, Unscheduled Principal Payments and prepayment premiums) on Eligible Investments (other than Eligible Investments purchased with Interest Proceeds and Eligible Investments in the Expense Reserve Account) and Collateral Debt Securities;

(ii) all payments or distributions of any kind (including interest payments) or recoveries on (x) Defaulted Obligations to the extent that the aggregate amount received (from and including the date that such asset became a Defaulted Obligation) is less than the par amount of such asset as of the date such asset became a Defaulted Obligation, (y) Exchanged Equity Securities, to the extent that the aggregate amount received from and including the date on which such Exchanged Equity Securities were received, when taken together with the amount described in subclause (x) of this clause (ii) with respect to such asset (or the Defaulted Obligation in respect of which such asset was received), is less than the par amount of the Collateral Debt Security in respect of which such Exchanged Equity Security was received and (z) Equity Securities other than Exchanged Equity Securities;

(iii) all principal payments with respect to any Synthetic Security Collateral to the extent described under Section 12.4;

(iv) all fees and commissions (such as syndication fees), other than fees and commissions of the type referred to in clause (iii) of the definition of "Interest Proceeds" above, unless designated as Principal Proceeds at the discretion of the Collateral Manager pursuant to such clause;

(v) Sale Proceeds of Collateral Debt Securities (including the "interest asset" component of an Enhanced Bond, but excluding amounts described in clauses (ii) and (vii) of the definition of "Interest Proceeds");

(vi) all amounts on deposit in the Loan Funding Account that are transferred to the Payment Account for application as Principal Proceeds pursuant to Section 10.3(d);

(vii) any Hedge Receipt Amounts constituting Hedge Termination Receipts received on or prior to such Payment Date, to the extent not used to enter into a Replacement Hedge in accordance with Section 7.18, and all upfront premiums or payments received by the Issuer from a Hedge Counterparty or Synthetic Security Counterparty in consideration for entering into any Hedge Agreement or Synthetic Security, as the case may be, other than with respect to a Hedge Agreement, to the extent that such amounts constitute Hedge Replacement Proceeds that are required to be deposited into the Hedge Replacement Account pursuant to Section 7.18(b);

(viii) any Unused Proceeds on deposit in the Collection Account on the Effective Date;

(ix) with respect to any Collateral Debt Securities or Eligible Investments, the interest payment actually received on the first payment date of such asset occurring after the date of acquisition by the Issuer to the extent that such amount represents Purchased Accrued Interest;

(x) amounts that are retained or deposited into the Collection Account to be treated as Principal Proceeds pursuant to Section 11.1(a)(i)(Q) if the CERT is not satisfied;

(xi) any amounts in the Interest Reserve Account and the Expense Reserve Account that are designated as Principal Proceeds at the discretion of the Collateral Manager;

(xii) all principal paid with respect to Enhanced Bonds on the underlying principal assets (as defined in the definition of Enhanced Bond);

(xiii) Unused Proceeds to the extent the Collateral Manager designates an amount thereof to be applied as a Special Amortization Amount in accordance with this Indenture; and

(xiv) all other payments received in connection with the Collateral that are not included in the definition of "Interest Proceeds."

For the avoidance of doubt, "Principal Proceeds" shall not at any time include Excepted Property.

"Priority of Payments": At any time, the order of priority of payments set forth in Section 5.7 or Section 11.1(a), as may be applicable at such time.

"Proceeding": Any suit in equity, action at law or other judicial or administrative proceeding.

"Proposed Portfolio": The portfolio (measured by the aggregate principal balance) of Collateral Debt Securities, Principal Proceeds and Unused Proceeds held as Cash and Eligible Investments purchased with Principal Proceeds or Unused Proceeds that would result from the proposed maturation, sale or other disposition of a Collateral Debt Security or a proposed purchase of a Collateral Debt Security, as the case may be.

"Purchased Accrued Interest": With respect to any Collateral Debt Security, accrued interest on such Collateral Debt Security purchased with Principal Proceeds or Unused Proceeds.

"Purchased Discount Asset": As of any Measurement Date, with respect to Floating Rate Collateral Debt Securities (other than Discount Assets, which may not be Purchased Discount Assets), an asset that has been purchased at a purchase price (expressed as a percentage of the principal balance of such asset) of less than 100% and that has been irrevocably designated as a Purchased Discount Asset in the sole discretion of the Collateral Manager in a notice delivered to the Trustee on or prior to the first Payment Date after the acquisition of such asset by the Issuer; provided, that an asset shall only be deemed to be a Purchased Discount Asset if as of such Measurement Date, (i) the Class E Overcollateralization Ratio Test has not declined since the Effective Date and (ii) each of the Reinvestment Criteria for the Collateral Debt Securities is satisfied.

"QIB": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of Securities, is a qualified institutional buyer within the meaning of Rule 144A.

"QIB/QP": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of Securities, is both a QIB and a Qualified Purchaser.

"Qualified Financial Institution": Any financial institution having a long-term debt rating of at least "Baal" and a short-term debt rating of at least "P-1" by Moody's and a long-term debt rating of at least "BBB+" and a short-term debt rating of at least "A-1" by S&P.

"Qualified Purchaser": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of Notes, is a qualified purchaser for purposes of Section 3(c)(7) of the Investment Company Act.

"Qualified Replacement Counterparty": At any time an Interest Rate Hedge Counterparty or proposed Interest Rate Hedge Counterparty with respect to any Interest Rate Hedge:

(a) that at such time has (or has obtained an unconditional guarantee of performance of its obligations under such Hedge Agreement from an entity that has) ratings from Moody's and S&P that are sufficient to constitute the Required Rating; and

(b) Rating Agency Confirmation has been received with respect to such Hedge Counterparty.

"Quarterly Asset Amount": With respect to any Payment Date (or other relevant date), the sum of (i) the aggregate principal balance of all Collateral Debt Securities and Eligible Investments purchased with Principal Proceeds or Unused Proceeds and (ii) Cash representing Principal Proceeds or Unused Proceeds, in each case as of the first day of the Due Period preceding such Payment Date (or the date immediately preceding such other relevant date).

"Quarterly Pay Reserve Amount": With respect to a Due Period and any Quarterly Reserve Security, an amount equal to 50% of the Interest Proceeds received by the Issuer in respect of such Quarterly Reserve Security in such Due Period.

"Quarterly Reserve Account": The trust account established pursuant to Section 10.3(h).

"Quarterly Reserve Security": A Collateral Debt Security as to which the payment of interest occurs less frequently than quarterly.

"Ramp-Up Matrix": The following chart setting forth the amount or percentage, as applicable, used to determine satisfaction for each of the Weighted Average Spread Test, Diversity Test, Moody's Weighted Average Recovery Rate Test and Weighted Average Rating Test when each such test is applied as a component of the Ramp-Up Test during the Ramp-Up Period and setting forth the expected Minimum Aggregate Par Amount as set forth below:

		On the 58th Day after the Closing Date		**On the 119th Day after the Closing Date**
Weighted Average Spread Test		2.50%		2.60%
Diversity Test		40		55
Moody's Weighted Average Recovery Rate Test		42.0%		44.0%
Weighted Average Rating Test		2,550		2,450
Minimum Aggregate Par Amount	U.S.$	300,000,000	U.S.$	360,000,000

"Ramp-Up Period": The period from (and including) the Closing Date to (and including) the Effective Date.

"Ramp-Up Test": A test that is satisfied on the 58th day and the 119th day after the Closing Date if on such date, each of the Weighted Average Spread Test, Diversity Test, Moody's Weighted Average Recovery Rate Test and Weighted Average Rating Test is satisfied

and the Issuer has acquired Collateral Debt Securities with an aggregate par amount at least equal to the Minimum Aggregate Par Amount as of such date on the related amount or percentage that is set forth in the Ramp-Up Matrix.

"Rating Agencies": S&P and Moody's, collectively.

"Rating Agency Confirmation": With respect to any specified action or determination, receipt of written confirmation (i) by Moody's, for so long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are Outstanding and rated by Moody's and (ii) by S&P, for so long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are Outstanding and rated by S&P, that such specified action or determination will not result in the reduction or withdrawal of their then-current ratings on the applicable Classes of Notes.

"Record Date": The date on which the Holders of Notes that are entitled to receive a payment in respect of principal, interest or otherwise on the succeeding Payment Date is determined, such date as to any Payment Date being the fifteenth day (whether or not a Business Day) prior to the applicable Payment Date.

"Recovery Rate Modifier": As of any Measurement Date, the lesser of (i) the number (not less than zero) that equals the product of(a) the Weighted Average Recovery Rate (Moody's) as of such Measurement Date minus 45.0% and (b) 6,400; provided, that if the Weighted Average Recovery Rate (Moody's) shall be (x) greater than or equal to 60.0%, then solely for the purposes of the calculation of the Recovery Rate Modifier, the Weighted Average Recovery Rate (Moody's) shall be equal to 60.0%, or (y) less than or equal to 45.0%, then solely for the purposes of the calculation of the Recovery Rate Modifier, the Weighted Average Recovery Rate (Moody's) shall be equal to 45.0% and (ii) the amount designated by the Collateral Manager in its sole discretion as the Recovery Rate Modifier.

"Redemption Advance Rates": The meaning specified in Section 9.1(b)(ii).

"Redemption Date": Any date specified for a redemption or replacement of Notes pursuant to Section 9.1 or if such date is not a Business Day, the next following Business Day, unless such Business Day is the first Business Day of the next succeeding calendar month, in which case, the immediately preceding Business Day.

"Redemption Date Statement": The meaning specified in Section 10.5(e).

"Redemption Price": With respect to any Note to be redeemed pursuant to Section 9.1, an amount equal to 100% of the Aggregate Outstanding Amount of such Note to be redeemed, together with accrued and unpaid interest thereon at the applicable Note Interest Rate, (in the case of the Class C Notes, Class C Deferred Interest, in the case of the Class D Notes, Class D Deferred Interest, and in the case of the Class E Notes, Class E Deferred Interest) to but excluding the Redemption Date.

"Reference Banks": The meaning specified in Schedule C attached hereto.

"Reference Obligation": An obligation that:

(1) is the subject of a Synthetic Security;

(2) constitutes a Loan, a Structured Finance Security or a Bond; and

(3) would independently satisfy the definition of Collateral Debt Security (except that clauses (B)(6), (B)(7), (B)(8), (B)(10), (B)(16) and (B)(20) of such definition need not be satisfied) if the Issuer were to acquire it directly.

"Reference Obligor": An issuer of or obligor on a Reference Obligation.

"Refinancing": The meaning specified in Section 9.1(b).

"Refinancing Notes": The meaning specified in Section 9.1(b).

"Refinancing Proceeds": The proceeds from the issuance of Refinancing Notes.

"Registered": With respect to any debt obligation, a debt obligation that is issued after July 18, 1984 and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder.

"Registered Holder": With respect to any Note, the Person whose name appears on the Note Register as the registered Holder of such Note, as applicable.

"Registered Office": The registered office of the Issuer, which shall be located outside of the United States.

"RegulationS": RegulationS under the Securities Act.

"RegulationS Global Notes": The meaning specified in Section 2.2(b).

"Reinvestment Agreement": A guaranteed reinvestment agreement from a bank, insurance company or other corporation or entity; provided, that such agreement provides that it is terminable by the purchaser, without penalty, in the event that the rating assigned to such agreement by Moody's and S&P is at any time lower than the rating required pursuant to the terms of this Indenture to be assigned to such agreement in order to permit the purchase thereof.

"Reinvestment Criteria": The meaning specified in Section 12.2.

"Reinvestment Income": Any interest or other earnings on funds and accounts that are part of the Collateral (other than interest on Collateral Debt Securities).

"Reinvestment Period": The period from (and including) the Closing Date to (and including) the Payment Date occurring in January 2013.

"Replaced Notes": The meaning specified in Section 9.1(c).

"Replacement": The meaning specified in Section 9.1(c).

"Replacement Hedge": The meaning specified in Section 7.18(c).

"Replacement Notes": The meaning specified in Section 9.1(c).

"Replacement Proceeds": The proceeds from the issuance of Replacement Notes.

"Repricing Notice": The meaning specified in Section 9.7.

"Required Rating": With respect to any Hedge Counterparty (or a guarantor of any Hedge Counterparty's obligations under any Hedge Agreement under an unconditional guarantee):

(A) either (i) if such Hedge Counterparty (or such guarantor) has only a long- term rating by Moody's, a long-term senior, unsecured debt obligation rating, financial program rating or other similar rating (as the case may be, the "long-term rating") of at least "Aa3" by Moody's and if rated "Aa3" by Moody's is not on negative credit watch by Moody's or (ii) if such Hedge Counterparty (or such guarantor) has a long-term rating and a short-term rating by Moody's, a long-term rating of at least "A1" by Moody's and a short-term rating of"P-1" by Moody's and, in each case, such rating is not on negative credit watch by Moody's and

(B) (i) a short-term rating of at least "A-1" by S&P or (ii) if such Hedge Counterparty (or such guarantor) does not have a short-term rating by S&P, a long-term rating of at least "A+" by S&P.

"Revolving Credit Facility": A senior secured or senior unsecured debt instrument which provides a borrower with a line of credit against which one or more borrowings may be made to the stated principal amount of such facility and which provides that such borrowed amount may be repaid and, in certain cases, re-borrowed from time to time. Except as provided to the contrary herein or as the context requires otherwise, the principal balance of a Revolving Credit Facility shall be deemed to include amounts on deposit in the Loan Funding Account in respect of the unfunded portion thereof. For avoidance of doubt, a Collateral Debt Security shall no longer constitute a Revolving Credit Facility after the Issuer's commitment to make future advances thereunder has been reduced to zero.

"Rule 144A": Rule 144A under the Securities Act.

"Rule 144A Global Note": The meaning specified in Section 2.2(c).

"Rule 144A Information": The meaning specified in Section 7.15.

"Sale": The meaning specified in Section 5.17(a).

"Sale Proceeds": All proceeds (including accrued interest) received by the Issuer with respect to Collateral Debt Securities and Equity Securities (including the "interest asset" with respect to an Enhanced Bond) as a result of sales of such Collateral Debt Securities and Equity Securities pursuant to Section 9.1 or Section 12.1.

"Scenario Default Rates": means each of the Class A Scenario Default Rate, the Class B Scenario Default Rate, the Class C Scenario Default Rate, the Class D Scenario Default Rate and the Class E Scenario Default Rate.

"Schedule of Collateral Debt Securities": The Collateral Debt Securities listed on Schedule A hereto and supplemented by Collateral Debt Securities Delivered on or before the Effective Date and securing the Notes, which Schedule shall include the principal balance, issuer or obligor name, interest rate (if the security bears interest at a fixed rate) or the spread (if the security bears interest at a floating rate), the Stated Maturity, CUSIP identification number, if applicable, Moody's or S&P Industry Classification Group and the Moody's Rating and S&P Rating of each Collateral Debt Security, as amended from time to time to reflect the release of Collateral Debt Securities pursuant to Section 10.6, and the inclusion of Collateral Debt Securities as provided in Section 12.2.

"Scheduled Distribution": With respect to any Pledged Security, for each Due Date, the scheduled payment of principal and/or interest and/or other distribution due on such Due Date with respect to such Pledged Security, determined in accordance with the assumptions specified in Section 1.2.

"Second Lien Loan": Any assignment of or Participation in or other interest in (including a Synthetic Security relating to) a Loan, other than a Senior Secured Loan, that: (i) is not (and by its terms is not permitted to become) subordinate (other than liquidation preferences in respect of pledged collateral) in right of payment to any other debt for borrowed money incurred by the obligor of the Loan, other than a Senior Secured Loan; (ii) is secured by a valid and perfected security interest or lien on specified collateral securing the obligor's obligations under the Loan, which security interest or lien is not subordinate to the security

interest or lien securing any other debt for borrowed money other than a Senior Secured Loan on such specified collateral; and (iii) with respect to clauses (i) and (ii) above, such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens.

"Section 3(c)(7) Reminder Notice": A notice from the Issuer to the Noteholders in the form specified in, and to be delivered in accordance with Section 10.5.

"Secured Obligations": The meaning specified in the Granting Clause hereof.

"Secured Parties": The meaning specified in the Preliminary Statement hereof.

"Securities": The Notes and the Subordinated Notes.

"Securities Account": The meaning set forth in Section 8-501(a) of the UCC.

"Securities Act": The United States Securities Act of 1933, as amended from time to time (or any corresponding provisions of succeeding law).

"Securities Intermediary": The meaning specified in the first sentence of Section 6.15(a).

"Security Entitlement": The meaning set forth in Section 8-102(a)(17) of the UCC.

"Selling Institutions": Each institution from which a Participation is acquired by the Issuer.

"Senior": means (i) with respect to the Subordinated Notes, all Classes of Notes, (ii) with respect to the Class E Notes, all other Classes of Notes, (iii) with respect to the Class D Notes, the Class A Notes, the Class B Notes and the Class C Notes, (iv) with respect to the Class C Notes, the Class A Notes and the Class B Notes, (v) with respect to the Class B Notes, the Class A Notes and (vi) with respect to the Class A Notes, none.

"Senior Collateral Management Fee": A quarterly fee payable in arrears to the Collateral Manager on each Payment Date, in accordance with the Priority of Payments, in an amount equal to 0.10% per annum of the Quarterly Asset Amount for each such Payment Date (computed on the basis of a 360 day year of twelve 30-day months).

"Senior Secured Loan": Any assignment of or Participation in or other interest in (including a Synthetic Security relating to) a Loan (i) that is not (and by its terms is not permitted to become) subordinate in right of payment to any other debt obligation of the obligor with respect to such Loan, (ii) that is secured by a valid first priority perfected security interest or lien on specified collateral securing the obligor's obligations under such Loan, which security interest or lien is not subordinate to the security interest or lien securing any other obligation of the obligor with respect to such Loan, (iii) as to which the value of the collateral securing such Loan, together with other attributes of the obligor with respect to such Loan made to the obligor (including, without limitation, its general financial condition, ability to generate cash flow available for debt service and other obligations and liabilities of such obligor that may be satisfied from such cash flow) is adequate, in the reasonable judgment of the Collateral Manager, to repay such Loan in accordance with its terms and to repay all other Loans of equal seniority which are secured by a first priority perfected security interest or lien on the same collateral and (iv) is not secured primarily by equity interests in entities that are not affiliated with the obligor; provided, however, that with respect to clauses (i) and (ii) above, such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens.

For purposes of the determining the Moody's Default Probability Rating and the Moody's Recovery Rate, "Senior Secured Loan" will include, in addition to Loan Obligations meeting the definition above:

(a) Any Loan that: (i) is not (and cannot by its terms become) subordinate in right of payment to any other obligation of the obligor on the Loan, (ii) is secured by a valid first priority perfected security interest or lien in, to or on specified collateral securing the obligor's obligations under the Loan, and (iii) the value of the collateral securing the Loan together with other attributes of the obligor (including its general financial condition, ability to generate cash flow available for debt service and other demands for that cash flow) is adequate (in the commercially reasonable judgment of the Collateral Manager) to repay the Loan in accordance with its terms and to repay all other loans of equal seniority secured by a first lien or security interest in the same collateral), and

(b) Any Loan that: (i) is not (and cannot by its terms become) subordinate in right of payment to any other obligation of the obligor on the Loan, other than, with respect to a Loan described in clause (a) above, with respect to the liquidation of such obligor or the collateral for such loan, (ii) is secured by a valid second priority perfected security interest or lien in, to or on specified collateral securing the obligor's obligations under the Loan, (iii) the value of the collateral securing the Loan together with other attributes of the obligor (including its general financial condition, ability to generate is adequate (in the commercially reasonable judgment of the Collateral Manager) to repay the Loan in accordance with its terns and to repay all other loans of equal or higher seniority secured by a first or second lien or security interest in the same collateral), and (iv) such loan has an assigned rating from Moody's that is not lower than the corporate family rating;

provided, in each case of (a) and (b), that the Loan is not: (i) a DIP Loan, (ii) a Loan for which the security interest or lien (or the validity or effectiveness thereof) in substantially all of its collateral attaches, becomes effective, or otherwise "springs" into existence after the origination thereof, or (iii) a type of loan that Moody's has identified to the Collateral Manager as having unusual terms and with respect to which its Moody's Recovery Rate has been or is to be determined on a case-by-case basis.

"Senior Unsecured Loan": Any unsecured Loan that is not subordinated to any other unsecured indebtedness of the borrower.

"Share Trustee": Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands, acting in the capacity as share trustee pursuant to a declaration of trust.

"Sovereign": With respect to any jurisdiction, the central government of such jurisdiction or any agency or instrumentality thereof.

"Special Amortization": The meaning specified in Section 9.6.

"Special Amortization Amount": The meaning specified in Section 9.6.

"Specified Amendment": The meaning specified in Section 14.14.

"Spread Excess": As of any Measurement Date, a fraction (expressed as a percentage) the numerator of which is the product of (i) the greater of zero and the excess of the Weighted Average Spread for such Measurement Date over the minimum percentage necessary to pass the Weighted Average Spread Test on such Measurement Date and (ii) the aggregate principal amount of all Floating Rate Collateral Debt Securities Collateral Debt Securities held by the Issuer as of such Measurement Date, and the denominator of which is the aggregate principal amount of all Fixed Rate Collateral Debt Securities held by the Issuer as of such Measurement Date. In computing the Spread Excess on any Measurement Date, the Weighted Average Spread for the Measurement Date is computed as if the Fixed Rate Excess were equal to zero.

"S&P" or "Standard & Poor's": Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor or successors thereto.

"S&P CDO Monitor": A dynamic, analytical computer program developed by S&P and used to determine the default risk of Collateral Debt Securities and provided to the Collateral Manager and the Collateral Administrator (along with all assumptions and instructions necessary to run such model) on or before the Effective Date, as such model may be modified by S&P from time to time in connection with its confirmation of the ratings of the Notes following the Closing Date. For purposes of applying the S&P CDO Monitor, the applicable weighted average spread in determining the Class A Break Even Default Rate, the Class B Break Even Default Rate, the Class C Break Even Default Rate, the Class D Break Even Default Rate and the Class E Break Even Default Rate will be the maximum of(i) 2.40%, (ii) 2.50%, (iii) 2.60%, (iv) 2.70%, (v) 2.80%, (vi) 2.90%, (vii) 3.00%, (viii) 3.10%, (ix) 3.20%, (x) 3.30%, (xi) 3.40% and (xii) 3.50%, which in each case corresponds to the Weighted Average Spread (without exceeding the Weighted Average Spread) as of such Measurement Date.

"S&P CDO Monitor Test": A test that is satisfied if, after giving effect to the sale of a Collateral Debt Security or the purchase of a Collateral Debt Security (or both), as the case may be, (i) either (x) the Class A Loss Differential is positive or (y) the Class A Loss Differential of the Proposed Portfolio is greater than the Class A Loss Differential of the Current Portfolio, (ii) either (x) the Class B Loss Differential is positive or (y) the Class B Loss Differential of the Proposed Portfolio is greater than the Class B Loss Differential of the Current Portfolio, (iii) either (x) the Class C Loss Differential is positive or (y) the Class C Loss Differential of the Proposed Portfolio is greater than the Class C Loss Differential of the Current Portfolio, (iv) either (x) the Class D Loss Differential is positive or (y) the Class D Loss Differential of the Proposed Portfolio is greater than the Class D Loss Differential of the Current Portfolio, or (v) either (x) the Class E Loss Differential is positive or (y) the Class E Loss Differential of the Proposed Portfolio is greater than the Class E Loss Differential of the Current Portfolio. In determining whether the S&P CDO Monitor Test is met, the S&P Rating on any Synthetic Security will be the rating assigned to such Synthetic Security at the time of acquisition thereof by the Issuer and the related S&P Industry Classification Group will be the same as that of the related Reference Obligation; provided, that notwithstanding anything herein to the contrary, the determination of whether the S&P CDO Monitor Test has been maintained or improved will be ascertained according to instructions provided to the Issuer or the Collateral Manager on behalf of the Issuer by Standard & Poor's (and shall be provided to the Collateral Administrator by the Collateral Manager).

"S&P Industry Classification Group": Any of the industry categories established by Standard & Poor's and set forth in Schedule B-2 hereto, including any such modifications that may be made thereto or such additional categories that may be subsequently established by Standard & Poor's and provided by the Collateral Manager or Standard & Poor's to the Trustee.

"S&P Rating": With respect to any Collateral Debt Security shall be determined as of any Measurement Date as follows (provided that the S&P Rating with respect to any Synthetic Security, Current Pay Obligation or DIP Loan shall be determined only in accordance with the provisions of clause (iii), (iv) or (v) respectively, of this definition):

(i) if there is a long-term issuer credit rating by S&P of the issuer of such Collateral Debt Security, or the guarantor who unconditionally and irrevocably guarantees the timely payment of principal and interest on such Collateral Debt Security, then the S&P Rating of such

issuer, or the guarantor, shall be such rating (regardless of whether there is a published rating by S&P on such Collateral Debt Security) (for private/confidential ratings, the consent of S&P must be received to disclose such rating);

(ii) if there is no issuer credit rating of the issuer of such Collateral Debt Security but such Collateral Debt Security is rated by S&P, then the S&P rating shall be such rating and if such Collateral Debt Security is not rated by S&P, then the Issuer or the Collateral Manager on behalf of the Issuer, may apply to S&P for a written credit estimate on or prior to the date of the acquisition of such Collateral Debt Security, which shall be its S&P Rating (provided that such credit estimate shall expire on each one year anniversary of the delivery of such credit estimate unless confirmed by annual review of S&P); provided that, if the Collateral Manager has provided S&P with sufficient information to issue a confidential credit estimate or confirm such estimate but S&P has not yet responded to such request, such Collateral Debt Security shall have a S&P Rating as determined by the Collateral Manager or per the prior estimate, as applicable (provided, further, that, the aggregate principal balance of the Collateral Debt Securities that shall be deemed to have an S&P Rating based on this proviso may not exceed 10% of the CDS Principal Balance); provided further that; if S&P has not responded to such request after 90 days (or such longer period as agreed by S&P) after receipt of such request, then such Collateral Debt Security shall have a S&P Rating of "CCC-" until such time, if any, that S&P provides a written estimate;

(iii) with respect to any Collateral Debt Security that is a Synthetic Security, (A) in the case of a Synthetic Security that is not a Form-Approved Synthetic Security, the rating or written credit estimate assigned by S&P in connection with the acquisition thereof by the Issuer upon the request of the Issuer or the Collateral Manager and (B) with respect to a Form-Approved Synthetic Security, the S&P Rating determined by reference to the methodology set forth therein;

(iv) with respect to any Collateral Debt Security that is a Current Pay Obligation, the S&P Rating of such Collateral Debt Security shall be (a) the rating or written credit estimate assigned by S&P upon the request of the Issuer or the Collateral Manager or (b) if no such rating or credit estimate has been assigned, "CCC-";

(v) with respect to any Collateral Debt Security that is a DIP Loan, the S&P Rating of such Collateral Debt Security shall be (a) the rating assigned thereto by S&P either publicly or privately or (b) the rating or credit estimate assigned by S&P in connection with the acquisition thereof by the Issuer

upon the request of the Issuer or the Collateral Manager;

(vi) if there is no issuer credit rating of the issuer of such Collateral Debt Security and such Collateral Debt Security is not rated by S&P, but any other security or obligation of the issuer is rated by S&P and neither the Issuer nor the Collateral Manager obtains an S&P Rating for such Collateral Debt Security pursuant to subclause (ii) above, then, the S&P Rating of such Collateral Debt Security shall be determined as follows: (a) if there is a rating on a senior secured obligation of the issuer, then the S&P Rating of such Collateral Debt Security shall be one subcategory below such rating; (b) if there is a rating on a senior unsecured obligation of the issuer, then the S&P Rating of such Collateral Debt Security shall equal such rating; and (c) if there is a rating on a subordinated obligation of the issuer, then the S&P Rating of such Collateral Debt Security shall be one subcategory above such rating;

(vii) if there is no issuer credit rating published by S&P and such Collateral Debt Security is not rated by S&P, and no other security or obligation of the issuer is rated by S&P and neither the Issuer nor the Collateral Manager obtains an S&P Rating for such Collateral Debt Security pursuant to subclause (ii) above, if such Collateral Debt Security is publicly rated by Moody's, then the S&P Rating of such Collateral Debt Security shall be (A) one subcategory below the S&P equivalent of the public rating assigned by Moody's if such Collateral Debt Security is rated "Baa3" or higher by Moody's and (B) two subcategories below the S&P equivalent of the public rating assigned by Moody's if such Collateral Debt Security is rated "Bal" or lower by Moody's; provided, however, that the aggregate principal balance of the Collateral Debt Securities that shall be deemed to have an S&P Rating based on this subclause (vii) may not exceed 10% of the aggregate principal balance of all Collateral Debt Securities; and

(viii) if no S&P Rating is assigned pursuant to clauses (i) through (vii) above with respect to such Collateral Debt Security, then (A) if (I) neither the issuer nor any of its Affiliates are subject to reorganization or bankruptcy proceedings and (II) no debt securities or obligations of the issuer have been in default during the past two years, the S&P Rating of such Collateral Debt Security will be "CCC-" and (B) otherwise, the S&P Rating of such Collateral Debt Security will be "D."

Notwithstanding anything to the contrary in any of the foregoing:

(a) for purposes of the S&P CDO Monitor Test, if the S&P credit rating of any Collateral Debt Security or obligor (or guarantor, as applicable) is on S&P's CreditWatch list with a "Positive" designation, then such credit rating shall be raised by one rating subcategory; and if the S&P credit rating of any Collateral Debt Security or obligor (or guarantor, as applicable) is equal to or greater than "CCC" and is on S&P's CreditWatch list with a "Negative" designation, then such credit rating shall be lowered by one rating subcategory;

(b) if such obligor (or guarantor, as applicable) is not organized in the United States and its territories, then any reference to the S&P issuer credit rating in this definition shall mean the S&P foreign currency issuer credit rating; and

(c) any S&P credit rating that contains a qualifier, including "p," "pi," "t," "r," or "q" shall not be a valid credit rating for use in this definition unless a Rating Agency Confirmation has been received with respect to such use.

"S&P Weighted Average Recovery Rate Test": A test that is satisfied as of any Measurement Date if the Weighted Average Recovery Rate (Standard & Poor's) is greater than or equal to 65.0% if the Class A Notes are the Controlling Class, 68.0% if the Class B Notes are the Controlling Class, 70.8% if the Class C Notes are the Controlling Class, 73.4% if the Class D Notes are the Controlling Class and 76.0% if the Class E Notes are the Controlling Class.

"Standard & Poor's Recovery Rate": The meaning specified in Schedule E attached hereto.

"Stated Maturity": With respect to any security, the date specified in such security, and with respect to any Note, the date specified in such Note and in Section 2.3, as the fixed date on

which the final payment of the principal amount of such security or Note, as the case may be, is due and payable, or, if such date is not a Business Day, the next following Business Day.

"Stated Redemption Date": With respect to the Subordinated Notes, the stated redemption date thereof, which is January 21, 2020, or if such date is not a Business Day, the next following Business Day.

"Step-Up Coupon Security": A security (i) that does not currently provide for the payment of interest but which provides for the payment of interest after the expiration of a specified period of time ending prior to its maturity or (ii) the interest rate of which is scheduled to increase over a specified period of time (which period shall not have expired), other than due to the increase of the index relating to a Collateral Debt Security.

"Structured Finance Security": Any Registered security that is a collateralized loan obligation, equipment trust certificate or similar obligation, the pool of underlying assets of which is not managed by the Collateral Manager or any of its Affiliates or GSCP (NJ), L.P.

"Subordinate Interests": means (i) with respect to the Class A Notes, all other Classes of Notes, (ii) with respect to the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Subordinated Notes, (iii) with respect to the Class C Notes, the Class D Notes, the Class E Notes and the Subordinated Notes, (iv) with respect to the Class D Notes, the Class E Notes and the Subordinated Notes and (v) with respect to the Subordinated Notes, none.

"Subordinated Collateral Management Fee": A quarterly fee payable in arrears to the Collateral Manager on each Payment Date, in accordance with the Priority of Payments, in an amount equal to 0.40% per annum of the Quarterly Asset Amount for such Payment Date (computed on the basis of a 360 day year of twelve 30-day months).

"Subordinated Note Distribution Account": The segregated trust account of the Issuer designated as the "Subordinated Note Distribution Account" established by the Subordinated Note Paying Agent pursuant to the Subordinated Note Paying Agency Agreement.

"Subordinated Note Financed Amount": An amount equal to the portion of the proceeds received by the Issuer from the issuance and sale of the of the Subordinated Notes less the aggregate amount of expenses incurred in connection with such issuance and sale and paid by the Issuer on the Closing Date.

"Subordinated Note Financed Collateral Debt Securities": The Collateral Debt Securities that are (i) held by the Issuer on the Closing Date and designated as Subordinated Note Financed Collateral Debt Securities pursuant to Section 3.5(a)(i) and(ii) acquired after the Closing Date with amounts on deposit in the Subordinated Note Financed Collection Account.

"Subordinated Note Financed Collection Account": The trust account designated as the "Subordinated Note Financed Collection Account" established pursuant to Section 10.2(b).

"Subordinated Note Financed Loan Funding Subaccount": The subaccount of the Loan Funding Account designated as the "Subordinated Note Financed Loan Funding Subaccount" pursuant to Section 10.3(c).

"Subordinated Note Internal Rate of Return": Means, with respect to any Payment Date (or other relevant date), the annualized discount rate at which the sum of the discounted values of the following cash flows (based on the date of actual distribution or payment thereof, as applicable) is equal to zero (as calculated using the "XIRR" function of Microsoft® Office Excel 2003 or equivalent software achieving the same result): (i) the Aggregate Outstanding Amount of Subordinated Notes issued on the Closing Date (which amount will be deemed to be negative for purposes of this calculation); and (ii) each distribution made to the Subordinated Note Paying Agent (for payment to holders of the Subordinated Notes pursuant to the Subordinated Note Paying Agency Agreement) on any prior Payment Date (or other relevant date) (which amount will be deemed to be positive for purposes of this calculation) and, to the extent necessary to reach the applicable Subordinated Note Internal Rate of Return, such Payment Date (or other relevant date).

"Subordinated Note Paying Agency Agreement": The Subordinated Note Paying Agency Agreement, dated as of the Closing Date, between the Issuer and the Subordinated Note Paying Agent, as amended from time to time in accordance with the terms thereof.

"Subordinated Note Paying Agent": U.S. Bank, in its capacity as Subordinated Note Paying Agent under the Subordinated Note Paying Agency Agreement, unless a successor Person shall have become the Subordinated Note Paying Agent pursuant to the applicable provisions of the Subordinated Note Paying Agency Agreement, and thereafter "Subordinated Note Paying Agent" shall mean such successor Person.

"Subordinated Note Register": The Subordinated Note Register maintained with respect to the Subordinated Notes by the Subordinated Note Registrar pursuant to the Subordinated Note Paying Agency Agreement.

"Subordinated Note Registrar": U.S. Bank, as Subordinated Note Registrar under the Subordinated Note Paying Agency Agreement, or any successor Subordinated Note Registrar pursuant thereto.

"Subordinated Note Reissuance": The meaning specified in Section 8.l(q).

"Subordinated Note Unused Proceeds": The Unused Proceeds deposited into the Subordinated Note Financed Collection Account on the Closing Date pursuant to Section 3.5(a)(ii), as reduced by any amounts that are subsequently applied to purchase Collateral Debt Securities.

"Subordinated Noteholder": See "Holder" above.

"Subordinated Noteholder Report": The meaning specified in Section 10.5(c).

"Subordinated Notes": The Subordinated Notes due 2020, issued under the Subordinated Note Paying Agency Agreement.

"Synthetic Letter of Credit": Any letter of credit facility that requires a lender party thereto to fund in full its obligations thereunder; provided, that any such lender (a) shall have no further funding obligation thereunder and (b) shall have a right to be reimbursed or repaid by the

borrower its pro rata share of any draws on a letter of credit issued thereunder; provided, further, that the Person specified in the Collateral Debt Security that holds the deposit of the pre-funded amounts in respect of a letter of credit facility shall satisfy the Synthetic Letter of Credit Deposit Requirement at the time of such deposit.

"Synthetic Letter of Credit Deposit Requirement": A requirement that will be satisfied with respect to the deposit of the pre-funded amounts in respect of a Synthetic Letter of Credit if, as of the time of determination, such amounts are held (a) in one or more accounts at a federal or state chartered depository institution with a short-term rating of at least "A-1" by Standard & Poor's (or a long-term rating of at least "A+" by Standard & Poor's if such institution has no short-term rating) and if such institution's short-term rating falls below "A-1" by Standard & Poor's (or its long-term rating falls below "A+" by Standard & Poor's if such institution has no short-term rating), the assets held in such Account shall be transferred within 60 calendar days to another institution that has a short-term rating of at least "A-1" by Standard & Poor's (or which has a long-term rating of at least "A+" by Standard & Poor's if such institution has no short-term rating) or (b) in segregated trust accounts with the corporate trust department of a federal or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the Code of Federal Regulations, Section 9.10(b).

"Synthetic Letters of Credit Withholding Tax Account": A single, segregated trust account designated the "Synthetic Letters of Credit Withholding Tax Account" established pursuant to Section 10.3(i).

"Synthetic Security": Any Dollar denominated swap transaction (which may require Synthetic Security Collateral as described in Section 12.4), debt security, security issued by a trust or similar vehicle or other investment (Registered, in the case of a U.S. issuer) purchased from or entered into by the Issuer with a Synthetic Security Counterparty, the returns on which (as determined by the Collateral Manager) are linked to the credit performance of a single Reference Obligation but which may provide for different maturities, payment dates, interest rates, credit exposure or other credit or non-credit related characteristics than such Reference Obligation; provided, that (1) all scheduled payments made pursuant to the terms of such Synthetic Security are at a fixed interest rate, are at a variable interest rate based on an interest rate used for financings in domestic or international markets or are linked to the payments on one or more Reference Obligations (which payments are themselves at a fixed interest rate or a variable interest rate based on an interest rate used for financings in domestic or international markets), (2) such Synthetic Security will not constitute an agreement, contract or transaction that is subject to the Commodity Exchange Act, as

amended by the Commodity Futures Modernization Act of2000, (3) such Synthetic Security contains appropriate limited recourse and non-petition provisions equivalent (mutatis mutandis) to those contained in Sections 2.7(j) and 6.7(c), (4) such Synthetic Security is not a U.S. Real Property Interest within the meaning of Section 897 of the Code, (5) unless such Synthetic Security is a Form-Approved Synthetic Security, (x) Rating Agency Confirmation (from S&P only) has been received with respect to the purchase thereof, (y) the Issuer shall have applied to Moody's to receive a Moody's Rating and a Moody's Recovery Rate with respect thereto and (z) the Issuer shall have applied to receive an S&P Rating and an Standard & Poor's Recovery Rate with respect thereto, and (6) if the Synthetic Security provides for physical settlement, the Synthetic Security shall provide (or contain a warranty by the Synthetic Security Counterparty) that, unless the Issuer receives an

indemnity acceptable to the Issuer from the Synthetic Security Counterparty with respect to the following, delivery of any Deliverable Asset thereunder to the Issuer and transfer of such Deliverable Asset by the Issuer to a third party will not require or cause the Issuer to assume, and will not subject the Issuer to, any obligation or liability (other than immaterial, nonpayment obligations).

Except as provided below in this definition, for purposes of the (i) Coverage Tests, the Weighted Average Life Test, the Weighted Average Rating Test and the Weighted Average Spread Test, (ii) the limits set forth in clause (B) of the definition of "Collateral Debt Security" and (iii) subclauses (5), (6), (14), (15), (18), (20), (21), (26) and (27) ofthe Portfolio Profile Test (and as specified within a subclause of the Portfolio Profile Test), a Synthetic Security will be included as a Collateral Debt Security having the relevant characteristics of the Synthetic Security and not of the related Reference Obligation, unless the Collateral Manager determines otherwise and receives Rating Agency Confirmation (from S&P only). A Synthetic Security shall constitute a Credit Risk Obligation or a Credit Improved Obligation or shall meet the Credit Improved Objective Criteria or the Credit Risk Objective Criteria if either the Synthetic Security itself or the Reference Obligation meets such definition or criteria, as the case may be.

For purposes of determining the jurisdiction in which the issuer or obligor of a Synthetic Security is organized, a Synthetic Security will be included as a Collateral Debt Security organized in the jurisdiction of organization of the issuer or obligor of the related Reference Obligation and not of the Synthetic Security.

For purposes of the Collateral Quality Tests (other than the Diversity Test), a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation. For purposes of the Diversity Test and S&P Industry Classification Group, a Synthetic Security will be included as a Collateral Debt Security having the relevant characteristics of the related Reference Obligation and not of the Synthetic Security, unless the Collateral Manager determines otherwise and receives Rating Agency Confirmation (from S&P only).

For purposes of determining the principal balance of a Synthetic Security, the Synthetic Security will be deemed to have a principal balance equal to the actual outstanding principal amount or notional amount of such Synthetic Security, if any, unless the Collateral Manager determines otherwise and has received Rating Agency Confirmation (from S&P only).

The interest rate or coupon of a fixed rate Synthetic Security will be a fraction, expressed as a percentage and annualized, the numerator of which is the current stated periodic payments of interest (or fixed payments or fixed amounts) scheduled to be received by the Issuer from the related Synthetic Security Counterparty and the denominator of which is the principal amount or notional balance of such Synthetic Security. The interest rate or spread of a floating rate Synthetic Security will be a fraction, expressed as a percentage and annualized, the numerator of which is the current stated periodic spread over LIBOR (or the floating payments or floating amounts expressed as a spread over LIBOR) scheduled to be received by the Issuer from the related Synthetic Security Counterparty and the denominator of which is the principal amount or notional balance of such Synthetic Security.

"Synthetic Security Collateral": The meaning specified in Section 12.4.

"Synthetic Security Counterparty": Any entity required to make payments to the Issuer on a Synthetic Security pursuant to the terms of such Synthetic Security or any guarantee thereof.

"Tax Advantaged Jurisdiction": Each of the Cayman Islands, the British Virgin Islands, Bermuda, Netherlands Antilles, the Channel Islands and the Bahamas. The Issuer and/or the Collateral Manager may designate any other country as a Tax Advantaged Jurisdiction so long as a Rating Agency Confirmation is obtained with respect thereto. The issuers of Structured Finance Securities that are bankruptcy-remote entities domiciled in Tax Advantaged Jurisdictions will be treated as domiciled in the U.S. for purposes of each provision of clause (10) of the Portfolio Profile Test, other than subclause (f) thereof. "Tax/Regulatory Event": The meaning specified in Section 9.1(b).

"Tax/Regulatory Redemption": The meaning specified in Section 9.1(a)(i).

"Threshold Amount": As of any date of determination with respect to the sale of a Collateral Debt Security on or after the Effective Date, the aggregate principal balance of all of the Collateral Debt Securities determined at the later of (1) the Effective Date and (2) the date occurring twelve months prior to the date of such sale.

"Timing Hedge": One or more of the timing hedges that the Issuer may enter into with one or more counterparties in order to (i) manage potential mismatches between the timing of receipts of interest on the Collateral Debt Securities and Eligible Investments and the timing of interest payments due on the Notes and distributions to the Subordinated Notes and (ii) provide additional Interest Proceeds to the Issuer in an up-front payment, on a certain date, in exchange for the Issuer's obligation to make payments to the counterparty on one or more Payment Dates in accordance with the Priority of Payments.

"Timing Hedge Counterparty": The counterparty under any Timing Hedge or any permitted assignee or successor under any Timing Hedge.

"Total Redemption Amount": The meaning specified in Section 9.1(b)(i).

"Transaction Documents": The Administration Agreement, the Collateral Account Control Agreement, the Collateral Administration Agreement, the Collateral Management Agreement, the Forward Sale Agreement, the Indenture, the Initial Purchase Agreement, the Placement Agency Agreement, the Master Participation Agreement and the Subordinated Note Paying Agency Agreement.

"Transfer Agent": The Person or Persons, which may be the Issuer, authorized by the Issuer to exchange or register the transfer of Notes, as specified in Section 7.2.

"Transferring Noteholder": The meaning specified in Section 9.7.

"Triple C Obligation": Each Collateral Debt Security (excluding any Defaulted Obligation) included (determined by aggregate principal balance) in the greater of (a) the

Collateral Debt Securities with a Moody's Obligation Rating of "Caal" or below (in order of ascending Market Value, starting with the lowest Market Value) having an aggregate principal balance in excess of7.5% of the CDS Principal Balance and (b) the Collateral Debt Securities with an S&P Rating of "CCC+" or below (in order of ascending Market Value, starting with the lowest Market Value) having an aggregate principal balance in excess of7.5% of the CDS Principal Balance.

"Trust Officer": When used with respect to the Trustee, any officer within the Corporate Trust Office (or any successor group of the Trustee) authorized to act for and on behalf of the Trustee, including any vice president, assistant vice president, or other officer of the Trustee customarily performing functions similar to those performed by the aforementioned Persons, or to whom any corporate trust matter is referred at the Corporate Trust Office because of his knowledge of and familiarity with the particular subject.

"Trustee": U.S. Bank, solely in its capacity as Trustee hereunder, unless a successor Person shall have become the Trustee pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Person.

"UCC" or "Uniform Commercial Code": The Uniform Commercial Code as in effect in the State of New York.

"Uncertificated Security": The meaning specified in Section 8-102(a)(18) of the UCC.

"Underlying Instrument": The indenture or other agreement pursuant to which a Pledged Security has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Pledged Security or of which the holders of such Pledged Security are the beneficiaries.

"Unregistered Securities": The meaning specified in Section 5.17(c).

"Unscheduled Principal Payments": Cash payments received on Collateral Debt Securities as a result of optional redemptions, prepayments or Offers.

"Unused Proceeds": At all times prior to the Effective Date, the Deposit together with, on any date subsequent to the Closing Date, the net proceeds from the issuance of additional Securities, to the extent that such Deposit and proceeds have not theretofore been (i) deposited into the Interest Reserve Account, (ii) deposited into the Expense Reserve Account, (iii) invested in Collateral Debt Securities, (iv) used to enter into any Hedge Agreement, or (v) deposited into the Loan Funding Account.

"USA Patriot Act": The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of2001.

"U.S. Person": The meaning specified under Regulation S.

"U.S. Resident": A U.S. resident for purposes of the Investment Company Act.

"U.S. Bank": U.S. Bank National Association, a national banking association organized and existing under the laws of the United States.

"Weighted Average Coupon": As of any Measurement Date, a fraction (expressed as a percentage) obtained by (i) multiplying the principal balance of each Fixed Rate Collateral Debt Security (other than Deferred Interest Obligations) held by the Issuer as of such Measurement Date by the current per annum rate at which it bears interest, (ii) summing the amounts determined pursuant to clause (i), (iii) dividing the sum determined pursuant to clause (ii) by the aggregate principal amount of all Fixed Rate Collateral Debt Securities (other than Deferred Interest Obligations) held by the Issuer as of such Measurement Date and (iv) if the result obtained in clause (iii) is less than the minimum percentage necessary to pass the Weighted Average Coupon Test, adding to such sum the amount of the Spread Excess, if any, as of such Measurement Date.

"Weighted Average Coupon Test": A test that is applicable as of any Measurement Date that the aggregate principal amount of all Fixed Rate Collateral Debt Securities (other than Deferred Interest Obligations) is greater than zero, and, if applicable, such test is satisfied if the Weighted Average Coupon is greater than or equal to 7.75%.

"Weighted Average Life": On any Measurement Date, the number obtained by (a) summing the products obtained by multiplying (i) the Average Life at such time of each Collateral Debt Security included in the Collateral (excluding Defaulted Obligations) by (ii) the principal balance of such Collateral Debt Security and (b) dividing such sum by the aggregate principal balance of such Collateral Debt Securities as of such Measurement Date (excluding Defaulted Obligations). For purposes of determining the Weighted Average Life of a Collateral Debt Security which matures after the Stated Maturity, such Collateral Debt Security will be deemed to mature at the Stated Maturity.

"Weighted Average Life Adjustment Amount": As of any Measurement Date, a number equal to the greater of 0 and the lesser of (a) (i) the maximum Weighted Average Rating Factor applicable as of such Measurement Date in accordance with the Moody's Test Matrix plus the Weighted Average Life Adjustment Election Amount minus the Weighted Average Rating Factor divided by (ii) 200 and (b) 2.

"Weighted Average Life Adjustment Election Amount": As of any Measurement Date, a number that is the excess, if any, of (a) the amount calculated pursuant to clause (i) of the definition of Recovery Rate Modifier over (b) the amount specified in clause (ii) of the definition of Recovery Rate Modifier.

"Weighted Average Life Test": A test that is satisfied on the Closing Date and any Measurement Date during the Reinvestment Period if the weighted average life of the Collateral Debt Securities (excluding Defaulted Obligations, if any) as of such date (as determined by the Collateral Manager) is less than or

equal to (i) 9.0 less (ii) the number of full years elapsed since the Closing Date plus (iii) the Weighted Average Life Adjustment Amount. The Weighted Average Life Test will not be applicable following the Reinvestment Period.

"Weighted Average Rating Factor": The number obtained by summing the products obtained by multiplying the principal balance of each Collateral Debt Security, excluding Defaulted Obligations and Eligible Investments, by its Moody's Rating Factor, dividing such sum by the aggregate principal amount of all such Collateral Debt Securities and rounding the result up to the nearest whole number.

"Weighted Average Rating Test": A test that is satisfied as of any Measurement Date, if the Weighted Average Rating Factor of the Collateral Debt Securities as of such Measurement Date is equal to or less than the maximum rating factor corresponding to the Diversity Score and the Weighted Average Spread as of such Measurement Date, in accordance with the Moody's Test Matrix (taking into account the Recovery Rate Modifier).

"Weighted Average Recovery Rate (Moody's)" and the "Weighted Average Recovery Rate (Standard & Poor's)" (each, a "Weighted Average Recovery Rate"): As of any Measurement Date, the number obtained by adding the products obtained by multiplying the principal balance of each Collateral Debt Security by the applicable recovery rate set forth in Schedule E (in the section with respect to Moody's, in the case of the Weighted Average Recovery Rate (Moody's), and in the section with respect to Standard & Poor's, in the case of the Weighted Average Recovery Rate (Standard & Poor's)), and dividing such sum by the aggregate principal amount of all such Collateral Debt Securities and rounding up to the first decimal.

"Weighted Average Recovery Rate Test": The Moody's Weighted Average Recovery Rate Test or the S&P Weighted Average Recovery Rate Test, as applicable. The required Weighted Average Recovery Rate may be modified from time to time after the Closing Date upon receipt of Rating Agency Confirmation from Moody's or Standard & Poor's, as applicable.

"Weighted Average Spread": As of any Measurement Date, the fraction (expressed as a percentage) obtained by (i) multiplying the principal balance of each Floating Rate Collateral Debt Security (other than Deferred Interest Obligations) that is held by the Issuer as of such Measurement Date, by (a) for all Floating Rate Collateral Debt Securities that are not Purchased Discount Assets, its Effective Spread and (b) for all Floating Rate Collateral Debt Securities that are Purchased Discount Assets, its Discount-Adjusted Spread, (ii) summing (a) the amounts determined pursuant to clause (i) and (b) the Aggregate Excess Spread, (iii) dividing the sum determined pursuant to clause (ii) by the aggregate principal balance of all Floating Rate Collateral Debt Securities held by the Issuer as of such Measurement Date, and (iv) if the result obtained in clause (iii) is less than the minimum percentage necessary to pass the Weighted Average Spread Test, adding to such sum the amount of the Fixed Rate Excess, if any, as of the Measurement Date. For purposes of calculating the Weighted Average Spread, any Fixed Rate Collateral Debt Security that is the subject of an Asset Specific Hedge will be considered a Floating Rate Collateral Debt Security bearing interest at a floating rate equal to the implied spread over LIBOR receivable by the Issuer pursuant to such Asset Specific Hedge.

"Weighted Average Spread Test": A test that is satisfied as of any Measurement Date if the Weighted Average Spread of the Floating Rate Collateral Debt Securities (other than Deferred Interest Obligations) as of such Measurement Date is equal to or greater than 2.40% or such lower level as is proposed by the Collateral Manager and approved by the Rating Agencies.

"Zero Coupon Security": A security (other than a Step-Up Coupon Security, a PIK Security or a Partial PIK Security) that, at the time of determination, by its terms does not make periodic payments of interest.

Section 1.2 Assumptions as to Collateral Debt Securities; Definitional Conventions.

(a) In connection with all calculations required to be made pursuant to this Indenture with respect to Scheduled Distributions on any Pledged Security, or any payments on any other assets included in the Collateral, and with respect to the income that can be earned on Scheduled Distributions on such Pledged Securities and on any other amounts that may be received for deposit in the Collection Account, the provisions set forth in this Section 1.2 shall be applied.

(b) All calculations with respect to Scheduled Distributions on the Pledged Securities shall be made on the basis of information as to the terms of each such Pledged Security and upon report of payments, if any, received on such Pledged Security that are furnished by or on behalf of the issuer of or obligor on such Pledged Security and, to the extent that they are not manifestly in error, such information or report may be conclusively relied upon in making such calculations.

(c) For each Due Period, the Scheduled Distribution on any Pledged Security (other than a Defaulted Obligation, an Equity Security or a PIK Security that has deferred interest outstanding or that the Collateral Manager, in its commercially reasonable judgment, expects to defer or capitalize interest prior to the end of such Due Period, each of which, except as otherwise provided herein, shall be assumed to have a Scheduled Distribution of zero) shall be the sum of (i) the total amount of payments and collections scheduled to be received in respect of such Pledged Security in such Due Period (including the proceeds of the sale of such Pledged Security received during the Due Period and not (x) reinvested in Collateral Debt Securities or (y) retained in the Collection Account for subsequent reinvestment) and (ii) any such amounts received in prior Due Periods that were not disbursed on a previous Payment Date, that, if paid as scheduled, shall be available for payment on the Notes and of certain expenses of the Issuer and the Co-Issuer in the Collection Account at the end of the Due Period.

(d) Each Scheduled Distribution receivable with respect to a Pledged Security shall be assumed to be received on the applicable Due Date, and each such Scheduled Distribution shall be assumed to be immediately deposited in the Collection Account and, except as otherwise specified, to earn interest at the Assumed Reinvestment Rate. All such funds assumed to earn interest as provided herein shall be assumed to continue to earn interest until the date on which they are applied to purchase additional Collateral Debt Securities or required to be available in the Collection Account for transfer to the Payment Account and application, in accordance with the terms hereof, to payments of principal of or interest on the Notes or other amounts payable pursuant to this Indenture.

(e) For accounting and reporting purposes only, for each Pledged Security that bears interest based on a floating rate index, all calculations involving such floating rate index for the current period shall be assumed to be equal to the then current rate as had been set in accordance with the terms of the Pledged Security and all calculations involving such floating

rate index for future periods shall be assumed to be equal to the applicable floating rate on the relevant Measurement Date. All references in this instrument to designated "Articles," "Sections," "subsections" and other subdivisions are to the designated Articles, Sections, subsections and other subdivisions of this instrument as originally executed. The words "herein," "hereof," "hereunder," and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, subsection or other subdivision. The words "include," "including" and "included" shall be illustrative and shall not imply any limitation or exclusion unless the context clearly indicates otherwise.

(f) Unless otherwise specifically provided herein, all calculations required to be made and all reports which are to be prepared pursuant to this Indenture shall be made on the basis of the settlement date for the acquisition, purchase, sale, disposition, liquidation or other transfer of an asset

ARTICLE 2
THE NOTES

Section 2.1 Forms Generally.

The Notes and the Trustee's or Authenticating Agent's certificate of authentication thereon (the "Certificate of Authentication") shall be in substantially the forms required by this Article 2, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may be consistent herewith, determined by the Authorized Officers of the Issuer or Co-Issuers, as applicable, executing such Notes as evidenced by their execution of such Notes. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note.

Section 2.2 Forms of Notes and Certificate of Authentication.

(a) The form of the Notes, including the Certificate of Authentication, shall be as set forth, in the case of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, as Exhibits A and B hereto.

(b) Except as provided herein, respectively, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, in each case, that are sold outside the United States to Persons that are neither U.S. Persons nor U.S. Residents in reliance on Regulation S under the Securities Act (a "Regulation S Global Note") shall be issued initially in the form of one or more permanent global notes in definitive, fully registered form without interest coupons as set forth in Exhibit A, with the applicable legends substantially as set forth in such exhibit, which shall be deposited on behalf of the subscribers for such Securities represented thereby with the Trustee or its agent as custodian for the Depository and registered in the name of a nominee of the Depository for the respective accounts of Euroclear and Clearstream, duly executed by the Co-Issuers and authenticated by the Trustee or the Authenticating Agent as hereinafter provided. The aggregate principal amount of the Regulation S Global Notes may from time to time be increased or decreased by adjustments made on the

records of the Trustee or the Depository or its nominee, as the case may be, as hereinafter provided.

(c) Except as provided herein, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes sold in the United States to investors who are QIBs/QPs in reliance on Rule 144A of the Securities Act and qualified for resale under Rule 144A shall be issued initially in the form of one or more permanent global notes in definitive, fully registered form without interest coupons as set forth in Exhibit B, with the applicable legends substantially as set forth in such exhibit (each, a "Rule 144A Global Note" and, together with the Regulation S Global Notes, the "Global Notes"), which shall be deposited on behalf of the subscribers for such Notes represented thereby with the Trustee or its agent as custodian for the Depository and registered in the name of a nominee of the Depository, duly executed by the Co-Issuers and authenticated by the Trustee or the Authenticating Agent, as hereinafter provided. The aggregate principal amount of the Rule 144A Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee, the Note Registrar or the Depository or its nominee, as the case may be, as hereinafter provided.

(d) Book-Entry Provisions. This Section 2.2(d) shall apply only to Global Securities deposited with or on behalf of the Depository.

The Co-Issuers (with respect to the Class A Notes, Class B Notes, Class C Notes and Class D Notes) and the Issuer (with respect to the Class E Notes) shall execute and the Trustee or the Authenticating Agent shall, in accordance with this Section 2.2(d), authenticate and deliver initially one or more Global Securities that (i) shall be registered in the name of the nominee of the Depository for such Global Security or Global Securities and (ii) shall be delivered by the Trustee or its agent to such Depository or pursuant to such Depository's instructions or held by the Trustee's agent as custodian for the Depository.

Agent Members shall have no rights as Holders under this Indenture with respect to any Global Security held on their behalf by the Trustee or its agent as custodian for the Depository or under the Global Security, and the Depository may be treated by the Co-Issuers, the Trustee and any agent of the Co-Issuers or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Co-Issuers, the Trustee or any agent of the Co-Issuers or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Global Security.

(e) Certificated Notes. Except as provided in Section 2.10, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of Certificated Notes.

Section 2.3 Authorized Amount; Note Interest Rate; Stated Maturity; Denominations.

The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is limited to U.S.$370,000,000, except for Notes authenticated and delivered

upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Sections 2.5, 2.6, 2.10 or 8.6 and Notes issued pursuant to and in accordance with Section 7.8(b).

Such Notes shall be divided into Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes, having designations, original principal amounts, Note Interest Rates and Stated Maturities as follows:

Security	Original Principal Amount	Note Interest Rate	Stated Maturity
Class A Notes	U.S.$296,000,000	LIBOR(1) + 0.75%	January 21, 2020(2)
Class B Notes	U.S.$22,000,000	LIBOR(1) + 2.50%	January 21, 2020(2)
Class C Notes	U.S.$14,000,000	LIBOR(1) + 3.75%	January 21, 2020(2)
Class D Notes	U.S.$16,000,000	LIBOR(1) + 4.70%	January 21, 2020(2)
Class E Notes	U.S.$22,000,000	LIBOR(1) + 6.45%	January 21, 2020(2)

(1) LIBOR refers to LIBOR for the applicable Interest Accrual Period.
(2) Or, if such day is not a Business Day, the next Business Day.

Section 2.4 Execution, Authentication, Delivery and Dating.

The Notes (other than the Class E Notes) shall be executed on behalf of the Co Issuers and the Class E Notes shall be executed on behalf of the Issuer by one of the Authorized Officers of the Issuer and the Co-Issuer, respectively. The signature of such Authorized Officers on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signatures of individuals who were at any time the Authorized Officers of the Issuer and, as applicable, the Co-Issuer shall bind the Issuer and the Co-Issuer, notwithstanding the fact that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of issuance of such Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Co-Issuers may deliver Notes (other than the Class E Notes) and the Issuer may deliver the Class E Notes executed by the Issuer and, as applicable, Co-Issuer to the Trustee or the Authenticating Agent for authentication and the Trustee or the Authenticating Agent, upon Issuer Order, shall authenticate and deliver such Notes, as provided in this Indenture and not otherwise.

Each Note authenticated and delivered by the Trustee or the Authenticating Agent upon Issuer Order on the Closing Date shall be dated as of the Closing Date. All other Notes that are authenticated and delivered after the Closing Date for any other purpose under this Indenture shall be dated the date of their authentication.

Notes issued upon transfer, exchange or replacement of other Notes, as applicable, shall be issued in authorized denominations reflecting the original aggregate principal amount of the Notes so transferred, exchanged or replaced, but shall represent only the current Aggregate Outstanding Amount of the Notes so transferred, exchanged or replaced. In the event

that any Note is divided into more than one Note, the original principal amount of such Note, shall be proportionately divided among the Notes delivered in exchange therefor and shall be deemed to be the original aggregate principal amount or maximum principal amount, as the case may be, of such subsequently issued Notes.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a Certificate of Authentication, substantially in the form provided for herein, executed by the Trustee or by the Authenticating Agent by the manual signature of one of their respective Authorized Officers, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note, has been duly authenticated and delivered hereunder.

Section 2.5 Registration, Registration of Transfer and Exchange.

(a) The Issuer shall cause to be kept a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Notes and the registration of transfers of Notes. U.S. Bank is hereby appointed Note Registrar (the "Note Registrar") for the purpose of registering Notes and registering transfers of such Notes as herein provided and U.S. Bank hereby accepts such appointment. The Note Registrar shall provide a copy of the Note Register to the Notes Paying Agent and the Trustee within five Business Days prior to each Payment Date, and at any other time as reasonably requested in writing by the Notes Paying Agent or the Trustee. Upon any resignation or removal of the Note Registrar, the Issuer shall promptly appoint a successor or, in the absence of such appointment, assume the duties of Note Registrar.

If a Person other than U.S. Bank is appointed by the Issuer as Note Registrar, the Issuer will give the Trustee prompt notice of the appointment of such Note Registrar and of the location, and any change in the location, of the Note Register, and the Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof and the Trustee shall have the right to rely upon a certificate executed on behalf of the Note Registrar by an Officer thereof as to the names and addresses of the Holders of Notes and the principal amounts and numbers of such Notes.

Subject to this Section 2.5, upon surrender for registration of transfer of any Notes at the office or agency of the Co-Issuers to be maintained as provided in Section 7.2, the Co Issuers or the Issuer (in the case of the Class E Notes) shall execute, and the Trustee or the Authenticating Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes, of any authorized denomination and of like terms and a like aggregate principal amount.

At the option of the Holder, Notes may be exchanged for Notes, as applicable, of like terms, in any authorized denominations and of like aggregate principal amount upon surrender of the Notes to be exchanged at such office or agency. Whenever any Note is surrendered for exchange, the Co-Issuers shall execute and the Trustee or the Authenticating Agent shall authenticate and deliver the Notes that the Holder making the exchange is entitled to receive.

All Notes issued, authenticated and delivered upon any registration of transfer or exchange of Notes shall be the valid obligations of the Co-Issuers or the Issuer, as applicable, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or shall be accompanied by a written instrument of transfer in form satisfactory to the Issuer, the Co-Issuer (in the case of the Class A Notes, Class B Notes, Class C Notes and Class D Notes) and the Note Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a Holder for any registration of transfer or exchange of Notes, but the Trustee, the Authenticating Agent or the Transfer Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Co-Issuers shall not be required (i) to issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before any selection of Notes to be redeemed and ending at the close of business on the day of the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Note so selected for redemption.

(b) No Note may be sold or transferred (including, without limitation, by pledge or hypothecation) unless such sale or transfer is exempt from the registration requirements of the Securities Act and is exempt under applicable state securities laws.

No Note or interest therein may be offered, sold or delivered within the United States or to, or for the benefit of, U.S. Persons or U.S. Residents except in accordance with Rule 144A or another exemption from the registration requirements of the Securities Act, to Persons purchasing for their own account or for the accounts of one or more QIBs for which the purchaser is acting as fiduciary or agent. Interests in the Notes may be sold or resold, as the case may be, in offshore transactions to Persons that are neither U.S. Persons nor U.S. Residents in reliance on Regulation S under the Securities Act. In addition, no Rule 144A Global Note or any interest therein may at any time be held by or on behalf of U.S. Persons or U.S. Residents that are not QIBs/QPs, and no Regulation S Global Note or any interest therein may at any time be held by or on behalf of U.S. Persons or U.S. Residents, as applicable. None of the Co-Issuers, the Trustee or any other Person may register the Notes under the Securities Act or any state securities laws.

(c) For so long as any of the Notes are Outstanding, the Issuer shall not transfer any ordinary shares of the Issuer to U.S. Persons or U.S. Residents and the Co-Issuer shall not transfer any stock of the Co-Issuer to U.S. Persons or U.S. Residents.

(d) Upon final payment due on the Maturity of a Note, the Holder thereof shall present and surrender such Note at the Corporate Trust Office of the Trustee or at the office of the Transfer Agent; provided, that ifthere is delivered to the Co-Issuers, the Transfer Agent and the Trustee such security or indemnity as may be reasonably satisfactory to each of them to

save each of them harmless and an undertaking thereafter to surrender such certificate, then, in the absence of notice to the Issuer, the Co-Issuer, the Transfer Agent or the Trustee that the applicable Note has been acquired by a bona fide purchaser, such final payment shall be made without presentation or surrender.

(e) So long as a Global Security remains outstanding and is held by or on behalf of the Depository, transfers of a Global Security, in whole or in part, shall only be made in accordance with Section 2.5(b) and this Section 2.5(e).

(i) Subject to this Section 2.5(e), transfers of a Global Security shall be limited to transfers of such Global Security in whole, but not in part, to nominees of the Depository or to a successor of the Depository or such successor's nominee.

(ii) Rule 144A Global Note to Regulation S Global Note. If a holder of a beneficial interest in a Rule 144A Global Note deposited with the Depository wishes at any time to exchange its interest in such Rule 144A Global Note for an interest in a Regulation S Global Note, or to transfer its interest in such Rule 144A Global Note to a Person who wishes to take delivery thereof in the form of an interest in a Regulation S Global Note, such holder (provided such holder or, in the case of a transfer, the transferee is not a U.S. Person or U.S. Resident) may, subject to the rules and procedures of the Depository, exchange or transfer, or cause the exchange or transfer of, such interest for an equivalent beneficial interest in the Regulation S Global Note. Upon receipt by the Trustee or Note Registrar of (A) instructions given in accordance with the Depository's procedures from an Agent Member directing the Trustee or Note Registrar to cause to be credited a beneficial interest in a Regulation S Global Note in an amount equal to the beneficial interest in such Rule 144A Global Note, but not less than the minimum denomination applicable to such holder's Notes held through a Regulation S Global Note, to be exchanged or transferred, (B) a written order given in accordance with the Depository's procedures containing information regarding the participant account of the Depository and, the Euroclear or Clearstream account to be credited with such increase and (C) a certificate in the form of Exhibit C-1 attached hereto given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Global Notes, including that the holder or the transferee, as applicable, is not a U.S. Person or U.S. Resident, and pursuant to and in accordance with Regulation S, the Trustee or Note Registrar shall instruct the Depository to reduce the principal amount of the Rule 144A Global Note and to increase the principal amount of the Regulation S Global Note by the aggregate principal amount of the beneficial interest in the Rule 144A Global Note to be exchanged or transferred, and to credit or cause to be credited to the securities account ofthe Person specified in such instructions a beneficial interest in the Regulation S Global Note equal to the reduction in the principal amount of the Rule 144A Global Note.

(iii) Regulation S Global Note to Rule 144A Global Note. If a holder of a beneficial interest in a Regulation S Global Note deposited with the Depository wishes at any time to exchange its interest in a Regulation S Global Note for an interest in a Rule 144A Global Note or to transfer its interest in such Regulation S Global Note to a Person who wishes to take delivery thereof in the form of an interest in a Rule 144A Global Note, such holder may, subject to the rules and procedures of Euroclear, Clearstream or the Depository, as the case may be, exchange or transfer or cause the exchange or transfer of such interest for an equivalent

beneficial interest in a Rule 144A Global Note. Upon receipt by the Trustee or Note Registrar of (A) instructions from Euroclear, Clearstream or the Depository, as the case may be, directing the Trustee or Note Registrar to cause to be credited a beneficial interest in a Rule 144A Global Note in an amount equal to the beneficial interest in such Regulation S Global Note, but not less than the minimum denomination applicable to such holder's Notes held through a Rule 144A

Global Note, to be exchanged or transferred, such instructions to contain information regarding the participant account with the Depository to be credited with such increase, and (B) a certificate in the form of Exhibit C-2 attached hereto given by the holder of such beneficial interest and stating, among other things, that, in the case of a transfer, the Person transferring such interest in such Regulation S Global Note reasonably believes that the Person acquiring such interest in a Rule 144A Global Note is a QIB, is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, and is also a Qualified Purchaser or that, in the case of an exchange, the holder is a QIB and is also a Qualified Purchaser, then Euroclear or Clearstream or the Trustee or Note Registrar, as the case may be, will instruct the Depository to reduce the Regulation S Global Note by the aggregate principal amount of the beneficial interest in the Regulation S Global Note to be transferred or exchanged and the Note Registrar shall instruct the Depository, concurrently with such reduction, to credit or cause to be credited to the securities account of the Person specified in such instructions a beneficial interest in the Rule 144A Global Note equal to the reduction in the principal amount of the Regulation S Global Note.

(iv) Other Exchanges. In the event that a Global Security is exchanged for Securities in definitive registered form without interest coupons pursuant to Section 2.10, such Securities may be exchanged for one another only in accordance with such procedures as are substantially consistent with the provisions above (including certification requirements intended to ensure that such transfers are made only to holders who are QIBs/QPs and comply with Rule 144A or are to Persons that are neither U.S. Persons nor U.S. Residents and otherwise comply with Regulation S under the Securities Act) and as may from time to time be adopted by the Co-Issuers, the Note Registrar and the Trustee.

(v) Restrictions on U.S. Transfers. Transfers of interests in the Regulation S Global Notes to Persons that are U.S. Persons or U.S. Residents shall be limited to transfers made pursuant to the provisions of Section 2.5(e)(iii) and 2.5(f)(iv).

(f) Each Person who becomes a holder of a beneficial interest in Notes represented by an interest in a Rule 144A Global Note will be required to make or be deemed to have made, as applicable, the following representations and agreements:

(i) The holder (A) is a QIB that is not (1) a broker-dealer which owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers and is not a plan referred to in paragraph (a)(l)(i)(D) or (a)(l)(i)(E) of Rule 144A or (2) a trust fund referred to in paragraph (a)(l)(i)(F) of Rule 144A that holds the assets of such a plan, if investment decisions with respect to the plan are made by the beneficiaries of the plan, (B) understands that such Notes may be resold, pledged or transferred only to a person who is a QIB within the meaning of Rule 144A, (C) is aware that the sale of the Notes to it is being made in reliance on the exemption from registration provided by Rule 144A and (D) is acquiring the

Notes for its own account or for one or more accounts, each of which is a QIB, and as to each of which the holder exercises sole investment discretion, and in a principal amount of not less than the minimum denomination for such Note for the holder and for each such account. The holder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and the holder, and any accounts for which it is acting, are each able to bear the economic risk of the holder's or its investment.

(ii) The holder understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act, and, if in the future the holder decides to offer, resell, pledge or otherwise transfer the Notes, such Notes may be offered, resold, pledged or otherwise transferred only in accordance with the legend on such Notes set forth in Exhibit A or B as applicable. The holder acknowledges that no representation is made by the Co-Issuers or the Initial Purchasers as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Notes.

(iii) In connection with the purchase of the Notes (provided, that no such representation is made with respect to the Collateral Manager by any Affiliate of the Collateral Manager): (A) none of the Co-Issuers, the Initial Purchasers or the Collateral Manager is acting as a fiduciary or financial or investment adviser for the holder; (B) the holder is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Co-Issuers, the Initial Purchasers or the Collateral Manager other than any in a current offering memorandum for such Notes and any representations expressly set forth in a written agreement with such party; (C) none of the Co Issuers, the Initial Purchasers or the Collateral Manager has given to the holder (directly or indirectly through any other Person) 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) of its purchase or the documentation for the Notes; (D) the holder has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the documentation for the Notes) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Initial Purchasers or the Collateral Manager; (E) the holder has determined that the rates, prices or amounts and other terms of the purchase and sale of the Notes reflect those in the relevant market for similar transactions; (F) the holder is purchasing the Notes with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (G) the holder is a sophisticated investor familiar with transactions similar to its investment in the Notes.

(iv) The holder and each account for which the holder is acquiring Notes is a Qualified Purchaser, the holder (or if the holder is acquiring Notes for any account, each such account) is acquiring the Notes as principal for its own account for investment and not for sale in connection with any distribution thereof, the holder and each such account was not formed solely for the purpose of investing in the Notes and is not a (A) partnership, (B) common trust fund or (C) special trust, pension fund or retirement plan in which the partners, beneficiaries

or participants, as applicable, may designate the particular investments to be made, and the holder and each such account agrees that it shall not hold such Notes for the benefit of any other Person and shall be the sole beneficial owner thereof for all purposes and that it shall not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other Person shall be entitled to a beneficial interest in the distributions on the Notes and further that the Notes purchased directly or indirectly by it constitute an investment of no more than 40% of the holder's and each such account's assets. If the Holder is a private investment company formed prior to April 30, 1996, it has received the necessary consents from its beneficial holders. The holder understands and agrees that any purported transfer of the Notes or any interest therein to a holder that does not comply with the requirements of this clause (v) shall be null and void ab initio.

(v) The Notes may not at any time be held by or on behalf of U.S. Persons or U.S. Residents that are not QIBs who are also Qualified Purchasers. Before any interest in a Rule 144A Global Note may be offered, resold, pledged or otherwise transferred to a Person who takes delivery in the form of an interest in a Regulation S Global Note, the transferee will be required to provide the Trustee with a written certification in the form of Exhibit C-1 hereto as to compliance with the transfer restrictions.

(vi) The holder understands that the Notes offered in reliance on Rule 144A will bear the applicable legend set forth in Exhibit B, and will be represented by one or more Rule 144A Global Notes.

(vii) (a) With regard to the holders of Notes other than the Class E Notes, either (a) it is not (and for so long as it holds any Note or any interest therein will not be) acting on behalf of an Employee Benefit Plan that is subject to Title I of ERISA, a plan described in section 4975(e)(l) of the Code, an entity which is deemed to hold the assets of any such plan pursuant to 29 C.F.R. section 2510.3-101, as modified by Section 3(42) of ERISA, which plan or entity is subject to Title I of ERISA or section 4975 of the Code, or a governmental or church plan which is subject to any Similar Law, or (b) its purchase and ownership of a Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of a governmental or church plan, will not result in a violation of any Similar Law).

(b) Each holder a Class E Note (1) will be deemed to represent and warrant that it is not a Benefit Plan Investor (including, for this purpose the general account of an insurance company any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA) and (2) understands that if the Issuer determines that any holder of a Class E Note or beneficial interest therein is (or became) a Benefit Plan Investor, the Issuer may require, by notice to such holder require such holder to sell all of its right, title and interest to such Class E Note (or interest therein) to a person that is not a Benefit Plan Investor and otherwise satisfies the applicable requirements for holding such Class E Note, with such sale to be effected within 30 days after notice of such sale requirement is given. If such holder fails to effect the transfer required within such 30-day period, (x) upon written direction from the Collateral Manager or the Issuer, the Trustee shall, and is hereby irrevocably authorized by such holder to, cause such holder's interest in such Class E Note to be transferred in a commercially reasonable sale arranged by the Collateral Manager (conducted by the Trustee in accordance

with section 9-610 of the UCC as in effect in the state of New York as applied to securities that are sold on a recognized market or that are the subject of widely distributed standard price quotations) to a person that certifies to the Trustee, the Issuer and the Collateral Manager, in connection with such transfer, that such person is not a Benefit Plan Investor and otherwise meets the requirements for holding such Class E Note and (y) pending such transfer, no further payments will be made in respect of the interest in such Class E Note held by such holder, and the interest in such Class E Note shall not be deemed to be outstanding for the purpose of any vote or consent of the holders of the Class E Notes.

(c) If the purchaser of Notes is, or is acting on behalf of, a Plan subject to Title I of ERISA or an employee benefit plan that is not subject to Title I of ERISA but is subject to provisions of a Similar Law, the fiduciaries of such Plan or such employee benefit plan, as applicable, represent and warrant that they have been informed of and understand the Issuer's investment objectives, policies and strategies and that the decision to invest such Plan's assets or such employee benefit plan's assets in Notes was made with appropriate consideration of relevant investment factors with regard to such Plan or such employee benefit plan, as the case may be, and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under Title I of ERISA or such Similar Law.

(viii) The holder will not, at any time, offer to buy or offer to sell the Notes by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or seminar or meeting whose attendees have been invited by general solicitations or advertising.

(ix) The holder is not purchasing the applicable Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act.

(x) The holder will provide notice to each Person to whom it proposes to transfer any interest in the Notes of the transfer restrictions and representations set forth in this Section 2.5, including the Exhibits referenced herein.

(xi) The holder understands that an investment in the Notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances and that the Co-Issuers have assets limited to the Collateral for payment of all Classes of the Notes and the Subordinated Notes. The holder understands that the Notes will be highly illiquid and are not suitable for short-term trading. Furthermore, (A) in the case of a purchaser or transferee of the Class E Notes, the holder understands that (i) the Class E Notes will rank subordinate in priority of payment to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, (ii) the Class E Notes bear the first risk of loss after the Subordinated Notes, (B) in the case of a purchaser or transferee of the Class D Notes, the holder understands that (i) the Class D Notes will rank subordinate in priority of payment to the Class A Notes, the Class B Notes and the Class C Notes, (ii) the Class D Notes bear the first risk of loss after the Class E Notes, (C) in the case of a purchaser or transferee of the Class C Notes, the holder understands that (i) the Class C Notes will rank subordinate in priority of payment to the Class A Notes and the Class B Notes, (ii) the Class C Notes bear the first risk of loss after the Class D Notes and (D) in the case of a purchaser or transferee of the Class B Notes, the holder

understands that (i) the Class B Notes will rank subordinate in priority of payment to the Class A Notes and (ii) the Class B Notes bear the first risk of loss after the Class C Notes. The purchaser has had access to such financial and other information concerning the Co-Issuers and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes, including an opportunity to ask questions of and request information from the Co-Issuers.

(xii) If the holder is acquiring the Notes in a transfer from an existing holder the transferee has satisfied all applicable registration and other requirements of the Board of Governors of the Federal Reserve System in connection with its acquisition of the Notes.

(xiii) The holder understands that the Issuer may require certification acceptable to it (i) to permit the Issuer to make payments to it without, or at a reduced rate of, withholding or (ii) to enable the Issuer to qualify for a reduced rate or withholding in any jurisdiction from or through which the Issuer receives payments on its assets. The purchaser agrees to provide any such certification that is requested by the Issuer.

(xiv) The purchaser is not a member of the public in the Cayman Islands.

(g) Each Person who becomes a holder of the Notes represented by an interest in a Regulation S Global Note will be deemed to have made, as applicable, the representations set forth in clauses (ii), (iii), (v), (vii), (viii), (ix), (x), (xi), (xii), (xiii) and (xiv) of Section 2.5(f) and to have further represented and agreed that the holder is aware that the sale of such Notes to it is being made in reliance on the exemption from registration provided by Regulation S and understands that the Notes offered in reliance on Regulation S will bear the applicable legend set forth in Exhibit A and be represented by one or more Regulation

S Global Notes. The Notes so represented may not at any time be held by or on behalf of U.S. Persons or U.S. Residents. In addition, each Person who becomes a holder of the Notes represented by an interest in a Regulation S Global Note will be deemed to have represented and warranted that (i) it and each Person that becomes a beneficial owner of the Notes that it holds is not, and will not be, a U.S. Person or a U.S. Resident, its principal place of business is not located within any Federal Reserve District of the Board of Governors of the Federal Reserve System (or it has satisfied and will satisfy any applicable registration and other requirements of the Board of Governors of the Federal Reserve System in connection with its acquisition of the Notes) and its purchase of the Notes will comply with all applicable laws in any jurisdiction in which it resides or is located and (ii) it is aware that, before any interest in a Regulation S Global Note may be offered, resold, pledged or otherwise transferred to a Person who takes delivery in the form of an interest in a Rule 144A Global Note the transferee will be required to provide the Trustee with a written certification in the form of Exhibit C-2 hereto as to compliance with the transfer restrictions.

(h) Any purported transfer of a Security not in accordance with this Section 2.5 shall be null and void and shall not be given effect for any purpose hereunder.

(i) Notwithstanding anything contained in this Indenture to the contrary, neither the Trustee nor the Note Registrar (nor any other Transfer Agent) shall be responsible or liable for monitoring compliance with applicable federal, state or foreign securities laws

(including, without limitation, the Securities Act or Rule 144A or Regulation S promulgated thereunder or Section 4(2) thereof), the Investment Company Act, ERISA or the Code (or any applicable regulations thereunder); provided, however, that if a specified transfer certificate or opinion of counsel is required by the express terms of this Section 2.5 to be delivered to the Trustee or Note Registrar prior to registration of transfer of a Note, the Trustee and/or Note Registrar, as applicable, shall be under a duty to, upon receipt, examine the same to determine whether it conforms on its face to the requirements hereof.

Section 2.6 Mutilated, Defaced, Destroyed, Lost or Stolen Notes.

If (i) any mutilated or defaced Note is surrendered to the Trustee or a Transfer Agent, or if there shall be delivered to the Co-Issuers, the Trustee and the relevant Transfer Agent evidence to their reasonable satisfaction of the destruction, loss or theft of any Note and (ii) there is delivered to the Co-Issuer (in the case of a Class A Note, Class B Note, Class C Note or Class D Note), the Issuer, the Trustee and such Transfer Agent such security or indemnity as may be required by them to hold each of them and any agent of any of them harmless, then, in the absence of notice to the Co-Issuers, the Trustee or such Transfer Agent that such Note has been acquired by a bona fide purchaser, the Co-Issuers (or the Issuer, in the case of the Class E Notes) shall execute and, upon Issuer Request, the Trustee or the Authenticating Agent shall authenticate and deliver, in lieu of any such mutilated, defaced, destroyed, lost or stolen Note, a new Note, of like tenor (including the same date of issuance) and equal principal amount registered in the same manner, dated the date of its authentication, bearing interest from the date to which interest has been paid on the mutilated, defaced, destroyed, lost or stolen Note and bearing a number not contemporaneously outstanding.

If, after delivery of such new Note, a protected purchaser of the predecessor Note presents for payment, transfer or exchange such predecessor Note, the Co-Issuer (solely with respect to the Class A Notes, Class B Notes, Class C Notes or Class D Notes), the Issuer, the Transfer Agent and the Trustee shall be entitled to recover such new Note, from the Person to whom it was delivered or any Person taking therefrom, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Co-Issuers, the Trustee and the Transfer Agent in connection therewith.

In case any such mutilated, defaced, destroyed, lost or stolen Note has become due and payable, the Co-Issuer (solely with respect to the Class A Notes, Class B Notes, Class C Notes or Class D Notes) and the Issuer, may in their discretion instead of issuing a new Note pay such Note without requiring surrender thereof except that any mutilated or defaced Note shall be surrendered.

Upon the issuance of any new Note, the Co-Issuer (solely with respect to the Class A Notes, Class B Notes, Class C Notes or Class D Notes), the Issuer, the Trustee or any Transfer Agent may require the payment by the registered Holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section 2.6 in lieu of any mutilated, defaced, destroyed, lost or stolen Note shall constitute an original additional contractual

obligation of the Co-Issuer (solely with respect to the Class A Notes, Class B Notes, Class C Notes or Class D Notes) and the Issuer, and such new Note shall be entitled, subject to the second paragraph of this Section 2.6, to all of the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.6 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, defaced, destroyed, lost or stolen Notes.

Section 2.7 Payment in Respect of the Notes; Rights Preserved.

(a) (i) The Notes shall accrue interest during each Interest Accrual Period at the applicable Note Interest Rate, specified in Section 2.3. Except as provided below, interest on the Notes shall be due and payable quarterly in arrears on each Payment Date immediately following the related Interest Accrual Period. All payments on the Notes shall be made subject to and in accordance with the Priority of Payments.

(ii) So long as any Class A Notes or Class B Notes are Outstanding, any portion of the interest due on the Class C Notes for which sufficient funds are unavailable to be paid ("Class C Deferred Interest") as a result of the operation of the Priority of Payments on any Payment Date shall not be considered "due and payable" for the purposes of Section 5.1(a) (and the failure to pay such interest shall not be an Event of Default) until the next succeeding Payment Date on which such amount is available to be paid in accordance with the Priority of Payments. Class C Deferred Interest shall be added to the principal amount of the Class C Notes, shall bear interest at the Class C Interest Rate, and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments.

(iii) So long as any Class A Notes, Class B Notes or Class C Notes are Outstanding, any portion of the interest due on the Class D Notes for which sufficient funds are unavailable to be paid ("Class D Deferred Interest") as a result of the operation of the Priority of Payments on any Payment

Date shall not be considered "due and payable" for the purposes of Section 5.1(a) (and the failure to pay such interest shall not be an Event of Default) until the next succeeding Payment Date on which such amount is available to be paid in accordance with the Priority of Payments. Class D Deferred Interest shall be added to the principal amount of the Class D Notes, shall bear interest at the Class D Interest Rate, and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments.

(iv) So long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes are Outstanding, any portion ofthe interest due on the Class E Notes for which sufficient funds are unavailable to be paid ("Class E Deferred Interest") as a result of the operation of the Priority of Payments on any Payment Date shall not be considered "due and payable" for the purposes of Section 5.1(a) (and the failure to pay such interest shall not be an Event of Default) until the next succeeding Payment Date on which such amount is available to be paid in accordance with the Priority of Payments. Class E Deferred Interest shall be added to the principal amount of the Class E Notes, shall bear interest at the Class E Interest Rate, and

shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments.

(v) Interest shall cease to accrue on each Class A Note, each Class B Note, each Class C Note, each Class D Note and each Class E Note or, in the case of a partial repayment, on such part, from the date of repayment or Stated Maturity unless payment of principal is improperly withheld or unless a Default otherwise occurs with respect to such payments of principal. To the extent lawful and enforceable, interest on any Deferred Interest and on any Defaulted Interest shall accrue at the applicable Note Interest Rate until paid as provided herein.

(b) The principal amount of each Note shall be due and payable no later than the Stated Maturity thereof unless such amount becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise; provided, that (A) the payment of the principal due in respect of the Class E Notes (other than the payment of any additions to the principal thereof of amounts constituting Class E Deferred Interest) shall be subordinated to the payment on each Payment Date of the principal due and payable on the Class D Notes and may only occur after the principal of the Class D Notes has been paid in full or pursuant to Section 11.1(a)(i)(O) and (B) the payment of the principal due in respect of the Class D Notes (other than the payment of any additions to the principal thereof of amounts constituting Class D Deferred Interest) shall be subordinated to the payment on each Payment Date of the principal due and payable on the Class C Notes and may only occur after the principal of the Class C Notes has been paid in full and (C) the payment of the principal due in respect of the Class C Notes (other than the payment of any additions to the principal thereof of amounts constituting Class C Deferred Interest) shall be subordinated to the payment on each Payment Date of the principal due and payable on the Class B Notes and may only occur after the principal of the Class B Notes has been paid in full and (D) the payment of the principal due in respect of the Class B Notes shall be subordinated to the payment on each Payment Date of the principal due and payable on the Class A Notes and may only occur after the principal of the Class A Notes has been paid in full.

(c) As a pre-condition to the payment of principal of and interest on any Note, the Issuer shall require previous delivery of properly completed and signed applicable United States federal income tax certifications (generally, an Internal Revenue Service Form W-9 (or applicable successor form) in the case of a person that is a "United States person" within the meaning of section 770l(a)(30) of the Code or an applicable Internal Revenue Service Form W-8 (or applicable successor form) in the case of a person that is not a "United States person" within the meaning of section 770l(a)(30) of the Code), and the Issuer shall require certification acceptable to it to enable the Issuer, the Trustee and any Notes Paying Agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to deduct or withhold from payments in respect of such Note under any present or future law or regulation of the United States or any present or future law or regulation of any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirements under any such law or regulation.

(d) Payments on definitive, certificated Securities delivered pursuant to Section 2.10 will be made on each Payment Date by wire transfer in immediately available funds

to a U.S. Dollar account maintained by the Holder thereof in accordance with wiring instructions provided to the Notes Paying Agent or, if such instructions have not been received at least five Business Days prior to the relevant Payment Date or a wire transfer cannot be effected, by a U.S. Dollar check mailed to the address of the Holder specified in the Note Register as of the Record Date applicable to such Payment Date. Notice will be mailed to each Holder of record of a definitive, certificated Security delivered pursuant to Section 2.10 no later than ten days before the Payment Date (other than the Stated Maturity Date) on which the final principal or other payment in respect of such redemption is expected to be made to such Holder. Payments on the Global Securities will be made by wire transfer in immediately available funds to a U.S. Dollar account maintained by the Depository or its nominee or, if a wire transfer cannot be effected, by a U.S. Dollar check in immediately available funds delivered to the Depository or its nominee. Final payments in respect of the principal of the Notes will be made only against surrender of the Notes at the office of any Notes Paying Agent appointed under this Indenture; provided, that if there is delivered to the Co-Issuers, the Notes Paying Agent and the Trustee such security or indemnity as may be required by them to hold each of them harmless and an undertaking thereafter to surrender such Note, then, in the absence of notice to the Co-Issuers, the Notes Paying Agent or the Trustee that the applicable Note has been acquired by a bona fide purchaser, such final payment shall be made without presentation or surrender. None of the Co-Issuers, the Trustee and any Notes Paying Agent will have any responsibility or liability for any aspects of the records maintained by the Depository or its nominee or any of its participants relating to or for payments made thereby on account of beneficial interests in, a Global Security. For so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require the Co-Issuers will have a paying agent for the Notes that are so listed in Ireland and payments on the Notes may be effected through such Irish Paying Agent. In the event that the Irish Paying Agent is replaced at any time during such period, notice of the appointment of any replacement will be given to the Company Announcements Office. The Co-Issuers expect that the Depository or its nominee, upon receipt of any payment of any of the principal of and interest on a Global Note held by the Depository or its nominee, will immediately credit the applicable Agent Members' accounts with payments in amounts proportionate to the respective beneficial interests in such Global Note as shown on the records of the Depository or its nominee. The Co Issuers also expect that payments by Agent Members to owners of beneficial interests in such Global Note held through Agent Members will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of the Agent Members. None of the Co-Issuers, the Trustee and any Notes Paying Agent will have any responsibility or liability for any aspects of the records maintained by the Depository or its nominee or any of the Agent Members relating to or for payments made thereby on account of beneficial interests in, a Regulation S Global Note or a Rule 144A Global Note. In the case where any final payment of any of the principal of and interest on any Note (other than on the Stated Maturity thereof) is to be made, the Co-Issuers or, upon Issuer Request, the Trustee or its agent in the name and at the expense of the Co-Issuers shall not more than 30 days nor less than 10 days prior to the date on which such payment is to be made, mail to the Persons entitled thereto at their addresses appearing on the Note Register, a notice which shall state the date on which such payment will be made and, the amount of such payment per U.S.$100,000 initial principal amount of Notes and shall specify the place where such Notes may be presented and surrendered for such payment.

(e) Subject to the provisions of Sections 2.7(a), (b), (c) and (j), the Holders of Notes as of the close of business on the Record Date in respect of a Payment Date shall be entitled to the interest accrued and payable in accordance with the Priority of Payments and the principal amount payable in accordance with the Priority of Payments on such Payment Date. All such payments that are mailed or wired and returned to the Notes Paying Agent shall be held for payment as herein provided at the office or agency of the Co-Issuers to be maintained as provided in Section 7.2.

(f) Payments in respect of interest, principal of or any other amounts payable in respect of any Note shall be paid to the Person in whose name that Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such payment.

Payments of principal of and interest on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes shall be made, subject to Section 2.7(j), to the Holders of such Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes, as applicable, in the proportion that the Aggregate Outstanding Amount of the Notes of such Class registered in the name of each such Holder on such Record Date bears to the Aggregate Outstanding Amount of all Notes of such Class on such Record Date.

(g) Payment of any Defaulted Interest may be made in any other lawful manner in accordance with the Priority of Payments if notice of such payment is given by the Trustee or its agent to the Co-Issuers and the Note holders, and such manner of payment shall be deemed practicable by the Trustee.

(h) Interest accrued with respect to the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes shall be calculated on the basis of the actual number of days elapsed in the applicable Interest Accrual Period divided by 360.

(i) All reductions in the principal of a Note (or one or more predecessor Notes) effected by payments made on any Payment Date or Redemption Date shall be binding upon all future Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(j) Notwithstanding any other provision hereof, the obligations of the Co- Issuers under the Securities, this Indenture and the other Transaction Documents are limited recourse obligations of the Issuer and (other than the Class E Notes and the Subordinated Notes, which are issued solely by the Issuer) non-recourse obligations of the Co-Issuer, in each case, payable solely from the Collateral and following realization and application of the Collateral in accordance with the Priority of Payments, any claims of the Trustee, any other Secured Party, any third party beneficiary of this Indenture and the Note holders still outstanding shall be extinguished and shall not thereafter revive. No recourse shall be had for the payment of any amount owing or performance due under this Indenture, the other Transaction Documents or in respect of the Securities against any Officer, director, employee, stockholder or incorporator of the Co-Issuers, the Note holders, the Collateral Manager, the Trustee, any agent of the Trustee, U.S. Bank in its capacity as Collateral Administrator, the Initial Purchaser, their respective Affiliates or any of their successors or assigns for any amounts payable under the Notes of this

Indenture. It is understood that the foregoing provisions of this paragraph (j) shall not (i) prevent recourse to the Collateral for the sums due or to become due under any security, instrument or agreement which is part of the Collateral or (ii) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Securities or secured by this Indenture until such Collateral has been realized, whereupon any outstanding indebtedness or obligation shall be extinguished and shall not thereafter revive. It is further understood that the foregoing provisions of this paragraph (j) shall not limit the right of any Person to name the Issuer or the Co-Issuer as a party defendant in any Proceeding or in the exercise of any other remedy under the Notes or this Indenture, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against any such Person. The provisions of this paragraph (j) shall survive the termination of this Indenture for any reason whatsoever.

(k) Subject to the foregoing provisions of this Section 2.7, each Note delivered under this Indenture and upon registration of transfer of or in exchange for or in lieu of any other Note, as applicable, shall carry the rights to unpaid interest and principal that were carried by such other Note, as applicable.

(l) Notwithstanding any of the foregoing provisions with respect to payments of any of the principal of, and interest on, the Notes except Section 2.7(j), if the Notes have become or been declared due and payable following an Event of Default and such acceleration of maturity and its consequences have not been rescinded and annulled, then payments of any of the principal of and interest on such Notes shall be made in accordance with Section 5.7.

Section 2.8 Persons Deemed Owners.

(a) The Co-Issuers, the Trustee, and any agent of the Co-Issuers or the Trustee may treat the Person in whose name any Note is registered on the Note Register on the applicable Record Date as the owner of such Note for the purpose of receiving payments of any of the principal of and interest on such Note and, except as otherwise provided herein, on any other date for all other purposes whatsoever (whether or not such Note is overdue), and none of the Co-Issuers, the Trustee or any agent of the Co-Issuers or the Trustee shall be affected by notice to the contrary; provided, that the Depository, or its nominee, shall be deemed the owner of the Global Securities, and owners of beneficial interests in Global Securities will not be considered the owners of any Notes for the purpose of receiving notices.

Section 2.9 Cancellation.

All Notes surrendered for payment, registration of transfer, exchange or redemption, or deemed lost or stolen, shall, if surrendered to any Person other than the Trustee or Note Registrar, be delivered to the Trustee and shall be promptly canceled by it and may not be reissued or resold. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.9, except as expressly permitted by this Indenture. All canceled Notes held by the Trustee or Note Registrar shall be destroyed or held by the Trustee or Note Registrar in accordance with its standard retention policy unless the Co-Issuers shall direct by an Issuer Order that they be returned to it. Any Notes purchased by the Co-Issuers pursuant to Section 7.13 shall be immediately delivered to the Trustee for cancellation.

Section 2.10 Global Notes; Temporary Notes.

(a) A Global Security deposited with the Depository pursuant to Section 2.2 shall be transferred to the beneficial owners thereof in definitive form only if such transfer complies with Section 2.5 and (x) the Depository notifies the Co-Issuers that it is unwilling or unable to continue as Depository for such Global Security or if at any time such Depository ceases to be a Clearing Agency and, in each case, a successor depository is not appointed by the Co-Issuers within 90 days after such notice or (y) as a result of any amendment to or change in the laws or regulations of the Cayman Islands, the United States or the State of Delaware, as applicable, or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which become effective on or after the Closing Date, the Co-Issuers or the Notes Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes, which would not be required if the Notes were in definitive form.

(b) Any Global Security that is transferable to the beneficial owners thereof pursuant to this Section 2.10 shall be surrendered by the Depository to the Corporate Trust Office or to an office or agency of the Issuer maintained in the Borough of Manhattan, The City of New York (a "New York Presenting Agent") to be so transferred, in whole or from time to time in part, without charge, and the Trustee or the Authenticating Agent shall authenticate and deliver to the beneficial holders in definitive, certificated form (or initially, in temporary form) in accordance with Section 2.10(c), upon such transfer of each portion of such Global Security, an equal Aggregate Outstanding Amount of Notes of authorized denominations. Any portion of a Global Security transferred pursuant to this Section 2.10 shall be executed, authenticated and delivered only in the minimum denominations and integral multiples of the amounts set forth in Section 2.3. Any definitive Security delivered in exchange for an interest in (i) a Rule 144A Global Note shall bear the applicable legend set forth in Exhibit B or (ii) a Regulation S Global Note shall bear the applicable legend set forth in Exhibit A and, in the case of clauses (i) and (ii), shall be subject to the transfer restrictions referred to in such applicable legends and to the deemed representations applicable to such Notes, in Section 2.5. The Holder of any registered individual Security in definitive, certificated form delivered pursuant to this Section 2.10 may transfer such Security by (a) surrendering it to the New York Presenting Agent and (b) delivering to the Trustee or the Note Registrar the certifications required pursuant to Section 2.5(e)(x) hereof. The Issuer hereby appoints Corporation Service Company, 1133 Avenue of the Americas, Suite 3100, New York, NY 10036 as the initial New York Presenting Agent.

(c) Subject to the provisions of Section 2.10(b), the registered Holder of a Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action that a Holder is entitled to take under this Indenture or the Notes.

(d) In the event of the occurrence of any of the events specified in Section 2.10(a), the Co-Issuers (or the Issuer, in the case of the Class E Notes) will promptly make available to the Trustee or the Authenticating Agent a reasonable supply of Certificated Notes in definitive, fully registered form without interest coupons. The Certificated Notes shall be printed, lithographed or engraved, or provided by any combination thereof, or in any other

manner permitted by the rules and regulations of any applicable securities exchange, all as determined by the Officers executing such Certificated Notes.

Pending the preparation of the Certificated Notes, the Co-Issuers or the Issuer, as applicable, may execute, and upon Issuer Order the Trustee or the Authenticating Agent shall authenticate and deliver, temporary Notes, which temporary Notes shall be exchanged for Certificated Notes, as applicable, as soon as reasonably practicable after they are submitted for such exchange.

Section 2.11 Notes Beneficially Owned by Persons Not QIBs/QPs or Qualified Purchasers.

(a) Notwithstanding anything to the contrary elsewhere in this Indenture, any transfer of a Security or a beneficial interest in any Security to a Person that is a Non-Permitted Holder shall be null and void *ab initio* and any such purported transfer of which the Issuer, the Co-Issuer, the Trustee, the Authenticating Agent, the Notes Paying Agent or the Transfer Agent, shall have notice may be disregarded by the Issuer, the Co-Issuer and the Trustee for all purposes.

(b) Notwithstanding any other restrictions on transfer contained herein, if either of the Co-Issuers (or, in the case of the Class E Notes, the Issuer) determines that any Holder or beneficial owner of (i) a Note issued in reliance on Rule 144A (or any interest therein) is not both a Qualified Institutional Buyer and a Qualified Purchaser or (ii) a Class E Note (or any interest therein) is (or became) a Benefit Plan Investor (any beneficial owner or Holder described in clause (i) or (ii), a "Non-Permitted Holder"), either of the Co-Issuers (or, in the case of the Class E Notes, the Issuer) may require, by notice to such Non-Permitted Holder, that such Non-Permitted Holder sell all of its right, title and interest to such Note (or interest therein) to a Person that certifies to the Trustee and the Co-Issuers (or, in the case of the Class E Notes, the Issuer) that it is not a Non-Permitted Holder and not a Benefit Plan Investor with such sale to be effected within 30 days after notice of such sale requirement is given. If such Non-Permitted Holder fails to effect the transfer required within such 30-day period, (i) upon written direction from the Collateral Manager or the Issuer, the Trustee shall, and is hereby irrevocably authorized by such Non-Permitted Holder, to cause its interest in such Note to be transferred in a commercially reasonable sale (conducted by an investment bank retained by the Trustee at the expense of the Issuer and in consultation with the Collateral Manager in accordance with Section 9-610 of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that are the subject of widely distributed standard price quotations) to a Person that certifies to the Trustee and the Co-Issuers (or, in the case of the Class E Notes, the Issuer), in connection with such transfer, that such Person is (1) not a Non-Permitted Holder and (2), in the case of a Class E Note, not a Benefit Plan Investor and (b) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

Section 2.12 Tax Purposes.

The Issuer and each Holder and each holder of a beneficial interest in a Note, by acceptance of its Note, or its interest in a Note, shall be deemed to have agreed to treat, and shall treat, such Note, as unconditional debt of the Issuer for tax, accounting and financial reporting

purposes. Each of the Issuer, the Co-Issuer and the Trustee and each Holder and each holder of a beneficial interest in a Note agrees to treat such Notes, for United States federal income tax purposes, as obligations of the Issuer only and not of the Co-Issuer.

Section 2.13 No Gross Up.

The Issuer shall not be obligated to pay any additional amounts to the holders of beneficial interests in the Notes as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges.

ARTICLE 3
CONDITIONS PRECEDENT

Section 3.1 General Provisions.

The Notes (other than the Class E Notes) to be issued on the Closing Date shall be executed by the Co-Issuers and the Class E Notes to be issued on the Closing Date shall be executed by the Issuer, and such Notes shall be delivered to the Trustee or the Authenticating Agent for authentication and thereupon the same shall be authenticated and delivered by the Trustee or the Authenticating Agent upon Issuer Request, upon compliance with Section 3.2 and upon receipt by the Trustee of the following:

(a) (i) an Officer's certificate of the Issuer (A) evidencing the authorization by Board Resolutions of the execution and delivery of this Indenture, the Collateral Management Agreement, the Collateral Administration Agreement, the Collateral Account Control Agreement, any Hedge Agreements, the Subordinated Note Paying Agency Agreement, the Initial Purchase Agreement and the execution of the Notes and the execution of the Subordinated Notes; and specifying the Stated Maturity, the Aggregate Outstanding Amount and the Note Interest Rate of each Class of Notes to be authenticated and delivered, and (B) certifying that (1) the attached copy of the Board Resolutions is a true and complete copy thereof, (2) such Board Resolutions have not been rescinded and are in full force and effect on and as of the Closing Date and (3) the Officers authorized to execute and deliver the foregoing agreements hold the offices and have the signatures indicated thereon; and

(ii) an Officer's certificate of the Co-Issuer (A) evidencing the authorization by Board Resolutions of the execution and delivery of this Indenture, the Initial Purchase Agreement and the execution, authentication and delivery of the Notes and specifying the Stated Maturity, the Aggregate Outstanding Amount and the Note Interest Rate of each Class of Notes to be authenticated and delivered, and (B) certifying that (1) the attached copy of the Board Resolutions is a true and complete copy thereof, (2) such Board Resolutions have not been rescinded and are in full force and effect on and as of the Closing Date and (3) the Officers authorized to execute and deliver the foregoing agreements hold the offices and have the signatures indicated thereon;

(b) (i) either (A) a certificate of the Co-Issuer or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, together with an Opinion of Counsel to the Co-Issuer that the Trustee is entitled to rely thereon and that no other authorization, approval or consent of

any governmental body is required for the valid issuance of the Notes, or (B) an Opinion of Counsel to the Co-Issuer that no such authorization, approval or consent of any governmental body is required for the valid issuance of the Notes except as may have been given; and

(ii) either (A) a certificate of the Issuer or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, together with an Opinion of Counsel to the Issuer that the Trustee is entitled to rely thereon and that no other authorization, approval or consent of any governmental body is required for the valid issuance of the Notes or (B) an Opinion of Counsel to the Issuer that no such authorization, approval or consent of any governmental body is required for the valid issuance of the Notes, except as may have been given;

(c) opinions of Stroock & Stroock & Lavan LLP, special U.S. counsel to the Co-Issuers (which opinions shall be limited to the laws of the State of New York, the federal law of the United States and the corporate law of the State of Delaware and may assume, among other things, the correctness of the representations and warranties made or deemed made by the purchasers of Notes pursuant to Sections 2.5(f) and (g), dated the Closing Date), substantially in the form of Exhibit G hereto;

(d) an opinion of Maples and Calder, Cayman Islands, counsel to the Issuer (which opinion shall be limited to the laws of the Cayman Islands), dated the Closing Date, substantially in the form of Exhibit F hereto;

(e) an opinion of Stroock & Stroock & Lavan LLP, counsel to the Collateral Manager, dated the Closing Date, substantially in the form of Exhibit G hereto;

(f) an opinion of Alston & Bird LLP, counsel to the Trustee, dated the Closing Date, substantially in the form of Exhibit H hereto;

(g) an Officer's certificate of the Issuer stating no Default has occurred under this Indenture and that the issuance of the Notes and the Subordinated Notes will not result in a breach of any of the terms, conditions or provisions of, or constitute a default under, the Issuer Charter, any indenture or other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it may be bound or to which it may be subject; and that all expenses due or accrued with respect to the offering of the Notes or relating to actions taken on or in connection with the Closing Date have been paid or provided for;

(h) an Officer's certificate of the Co-Issuer stating that no Default has occurred under this Indenture and that the issuance of the Notes (other than the Class E Notes) will not result in a breach of any of the terms, conditions or provisions of, or constitute a default under, the Certificate of incorporation or By-laws of the Co-Issuer, any indenture or other agreement or instrument to which the Co-Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Co-Issuer is a party or by which it may be bound or to which it may be subject; that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes (other than the Class E Notes) applied for have been complied with; and that all expenses due or accrued with respect to

the offering of the Notes (other than the Class E Notes) or relating to actions taken on or in connection with the Closing Date have been paid or provided for;

(i) an Accountants' Certificate (i) confirming the information with respect to each Collateral Debt Security set forth on the Schedule of Collateral Debt Securities attached hereto as Schedule A and the information provided by the Collateral Manager on behalf of the Issuer with respect to every other asset included in the Collateral (other than the industry classification), by reference to such sources as shall be specified therein and (ii) confirming the calculations by or on behalf of the Issuer of the Class A/B Overcollateralization Ratio Test, the Class C Overcollateralization Ratio Test, the Class D Overcollateralization Ratio Test, the Class E Overcollateralization Ratio Test, the CERT, Collateral Quality Tests (other than the S&P CDO Monitor Test) and

certain calculations relating to the Portfolio Profile Test (provided that for purposes of this Section 3.1(i) only, Purchased Accrued Interest shall be deemed to be zero); and (iii) specifying the procedures undertaken by them to review the data and computations relating to the Collateral Obligations;

(j) fully executed counterparts of this Indenture, the Collateral Management Agreement, the Collateral Administration Agreement, the Collateral Account Control Agreement, the Subordinated Note Paying Agency Agreement, the Initial Purchase Agreement and the Placement Agency Agreement;

(k) such other documents as the Trustee may reasonably require; and

(l) evidence of application for a certificate from the Cayman Islands tax authorities for the Issuer stating that the Issuer will be exempt from certain Cayman Islands taxes, in form and substance satisfactory to the Trustee.

Section 3.2 Security for Notes.

Notes to be issued on the Closing Date shall be executed by the Co-Issuers or the Issuer, as applicable, and delivered to the Trustee or the Authenticating Agent for authentication and thereupon such Notes shall be authenticated and delivered by the Trustee or the Authenticating Agent upon Issuer Order and upon delivery by the Issuer to the Trustee or the Authenticating Agent and receipt by the Trustee or its agent of the following:

(a) Grant of Collateral Debt Securities. The Grant pursuant to the Granting Clauses of this Indenture of (i) all of the Issuer's right, title and interest in and to the Collateral Debt Securities (other than any Synthetic Security Collateral) and any Deposit pledged to the Trustee for inclusion in the Collateral on the Closing Date securing the Secured Obligations, and Delivery of such Collateral Debt Securities and such Deposit to the Trustee or its nominee, which Grant and Delivery shall result in a perfected, first priority security interest in favor of the Trustee for the benefit of the Secured Parties in all of the Issuer's right, title and interest in and to such Collateral Debt Securities and the Deposit pledged to the Trustee for inclusion in the Collateral and (ii) all of the Issuer's right, title and interest in and to any Synthetic Security Collateral, in accordance with Section 12.4 and subject to any prior lien in favor of the related Synthetic Security Counterparty.

(b) Certificate of the Issuer. A certificate of an Authorized Officer of the Issuer, dated as of the Closing Date, to the effect that, in the case of each Collateral Debt Security and any Deposit pledged to the Trustee for inclusion in the Collateral on the Closing Date and immediately prior to the Delivery thereof on the Closing Date:

(i) the Issuer (or the Trustee) is the owner of such Collateral Debt Security and such Deposit free and clear of any liens, claims or encumbrances of any nature whatsoever except for those which are being released on the Closing Date and except for those Granted pursuant to this Indenture and encumbrances arising from due bills, if any, with respect to interest, or a portion thereof, accrued on such Collateral Debt Security prior to the first Payment Date and owed by the Issuer to the seller of such Collateral Debt Security;

(ii) the Issuer (or the Trustee) has acquired its ownership in such Collateral Debt Security and such Deposit in good faith without notice of any adverse claim as defined in UCC § 8-102(a)(l), except as described in paragraph (i);

(iii) the Issuer has not assigned, pledged or otherwise encumbered any interest in such Collateral Debt Security or such Deposit (or, if any such interest has been assigned, pledged or otherwise encumbered, it has been released) other than interests Granted pursuant to this Indenture;

(iv) the Underlying Instrument with respect to such Collateral Debt Security does not prohibit the Issuer from Granting a security interest in and assigning and pledging such Collateral Debt Security to the Trustee and the Issuer has full right to Grant a security interest in and assign and pledge such Collateral Debt Security and such Deposit to the Trustee and has taken all actions, if any, required pursuant to Section 7.5(a);

(v) the information set forth with respect to such Collateral Debt Security in the Schedule of Collateral Debt Securities is correct;

(vi) on the Closing Date, the Collateral Debt Securities included in the Collateral (A) satisfy, together with any Deposit, the requirements of Section 3.2(a) and (B) satisfy the definition of "Collateral Debt Security" (or, to the extent that the Issuer acquired or committed to acquire such Collateral Debt Securities prior to the Closing Date, satisfied the definition of "Collateral Debt Security" on the date that the Issuer acquired or committed to acquire such Collateral Debt Securities); and

(vii) upon Grant by the Issuer, the Trustee for the benefit of the Secured Parties has a first priority perfected security interest in the Collateral, other than Synthetic Security Collateral (assuming that any Clearing Corporation, securities intermediary or other entity not within the control of the Issuer involved in the Grant of Collateral takes the actions required of it for perfection of such security interest).

(c) Rating Letters. An Officer's certificate of each of the Co-Issuers to the effect that attached thereto are true and correct copies of letters signed by Moody's and S&P and confirming that (a) the Class A Notes have each been rated "Aaa" by Moody's and "AAA" by S&P, (b) the Class B Notes have been rated at least "Aa2" by Moody's and at least "AA" by S&P, (c) the Class C Notes have been rated at least "A2" by Moody's and at least "A" by S&P,

(d) the Class D Notes have been rated at least "Baa2" by Moody's and at least "BBB" by S&P, and (e) the Class E Notes have been rated at least "Ba2" by Moody's and at least "BB" by S&P.

(d) Accounts. Evidence of the establishment of each of the Accounts.

Section 3.3 Custodianship; Transfer of Collateral Debt Securities, Equity Securities and Eligible Investments.

(a) Subject to the limited right to relocate Pledged Securities set forth in Section 7.5(b), the Trustee shall hold at the office of the Custodian appointed under Section 6.17 at 214 North Tryon Street, 26th Floor, Charlotte, North Carolina 28202, all Collateral purchased in accordance with this Indenture in the relevant Account established and maintained pursuant to Article 10, as to which in each case the Trustee and the Custodian shall have entered into the

Collateral Account Control Agreement, providing, *inter alia*, that the establishment and maintenance of such Account will be governed by a law satisfactory to the Issuer and the Trustee.

(b) Each time that the Issuer or the Collateral Manager, on behalf of the Issuer, shall direct or cause the acquisition of any Collateral Debt Security, Equity Security or Eligible Investment (other than an Eligible Investment to be credited to the Subordinated Note Distribution Account), the Issuer shall cause the Collateral Manager to, if such Collateral Debt Security, Equity Security or Eligible Investment has not already been transferred to the relevant Account, cause such Collateral Debt Security, Equity Security or Eligible Investment to be Delivered to the Custodian to be held in the Custodial Account (except for Eligible Investments acquired with funds from an Account other than the Custodial Account, which may instead be Delivered to the Custodian to be held in such Account) for the benefit of the Trustee on behalf of the Note holders and any Hedge Counterparties in accordance with the terms of this Indenture (or shall take or cause the taking of any and all other actions necessary to create in favor of the Trustee a valid, perfected, first-priority security interest in each Collateral Debt Security, Equity Security and Eligible Investment Granted in accordance with Section 3.2(a), Section 3.2(b), Section 3.4 and Section 12.3(b) on behalf of the Note holders and any Hedge Counterparties under applicable law and regulations (including without limitation Articles 8 and 9 of the UCC and federal regulations governing transfers of interests in Government Securities in effect at the time of such Grant)), whereupon the security interest of the Trustee in the funds or other property utilized in connection with such acquisition shall, immediately and without further action on the part of the Trustee, be released and the security interest of the Trustee shall nevertheless come into existence and continue in such Collateral Debt Security, Equity Security or Eligible Investment so acquired, including all rights of the Issuer in and to any contracts related to and proceeds of such Collateral Debt Security, Equity Security or Eligible Investment.

(c) Each of the parties hereto hereby agrees that (i) each Account shall be deemed to be a "securities account" for purposes of Article 8 of the UCC and (ii) except as otherwise expressly provided herein, the Trustee will be exclusively entitled to exercise the rights that comprise each "financial asset" (as defined in Article 8 of the UCC) held in each Account. Each of the parties hereto hereby agrees to cause the Custodian or any other securities intermediary that holds any money or other property for the Issuer or the Co-Issuer in an Account, to agree with the parties hereto that (x) the Cash and other property are to be treated as

a "financial asset" under Article 8 of the UCC and (y) the "securities intermediary's jurisdiction" (within the meaning of Section 8-110 of the New York UCC) for that purpose will be the State of New York, United States of America. In no event may any such financial asset held in any Account be registered in the name of, payable to the order of, or specially indorsed (within the meaning of Section 8-304(a) of the New York UCC) to, the Issuer unless such financial asset has subsequently been indorsed in blank or to the Custodian or other securities intermediary that holds such financial asset in such Account.

(d) The Issuer shall cause a UCC financing statement describing the Collateral by use of the words "all personal property whether now owned or hereafter acquired" and naming the Issuer as debtor and the Trustee as secured party to be filed by or on behalf of the Issuer in the District of Columbia within ten (10) days of the Closing Date. The Issuer shall take all actions necessary to maintain the effectiveness of such financing statement and shall notify the Trustee in writing 30 days prior to any change in the Issuer's name, identity, corporate structure, jurisdiction of incorporation or jurisdiction of its chief executive office. The Issuer hereby authorizes the Trustee to file such financing statement or any other financing statement, amendment, assignment or continuation statement that the Trustee in its sole discretion shall deem necessary or advisable in connection with the security interest granted hereunder. Other than the security interest granted to the Trustee pursuant to this Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering the Collateral other than any financing statement relating to the security interest granted to the Trustee hereunder or that has been terminated.

(e) Without limiting the foregoing, the Issuer agrees, and the Issuer shall cause the Custodian, to take such different or additional action as the Trustee may reasonably request in order to maintain the perfection and priority of the security interest of the Trustee on behalf of the Note holders and any Hedge Counterparties in the Collateral (a) in the event of any change in applicable law or regulation, including, without limitation, Articles 8 and 9 of the UCC or (b) under the laws of the Cayman Islands, including, without limitation, registration of this Indenture in the Register of Mortgages of the Issuer at the Issuer's office in the Cayman Islands.

Section 3.4 Purchase and Delivery of Collateral Debt Securities and Other Actions During the Ramp-Up Period; Effective Date Legal Opinion.

(a) Purchase and Delivery.

(i) On or prior to the Closing Date, the Issuer, at the direction of the Collateral Manager, shall have purchased or committed to purchase Collateral Debt Securities having an aggregate principal balance (determined at the time of purchase) equal to at least 60% of the Effective Date Par Amount. Such purchases as are made on or prior to the Closing Date shall be made in accordance with the terms of any agreements relating to the purchase of the Collateral Debt Securities and shall include the securities set forth in the Schedule of Collateral Debt Securities delivered on the Closing Date.

(ii) If any component of the Ramp-Up Test is not satisfied on the 58th day and the 119th day after the Closing Date, the Collateral Manager shall provide Moody's with (i) prompt written notice and (ii) a plan that the Collateral Manager reasonably believes will result in the satisfaction of such component of the Ramp-Up Test on the Effective Date.

(iii) The "Effective Date" shall occur on the day declared as the "Effective Date" by the Collateral Manager on or after the date on which either (i) the Collateral Quality Tests, the Coverage Tests and the Portfolio Profile Test shall have been satisfied and the Issuer shall have Granted Collateral Debt Securities having an aggregate principal balance (determined at the time of purchase) equal to or greater than the Effective Date Par Amount and Rating Agency Confirmation shall have been received from S&P only or (ii) Rating Agency Confirmation in connection therewith shall have been received from both Rating Agencies following a request by the Collateral Manager. Following the satisfaction of the conditions set forth in clause (i) or (ii) of the preceding sentence, the Collateral Manager may, upon notice to the Trustee, the Issuer, Moody's and S&P, declare that the Effective Date shall have occurred on the date specified in such notice; provided, that if the Effective Date has not been earlier declared to have occurred pursuant to this Section 3.4(a)(iii), the Effective Date shall occur without any action by the Collateral Manager, or notice to or approval by any other Person, on the 145th day (or if any such day is not a Business Day, on the next succeeding Business Day) following the Closing Date.

(iv) For purposes of this Section 3.4(a) only, the term "purchased" shall include transactions which have been settled and transactions for which written confirmations have been executed; provided, that in the case of new issues, written confirmation will consist of commitment letters where final allocations have been received, such final allocations to be included as the amount purchased.

(b) Schedule of Collateral Debt Securities. The Issuer shall cause the Collateral Manager to deliver to the Trustee and the Collateral Administrator on the Effective Date, an amended Schedule of Collateral Debt Securities listing all Collateral Debt Securities Granted to the Trustee pursuant to Section 3.2 and this Section 3.4 on or before the Effective Date, which schedule shall supersede any prior Schedule of Collateral Debt Securities delivered to the Trustee.

(c) Accountants' Certificate. The Issuer shall cause the Collateral Manager to deliver to the Trustee or its agent, no later than 5 Business Days after the Effective Date, an Accountants' Certificate (and the Trustee shall promptly provide Moody's and S&P with a copy thereof), dated as of the Effective Date and substantially in the form of the certificate delivered on the Closing Date pursuant to Section 3.1(i) (i) confirming whether the Collateral Quality Tests (provided, that with respect to the S&P CDO Monitor Test, such confirmation thereof shall be delivered on the later of the Effective Date and the date of receipt by the Collateral Manager of an S&P CDO Monitor), the Coverage Tests and the Portfolio Profile Test have been met, whether Collateral Debt Securities with an aggregate principal balance at least equal to the Effective Date Par Amount have been purchased, whether all Collateral Debt Securities have been issued by issuers in the United States or other Non-Emerging Market Countries and are denominated in Dollars and (ii) specifying the procedures undertaken by them to review the data and computations relating to such information and confirming that, except as noted in such

Accountants' Certificate, the aggregate principal balance of the Collateral Debt Securities included in the Collateral on the Effective Date is at least equal to the Effective Date Par Amount.

(d) Legal Opinion. The Issuer shall cause to be delivered to the Trustee on the Effective Date an Opinion of Counsel, dated the Effective Date, confirming the matters set forth in the Opinion of Counsel furnished pursuant to Section 3.1(c), with respect to the Collateral Debt Securities Granted to the Trustee between the Closing Date and the Effective Date and listed on the amended Schedule of Collateral Debt Securities delivered to the Issuer pursuant to this Section 3.4.

(e) Electronic Default Model Input File and Schedule of Collateral Debt Securities. The Issuer shall cause the Collateral Manager to deliver to S&P, as promptly as possible on or after the Effective Date, the Excel Default Model Input File, prepared as of the Effective Date.

Section 3.5 Designation of Subordinated Note Financed Collateral Debt Securities.

(a) On the Closing Date, the Collateral Manager shall, subject to (subsection (b) below), (identify to the Trustee and designate):

(i) as Subordinated Note Financed Collateral Debt Securities (x) all assets delivered to the Trustee on such date that constitute Attached Margin Securities and (y) any additional assets that the Collateral Manager elects to designate as Subordinated Note Financed Collateral Debt Securities;

(ii) for deposit into the Subordinated Note Financed Collection Account, as Subordinated Note Unused Proceeds, a portion of the Unused Proceeds as of the Closing Date (subject to the limits set forth in Section 3.5(b), calculated after giving effect to the purchases of any Subordinated Note Financed Collateral Debt Securities acquired on or prior to the Closing Date and any amounts deposited in the Subordinated Note Financed Loan Funding Subaccount as of the Closing Date); and

(iii) for deposit into the Subordinated Note Financed Loan Funding Subaccount an amount equal to the unfunded portion of any Subordinated Note Financed Collateral Debt Security that constitutes a Revolving Credit Facility or Delayed-Draw Loan.

(b) The aggregate purchase price of the Collateral Debt Securities designated as Subordinated Note Financed Collateral Debt Securities pursuant to subsection (a)(i) above plus the aggregate amount deposited into the Subordinated Note Financed Collection Account as Subordinated Note Unused Proceeds as described in subsection (a)(ii) above plus the aggregate amount deposited into the Subordinated Note Financed Loan Funding Subaccount as described in subsection (a)(iii) above shall not exceed the Subordinated Note Financed Amount as of the Closing Date.

ARTICLE 4
SATISFACTION AND DISCHARGE

Section 4.1 Satisfaction and Discharge of Indenture.

This Indenture shall be discharged and shall cease to be of further effect with respect to the Notes and the Collateral except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Notes, (iii) rights of Note holders to receive payments of the principal thereof and interest thereon as provided herein, (iv) the rights, obligations and immunities of the Trustee, the other Secured Parties, the Note Registrar, the Notes Paying Agent or the Transfer Agent hereunder and (v) the rights of Note holders as beneficiaries hereof with respect to the property deposited with the Trustee or the Custodian, and payable to all or any of them; and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) either:

(i) all Notes theretofore authenticated and delivered (other than (A) Notes which have been mutilated, defaced, destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.6 and (B) Notes for whose payment Money has theretofore irrevocably been deposited in trust and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 7.3) have been delivered to the Trustee for cancellation; or

(ii) all Notes not theretofore delivered to the Trustee or Transfer Agent for cancellation, (A) have become due and payable, or (B) will become due and payable at their Stated Maturity within one year, or (C) are to be called for redemption pursuant to Section 9.1 under an arrangement satisfactory to the Trustee for the giving of notice of redemption by the Co-Issuers pursuant to Section 9.3 and the Issuer or the Co-Issuer, in the case of subclause (A), (B) or (C) of this subsection (ii), has irrevocably deposited or caused to be deposited with the Custodian, in the name of the Trustee, in trust for such purpose, Cash, non-callable direct obligations of the United States of America or obligations entitled to the full faith and credit of the United States; provided, that the obligations are entitled to the full faith and credit of the United States of America or are debt obligations which are rated "Aaa" by Moody's and "AAA" by S&P, in an amount sufficient, as verified by a firm of Independent certified public accountants which are internationally recognized, to pay and discharge the entire

indebtedness on such Notes not theretofore delivered to the Trustee for cancellation, for the principal of and interest on such Notes to the date of such deposit (in the case of Notes which have become due and payable), or to the Stated Maturity or the Redemption Date, as the case may be; provided, that this subsection (ii) shall not apply if an election to act in accordance with the provisions of Section 5.5(a) shall have been made and not rescinded;

(b) the Co-Issuers have paid or caused to be paid all other sums payable hereunder, under any Hedge Agreements and under the Collateral Management Agreement by the Co-Issuers; and

(c) the Co-Issuers have delivered to the Trustee Officer's certificates and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge or other termination of this Indenture, the rights and obligations ofthe Co-Issuers, the Trustee, the Collateral Manager, the Custodian, the Securities Intermediary, and, if applicable, the Notes Paying Agent and the Note holders under Sections 2.7, 3.4, 4.2, 5.4(d) and (e), 5.9, 5.18, 6.7, 7.1, 7.3, 7.20 and 13.1 shall survive.

Section 4.2 Application of Trust Money.

All Monies deposited with the Trustee or the Custodian pursuant to Section 4.1 shall be held in trust and applied by it in accordance with the provisions of the Notes and this Indenture, including, without limitation, the Priority of Payments, to the payment of the principal of and interest on the Notes.

Section 4.3 Repayment of Monies Held by Notes Paying Agent.

In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all Monies then held by any Notes Paying Agent other than the Trustee under the provisions of this Indenture shall, upon demand of the Co-Issuers, be paid to the Trustee to be held and applied pursuant to Section 7.3 and in accordance with the Priority of Payments and thereupon such Notes Paying Agent shall be released from all further liability with respect to such Monies.

ARTICLE 5
REMEDIES

Section 5.1 Events of Default.

"Event of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) a default in the payment of any interest on any Class A Note or Class B Note, or, if there are no Class A Notes or Class B Notes Outstanding, on any Class C Note or, if there are no Class A Notes, Class B Notes or Class C Notes Outstanding, on any Class D Note, or, if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes Outstanding, on any Class E Note, in each case when the same becomes due and payable, which default shall continue for a period of at least three Business Days;

(b) a default in the payment of any principal of any Class A Note, Class B Note, Class C Note, Class D Note or Class E Note at the Stated Maturity or on the Redemption Date;

(c) the failure on any Payment Date to disburse amounts (including, without limitation, amounts due and owing under any Hedge Agreements) available in the Payment Account in accordance with the Priority of Payments (except as otherwise provided in paragraphs (a) and (b)) and continuation of such failure for a period of at least three Business Days after the Trustee becomes aware of such failure;

(d) either of the Co-Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act;

(e) a default in the performance, or breach, of (A) any other covenant, warranty or other agreement (including the provisions of Section 3.3) of the Issuer or the Co Issuer in this Indenture (other than the failure to meet the Reinvestment Criteria, the Collateral Quality Tests, the Coverage Tests, the CERT, the Ramp-Up Test or the Portfolio Profile Test and except for any other covenant or other agreement a default in the performance or breach of which is elsewhere in this Section 5.1 or in Article 7 specifically dealt with), or (B) any representation or warranty of the Issuer or the Co-Issuer made in this Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith proving to be incorrect in any material respect when the same shall have been made, and, in each case, the continuation of such default, breach or failure for a period of 30 days (or, in the case of default, breach (if remediable) or failure of a representation or warranty regarding the Collateral, 15 days) after notice thereof shall have been given by registered or certified mail or overnight courier, to the Co-Issuers and the Collateral Manager by the Trustee if such default is known to it, or to the Co-Issuers, the Collateral Manager and the Trustee by the Holders of at least 25% of the Aggregate Outstanding Amount of the Notes of any Class, specifying such default, breach or failure and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(f) the entry of a decree or order by a court having competent jurisdiction adjudging the Issuer or the Co-Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer or the Co-Issuer under the Bankruptcy Code, and/or any bankruptcy, insolvency, reorganization or similar law enacted under the laws of the Cayman Islands or any other applicable law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Issuer or the Co-Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days;

(g) the institution by the Issuer or the Co-Issuer of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Bankruptcy Code, and/or any bankruptcy, insolvency, reorganization or similar law enacted under the laws of the Cayman Islands or any other similar applicable

law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or of any substantial part of its property, respectively, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of any action by the Issuer or the Co-Issuer in furtherance of any such action; or

(h) on and after the Effective Date, on any Determination Date, the CDS Principal Balance plus, with respect to each Defaulted Obligation, the value thereof for purposes of clause (c) of the definition of "Principal Collateral Value," is less than the Aggregate Outstanding Amount of the Class A Notes.

Upon the occurrence of an Event of Default, the Co-Issuers shall promptly (and in no event later than ten (10) days following such event) notify in writing the Trustee, the Collateral Manager, the Custodian, the Collateral Administrator, the Noteholders, any Hedge Counterparties, the Notes Paying Agent, the Subordinated Noteholders, the Subordinated Note Paying Agent, Moody's and S&P.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

(a) If an Event ofDefault occurs and is continuing (other than an Event of Default specified in Section 5.1(f) or (g)), either not less than a Majority of the Controlling Class or the Trustee, may, by notice to the Co-Issuers and any Hedge Counterparties, declare the Aggregate Outstanding Amount of all of the Notes to be immediately due and payable and, upon any such declaration, such Aggregate Outstanding Amount, together with all accrued and unpaid interest (if any) thereon, and other amounts payable hereunder, shall become immediately due and payable. If an Event of Default specified in Section 5.1(f) or (g) occurs, then automatically, without any declaration or other act on the part of the Trustee or any Noteholder or Subordinated Noteholder, the Aggregate Outstanding Amount of all of the Notes, together with all accrued and unpaid interest (if any) thereon, and other amounts payable hereunder, shall become immediately due and payable.

(b) At any time after such a declaration of acceleration of maturity has been made and before a judgment or decree for payment of the Money due has been obtained by the Trustee as hereinafter provided in this Article 5, a Majority of the Controlling Class, by notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences if:

(i) the Co-Issuers have paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue installments of interest on and principal of the Notes (other than principal due solely as a result of acceleration);

(B) to the extent that payment of such interest is lawful, interest upon Class C Deferred Interest, Class D Deferred Interest, Class E Deferred Interest and Defaulted Interest at the applicable Note Interest Rates;

(C) all unpaid taxes and Administrative Expenses and other sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(D) all amounts then due and payable under the Collateral Management Agreement and any Hedge Agreement; and

(ii) the Trustee has determined that all Events of Default, other than the non-payment of the interest on or principal of Notes that have become due solely by such acceleration, have been cured and a Majority of the Controlling Class by notice to the Trustee has agreed with such determination (which agreement shall not be unreasonably withheld) or waived as provided in Section 5.14.

No such rescission shall affect any subsequent Default or impair any right consequent thereon. In addition, the Issuer shall not voluntarily effect the termination of any Hedge Agreement until, during the continuance of an Event ofDefault, the liquidation of the Collateral has begun.

Section 5.3 Collection of Indebtedness and Suits for Enforcement by Trustee.

The Co-Issuers covenant that if a Default shall occur in respect of the payment of any principal of, or interest on, any Class A Note or any Class B Note, or principal of or interest on any Class C Note (but only after the Class A Notes and the Class B Notes and all interest accrued thereon have been paid in full), or principal of or interest on any Class D Note (but only after the Class A Notes, the Class B Notes and the Class C Notes and all interest accrued thereon have been paid in full), or principal of or interest on any Class E Note (but only after the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and all interest accrued thereon have been paid in full), the Co-Issuers shall, upon demand of the Trustee or any affected Note holder, pay to the Trustee, for the benefit of the Holder of such Note, as applicable, the whole amount, if any, then due and payable for the principal of and interest on such Note with interest upon the overdue Aggregate Outstanding Amount and, to the extent that payments of such interest shall be legally enforceable, upon overdue installments of interest, at the applicable Note Interest Rate and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and such Note holder, as applicable, and their respective agents and counsel.

If the Issuer or the Co-Issuer fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as Trustee of an express trust, may (or shall at the direction of a Majority of the Controlling Class) (i) institute a Proceeding for the collection of the sums so due and unpaid, (ii) prosecute such Proceeding to judgment or final decree, (iii) enforce the same against the Issuer or the Co-Issuer, as applicable, or any other obligor upon the Notes and (iv) collect the Monies adjudged or decreed to be payable in the manner provided by law out of the Collateral.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Note holders by such appropriate Proceedings as the Trustee shall deem most effectual (if no direction by a Majority of the Controlling Class is received by the Trustee or as the Trustee may be directed by a Majority of the Controlling Class), to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law.

In case there shall be pending Proceedings relative to the Issuer or the Co-Issuer or any other obligor upon the Notes under the Bankruptcy Code or any other applicable bankruptcy, insolvency or other similar law of any jurisdiction, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer, the Co-Issuer or their respective property or such other obligor or its property, or in the case of any other comparable Proceedings relative to the Issuer, the Co-Issuer or other obligor upon the Notes or the creditors or property of the Issuer, the Co-Issuer or such other obligor, the Trustee, regardless of whether the Aggregate Outstanding Amount of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and regardless of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.3, shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of the principal of and interest on and unpaid in respect of the Notes, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee) and of the Note holders allowed in any Proceedings relative to the Issuer, the Co-Issuer or other obligor upon the Notes or to the creditors or property of the Issuer, the Co-Issuer or such other obligor;

(b) unless prohibited by applicable law and regulations, to vote on behalf of the Holders of the Notes in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency Proceedings or Person performing similar functions in comparable Proceedings; and

(c) to collect and receive any Monies or other property payable to or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Holders of any Notes and of the Trustee on their behalf; and any trustee, receiver or liquidator, custodian or other similar official is hereby authorized by each of the Holders of any Notes to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Holders of any Notes to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Hedge Counterparty or any Holders of Notes, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holders of Notes in any such Proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

All rights of action and of asserting claims under this Indenture, or under any of the Notes may be enforced by the Trustee without the possession of any of the Notes or the

production thereof in any trial or other Proceedings relative thereto, and any action or Proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the reasonable expenses, disbursements and compensation of the Trustee, each predecessor trustee and their respective agents, attorneys and counsel, shall be for the ratable benefit of the Holders of the Notes of each Class and any Hedge Counterparties payable to the Holders of Notes and any Hedge Counterparties, subject to the terms of this Indenture, including this Article 5, Article 11 and Article 13.

In any Proceedings brought by the Trustee on behalf of the Holders (including any Proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all of the Holders of the Notes.

Notwithstanding anything in this Section 5.3 to the contrary, the Trustee may not sell or liquidate the Collateral or institute Proceedings in furtherance thereof pursuant to this Section 5.3 unless either of the conditions specified in Section 5.5(a) is met.

Section 5.4 Remedies.

(a) If an Event of Default shall have occurred and be continuing, and the Notes have been declared due and payable and such declaration and its consequences have not been rescinded and annulled, the Co-Issuers agree that the Trustee may (after notice to the Note holders and any Hedge Counterparties), and shall, upon direction by a Majority of the Controlling Class, to the extent permitted by applicable law, exercise one or more of the following rights, privileges and remedies:

(i) institute Proceedings for the collection of all amounts then payable on the Notes or otherwise payable under this Indenture, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Collateral Monies adjudged due;

(ii) sell all or a portion of the Collateral or rights of interest therein, at one or more public or private sales called and conducted in any manner permitted by law and in accordance with Section 5.5 and Section 5.17;

(iii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iv) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Trustee, any Hedge Counterparties and the Holders of the Notes, hereunder; and

(v) exercise any other rights and remedies that may be available at law or in equity.

Notwithstanding the above remedies, the Trustee may not sell or liquidate the Collateral or institute Proceedings in furtherance thereof pursuant to this Section 5.4 unless either of the conditions specified in clauses (i) or (ii) of Section 5.5(a) is met.

The Trustee may but need not obtain and rely upon an opinion of an Independent investment banking firm of national reputation as to the feasibility of any action proposed to be taken in accordance with this Section 5.4 and as to the sufficiency of the proceeds and other amounts receivable with respect to the Collateral to make the required payments of any principal of and interest on the Notes, which opinion shall be conclusive evidence as to such feasibility or sufficiency. In the event such firm requires the Trustee to agree to the procedures performed by such firm, the Co-Issuers shall direct the Trustee in writing to so agree; it being understood and agreed that the Trustee shall deliver such letter of agreement in conclusive reliance upon the direction of the Co-Issuers, and the Trustee shall make no independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

(b) If an Event of Default as described in Section 5.1(e) shall have occurred and be continuing, the Trustee may (after notice to the Note holders), and at the request of the Holders of not less than 25% of the Aggregate Outstanding Amount of the Controlling Class shall, institute a Proceeding solely to compel performance of the covenant or agreement or to cure the representation or warranty, the breach of which gave rise to the Event of Default under such Section, and enforce any equitable decree or order arising from such Proceeding.

(c) Upon any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, any Note holder or Note holders may bid for and purchase the Collateral or any part thereof and, upon compliance with the terms of sale, may hold, retain, possess or dispose of such property in its or their own absolute right without accountability, and any purchaser at any such sale may, in paying the purchase Money, turn in any of the Notes in lieu of Cash equal to the amount which shall, upon distribution of the net proceeds of such sale in accordance with the Priority of Payments, be payable on the Notes so turned in by such Holder (taking into account the Class of such Notes and provided that the sale of the Collateral has been negotiated); provided, however, that the respective Classes of Notes are redeemed in the same order that they would have been redeemed in accordance with the Priority of Payments and no treatment is provided to any Note holder that is more favorable than the treatment that would have been applied to such Note holder, as applicable, in the absence of this sentence. Said Notes in case the amounts so payable thereon shall be less than the amount due thereon, shall be returned to the Holders thereof after proper notation has been made thereon to show partial payment.

Upon any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, the receipt of the Trustee or of the Officer making a sale under judicial proceedings, shall be a sufficient discharge to the purchaser or purchasers at any sale for its or their purchase Money, and such purchaser or purchasers shall not be obliged to see to the application thereof.

Any such sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall bind the Co-Issuers, the Trustee, the Note holders and shall operate to divest all right, title and interest whatsoever, either at law or in equity, of each of them in and to the property sold, and shall be a perpetual bar, both at law and in equity, against each of them and their successors and assigns, and against any and all Persons claiming through or under them.

(d) Each of the Subordinated Note holders shall have the right to bid for and purchase the Collateral or any part thereof and each of the Subordinated Note holders, in accordance with the provisions of the Subordinated Note Paying Agency Agreement, may at its election upon redemption of the Subordinated Notes receive such Collateral in payment in kind of the redemption price (in whole or in part) with respect to Subordinated Notes held by such Subordinated Note holder set forth in the Subordinated Note Paying Agency Agreement so long as offered to third parties in a fair bidding process.

(e) Notwithstanding any other provision of this Indenture, none of the Trustee (in its own capacity or on behalf of any Note holders), the Note holders, any other Secured Party or any third party beneficiary of this Indenture or any other Transaction Document may, prior to the date which is one year and one day or, if longer, the applicable preference period then in effect, after the payment in full of all Subordinated Notes institute against, or join any other Person in instituting against, the Issuer or the Co-Issuer any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under Cayman Islands law, federal or state bankruptcy or similar laws of any jurisdiction. Nothing in this Section 5.4 shall preclude, or be deemed to estop, the Trustee (i) from taking any action prior to the expiration of the aforementioned one year and one day period (or, if longer, the applicable preference period then in effect) in (A) any case or proceeding voluntarily filed or commenced by the Issuer or the Co-Issuer or (B) any involuntary insolvency proceeding filed or commenced by a Person other than the Trustee or its respective Affiliates, or (ii) from commencing against the Issuer or the Co-Issuer or any of its properties any legal action which is not a bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceeding.

Section 5.5 Optional Preservation of Collateral.

(a) If an Event of Default shall have occurred and be continuing, the Trustee shall retain and cause to be retained the Collateral intact, collect and cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain and cause to be maintained all accounts in respect of the Collateral and the Notes in accordance with the Priority of Payments and the provisions of Article 10 and Article 12 unless:

(i) the Trustee determines that the anticipated proceeds of a sale or liquidation of all or a portion, as applicable, of the Collateral (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts then due and unpaid on the Notes for principal and interest, the Hedge Payment Amount, unpaid Administrative Expenses, the Senior Collateral Management Fee and all amounts payable prior to the payment of principal on such Notes and all amounts then due and unpaid to the Hedge Counterparties, and a Majority of the Controlling Class agrees with such determination; or

(ii) the Holders of at least 66 2/3% of the Aggregate Outstanding Amount of Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (voting together), direct the sale and liquidation of all or a portion of the Collateral (with the consent of each Interest Rate Hedge Counterparty, if any, in the event that the anticipated proceeds of the sale or liquidation of the Collateral (after giving effect to the liquidation of such Collateral in whole) would not be sufficient to discharge in full the amounts due to such Interest Rate Hedge Counterparty under the related Hedge Agreement).

The Trustee shall give written notice of the retention of the Collateral to the Issuer with a copy to the Co-Issuer. So long as such Event of Default is continuing, any such retention pursuant to this Section 5.5(a) may be rescinded at any time when the conditions specified in clause (i) or (ii) exist.

(b) Nothing contained in Section 5.5(a) shall be construed to require the Trustee to sell or cause the sale of the Collateral ifthe conditions set forth in Section 5.5(a) are not satisfied. Nothing contained in Section 5.5(a) shall be construed to require the Trustee to preserve or cause to be preserved the Collateral if prohibited by applicable law or if the Trustee is directed to liquidate the Collateral pursuant to Section 5.5(a)(ii).

(c) In determining whether the condition specified in Section 5.5(a)(i) exists, the Trustee shall obtain bid prices with respect to each security contained in the Collateral from two nationally recognized dealers, as specified by the Collateral Manager in writing, at the time making a market in such securities and shall compute the anticipated proceeds of sale or liquidation on the basis of the lower of such bid prices for each such security. For the purposes of making the determinations required pursuant to Section 5.5(a)(i), the Trustee shall apply the standards set forth in Section 9.1(b)(i) or .(ii). In addition, for the purposes of determining issues relating to the execution of a sale or other liquidation thereof in connection with a determination whether the condition specified in Section 5.5(a)(i) exists, the Trustee may retain and rely on an opinion of an Independent investment banking firm of national reputation.

The Trustee shall promptly deliver to the Note holders and any Hedge Counterparties a report stating the results of any determination required pursuant to Section 5.5(a)(i). The Trustee shall make the determinations required by Section 5.5(a)(i) within 30 days after an Event of Default and at the request of a Majority of the Controlling Class at any time during which the Trustee retains or causes to be retained the Collateral pursuant to Section 5.5(a)(i). In the case of each calculation made by the Trustee pursuant to Section 5.5(a)(i), the Trustee shall obtain a letter of an Independent certified public accountant confirming the accuracy of the computations of the Trustee and certifying their conformity to the requirements of this Indenture at the expense of the Issuer.

Section 5.6 Trustee May Enforce Claims Without Possession of Notes.

All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any Proceeding relating thereto, and any such Proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be applied as set forth in Section 5.7.

Section 5.7 Application of Money Collected.

Any Principal Proceeds, Interest Proceeds and/or any other Money collected by or on behalf of the Trustee with respect to the Notes or any Hedge Agreements pursuant to this Article 5 and all other Money that may then be held or thereafter received by or on behalf of the Trustee with respect to the Notes or any Hedge Agreements hereunder shall be applied (i) so long as there is no acceleration of the maturity of the Notes pursuant to and in accordance with

Section 5.2, on each Payment Date in accordance with the provisions of Section 11.1 and (ii) following an acceleration of the maturity of the Notes pursuant to and in accordance with Section 5.2, at the date or dates fixed by the Trustee in the following priority:

(1) to the payment of the amounts described in subclauses (A) through (D) under Section 11.1(a)(i) in that order (provided, that no deposit shall be made to the Expense Reserve Account and any fees and expenses paid thereunder shall represent the amount of such fees and expenses accrued through the date on which such payment is made);

(2) to the payment of, first, the Class A Interest Distribution Amount and any unpaid Defaulted Interest in respect of the Class A Notes, second, principal of the Class A Notes until the Aggregate Outstanding Amount of the Class A Notes has been reduced to zero, third, the Class B Interest Distribution Amount and any unpaid Defaulted Interest in respect of the Class B Notes and, fourth, principal of the Class B Notes until the Aggregate Outstanding Amount of the Class B Notes has been reduced to zero;

(3) to the payment of the amounts described in subclauses (G) and (H) under Section 11.1(a)(i), in that order;

(4) to the payment of principal of the Class C Notes until the Aggregate Outstanding Amount of the Class C Notes has been reduced to zero;

(5) to the payment of the amounts described in subclause (J) and (K) under Section 11.1(a)(i), in that order;

(6) to the payment of principal of the Class D Notes until the Aggregate Outstanding Amount of the Class D Notes has been reduced to zero;

(7) to the payment of the amounts described in subclauses (M) and (N) under Section 11.1(a)(i), in that order;

(8) to the payment of principal of the Class E Notes until the Aggregate Outstanding Amount of the Class E Notes has been reduced to zero;

(9) to the payment of the amounts described in subclauses (R) through (V) under Section 11.1(a)(i) in the manner and in the priority set forth in Section 11.1(a)(i);

(10) to the Collateral Manager in an amount equal to 20% of the aggregate amount otherwise available for distribution pursuant to this subclause (10); and

(11) any remaining amounts to be released from the lien of this Indenture and deposited in the Subordinated Note Distribution Account for distribution by the Subordinated Note Paying Agent to the Holders of the Subordinated Notes in accordance with the Subordinated Note Paying Agency Agreement.

Section 5.8 Limitation on Suits.

No Holder of any Note shall have any right to institute any Proceedings, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder has previously given to the Trustee written notice of an Event of Default;

(b) except as otherwise provided in Section 5.9, the Holders of at least 25% of the then Aggregate Outstanding Amount of the Controlling Class shall have made a written request to the Trustee to institute Proceedings in respect of such Event of Default hereunder in its own name as Trustee and such Holders have offered to the Trustee reasonably satisfactory indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(c) the Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute any such Proceeding; and

(d) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by a Majority of the Controlling Class; it being understood and intended that no one or more Holders of Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders ofNotes of the same Class or to obtain or to seek to obtain priority or preference over any other Holders of Notes of the same Class or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders subject to and in accordance with Section 13.1 and the Priority of Payments.

In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from any group of Holders, or from two or more groups of Holders of the Controlling Class, each representing less than a Majority of the Controlling Class, the Trustee shall follow the request of the group representing the higher percentage of the Controlling Class.

Section 5.9 Unconditional Rights of Noteholders to Receive Principal and Interest.

(a) Notwithstanding any other provision in this Indenture except Section 2.7(j), the Holder of any Class A Note, Class B Note, Class C Note, Class D Note or Class E Note shall have the right, which is absolute and unconditional, to receive payment of the principal of, and interest on, such Class A Note, Class B Note, Class C Note, Class D Note or Class E Note, as the case may be, as such principal, interest become due and payable in accordance with the Priority of Payments and, in the case of the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes, in accordance with Section 13.1 and, subject to the provisions of Section 5.8, to institute Proceedings for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(b) Notwithstanding any other provision in this Indenture, (A) for so long as any of the Class A Notes are Outstanding, the Class B Notes shall not be entitled to any payment on a claim against the Issuer unless there are sufficient funds to make payments on the Class B

Notes in accordance with the Priority of Payments, (B) for so long as any of the Class A Notes or Class B Notes are Outstanding, the Class C Notes shall not be entitled to any payment on a claim against the Issuer unless there are sufficient funds to make payments on the Class C Notes in accordance with the Priority of Payments, (C) for so long as any of the Class A Notes, Class B Notes or Class C Notes are Outstanding, the Class D Notes shall not be entitled to any payment on a claim against the Issuer unless there are sufficient funds to make payments on the Class D Notes in accordance with the Priority of Payments and (D) for so long as any of the Class A Notes, Class B Notes, Class C Notes or Class D Notes are Outstanding, the Class E Notes shall not be entitled to any payment on a claim against the Issuer unless there are sufficient funds to make payments on the Class E Notes in accordance with the Priority of Payments.

Section 5.10 Restoration of Rights and Remedies.

If the Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Noteholder, then and in every such case the Co-Issuers, the Trustee and the Noteholder shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 5.11 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or otherwise shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.12 Delay or Omission Not Waiver.

No delay or omission of the Trustee or any Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 5 or by law to the Trustee or the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Noteholders, as the case may be.

Section 5.13 Control by Noteholders.

(a) Notwithstanding any other provision of this Indenture, a Majority of the Controlling Class shall have the right subject to, Section 5.8, to cause the institution of and direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee for exercising any trust, right, remedy or power conferred on the Trustee; provided, that:

(i) such direction shall not conflict with any rule of law or with this Indenture (including, without limitation, a limitation on the liability of the Co-Issuers as set forth in Section 2.7(j));

(ii) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction; provided, however, that, subject to Section 6.1, the Trustee need not take any action that it determines might involve it in liability (unless the Trustee has received reasonably satisfactory indemnity against such liability as set forth below);

(iii) the Trustee shall have been provided with indemnity reasonably satisfactory to it; and

(iv) any direction to the Trustee to undertake a Sale of the Collateral shall be by the Holders of Notes secured thereby representing the percentage of the Aggregate Outstanding Amount of Notes specified in Section 5.4 or 5.5, as applicable.

(b) The Trustee shall promptly notify the Custodian, the Securities Intermediary, the Collateral Manager, the Collateral Administrator, any Hedge Counterparties, the Subordinated Note Paying Agent, Moody's and S&P of either of the following as to which (i) a Trust Officer on behalf of the Trustee has received written notice, or (ii) a Trust Officer has actual knowledge: the commencement of any proceeding by or against the Issuer commenced under the Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law of any jurisdiction.

Section 5.14 Waiver of Past Defaults.

Prior to the time a judgment or decree for payment of the Money due has been obtained by the Trustee, as provided in this Article 5, a Majority of the Controlling Class may on behalf of the Holders of all of the Notes waive any past Default and its consequences, except a Default:

(a) in the payment of principal of any Note, in the payment of interest on the Class A Notes or the Class B Notes, in the payment of interest on the Class C Notes after the Class A Notes and the Class B Notes have been paid in full, in the payment of interest on the Class D Notes after the Class A Notes, the Class B Notes and the Class C Notes have been paid in full, in the payment of interest on the Class E Notes after the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes have been paid in full; or

(b) in respect of a covenant or provision hereof that under Section 8.2 cannot be modified or amended without the waiver or consent of the Holder of each Outstanding Note adversely affected thereby.

In the case of any such waiver, the Co-Issuers, any Hedge Counterparties, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto. The Trustee shall promptly give notice of any such waiver to the Collateral Manager, Moody's and S&P.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Section 5.15 Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions ofthis Section 5.15 shall not apply to any suit instituted by the Trustee or the Collateral Manager, to any suit instituted by any Noteholder or group of Noteholders, holding in the aggregate more than 10% in Aggregate Outstanding Amount ofthe Controlling Class, or to any suit instituted by any Noteholder for the enforcement of the payment of amounts due and payable to Holders of any such Note on or after the Stated Maturity expressed in such Note (or, in the case of redemption, on or after the applicable Redemption Date).

Section 5.16 Waiver of Stay or Extension Laws.

The Co-Issuers covenant (to the extent that they may lawfully do so) that they shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants, the performance of or any remedies under this Indenture; and the Co-Issuers (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenant that they shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.17 Sale of Collateral.

(a) Subject to Sections 5.4 and 5.5, the power to effect any sale (a "Sale") of any portion of the Collateral shall not be exhausted by any one or more Sales as to any portion of such Collateral remaining unsold but shall continue unimpaired until all of the Collateral shall have been sold or all amounts payable from the Collateral secured pursuant to this Indenture shall have been paid. The Trustee may upon notice to the Noteholders and any Hedge Counterparties, and shall, upon written direction of a Majority of the Controlling Class from time to time postpone any Sale by public announcement made at the time and place of such Sale; provided, however, that if the Sale is rescheduled for a date more than five Business Days (in the case of a determination applying the standards set forth in Section 9.1(b)(i)) or 10 Business Days (in the case of a determination applying the standards set forth in Section 9.1(b)(ii)) after the date of the determination by the Trustee pursuant to Section 5.5, such Sale shall not occur unless and until the Trustee has again made the determination required by Section 5.5. The Trustee hereby expressly waives its rights to any amount fixed by law as compensation for any Sale; provided, that the Trustee shall be authorized to deduct the reasonable costs, charges and expenses incurred by it in connection with such Sale from the proceeds thereof notwithstanding the provisions of Section 6.7.

(b) The Trustee may bid for and acquire any portion of the Collateral in connection with a public Sale thereof, and may, pay all or part of the purchase price by crediting against amounts owing on the Notes or other amounts secured by the Collateral, in accordance with the Priority of Payments, all or part of the net proceeds of such Sale after deducting the reasonable costs, charges and expenses incurred by the Trustee in connection with such Sale notwithstanding the provisions of Section 6.7 and the Priority of Payments. The Notes need not be produced in order to complete any such Sale, or in order for the net proceeds of such Sale to be credited against amounts owing on the Notes. The Trustee may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law in accordance with this Indenture.

(c) If any portion of the Collateral consists of securities issued without registration under the Securities Act ("Unregistered Securities"), the Trustee may seek an Opinion of Counsel, or, if no such Opinion of Counsel can be obtained and with the consent of a Majority of the Controlling Class, seek a no-action position from the Securities and Exchange Commission or any other relevant federal or state regulatory authorities, regarding the legality of a public or private sale of such Unregistered Securities.

(d) The Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Collateral in connection with a sale thereof. In addition, the Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Issuer to transfer and convey its interest in any portion of the Collateral in connection with a sale thereof, and to take all action necessary to effect such sale. No purchaser or transferee at such a sale shall be bound to ascertain the Trustee's authority, to inquire into the satisfaction of any conditions precedent or see to the application of any Monies.

Section 5.18 Action on the Notes.

The Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking or obtaining of or application for any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Trustee, any Hedge Counterparties or the Noteholders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer or the Co-Issuer.

ARTICLE 6
THE TRUSTEE

Section 6.1 Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming on their face to the requirements of this Indenture; provided, that in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine such certificates or opinions determine whether or not they substantially conform to the requirements of this Indenture and shall promptly, but in any event within three Business Days in the case of an Officer's certificate furnished by the Collateral Manager, notify the party delivering such certificate or opinion if it does not conform. If a corrected form shall not have been delivered to the Trustee within 15 days after such notice from the Trustee, the Trustee shall so notify the Noteholders and any Hedge Counterparties.

(b) In case an Event of Default has occurred and is continuing, as to which (i) a Trust Officer on behalf of the Trustee has received written notice, or (ii) a Trust Officer has actual knowledge, the Trustee shall, prior to the receipt of directions, if any, from a Majority of the Controlling Class, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section 6.1;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it shall be proven that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Issuer, the Co Issuer or the Collateral Manager in accordance with this Indenture or a Majority (or such other percentage as may be required by the terms hereof) of the Controlling Class (or other Class if required or permitted by the terms hereof) relating to the time, method and place of conducting any Proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers contemplated hereunder, if it shall have reasonable grounds for believing that repayment of such funds or indemnity reasonably satisfactory to it against such risk or liability is not reasonably assured to it (if the amount of such funds or risk or liability (as estimated in good faith by the Trustee in its sole discretion) does not exceed the amount payable to the Trustee pursuant to Section 11.1(a)(i)(B) net of the amounts specified in Section 6.7(a)(i), the Trustee shall be deemed to be reasonably

assured of such repayment) unless such risk or liability relates to its ordinary services under this Indenture, other than when acting at the direction of Holders as contemplated by Article 5; and

(v) the Trustee shall not be liable to the Noteholders for any action taken or omitted by it at the direction of any of the Co-Issuers, the Collateral Manager, and/or the Holders of the Notes of the Controlling Class (or other Class if required or permitted by the terms hereof) under circumstances in which such direction is required or permitted by the terms of this Indenture.

(d) For all purposes under this Indenture, the Trustee shall not be deemed to have notice or knowledge of any Event of Default described in Section 5.1(d), 5.1(f) or 5.1(g) or any Default described in Section 5.1(e) unless a Trust Officer assigned to and working in the Corporate Trust Office has actual knowledge thereof or unless written notice of any event which is in fact such an Event of Default or Default is received by the Trustee at the Corporate Trust Office, and such notice references the Notes generally and such Event of Default specifically, the Issuer, the Co-Issuer, the Collateral or this Indenture. For purposes of determining the Trustee's responsibility and liability hereunder, whenever reference is made in this Indenture to such an Event of Default or a Default, such reference shall be construed to refer only to such an Event of Default or Default of which the Trustee is deemed to have notice as described in this Section 6.1.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.1.

Section 6.2 Notice of Default.

Promptly (and in no event later than two Business Days) after the occurrence of any Event of Default known to the Trustee or after any declaration of acceleration has been made or delivered to the Trustee pursuant to Section 5.2, the Trustee shall transmit by mail to the Collateral Manager, the Collateral Administrator, any Hedge Counterparties, the Custodian, Moody's, for so long as any Notes are rated by Moody's, S&P, for so long as any Notes are rated by S&P and all Holders of Notes, as their names and addresses appear on the Note Register, and, upon written request therefor in the form of Exhibit D attached hereto certifying that it is a holder of a beneficial interest in any Note to such holder, notice of all Events of Default hereunder known to the Trustee, unless such Event of Default shall have been cured or waived.

Section 6.3 Certain Rights of Trustee.

Except as otherwise provided in Section 6.1:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Issuer or the Co-Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order, as the case may be;

(c) whenever in the administration of this Indenture the Trustee shall (i) deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's certificate or (ii) be required to determine the value of any Collateral or funds hereunder or the cash flows projected to be received therefrom, the Trustee may, in the absence of bad faith on its part, rely on reports of internationally recognized accountants, investment bankers or other Persons qualified to provide the information required to make such determination, including nationally recognized dealers in securities of the type being valued and securities quotation services;

(d) as a condition to the taking or omitting of any action by it hereunder, the Trustee may consult with counsel and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise or to honor any of the rights or powers vested in it by this Indenture at the request or direction of any of the Noteholders, pursuant to this Indenture, unless such Noteholders, as applicable, shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might reasonably be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note or other paper documents, but the Trustee, in its discretion, may and, upon the direction of a Majority of the Controlling Class, Moody's or S&P, shall make such further inquiry or investigation into such facts or matters as it may see fit or as it shall be directed, and, the Trustee shall be entitled, on reasonable prior notice to the Co-Issuers, to examine the books and records relating to the Notes and the Collateral and the premises of the Co-Issuers and the Collateral Manager, personally or by agent or attorney during the Co-Issuers' or the Collateral Manager's normal business hours; provided, that the Trustee shall, and shall cause its agents to, hold in confidence all such information, except (i) to the extent disclosure may be required by law or by any regulatory authority and (ii) to the extent that the Trustee, in its sole judgment, may determine that such disclosure is consistent with its obligations hereunder;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodian or nominees; provided, that the Trustee shall not be responsible for any misconduct or negligence on the part of any non-affiliated agent appointed and supervised, or non-affiliated attorney appointed, with due care by it hereunder;

(h) the Trustee shall not be liable for any action it takes or omits to take in good faith that it reasonably and, after the occurrence and during the continuance of an Event of Default, subject to Section 6.1(b), prudently believes to be authorized or within its rights or powers hereunder;

(i) nothing herein shall be construed to impose an obligation on the part of the Trustee to recalculate, evaluate or verify any report, certificate or information received from

the Issuer or the Collateral Manager (unless and except to the extent otherwise expressly set forth herein);

(j) the Trustee shall not be responsible or liable for the actions or omissions of, or any inaccuracies in the records of any non-affiliated Custodian, Clearing Agency, Depository, Euroclear or Clearstream or for the acts or omissions of the Collateral Manager or the Co-Issuer; provided, that upon becoming aware of any such omission or inaccuracy, the Trustee shall use reasonable efforts in good faith and shall cooperate with the Issuer and/or the Collateral Manager to resolve such omission or inaccuracy;

(k) to the extent any defined term hereunder, or any calculation required to be made or determined by the Trustee hereunder, is dependent upon or defined by reference to generally accepted accounting principles in the United States ("GAAP"), the Trustee shall be entitled to request and receive (and rely upon) instruction from the Issuer or the Independent accountant appointed pursuant to Section 10.7 (and, in the absence of its receipt of timely instruction therefrom, shall be entitled to obtain instruction from an Independent accountant at the expense of the Issuer) as to the application of GAAP in such connection, in any instance; and

(I) the enumeration of any permissive right or power herein available to the Trustee shall not be construed to be the imposition of a duty (unless and except to the extent expressly set forth herein).

Section 6.4 Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, other than the Certificate of Authentication thereon, shall be taken as the statements of the Co-Issuers and none of the Trustee, the Custodian, the Notes Paying Agent, the Transfer Agent or the Note Registrar assume responsibility for their correctness. Neither the Trustee, the Custodian, the Notes Paying Agent, the Transfer Agent nor the Note Registrar makes any representation as to the validity or sufficiency of this Indenture (except as may be made with respect to the validity of the Trustee's obligations hereunder), of the Collateral or of the Notes. Neither the Trustee, the Custodian, the Notes Paying Agent, the Transfer Agent nor the Note Registrar shall be accountable for the use or application by the Co-Issuers of the Notes (other than the Class E Notes) or the Issuer of the Class E Notes or the proceeds thereof or any Money paid to the Co-Issuers pursuant to the provisions hereof.

Section 6.5 May Hold Notes.

The Trustee, any Notes Paying Agent, the Note Registrar or any other agent of the Co-Issuers or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Co-Issuers or any of their Affiliates, with the same rights it would have if it were not Trustee, Notes Paying Agent, Note Registrar or such other agent.

Section 6.6 Money Held in Trust.

Money held by the Trustee with the Custodian hereunder shall be held in trust to the extent required herein. The Trustee and the Custodian shall be under no liability for interest

on any Money received hereunder except as otherwise agreed upon with the Issuer and except to the extent of income or other gain on investments which are deposits in or certificates of deposit of the Trustee or the Custodian in its commercial capacity and income or other gain actually received on Eligible Investments.

Section 6.7 Compensation and Reimbursement.

(a) The Issuer agrees (subject to and in accordance with the priority of payment provisions set forth in Section 11.1):

(i) to pay the Trustee or its agent on each Payment Date, as reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), the amounts specified in a fee letter from the Trustee or its agent in connection herewith;

(ii) except as otherwise expressly provided herein, to reimburse the Trustee or its agent (subject to any written agreement between the Issuer and the Trustee, or its agent) in a timely manner upon its request and otherwise in accordance with Section 6.7(b) for all reasonable expenses, disbursements and advances incurred or made by the Trustee or its agent in accordance with any provision of this Indenture (including securities transaction charges and the reasonable compensation and expenses and disbursements of its agents and legal counsel and of any accounting firm or investment banking firm employed by the Trustee or its agent pursuant to Section 5.4, 5.5, 6.3, 10.5 or 10.7, except any such expense, disbursement or advance as may be attributable to its negligence, willful misconduct or bad faith); provided, that the securities transaction charges referred to above shall, in the case of certain Eligible Investments specified by the Collateral Manager, be waived to the extent of any amounts received by the Trustee or its agent during a Due Period from a financial institution in consideration of purchasing such Eligible Investments;

(iii) to indemnify the Trustee or its agent and its Officers, directors, employees and agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on their part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder; and

(iv) to pay the Trustee reasonable additional compensation together with its expenses (including reasonable counsel fees and expenses) for any collection action taken pursuant to Section 6.13.

(b) The Issuer may remit payment for such fees and expenses to the Trustee or its agent or, in the absence thereof, the Trustee or its agent may on any Payment Date deduct payment of its fees and expenses hereunder, subject to and in accordance with the Priority of Payments, from Monies on deposit in the Payment Account pursuant to Section 11.1 or 5.7.

(c) The Trustee hereby agrees not to cause the filing of a petition in bankruptcy against the Issuer for the non-payment to the Trustee or its agent of any amounts provided by this Section 6.7 until at least one year and one day (or, if longer, the applicable

preference period then in effect) after the payment in full of all Subordinated Notes issued under this Indenture. Nothing in this Section 6.7(c) shall preclude, or be deemed to estop, the Trustee (i) from taking any action prior to the expiration of the aforementioned one year and one day period (or, if longer, the applicable preference period then in effect) in (A) any case or proceeding voluntarily filed or commenced by the Issuer or the Co-Issuer or (B) any involuntary insolvency proceeding filed or commenced by a Person other than the Trustee or its Affiliates, or (ii) from commencing against the Issuer or the Co-Issuer or any of its properties any legal action which is not a bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceeding.

(d) The Trustee or its agent shall have a lien upon all property and funds held or collected as part of the Collateral to secure payment of amounts payable to the Trustee under this Section 6.7 not to exceed such amount with respect to any Payment Date, which amounts shall be payable to the Trustee in accordance with the Priority of Payments; provided, that the Trustee shall not institute any proceeding for enforcement of such lien except in connection with an action pursuant to Section 5.3 for the enforcement of the lien of this Indenture for the benefit of the Secured Parties; provided, further, that the Trustee may only enforce such a lien in conjunction with the enforcement of the rights of Noteholders in the manner set forth in Section 5.4; and provided, further, that any amounts under Section 6.7(a) not paid on any Payment Date shall remain outstanding and be payable on the next Payment Date in accordance with the Priority of Payments.

Fees of the Trustee or its agent applicable to periods shorter than a calendar quarter shall be prorated based on the number of days within such period and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Trustee or its agent shall receive amounts pursuant to this Section 6.7 in accordance with the Priority of Payments. Subject to Section 6.9, the Trustee shall continue to serve as Trustee under this Indenture notwithstanding the fact that the Trustee or its agent shall not have received amounts due it on any Payment Date hereunder; provided, that nothing herein shall impair the Trustee's, or its agent's, rights under Section 6.1. No direction by a Majority of the Controlling Class shall affect the right of the Trustee or its agent to collect amounts owed to it under this Indenture.

If on any date when a fee shall be payable to the Trustee or its agent pursuant to this Indenture insufficient funds are available for the payment thereof, any portion of a fee not so paid shall be deferred and payable on such later date on which a fee shall be payable and sufficient funds are available therefor.

Section 6.8 Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Qualified Financial Institution that is organized and doing business under the laws of the United States of America or any state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least U.S.$200,000,000, subject to supervision or examination by federal or state banking authority and having an office within the United States and a rating assigned by Moody's of at least "Baa1" (and not on credit watch for downgrade) and a long-term unsecured issuer credit rating assigned by S&P of at least "BBB." If such entity publishes reports of condition at least annually, pursuant to law or to the requirements of the

aforesaid supervising or examining authority, then for the purposes of this Section 6.8, the combined capital and surplus of such entity shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.8, it shall resign immediately in the manner and with the effect hereinafter specified in this Article 6.

Section 6.9 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.10.

(b) The Trustee may resign at any time by giving not less than 60 days' notice thereof to the Co-Issuers, the Collateral Manager, the Custodian, the Collateral Administrator, the Noteholders, any Hedge Counterparties, Moody's and S&P. Upon receiving such notice of resignation, the Co-Issuers shall promptly appoint a successor trustee or trustees by written instrument, in duplicate, executed by an Authorized Officer of the Issuer and an Authorized Officer of the Co-Issuer, one copy of which shall be delivered to the Trustee so resigning and one copy to the successor trustee or trustees, together with a copy to each Noteholder, the Collateral Manager, any Hedge Counterparties and the Collateral Administrator; provided, that such successor Trustee shall be appointed only upon the consent of a Majority of the Notes (voting collectively), the Collateral Manager and any Interest Rate Hedge Counterparties (such approval not to be unreasonably withheld) or at any time when an Event of Default shall have occurred and be continuing, a Majority of the Controlling Class. If no successor trustee shall have been appointed and an instrument of acceptance by a successor Trustee shall not have been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee, the Collateral Manager, any Hedge Counterparties, or any Holder of a Note, on behalf of himself and all others similarly situated, may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of a Majority of the Notes or at any time when an Event of Default shall have occurred and be continuing or when a successor Trustee has been appointed pursuant to Section 6.10, by Act of a Majority of the Controlling Class, delivered to the Trustee, the Collateral Manager, any Hedge Counterparties and the Co-Issuers.

(d) If at any time:

(i) the Trustee shall cease to be eligible under Section 6.8 and shall fail to resign after request therefor by the Co-Issuers, the Collateral Manager or any Holder; or

(ii) the Trustee shall become incapable of acting or shall be adjudged as bankrupt or insolvent or a receiver or liquidator of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case (subject to Section 6.9(a)), (A) the Co-Issuers, by Issuer Order, may remove the Trustee or (B) subject to Section 5.15, the Collateral Manager or any Holder may, on behalf of himself and all

others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any reason, the Co-Issuers, by Issuer Order, shall promptly appoint a successor Trustee. If the Co-Issuers shall fail to appoint a successor Trustee within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee may be appointed by Act of a Majority of the Controlling Class delivered to the Issuer and the retiring Trustee. The successor Trustee so appointed shall, subject to Section 6.10, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede any successor Trustee proposed by the Co-Issuers. If no successor Trustee shall have been so appointed by the Co-Issuers or such Holders and shall have accepted appointment in the manner hereinafter provided, subject to Section 5.15, any Holder may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Co-Issuers shall give prompt notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing notice of such event by first class mail, postage prepaid, to the Collateral Manager, the Custodian, the Collateral Administrator, any Hedge Counterparties, Moody's, S&P, and the Holders as their names and addresses appear in the Note Register. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office. If the Co-Issuers fail to mail such notice within 10 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be given at the expense of the Co-Issuers.

Section 6.10 Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Co-Issuers, any Hedge Counterparties and the retiring Trustee an instrument in form and substance reasonably acceptable to the Co-Issuers accepting such appointment. Upon delivery of the required instruments, the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all of the rights, powers, trusts, duties and obligations of the retiring Trustee; but, on request of the Co-Issuers any Hedge Counterparty or a Majority of the Controlling Class or the successor Trustee, such retiring Trustee shall, upon payment of its charges then unpaid, execute and deliver an instrument transferring to such successor Trustee all of the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and Money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 6.7(b). Upon request of any such successor Trustee, the Co-Issuers shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance either (a) such successor shall be a Qualified Financial Institution and shall also be qualified and eligible under this Article 6, or (b) Rating Agency Confirmation shall have been received; provided, that any successor Trustee hereunder shall be organized and doing business under the laws of the United States of America or any state thereof, authorized under such laws

to exercise corporate trust powers, having a combined capital and surplus of at least U.S.$200,000,000, subject to supervision or examination by federal or state banking authority and having an office within the United States and a rating assigned by Moody's of at least "Baal" (and not on credit watch for downgrade) and a long-term unsecured issuer credit rating assigned by S&P of at least "BBB."

Section 6.11 Merger, Conversion, Consolidation or Succession to Business of Trustee.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article 6, without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that the Trustee shall give notice thereof to the Co-Issuers, the Collateral Manager, the Collateral Administrator, the Noteholders, any Hedge Counterparties, Moody's and S&P. In case any of the Notes have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

Section 6.12 Co-Trustees and Separate Trustee.

(a) At any time or times for the purpose of meeting the legal requirements of any jurisdiction in which any part of the Collateral may at the time be located, the Co-Issuers and the Trustee shall have the power to appoint, one or more Persons to act as co-trustee jointly with the Trustee of all or any part of the Collateral, with the power to file such proofs of claim and take such other actions pursuant to Section 5.6 herein, and to make such claims and enforce such rights of action, on behalf of the Noteholders.

The Co-Issuers shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint a co-trustee and to define the rights and obligations of the Trustee in relation to such co-trustee. Such instruments and agreements shall be subject to the review and approval of the Trustee. If the Co-Issuers do not join in such appointment within 15 days after the receipt by them of a request to do so, the Trustee shall have power to make such appointment.

Should any written instrument from the Co-Issuers be required by any co-trustee so appointed, more fully confirming to such co-trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Co Issuers. The Co-Issuers agree to pay for any reasonable fees and expenses in connection with such appointment (but only from and to the extent of the Collateral, to the extent funds are available there for under Section 11.1(a) after payment of all amounts payable to the Trustee) under such instruments.

(b) Every co-trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the terms of this Indenture, including the following terms:

(i) the Notes shall be authenticated and delivered by, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, Cash and other personal property held by, or required to be deposited or pledged with, the Trustee or its agent, hereunder shall be exercised solely by, the Trustee, or its agent;

(ii) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by the appointment of a co-trustee shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee jointly in the case of the appointment of a co-trustee and as shall be provided in the instrument appointing such co-trustee except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by a co-trustee appointed pursuant to the term of this Indenture;

(iii) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Co-Issuers evidenced by an Issuer Order, may accept the resignation of or remove any co-trustee appointed under this Section 6.12, and if an Event of Default has occurred and is continuing, the Trustee shall have the power to accept the resignation of, or remove, any such co-trustee without the concurrence of the Co-Issuers. A successor to any co trustee so resigned or removed may be appointed in accordance with the provisions of this Section 6.12.;

(iv) no co-trustee hereunder shall be personally liable by reason of any act or omission of the Trustee hereunder;

(v) the Trustee shall not be liable by reason of any act or omission of a co-trustee; and

(vi) any Act of Noteholders delivered to the Trustee shall be deemed to have been delivered to each co-trustee.

Section 6.13 Certain Duties of Trustee Related to Delayed Payment of Proceeds.

In the event that in any month the Custodian shall not have received a payment with respect to any Pledged Security on its Due Date, (a) the Custodian shall promptly notify the Issuer and the Trustee and (b) unless within three Business Days (or the end of the applicable grace period for such payment, if longer) after such notice such payment shall have been received by the Custodian in its absolute discretion (but only to the extent permitted by Sections 10.2(a) and 10.2(b)), shall have made provision for such payment satisfactory to the Trustee in accordance with Sections 10.2(a) and 10.2(b), the Trustee (or, at the direction of the Trustee, the Custodian) shall request the issuer of such Pledged Security, the trustee under the related Underlying Instrument or paying agent designated by either of them, as the case may be, to make such payment as soon as practicable after such request but in no event later than three Business Days after the date of such request. In the event that such payment is not made within such time period, the Trustee (or, at the direction of the Trustee, the Custodian) subject to the provisions of clause (iv) of Section 6.1(c), shall take such action as the Collateral Manager shall direct. Any such action shall be without prejudice to any right to claim a Default or Event of Default under

this Indenture. In the event that the Issuer or the Collateral Manager requests a release of a Pledged Security and/or Delivers a Collateral Debt Security in connection with any such action under the Collateral Management Agreement, such release and/or substitution shall be subject to Section 10.6 and Article 12, as the case may be. Notwithstanding any other provision hereof, the Custodian shall deliver to the Issuer or its designee any payment with respect to any Pledged Security received after the Due Date thereof to the extent that the Issuer previously made provisions for such payment satisfactory to the Trustee in accordance with this Section 6.13 and Sections 10.2(a) and 10.2(b) and such payment shall not be deemed part of the Collateral.

Section 6.14 Authenticating Agents.

The Trustee hereby appoints U.S. Bank as Authenticating Agent, with power to act on the Trustee's behalf and subject to its direction in the authentication of Notes in connection with issuance, transfers and exchanges under Sections 2.4, 2.5, 2.6 and 8.6, as fully to all intents and purposes as though each such Authenticating Agent had been expressly authorized by such Sections to authenticate such Notes and U.S. Bank hereby accepts such appointment.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any paper or any other further act on the part of the parties hereto or such Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Co-Issuers. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Co-Issuers. Upon receiving such notice of resignation or upon such a termination, the Trustee shall promptly appoint a successor Authenticating Agent and shall give written notice of such appointment to the Co-Issuers.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services, and reimbursement for its reasonable expenses relating thereto and the Trustee shall be entitled to be reimbursed for such payments, subject to Section 6.7. The provisions of Sections 2.9, 6.4 and 6.5 shall be applicable to any Authenticating Agent.

Section 6.15 The Securities Intermediary.

(a) There shall at all times be one or more "securities intermediaries" (as defined in the UCC) appointed by the Trustee for purposes of this Indenture (the "Securities Intermediary"). The Trustee hereby appoints U.S. Bank, as the initial Securities Intermediary hereunder and U.S. Bank hereby accepts such appointment.

(b) The Securities Intermediary shall be, and U.S. Bank as initial Securities Intermediary hereunder hereby represents and warrants that it is as of the date hereof and shall be, for so long as it is the Securities Intermediary hereunder, a corporation or national bank that

in the ordinary course of its business maintains securities accounts for others and is acting in that capacity hereunder. The Securities Intermediary shall, and U.S. Bank as initial Securities Intermediary does, agree with the parties hereto that each Account shall be an account to which financial assets may be credited and undertake to treat the Trustee as entitled to exercise the rights that comprise such financial assets. The Securities Intermediary shall, and U.S. Bank as initial Securities Intermediary does, agree with the parties hereto that each item of property credited to each Account shall be treated as a "financial asset" as defined in the UCC. The Securities Intermediary shall, and U.S. Bank as initial Securities Intermediary does, acknowledge that as a result of Section 3.3(c) of this Indenture, the "securities intermediary's jurisdiction" as defined and for purposes of the UCC of the Securities Intermediary with respect to the Collateral, shall be the State of New Yark. The Securities Intermediary shall, and U.S. Bank as initial Securities Intermediary does, represent and covenant that it is not and will not be (as long as it is the Securities Intermediary hereunder) a party to any agreement that is inconsistent with the provisions of this Indenture. The Securities Intermediary shall, and U.S. Bank as initial Securities Intermediary does, covenant that it will not take any action inconsistent with the provisions of this Indenture applicable to it. The Securities Intermediary shall, and U.S. Bank as initial Securities Intermediary does, agree that any item of property credited to any Account shall not be subject to any security interest, lien, or right of setoff in favor of the Securities Intermediary or anyone claiming through the Securities Intermediary (other than the Trustee).

(c) It is the intent of the Trustee and the Co-Issuers that each Account shall be a securities account ofthe Trustee and not an account of the Co-Issuers. Nonetheless, (i) the Securities Intermediary shall agree to comply with entitlement orders originated by the Trustee without further consent by the Co-Issuers or any other person or entity and (ii) U.S. Bank, as initial Securities Intermediary, agrees that for so long as it is the Securities Intermediary hereunder it will comply with entitlement orders originated by the Trustee without further consent by the Co-Issuers or any other person or entity. The Securities Intermediary shall covenant that it will not agree with any person or entity other than the Trustee that it will comply with entitlement orders originated by such person or entity, and U.S. Bank as initial Securities Intermediary hereby covenants that, for so long as it is the Securities Intermediary hereunder, it will not agree with any person or entity other than the Trustee that it will comply with entitlement orders originated by such person or entity.

(d) The Securities Intermediary may at any time resign by notice to the Trustee and may at any time be removed by notice from the Trustee; provided, however, that it shall be the responsibility of the Trustee to appoint a successor Securities Intermediary and to cause the Accounts to be

established and maintained with such successor Securities Intermediary in accordance with the terms hereof; and the responsibilities and duties of the retiring Securities Intermediary hereunder shall remain in effect until all of the Collateral credited to the Accounts held by such retiring Securities Intermediary has been transferred to such successor Securities Intermediary and both (x) such successor Securities Intermediary has assumed, by an instrument reasonably satisfactory to the Trustee and the Collateral Manager, the obligations of the retiring Securities Intermediary and (y) such successor Securities Intermediary, the Trustee and the Issuer have executed a collateral account control agreement substantially in the form attached hereto as Exhibit E. Any corporation into which the Securities Intermediary may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which the Securities Intermediary may be a party, shall be the

successor ofthe Securities Intermediary hereunder, without the execution or filing of any paper or any further act on the part ofthe parties hereto or such Securities Intermediary or such successor corporation.

Section 6.16 Fiduciary For Noteholders Only; Agent for Collateral Manager and Hedge Counterparties.

With respect to the security interest created hereunder in any Collateral, the Grant of such item of Collateral to the Trustee is to the Trustee as representative of the Noteholders and agent for the Collateral Manager and any Hedge Counterparties; in furtherance of the foregoing, the possession by the Trustee, the Custodian or the Securities Intermediary of any item of Collateral, the endorsement to or registration in the name of the Trustee, the Custodian or the Securities Intermediary of any item of Collateral, or the receipt by the Trustee, the Custodian or the Securities Intermediary of any item of Collateral through the crediting of any such item to the appropriate account, are all undertaken by the Trustee, the Custodian or the Securities Intermediary in its capacity as representative of the Noteholders and agent for the Collateral Manager and any Hedge Counterparties and by the Custodian and the Securities Intermediary as agent for the Trustee. To the extent permitted by applicable law, the Trustee shall not owe any fiduciary duties to any Hedge Counterparties or the Collateral Manager.

Section 6.17 The Custodian.

The Issuer hereby appoints U.S. Bank National Association, as "Custodian" hereunder for the purpose of holding the Collateral on behalf of the Trustee and performing the duties expressly set forth in this Indenture on behalf of the Trustee, and U.S. Bank National Association, hereby accepts such appointment. In performing its duties hereunder, the Custodian shall enjoy all the rights, protections, and indemnities granted to the Trustee hereunder.

Section 6.18 Withholding.

If any amount is required to be deducted or withheld from any payment to any Noteholder, such tax shall reduce the amount otherwise distributable to such Noteholder. The Trustee is hereby authorized to withhold or deduct from amounts otherwise distributable to any Noteholder sufficient funds for the payment of any tax that is legally required to be withheld or deducted (but such authorization shall not prevent the Trustee from contesting any such tax in appropriate proceedings and legally withholding payment of such tax, pending the outcome of such proceedings). The amount of any withholding tax imposed with respect to any Noteholder shall be treated as Cash distributed to such Noteholder, as applicable, at the time it is deducted or withheld by Issuer or the Trustee; provided that it is remitted to the appropriate taxing authority. If there is a possibility that withholding tax is payable with respect to a distribution, the Trustee may in its sole discretion withhold such amounts in accordance with this Section 6.18. If any Noteholder wishes to apply for a refund of any such withholding tax, the Trustee shall reasonably cooperate with such Noteholder in making such claim so long as such Noteholder agrees to reimburse the Trustee for any out-of-pocket expenses incurred. Nothing herein shall impose an obligation on the part of the Trustee to determine the amount of any tax or withholding obligation on the part of the Issuer or in respect of the Notes. Subject to Section 2.12, the Issuer shall indemnify the Trustee for any loss, cost or expense incurred in connection

with the withholding of any amounts pursuant to this Section 6.18, subject to and in accordance with the Priority of Payments.

Section 6.19 Representations and Warranties of the Trustee, the Custodian and the Securities Intermediary.

Each of the Trustee, the Custodian and the Securities Intermediary represents and warrants that:

(a) it is a banking corporation with trust powers, duly and validly existing under the federal laws of the United States of America, with corporate power and authority to execute, deliver and perform its obligations under this Indenture, and is duly eligible and qualified to act as trustee, custodian or securities intermediary, as the case may be, under this Indenture;

(b) this Indenture has been duly authorized, executed and delivered by it and constitutes its valid and binding obligation, enforceable against it in accordance with its terms except (i) as limited by bankruptcy, fraudulent conveyance, fraudulent transfer, insolvency, reorganization, liquidation, receivership, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and by general equitable principles, regardless of whether considered in a proceeding in equity or at law and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding there for may be brought;

(c) neither the execution or delivery by it of this Indenture nor the performance of its obligations under this Indenture requires the consent or approval of, the giving of notice to or the registration or filing with, any governmental authority or agency under any existing law of the United States of America governing its banking or trust powers; and

(d) in the case of the Trustee, it satisfies the criteria set forth in Section 6.8.

Section 6.20 Request for Consents.

In the event that the Trustee receives written notice of any proposed amendment, consent or waiver under the Underlying Instruments of any Pledged Security (before or after any default) or in the event any action is required to be taken in respect of a Pledged Security, the Trustee shall promptly contact the Issuer and the Collateral Manager. The Collateral Manager may, on behalf of the Issuer, instruct the Trustee pursuant to an Issuer Order to, and the Trustee shall, with respect to a Pledged Security as to which a consent or waiver under the Underlying Instruments of such Collateral Debt Security (before or after any default) has been proposed or with respect to action required to be taken in respect of a Pledged Security, give consent, grant waiver, vote or exercise any or all

other rights or remedies with respect to any such Pledged Security in accordance with such Issuer Order. In the absence of any instruction from the Collateral Manager, the Trustee shall not engage in any vote or take action in with respect to such Pledged Security.

ARTICLE 7
COVENANTS

Section 7.1 Payment of Principal and Interest.

The Co-Issuers, or in the case of the Class E Notes, the Issuer will duly and punctually pay or procure the payments of any principal of, and interest on, the Notes in accordance with their respective terms and this Indenture. Amounts properly withheld under the Code or other applicable law by any Person from a payment to any Noteholder of such amounts shall be considered as having been paid by the Issuer and the Co-Issuer, as applicable, to such Noteholder, as applicable, for all purposes of this Indenture.

Section 7.2 Maintenance of Office or Agency.

U.S. Bank is hereby appointed as a "Notes Paying Agent" for the payment of amounts due on the Notes and U.S. Bank hereby accepts such appointment. U.S. Bank is hereby appointed as a "Transfer Agent" where notices and demands to or upon the Issuer or the Co Issuer in respect of Notes or this Indenture may be served and where Notes may be surrendered for registration of transfer or exchange and U.S. Bank hereby accepts such appointment. U.S. Bank shall be the principal Notes Paying Agent and shall pay the amounts due on the Notes on behalf of the Issuer to the extent practicable.

The Issuer hereby appoints Maples and Calder Listing Services in Dublin, Ireland as the Issuer's agent where notices and demands to or upon the Issuer in respect of the Notes.

The Issuer may at any time and from time to time vary or terminate the appointment of any such agent or appoint any additional agents for any or all of such purposes; provided, that the Issuer shall maintain in the Borough of Manhattan, The City ofNew York, an office or agency where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served which shall initially be the office of the New Yark Presenting Agent and, subject to any laws or regulations applicable thereto, an office or agency outside of the United States where Notes may be presented and surrendered for payment; provided, further, that no paying agent shall be appointed in a jurisdiction which subjects payments on the Notes to withholding tax; and provided, still further, that so long as any of the Notes are listed on the Irish Stock Exchange and the rules of such stock exchange shall so require, the Co-Issuers shall maintain a Notes Paying Agent in Ireland (such paying agent, the "Irish Paying Agent"). In the event that the Irish Paying Agent is replaced at any time during such period, notice of the appointment of any replacement will be given to the Company Announcements Office of the Irish Stock Exchange. The Co-Issuers shall give prompt notice to the Trustee, Moody's, S&P and the Noteholders of the appointment or termination of any such Notes Paying Agent or agent for notices and of the location and any change in the location of any such office or agency.

If at any time the Co-Issuers shall fail to maintain any such required office or agency in the Borough of Manhattan, The City ofNew York, or outside the United States, or shall fail to furnish the Trustee with the address thereof, presentations and surrenders may be made (subject to the limitations described in the preceding paragraph), notices and demands may be served on the Co-Issuers, and Notes may be presented and surrendered for payment to the

appropriate Notes Paying Agent, at the main office of the applicable Notes Paying Agent. The Co-Issuers hereby appoint each Notes Paying Agent as their agent to receive such respective presentations, surrenders, notices and demands.

Section 7.3 Money for Note Payments to be Held in Trust.

All payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Payment Account shall be made on behalf of the Co-Issuers by the Trustee or a Notes Paying Agent.

When the Co-Issuers shall have a Notes Paying Agent that is not also the Note Registrar, they shall furnish, or cause the Note Registrar to furnish, no later than the fifth calendar day after each Record Date a list, if necessary, in such form as such Notes Paying Agent may reasonably request, of the names and addresses of the Holders and of the certificate numbers of individual Notes.

Whenever the Co-Issuers shall have a Notes Paying Agent other than the Trustee, they shall, on or before the Business Day next preceding each Payment Date or Redemption Date, as the case may be, direct the Trustee to deposit on such Payment Date with such Notes Paying Agent, if necessary, an aggregate sum sufficient to pay the amounts then becoming due with respect to the Classes of Notes for which it acts as Notes Paying Agent (to the extent funds are then available for such purpose in the Payment Account), such sum to be held in trust for the benefit of the Persons entitled thereto and (unless such Notes Paying Agent is the Trustee) the Issuer and the Co-Issuer, as applicable, shall promptly notify the Trustee of its action or failure so to act. Any Monies deposited with a Notes Paying Agent with respect to the Classes of Notes for which it acts as Notes Paying Agent (other than the Trustee) in excess of an amount sufficient to pay the amounts then becoming due on the applicable Notes with respect to which such deposit was made shall be paid over by such Notes Paying Agent to the Trustee for application in accordance with Article 10.

The initial Notes Paying Agent shall be as set forth in Section 7.2. Any additional or successor Notes Paying Agent shall be appointed by Issuer Order with written notice thereof to the Trustee; provided, that so long as any Notes are Outstanding and rated by Moody's or S&P, as applicable, and with respect to any additional or successor Notes Paying Agent (other than a Notes Paying Agent in Ireland), either (i) such additional or successor Notes Paying Agent is a Qualified Financial Institution or (ii) Rating Agency Confirmation shall have been received. In the event that such additional or successor Notes Paying Agent ceases to be a Qualified Financial Institution and Rating Agency Confirmation are not received, the Co-Issuers shall promptly remove such Notes Paying Agent and appoint a successor Notes Paying Agent. The Co-Issuers shall not appoint any Notes Paying Agent (other than the initial Notes Paying Agent or any Notes Paying Agent in Ireland) that is not, at the time of such appointment, a depository institution or trust company subject to supervision and examination by federal and/or state and/or national banking authorities. The Co-Issuers shall cause each Notes Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Notes Paying Agent shall agree with the Trustee (and if the Trustee or its agent acts as Notes Paying Agent, it hereby so agrees), subject to the provisions of this Section 7.3, that such Notes Paying Agent will:

(a) allocate all sums received for payment to the Holders of Notes for which it acts as Notes Paying Agent on each Payment Date and Redemption Date among such Holders in the proportion specified in the applicable report or Redemption Date Statement, as the case may be, in each case to the extent permitted by applicable law;

(b) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(c) if such Notes Paying Agent is not the Trustee, immediately resign as a Notes Paying Agent and forthwith pay to the Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards set forth above required to be met by a Notes Paying Agent at the time of its appointment;

(d) if such Notes Paying Agent is not the Trustee, immediately give the Trustee notice of any Default by the Issuer or the Co-Issuer (or any other obligor upon the Notes) in the making of any payment required to be made; and

(e) if such Notes Paying Agent is not the Trustee at any time during the continuance of any such Default, upon the request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Notes Paying Agent.

The Co-Issuers may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Issuer Order direct any Notes Paying Agent to pay, to the Trustee all sums held in trust by the Co-Issuers or such Notes Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Co-Issuers or such Notes Paying Agent; and, upon such payment by any Notes Paying Agent to the Trustee, such Notes Paying Agent shall be released from all further liability with respect to such Money.

Except as otherwise required by applicable law, any Money deposited with the Trustee or any Notes Paying Agent in trust for the payment of any principal of or interest on any Note and remaining unclaimed for two years after such amounts have become due and payable shall be paid to the Co-Issuers on Issuer Request; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer or the Co-Issuer for payment of such amounts and all liability ofthe Trustee or such Notes Paying Agent with respect to such trust Money (but only to the extent of the amounts so paid to the Co-Issuers) shall thereupon cease. The Trustee or such Notes Paying Agent, before being required to make any such release of payment, may, but shall not be required to, adopt and employ, at the expense of the Co-Issuers, any reasonable means of notification of such release of payment, including, but not limited to, mailing notice of such release to Holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in Monies due and payable but not claimed is determinable from the records of any Notes Paying Agent, at the last address of record of each such Holder.

Section 7.4 Existence of Co-Issuers; Compliance with Laws.

(a) The Issuer and the Co-Issuer shall, to the maximum extent permitted by applicable law, maintain in full force and effect their existence and rights as companies incorporated under the laws of the Cayman Islands and organized under the laws of the State of Delaware, respectively, and shall obtain and preserve their qualification to do business as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validity and enforceability of this Indenture, the Notes or any of the Collateral; provided, that the Issuer and the Co-Issuer shall be entitled to change its jurisdiction of incorporation from the Cayman Islands and the State of Delaware, respectively, to any other jurisdiction reasonably selected by the Issuer or the Co-Issuer, respectively, so long as (i) such change is not disadvantageous in any material respect to any of the Holders, the Collateral Manager or any Interest Rate Hedge Counterparty, (ii) written notice of such change shall have been given by the Trustee to the Holders, the Custodian, the Collateral Manager, any Hedge Counterparties, Moody's and S&P and (iii) on or prior to the fifteenth Business Day following such notice the Trustee shall not have received notice from a Majority of the Controlling Class, the Collateral Manager or any Interest Rate Hedge Counterparty objecting to such change.

(b) The Issuer and the Co-Issuer shall ensure that all corporate or other formalities regarding their respective existences (including, if applicable, holding regular board of directors' and shareholders' meetings) are followed.

The Issuer shall at all times endeavor to maintain an Administrator. If the Administrator resigns or is removed pursuant to the Administration Agreement, the Issuer will promptly appoint a successor Administrator.

Neither the Issuer nor the Co-Issuer shall take any action, or conduct its affairs in a manner, that is likely to result in its separate existence being ignored or its assets and liabilities being substantively consolidated with any other Person in a bankruptcy, reorganization or other insolvency proceeding. Without limiting the generality of the foregoing, (i) the Issuer shall not have any subsidiaries (other than the Co-Issuer), (ii) the Co-Issuer shall not have any subsidiaries and (iii) the Issuer and the Co-Issuer shall not (A) have any employees (other than their respective directors), (B) engage in any transaction with any shareholder that would constitute a conflict of interest (other than transactions expressly permitted pursuant to the Collateral Management Agreement, including Sections 3 and 5 thereof, and pursuant to the Administration Agreement) or (C) pay dividends other than in accordance with the terms of this Indenture and the Issuer Charter.

(c) The Issuer/Co-Issuer shall comply with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees, determinations and awards (including, without limitation, any fiscal and accounting rules and regulations and any foreign or domestic law, rule or regulation), including in connection with the issuance, offer and sale of the Notes.

Section 7.5 Protection of Collateral.

(a) The Issuer shall, to the maximum extent permitted by applicable law, from time to time execute and deliver all such supplements and amendments hereto and all such

Financing Statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action as may be necessary or advisable or desirable to secure the rights and remedies of the Noteholders and any Hedge Counterparties hereunder and to:

(i) Grant more effectively all or any portion of the Collateral;

(ii) maintain or preserve the lien (and the priority thereof) of this Indenture or to carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations);

(iv) enforce any of the Pledged Securities or other instruments or property included in the Collateral;

(v) preserve and defend title to the Collateral and the rights therein of the Trustee, any Hedge Counterparties and the Noteholders in the Collateral against the claims of all Persons and parties; or

(vi) pay or cause to be paid any and all taxes levied or assessed upon all or any part of the Collateral.

The Issuer hereby designates the Trustee, its agent and attorney-in-fact to execute any Financing Statement, continuation statement or other instrument required pursuant to this Section 7.5. Such power of attorney is coupled with an interest, and the Issuer hereby ratifies and confirms all that the Trustee may do by virtue thereof; provided that such designation shall not impose upon the Trustee any of the Issuer's obligations under this Section 7.5.

(b) The Trustee and the Custodian shall not, except in accordance with Section 10.6(a), (b) or (c), as applicable, permit the removal of any portion of the Collateral or transfer any portion of the Collateral from the Account to which it is credited, or cause or permit any change in the notice, delivery or registration made pursuant to Section 3.3 with respect to any general intangible or participation, as applicable, if after giving effect thereto the jurisdiction governing the perfection of security interest by the Trustee or Custodian in any such Collateral is different from the jurisdiction governing perfection at the time of delivery of the most recent Opinion of Counsel pursuant to Section 7.6 (or, if no Opinion of Counsel has yet been delivered pursuant to Section 7.6, the Opinion of Counsel delivered at the Closing Date pursuant to Section 3.1(c)), unless the Trustee shall have first received an Opinion of Counsel to the effect that the lien and security interest created by this Indenture with respect to such property will continue to be maintained after giving effect to such action or actions.

(c) The Issuer shall pay or cause to be paid taxes, if any, levied on account of the beneficial ownership by the Issuer of any Pledged Securities.

Section 7.6 Opinions as to Collateral.

The Co-Issuers shall, (i) upon the reasonable request of the Trustee or any Rating Agency predicated upon a change in law or other circumstances (but no more frequently than once per calendar year, commencing in 2008) and (ii) on or before December 31, 2012, and each fifth anniversary thereafter cause to be furnished to the Trustee, the Custodian, the Collateral Manager, the Co-Issuers and Moody's, an Opinion of Counsel confirming (subject to qualifications customary to the firm delivering such opinion) the matters set forth in the Opinion of Counsel furnished pursuant to Section 3.1(c) with regard to the validity and perfection of such security interest and stating that no further action (other than as specified in such Opinion of Counsel) needs to be taken to ensure the continued effectiveness and perfection of such lien and security interest during the annual period following the date on which such opinion is delivered.

Section 7.7 Performance of Obligations.

(a) The Co-Issuers shall not take any action, and will use their commercially reasonable efforts not to permit any action to be taken by others, that would release any Person from any of such Person's covenants or obligations under any instrument included in the Collateral, except in the case of enforcement action taken with respect to any Defaulted Obligation in accordance with the provisions hereof and as otherwise required hereby.

(b) The Co-Issuers may, with the prior consent of a Majority of the Notes (except, in each case, with respect to the Collateral Management Agreement and the Collateral Administration Agreement as initially executed), contract with other Persons, including the Collateral Manager, for the performance of actions and obligations to be performed by the Co Issuers hereunder by such Persons and the performance of the actions and other obligations with respect to the Collateral of the nature set forth in the Collateral Management Agreement by the Collateral Manager. Notwithstanding any such arrangement, the Co-Issuers shall remain primarily liable with respect thereto. In the event of such contract, the performance of such actions and obligations by such Persons shall be deemed to be performance of such actions and obligations by the Co-Issuers; and the Co-Issuers will punctually perform, and use their best efforts to cause the Collateral Manager or such other Person to perform, all of its obligations and agreements contained in the Collateral Management Agreement or such other agreement.

Section 7.8 Negative Covenants.

(a) The Issuer will not and, with respect to clauses (ii), (iii), (iv) and (vi) below, the Co-Issuer will not:

(i) sell, transfer, assign, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (or permit such to occur or suffer such to exist), any part of the Collateral, except as expressly permitted by this Indenture and the Collateral Management Agreement;

(ii) claim any credit on, or make any deduction from, the amounts payable in respect to the Notes (other than amounts withheld in accordance with the Code or any applicable laws of the Cayman Islands) or assert any claim against any present or future

Noteholder or any Hedge Counterparty, by reason of the payment of any taxes levied or assessed upon any part of the Collateral;

(iii) incur or assume or guarantee any indebtedness, other than the Notes and the Subordinated Notes and save as expressly provided in this Indenture and the transactions contemplated hereby, or other than the issuance of the 250 ordinary shares issued to Maples Finance Limited as Share Trustee, (1) issue any additional class of securities, or (2) issue any additional shares of stock;

(iv) (A) permit the validity or effectiveness of this Indenture or any Grant hereunder to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to this Indenture or the Notes, except as may be expressly permitted hereby, or by the Collateral Management Agreement, (B) permit any lien, charge, adverse claim, security interest, mortgage or other encumbrance (other than the lien of this Indenture and, in the case of Synthetic Security Collateral, the lien in favor of the related Synthetic Security Counterparty) to be created on or extend to or otherwise arise upon or burden the Collateral or any part thereof, any interest therein or the proceeds thereof or (C) take any action that would permit the lien of this Indenture not to constitute a valid first priority security interest in the Collateral (or, in the case of Synthetic Security Collateral, a second priority security interest subject only to the lien in favor of the related Synthetic Security Counterparty);

(v) establish a branch, agency, office or place of business in the United States (or, except as provided herein, in any jurisdiction other than the Cayman Islands), or take any action or engage in any activity (directly or through the Collateral Manager or other agent) which would subject it to United States federal, state or local income tax or to income tax in any other jurisdiction;

(vi) have any subsidiaries (other than with respect to the Issuer, the Co- Issuer or with respect to the Co-Issuers, any subsidiaries necessitated by a change of jurisdiction pursuant to Section 7.4);

(vii) hire any employees or, so long as the Notes are Outstanding, pay any dividends to the holders of the Issuer's ordinary shares in respect of the ordinary shares;

(viii) (A) change its name without first delivering to the Trustee notice thereof and an Opinion of Counsel that such name change will not adversely affect the Trustee's lien or the interest hereunder of the Secured Parties or the Trustee and obtaining Rating Agency Confirmation with respect thereto or (B) conduct business under an assumed name;

(ix) except for any agreements involving the purchase and sale of Collateral Debt Securities having customary purchase or sale terms and documented with customary loan or bond trading documentation (but not excepting any Synthetic Securities or Hedge Agreements), enter into any agreements unless such agreements contain "non-petition" and "limited recourse" provisions or amend or waive any such provisions, in each case unless Rating Agency Confirmation has been received with respect thereto; or

(x) (A) commingle its assets with those of another entity, (B) conduct business in any name other than its own and (C) fail to correct any known misunderstandings regarding its separate identity.

(b) Notwithstanding clause (a)(iii) above, the Co-Issuers may issue and sell additional Notes (not including the Class E Notes) and the Issuer may issue and sell additional Subordinated Notes and Class E Notes, and use the proceeds to purchase additional Collateral Debt Securities and Eligible Investments in accordance with the Reinvestment Criteria and to enter into additional Hedge Agreements subject to Section 7.18 hereof; provided, the following conditions are met: (i) the additional issuance of Securities results in a pro rata increase in the principal amount of each Class of Securities; (ii) such issue does not exceed 50% of the original issue amount of each applicable Class of Securities; (iii) the terms of the Securities issued are identical to the terms of previously issued Securities of the Class of which such Securities are a part; (iv) Rating Agency Confirmation shall have been received with respect to such additional issuance and sale of Securities; (v) a Majority of the Subordinated Notes shall have consented to such issuance and sale (provided that for this purpose Collateral Manager Securities will not be disregarded and which consent shall be evidenced by an Officer's certificate of the Issuer certifying that such consent has been obtained); (vi) the Collateral Manager will have consented to such issuance and sale; (vii) the Trustee shall have received from the Issuer an Opinion of Counsel to the Issuer acceptable to the Trustee to the effect that the additional issue will not cause the Issuer to be required to register as an "investment company" under the Investment Company Act; and (viii) the Trustee shall have received from the Issuer an Opinion of Counsel to the Issuer acceptable to the Trustee to the effect that, for United States federal income tax purposes, (A) such issuance will not adversely affect the tax characterization as debt of any outstanding Class of Notes that was characterized as debt at the time of issuance and (B) such issuance will not cause the Issuer to be engaged in a U.S. trade or business. If such issuance occurs prior to the Effective Date, the Effective Date Par Amount shall be adjusted to take account of any such additional issuance of Securities. The proceeds of such an additional issuance will be used to purchase additional Collateral Debt Securities and Eligible Investments and, if applicable, to enter into additional Hedge Agreements.

Subject to the prior consent of the Collateral Manager and a Majority of the Subordinated Notes (including, for such purpose, any Collateral Manager Securities), the Issuer may, in one or more issuances, issue and sell additional Subordinated Notes; provided that with respect to any such additional issuance the following additional conditions are satisfied: (i) Rating Agency Confirmation is received with respect to such issuance; (ii) the additional Subordinated Notes are issued for cash and the net proceeds of such additional issuance are used to purchase additional Collateral Debt Securities and, if applicable, to enter into Hedge Agreements; (iii) the terms and conditions of the additional Subordinated Notes are identical to those of the initial Subordinated Notes (including that the issue price of such newly issued Subordinated Notes shall be par); (iv) the additional Subordinated Notes will rank pari passu in all respects with the initial Subordinated Notes; and (v) any additional Subordinated Notes issued will, to the extent reasonably practicable, be offered first to holders of Subordinated Notes in such amounts as are necessary to preserve their pro rata percentage interest in the Subordinated Notes.

Prior to any additional issuance of Notes or Subordinated Notes, the Trustee shall receive an Officer's Certificate certifying that the applicable conditions precedent to such issuance have been satisfied.

(c) Neither the Issuer nor the Trustee shall sell, transfer, exchange or otherwise dispose of Collateral, or enter into or engage in any business with respect to any part of the Collateral, except as expressly permitted by this Indenture and the Collateral Management Agreement.

(d) The Co-Issuer will not invest any of its assets in "securities," as such term is defined in the Investment Company Act, and will keep all of its assets in Cash.

(e) Neither the Issuer nor the Co-Issuer shall enter into any material agreement after the Closing Date (other than Hedge Agreements in accordance with Section 7.18 or other agreements contemplated by this Indenture) without the prior consent of a Majority of the Notes, and the Issuer or the Co-Issuer, as applicable, shall provide notice of all such agreements to the Noteholders. Notwithstanding the foregoing, the Issuer or the Co-Issuer, as applicable, may enter into one or more material agreements after the Closing Date (including Hedge Agreements in accordance with Section 7.18 hereof and other agreements

provided for in this Indenture) without the consent of the Holders of any Class of Notes, if (i) the Issuer or the Co-Issuer, as applicable, determines that any such agreement would not, upon or after becoming effective, adversely affect the rights or interests of such Class of Notes, (ii) the Issuer or the Co Issuer, as applicable, gives 10 days' prior notice to the applicable Noteholders of any such agreement and (iii) Rating Agency Confirmation shall have been received.

(f) The Issuer shall comply with all of the restrictions set forth in Section 31 of the Collateral Management Agreement, unless, with respect to a particular transaction, the Issuer and the Trustee shall have received an opinion or advice of tax counsel of nationally recognized standing in the United States experienced in such matters that, under the relevant facts and circumstances with respect to such transaction, the Issuer's failure to comply with one or more of such provisions will not cause the Issuer to be engaged, or deemed to be engaged, in a trade or business within the United States for United States federal income tax purposes or otherwise to be subject to United States federal income tax on a net basis. The provisions set forth in Section 31 of the Collateral Management Agreement may be amended, eliminated or supplemented (without execution of a supplemental indenture) if the Issuer and the Trustee shall have received an opinion of tax counsel of nationally recognized standing in the United States experienced in such matters that the Issuer's compliance with such amended provisions or supplemental provisions or the Issuer's failure to comply with such provisions proposed to be eliminated, as the case may be, will not cause the Issuer to be engaged, or deemed to be engaged, in a trade or business within the United States for United States federal income tax purposes or otherwise to be subject to United States federal income tax on a net basis provided, further, that written notice of any such amendment, elimination or supplementation of or to the provisions of such Section 31 pursuant to this clause (f) shall be provided to each Rating Agency then rating any Class of Notes within 30 days of any such amendment, elimination or supplementation. For the avoidance of doubt, in the event an opinion of tax counsel as described above has been obtained in accordance with the terms hereof, no consent of any Noteholder and no Rating Agency Confirmation shall be required in order to comply with this Section 7.8(e) in connection

with the amendment, elimination or supplementation of any provision of such Section 31 contemplated by such opinion of tax counsel.

Section 7.9 Statement as to Compliance.

On or before the Payment Date occurring in October of each calendar year, commencing with the Payment Date occurring in October 2008, or immediately if there has been a Default in the fulfillment of an obligation under this Indenture, the Issuer shall deliver to the Trustee and the Custodian (to be forwarded by the Trustee to each Holder of a Note and each Subordinated Noteholder), any Hedge Counterparties, Moody's and S&P an Officer's certificate stating, as to each signer thereof, that:

(a) a review of the activities of the Issuer and of the Issuer's performance under this Indenture during the prior calendar year (or from the Closing Date until the Payment Date occurring in October 2008, in the case of the first such Officer's certificate) has been made under his supervision; and

(b) to the best of its knowledge, based on such review, the Issuer has fulfilled all of its material obligations under this Indenture throughout such year and no Default or Event of Default has occurred during such year, or, if there has been a Default or Event of Default, specifying each such Default or Event of Default known to it and the nature and status thereof.

Section 7.10 Co-Issuers May Consolidate, etc., Only on Certain Terms.

(a) The Issuer shall not consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any Person, unless permitted by Cayman Islands law and unless:

(i) the Issuer shall be the surviving corporation, or the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred shall be a company incorporated and existing under the laws of the Cayman Islands or such other jurisdiction approved by a Majority of the Controlling Class; provided, that no such approval shall be required in connection with any such transaction undertaken solely to effect a change in the jurisdiction of incorporation pursuant to Section 7.4, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, the Hedge Counterparties and each Noteholder, the due and punctual payment of any principal of and interest on all Notes and the performance of every covenant of this Indenture on the part of the Issuer to be performed or observed, and shall expressly assume all obligations of the Issuer under any Hedge Agreement all as provided herein;

(ii) with respect to such consolidation, merger, transfer or conveyance, the Trustee shall have received Rating Agency Confirmation, and, if so specified in any Interest Rate Hedge, if any, the prior written consent of the related Interest Rate Hedge Counterparty;

(iii) if the Issuer is not the surviving corporation, the Person formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred shall have agreed with the Trustee (A) to observe the same

legal requirements for the recognition of such formed or surviving corporation as a legal entity separate and apart from any of its Affiliates as are applicable to the Issuer with respect to its Affiliates and (B) not to consolidate or merge with or into any other Person or transfer or convey the Collateral or all or substantially all of its assets to any other Person except in accordance with the provisions ofthis Section 7.10;

(iv) if the Issuer is not the surviving corporation, the Person formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred shall have delivered to the Trustee, the Hedge Counterparties, Moody's and S&P an Officer's certificate and an Opinion of Counsel each stating that such Person shall be duly organized, validly existing and in good standing in the jurisdiction in which such Person is organized; that such Person has sufficient power and authority to assume the obligations set forth in subsection (a)(i) and to execute and deliver a supplemental indenture hereto for the purpose of assuming such obligations; that such Person has duly authorized the execution, delivery and performance of an indenture supplemental hereto for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such Person, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); that, immediately following the event which causes such Person to become the successor to the Issuer, (A) such Person has good and marketable title, free and clear of any lien, security interest or charge, other than the lien and security interest of this Indenture, to the Collateral securing, in the case of a consolidation or merger of the Issuer, all of the Notes or, in the case of any transfer or conveyance of the Collateral securing any of the Notes, such Notes, (B) the Trustee continues to have a valid perfected first priority security interest in the Collateral securing, in the case of a consolidation or merger of the Issuer, all of the Notes, or, in the case of any

transfer or conveyance of the Collateral securing any of the Notes, such Notes and (C) such other matters as the Trustee, the Interest Rate Hedge Counterparties or any Noteholder may reasonably require;

(v) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(vi) the Issuer shall have notified the Hedge Counterparties, Moody's and S&P of such consolidation, merger, transfer or conveyance and shall have delivered to the Trustee, the Custodian, the Hedge Counterparties and each Noteholder an Officer's certificate and an Opinion of Counsel each stating that such consolidation, merger, transfer or conveyance and such supplemental indenture comply with this Article 7 and that all conditions precedent in this Article 7 provided for in relation to such transaction have been complied with and that no adverse tax consequences will result there from to the Noteholders or the Hedge Counterparties;

(vii) after giving effect to such transaction, neither of the Co-Issuers will be required to register as an investment company under the Investment Company Act;

(viii) after giving effect to such transaction, the outstanding stock of the Issuer or the Co-Issuer will not be beneficially owned within the meaning of the Investment Company Act by any U.S. person; and

(ix) the Trustee shall have received from the Issuer an Opinion of Counsel to the Issuer acceptable to the Trustee to the effect that, for United States federal income tax purposes, such transaction will not adversely affect the tax characterization as debt of any outstanding Class of Notes that was characterized as debt at the time of issuance.

(b) The Co-Issuer shall not consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any Person, unless:

(i) the Co-Issuer shall be the surviving corporation, or the Person (if other than the Co-Issuer) formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets ofthe Co-Issuer are transferred shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, the due and punctual payment of the principal of and interest on all the Notes and the performance of every covenant of this Indenture on the part of the Co-Issuer to be performed or observed, all as provided herein;

(ii) with respect to such consolidation, merger, transfer or conveyance, the Trustee shall have received Rating Agency Confirmation;

(iii) if the Co-Issuer is not the surviving corporation, the Person formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred shall have agreed with the Trustee (A) to observe the same legal requirements for the recognition of such formed or surviving corporation as a legal entity separate and apart from any of its Affiliates as are applicable to the Co-Issuer with respect to its Affiliates and (B) not to consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any other Person except in accordance with the provisions of this Section 7.10;

(iv) if the Co-Issuer is not the surviving corporation, the Person formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred shall notify and have delivered to the Trustee, the Hedge Counterparties, Moody's and S&P an Officer's certificate and an Opinion of Counsel each stating that such Person shall be duly organized, validly existing and in good standing in the jurisdiction in which such Person is organized; that such Person has sufficient power and authority to assume the obligations set forth in clause (i) and to execute and deliver an indenture supplemental hereto for the purpose of assuming such obligations; and that such Person has duly authorized the execution, delivery and performance of an indenture supplemental hereto for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such Person, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and such other matters as the Trustee, the Interest Rate Hedge Counterparties or any Noteholder may reasonably require;

(v) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(vi) the Co-Issuer shall have notified the Hedge Counterparties, Moody's and S&P of such consolidation, merger, transfer or conveyance and shall have delivered to the Trustee, the Custodian, the Hedge Counterparties and each Noteholder an Officer's certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article 7 and that all conditions precedent in this Article 7 provided for relating to such transaction have been complied with and that no adverse tax consequences will result therefrom to the Holders of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes or the Hedge Counterparties;

(vii) after giving effect to such transaction, neither of the Co-Issuers will be required to register as an investment company under the Investment Company Act; and

(viii) after giving effect to such transaction, the outstanding stock of the Issuer and the Co-Issuer will not be beneficially owned within the meaning of the Investment Company Act by any U.S. person.

Section 7.11 Successor Substituted.

Upon any consolidation or merger, or transfer or conveyance of all or substantially all ofthe assets ofthe Issuer or the Co-Issuer, in accordance with Section 7.10, the Person formed by or surviving such consolidation or merger (if other than the Issuer or the Co Issuer), or the Person to which such consolidation, merger, transfer or conveyance is made, shall succeed to, and be substituted for, and may exercise every right and power of, and shall be bound by each obligation and covenant of, the Issuer or the Co-Issuer, as the case may be, under this Indenture with the same effect as if such Person had been named as the Issuer or the Co-Issuer, as the case may be, herein. In the event of any such consolidation, merger, transfer or conveyance, the Person named as the "Issuer" or the "Co-Issuer'' in the first paragraph of this Indenture or any successor which shall theretofore have become such in the manner prescribed in this Article 7 may be

dissolved, wound-up and liquidated at any time thereafter, and such Person thereafter shall be released from its liabilities as obligor and maker on all of, as applicable, the Notes and from its obligations under this Indenture.

Section 7.12 No Other Business.

The Issuer shall not engage in any business or activity other than (i) acquisition and disposition of, and investment and reinvestment in, Collateral Debt Securities, any associated Equity Securities and Eligible Investments, (ii) the entering into, and the performance of its obligations under, this Indenture, the Hedge Agreements, the Collateral Management Agreement, the Collateral Administration Agreement, the Master Participation Agreement, the Subordinated Note Paying Agency Agreement and the Initial Purchase Agreement, (iii) the issuance and sale of the Securities, (iv) the pledge ofthe Collateral as security for its obligations in respect of the Hedge Agreements, the Notes and the Collateral Management Agreement and (v) undertaking other activities incidental to the foregoing.

In addition, the Issuer may not acquire any asset, conduct any activity or take any action, if the acquisition or ownership of such asset, the conduct of such activity or the taking of

such action, as the case may be, would cause the Issuer to be engaged, or deemed to be engaged, in a trade or business within the United States for United States federal income tax purposes or otherwise to be subject to United States federal income tax on a net basis.

The Co-Issuer shall not engage in any business or activity other than (i) the co issuance and sale of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and (ii) other activities incidental to the foregoing.

The Issuer shall not amend the Issuer Charter and the Co-Issuer shall not amend its Certificate of lncorporation or By-laws without receiving Rating Agency Confirmation and the prior written consent of the Controlling Class.

Section 7.13 Purchase of Notes.

(a) Notwithstanding anything contained in this Indenture to the contrary, the Collateral Manager on behalf of the Issuer may acquire Notes with Sale Proceeds, in open market or privately negotiated transactions, or otherwise, without regard to the other restrictions described in this Indenture, at a price not exceeding the lesser of the market value thereof and 99% oftheir Aggregate Outstanding Amount; provided, that:

(i) the Issuer shall not acquire any Class E Notes while any Class D Notes remain Outstanding or any Class D Notes while any Class C Notes remain Outstanding or any Class C Notes while any Class B Notes remain Outstanding or any Class B Notes while any Class A Notes remain Outstanding; and

(ii) no Notes shall be so purchased unless:

(1) after giving effect to such purchase the Coverage Tests and the Collateral Quality Tests will be satisfied, as certified by the Issuer to the Trustee and confirmed in writing by the Independent accountant appointed pursuant to Section 10.7;

(2) an amount sufficient to pay (A) interest on the next Payment Date on the Class A Notes or, if the Class A Notes have been paid in full, the Class B Notes or, if the Class B Notes have been paid in full, the Class C Notes or, if the Class C Notes have been paid in full, the Class D Notes or, ifthe Class D Notes have been paid in full, the Class E Notes and (B) all amounts required to be paid on such next Payment Date prior to such interest in accordance with the Priority of Payments, has been retained in the Collection Account; and

(3) such purchase satisfies the requirements, if any are applicable, of any stock exchange upon which the Notes to be purchased are then listed.

(4) Any Notes acquired by either of the Co-Issuers shall be delivered to the Trustee for cancellation and will no longer be Outstanding.

Section 7.14 Reaffirmation ofRatings; Annual Rating Review.

(a) The Issuer (or the Collateral Manager on its behalf) shall, at least 35 days prior to the first Payment Date, request in writing (with respect to S&P, by email to cdoeffectivedateportfolios@sandp.com) that each ofS&P and Moody's (subject to the proviso below) confirm that it has not reduced or withdrawn the ratings assigned by it on the Closing Date to any Class of Notes. In the event that (x) any Moody's rating or S&P rating assigned on the Closing Date to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes is reduced or withdrawn within 30 days after the Issuer (or the Collateral Manager on its behalf) delivers such request, (y) the Issuer (or the Collateral Manager on its behalf) fails to timely request such confirmation at least 30 days prior to the first Payment Date; provided that, the Issuer will not be required to request such confirmation from Moody's in the event that Moody's has received an Accountants' Certificate confirming that each Coverage Test (other than the Interest Coverage Ratio Tests), Collateral Quality Test (excluding the S&P CDO Monitor Test) and the Portfolio Profile Test is satisfied as of the Effective Date and the aggregate principal amount of the Collateral Debt Securities (excluding Defaulted Obligations) plus the aggregate amount calculated pursuant to clause (c) ofthe definition of"Principal Collateral Value" in respect of all Defaulted Obligations is at least equal to the Effective Date Par Amount, or (z) the Issuer shall not have obtained a confirmation from S&P that it has not reduced or withdrawn the ratings assigned by it on the Closing Date to any Class ofNotes on or prior to the first Payment Date, then an "Effective Date Ratings Downgrade" will have occurred:

(i) Interest Proceeds and then, if necessary, Principal Proceeds, shall be applied on the next Payment Date and on each Payment Date thereafter in accordance with the Priority of Payments until such original ratings are reinstated or confirmed, in each case in accordance with the Priority ofPayments for distribution as a payment of principal on the Notes or, in the case of Interest Proceeds only, invested in Collateral Debt Securities (or Eligible Investments prior to such investment); and

(ii) if and for so long as any Class of Notes is listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuer will give notice of an Effective Date Ratings Downgrade to the Company Announcements Office.

(b) So long as any ofthe Notes remain Outstanding, on or before January 31 in each year commencing in 2009, the Co-Issuers shall obtain and pay for an annual review of the ratings ofthe Notes from Moody's and for an annual review of the ratings ofNotes and ongoing surveillance by S&P. The Co-Issuers shall promptly notify the Trustee, the Collateral Manager, and the Custodian (and the Trustee shall promptly notify the Hedge Counterparties and the Noteholders) if at any time the applicable ratings on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes have been, or are known to be, changed or withdrawn.

Section 7.15 Reporting.

(a) At any time when the Co-Issuers are not subject to Section 13 or 15(d) of the Exchange Act and are not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, upon the request of a Holder or beneficial owner of a Note, the Co-Issuers shall

promptly furnish or cause to be furnished Rule 144A Information to such Holder or beneficial owner, to a prospective purchaser of such Note, designated by such Holder or beneficial owner or to the Trustee for delivery to such Holder or beneficial owner or a prospective purchaser designated by such Holder or beneficial owner, as the case may be, in order to permit compliance by such Holder or beneficial owner with Rule 144A in connection with the resale of such Note by such Holder or beneficial owner. "Rule 144A Information" shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

(b) Section 3(c)(7) Procedures:

(i) *Section 3(c)(7) Reminder Notices*. The Trustee on behalf of the Co-Issuers shall send to the Noteholders a Section 3(c)(7) Reminder Notice at the times required under Section 10.5. Without limiting the foregoing, the Trustee on behalf of the Issuer shall send a copy of each report referred to in Section 10.5(a) to the Depository, with a request that the Depository forward each such report to the relevant Depository participants for further delivery to beneficial owners of interests in the Global Notes.

(ii) *Depository Actions.* The Issuer (or, as specified below, the Trustee on its behalf) shall direct the Depository to take the following steps in connection with the Rule 144A Global Notes:

(A) The Issuer shall direct the Depository to include the "3c7" marker in the Depository 20-character security descriptor and the 48-character additional descriptor for the Rule 144A Global Notes of each Class in order to indicate that sales are limited to QIBs/QPs.

(B) The Issuer shall direct the Depository to cause each physical Depository deliver order ticket delivered by the Depository to purchasers to contain the Depository 20-character security descriptor; and shall direct the Depository to cause each Depository deliver order ticket delivered by the Depository to purchasers in electronic form to contain the "3c7" indicator and a related user manual for participants, which shall contain a description of the relevant restrictions.

(C) The Issuer shall instruct the Depository to send a notice substantially in the form attached as Exhibit I hereto to all Depository participants in connection with the offering of the Rule 144A Global Notes.

(D) The Issuer shall advise the Depository that it is a Section 3(c)(7) issuer and shall request the Depository to include the Rule 144A Global Notes in the Depository's "Reference Directory" of Section 3(c)(7) offerings.

(E) The Trustee on behalf of the Issuer may, or shall from time to time upon the request of the Note Registrar or the Collateral Manager, at the Issuer's expense, request the Depository to deliver to the Issuer a list of all Depository participants holding an interest in the Rule 144A Global Notes.

(iii) *Bloomberg Screens, Etc.* The Issuer shall from time to time request all third-party vendors to include on screens maintained by such vendors appropriate legends regarding Rule 144A and Section 3(c)(7) restrictions on the Rule 144A Global Notes. Without limiting the foregoing, the Issuer shall request Bloomberg, L.P. to include the following on each Bloomberg screen containing information about the Rule 144A Global Notes:

(A) The "Note Box" on the bottom of the "Security Display" page describing each Rule 144A Global Note should state: "Iss'd Under 144A/3c7."

(B) The "Security Display" page should have a flashing red indicator stating "See Other Available Information."

(C) Such indicator should link to an "Additional Security Information" page, which should state that the Rule 144A Global Notes "are being offered in reliance on the exemption from registration under Rule 144A to Persons that are both (1) qualified institutional buyers (as defined in Rule 144A) and (2) qualified purchasers (as defined under Section 3(c)(7))."

(iv) *CUSIP.* The Issuer shall cause each "CUSIP" number obtained for the Rule 144A Global Notes to have an attached "fixed field" that contains "3c7" and "144A" indicators.

Section 7.16 Calculation Agent.

(a) The Co-Issuers agree that for so long as any of the Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes remain Outstanding there shall at all times be an agent appointed to calculate LIBOR in respect of each Interest Accrual Period in accordance with the terms of Schedule C hereto. U.S. Bank is hereby appointed as calculation agent (the "Calculation Agent") for the purposes described herein, and U.S. Bank hereby accepts such appointment. The Calculation Agent may be removed by the Co-Issuers at any time. If the Calculation Agent is unable or unwilling to act as such or is removed by the Co-Issuers, or if the Calculation Agent fails to determine any of the information required to be calculated pursuant to Section 7.16(b) for any Interest Accrual Period, the Co-Issuers shall promptly appoint as a replacement Calculation Agent a leading bank which is engaged in transactions in Dollar

deposits in Europe and which does not control or is not controlled by or under common control with the Co-Issuers or their Affiliates. No resignation or removal of the Calculation Agent shall be effective without a successor having been duly appointed. For so long as any of the Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of the appointment, termination or change in the office of such Calculation Agent to the Company Announcements Office.

(b) The Calculation Agent shall be required to agree that, as soon as possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (London time) on the London Banking Day immediately following each LIBOR Determination Date, the Calculation Agent shall calculate the Floating Rates for the next Interest Accrual Period and the Floating Amounts (rounded to the nearest cent, with half a cent being rounded upwards) on the related Payment Date, and shall communicate such rates and amounts

to the Co-Issuers, the Trustee, the Collateral Manager, Euroclear, Clearstream and each Notes Paying Agent and (if and for so long as such Class of Notes is listed on the Irish Stock Exchange and the rules of such exchange so require) the Company Announcements Office. The Calculation Agent shall also specify to the Co-Issuers, the Trustee and the Collateral Manager the quotations upon which the Floating Rates are based, and in any event the Calculation Agent shall notify the Co-Issuers and the Collateral Manager before 5:00p.m. (London time) on each LIBOR Determination Date that either: (i) it has determined or is in the process of determining the Floating Rates and the Floating Amounts, or (ii) it has not determined and is not in the process of determining the Floating Rates and the Floating Amounts, together with its reasons therefor.

(c) The Calculation Agent shall cause the Floating Rates, the Floating Amounts, the Interest Accrual Period and the Payment Date to be communicated to Euroclear and Clearstream by the London Banking Day immediately following each LIBOR Determination Date. For so long as any of the Notes are listed on the Irish Stock Exchange and the rules of such stock exchange so require, such information will be given to the Company Announcements Office as soon as practicable, but in no event later than the fourth Business Day following such LIBOR Determination Date. The determination of the Floating Rates and the Floating Amounts by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Section 7.17 Certain Tax Matters.

(a) The Issuer shall not file, or cause to be filed, any income or franchise tax return in any state ofthe United States unless it shall have obtained an Opinion of Counsel prior to such filing that, under the laws of such jurisdiction, the Issuer is required to file such income or franchise tax return.

(b) If required to prevent the withholding or imposition ofUnited States federal income tax, the Issuer shall deliver or cause to be delivered a United States Internal Revenue Service Form W-8BEN to each issuer, counterparty or paying agent with respect to any Collateral Debt Security at the time such Collateral Debt Security is purchased or entered into and thereafter prior to the expiration or obsolescence of such form.

Section 7.18 Hedge Agreement Provisions.

(a) Each Hedge Agreement, if any, entered into by the Issuer on the Closing Date shall be in a form satisfactory to Moody's, S&P and the Collateral Manager and subject to Rating Agency Confirmation. The Issuer may, from time to time, enter into additional Hedge Agreements, unwind or reduce the notional amount of any Hedge Agreements or, in the event that any Hedge Agreement is terminated prior to its scheduled expiration, replacement Hedge Agreements, and the Trustee may release funds in the Collection Account for such purpose; provided, however, that Rating Agency Confirmation will have been received with respect to each such termination, unwinding, reduction or additional or replacement Hedge Agreement. Notwithstanding the foregoing, the Issuer may not enter into any additional or replacement Interest Rate Hedge except in accordance with the terms of any existing Hedge Agreements, if any.

(b) In the event of any early termination of an Interest Rate Hedge, (i) any termination or modification payment paid by the Interest Rate Hedge Counterparty to the Issuer (the "Hedg Termination Receipts") will be deposited in a single, segregated trust account held in the United States in the name of the Trustee as Entitlement Holder (the "Hedge Termination Receipts Account") for the benefit of the Secured Parties and (ii) any Hedge Replacement Proceeds will be deposited in a single, segregated trust account held in the United States in the name of the Trustee as Entitlement Holder (the "Hedge Replacement Account") for the benefit of the Secured Parties.

(c) The Collateral Manager will use commercially reasonable efforts to cause the Issuer, promptly following the early termination of an Interest Rate Hedge (other than on a Redemption Date) and to the extent possible (and subject to subsection (e) below) through application of funds available in the Hedge Termination Receipts Account, to enter into a replacement Interest Rate Hedge (a "Replacement Hedge") at the lowest cost (subject to the other considerations deemed by the Collateral Manager to be relevant to such agreement, including selection of an Interest Rate Hedge with terms most favorable to the Issuer) with a successor Interest Rate Hedge Counterparty (in accordance with the applicable Interest Rate Hedge); provided, that Rating Agency Confirmation shall have been received. In the event that notwithstanding the Collateral Manager's commercially reasonable efforts, a Replacement Hedge is not entered into within 30 days following the termination of such Interest Rate Hedge, the Collateral Manager on behalf of the Issuer will promptly make such other hedging arrangements as it determines, in its commercially reasonable judgment, appropriate, or may determine, in its commercially reasonable judgment, not to make such hedging arrangements; provided, Rating Agency Confirmation is received with respect to such arrangement or determination, as the case may be.

(d) (i) If, after the early termination of any Interest Rate Hedge, either (A) the Collateral Manager on behalf of the Issuer determines not to replace the terminated Interest Rate Hedge and Rating Agency Confirmation shall have been received or (B) such termination occurs on a Redemption Date, then amounts in the Hedge Termination Receipts Account (after providing for the costs of entering into a Replacement Hedge, if any) shall become part of Principal Proceeds and shall be transferred to the Payment Account and distributed in accordance with the Priority ofPayments on the next following Payment Date (or on such Redemption Date).

(ii) If a Hedge Shortfall Amount exists, and such amount is payable by the Interest Rate Hedge Counterparty under the applicable Interest Rate Hedge, the Trustee shall demand that the applicable Interest Rate Hedge Counterparty pay to the Issuer such Hedge Shortfall Amount, in accordance with the terms of the applicable Interest Rate Hedge and, upon receipt thereof, such payment shall be deposited in the Hedge Termination Receipts Account. If the Trustee is unable to recover the Hedge Shortfall Amount from such Interest Rate Hedge Counterparty, the Hedge Shortfall Amount shall become part of the Hedge Payment Amount to be paid to the replacement Interest Rate Hedge Counterparty in accordance with the Priority of Payments on the next following Payment Date.

(e) The amounts in the Hedge Replacement Account, upon receipt therein, will be applied directly to the payment of termination payments, if any, payable by the Issuer to

any Interest Rate Hedge Counterparty. To the extent not fully paid from Hedge Replacement Proceeds, such termination payment will be payable to the Interest Rate Hedge Counterparty on the next Payment Date in accordance with the Priority of Payments. To the extent that the funds available in the Hedge Replacement Account exceed any such termination payments (or ifthere are no termination payments due), the amounts in the Hedge Replacement Account will become part of Principal Proceeds and will be transferred to the Payment Account and distributed in accordance with the Priority of Payments on the next following Payment Date.

(f) The Trustee will, upon receiving written notice of the exposure calculated in accordance with the terms ofthe applicable credit support annex, if any, to any Hedge Agreement, make a demand to the Hedge Counterparty and its credit support provider, if applicable, for securities having a value under such credit support annex, if any, equal to the required credit support amount.

(g) Each Interest Rate Hedge shall provide that if at any time an Interest Rate Hedge Counterparty or its credit support provider fails to maintain the Minimum Rating, such Interest Rate Hedge Counterparty shall transfer (within 30 days and at its own cost) all of its rights and obligations under the Interest Rate Hedge to a Qualified Replacement Counterparty or such Interest Rate Hedge Counterparty shall post collateral as required by such Interest Rate Hedge and in any event a Termination Event (with respect to which the Interest Rate Hedge Counterparty is the sole Affected Party (as defined in the applicable Interest Rate Hedge)) shall occur under such Interest Rate Hedge in the event that the Interest Rate Hedge Counterparty (i) has not transferred all of its rights and obligations under the Interest Rate Hedge to a Qualified Replacement Counterparty within 30 days after such Interest Rate Hedge Counterparty first failed to maintain such Minimum Rating or (ii) has not transferred all of its rights and obligations under the Interest Rate Hedge to a Qualified Replacement Counterparty promptly (but in no event more than 10 days) after such Interest Rate Hedge Counterparty first failed to maintain a short term rating of at least “A-3” by S&P or, if no short term rating, a long term rating of”BBB “ by S&P, unless Rating Agency Confirmation shall have been received. In addition, each Interest Rate Hedge shall provide that the Interest Rate Hedge Counterparty shall be required to post collateral as required to such Interest Rate Hedge in the event that the ratings of the Interest Rate Hedge Counterparty are downgraded below the Required Rating.

(h) The Issuer will enter into Hedge Agreements solely for the purpose of managing interest rate and other risks in connection with the Issuer’s issuance of, and payments on, the Notes and the Issuer’s ownership and disposition of the Collateral Debt Securities.

(i) The amounts payable to the Hedge Counterparties shall be limited to the amounts payable under the Priority of Payments and the claims of each Hedge Counterparty (if there is more than one) shall rank equally.

G) The Trustee shall, prior to the Closing Date, establish a single, segregated trust account which shall be designated as the “Hedge Counterparty Collateral Account”, which shall be held in trust in the name of the Trustee as Entitlement Holder for the benefit of the Secured Parties and over which the Trustee shall have exclusive control and the sole right of withdrawal. The Trustee shall deposit all collateral received from a Hedge Counterparty under a Hedge Agreement in the Hedge Counterparty Collateral Account. Any and all funds at any time

on deposit in, or otherwise to the credit of, the Hedge Counterparty Collateral Account shall be held in trust by the Trustee for the benefit of the Secured Parties. The only permitted withdrawal from or application of funds on deposit in, or otherwise to the credit of, the Hedge Counterparty Collateral Account shall be (x) income relating to funds on deposit in the Hedge Counterparty Collateral Account that are required to be distributed to the Hedge Counterparty pursuant to the terms of the applicable credit support annex, if any, and (y) upon Issuer Order (i) for application to obligations of a Hedge Counterparty to the Issuer under a Hedge Agreement if such Hedge Agreement becomes subject to early termination or (ii) to return collateral to such Hedge Counterparty when and as required by such Hedge Agreement. The Trustee shall be fully protected in relying upon such Issuer Order. The Hedge Counterparty Collateral Account shall remain at all times with a Qualified Financial Institution in the United States.

Section 7.19 Compliance with Collateral Management Agreement, etc.

The Issuer agrees to perform all actions required to be performed, and to refrain from performing any actions prohibited, under the Collateral Management Agreement. The Issuer also agrees to take all actions as may be necessary to ensure that all of the Issuer’s representations and warranties made pursuant to the Collateral Management Agreement are true and correct as of the date thereof and continue to be true and correct for so long as any Notes are Outstanding. The Issuer further agrees not to authorize or otherwise permit the Collateral Manager to act in contravention of the representations, warranties and agreements of the Collateral Manager under the Collateral Management Agreement.

Section 7.20 Representations and Warranties by Issuer as to Security Interest.

The Issuer hereby represents and warrants as set forth below. The representations and warranties, set forth in this Section 7.20, shall survive the execution of this Indenture and shall be repeated on each day Collateral is Delivered.

(a) This Indenture creates a valid and continuing security interest (as defined in the applicable Uniform Commercial Code) in the Collateral in favor of the Trustee which security interest is prior to all other liens, claims and encumbrances and is enforceable as such as against creditors of and purchasers from the Issuer.

(b) All of the Collateral Debt Securities and Eligible Investments have been and will have been credited to a Securities Account. The securities intermediary for each Securities Account has agreed to treat all assets credited to the Securities Accounts as “financial assets” within the meaning of the applicable Uniform Commercial Code. The Collateral (other than those Collateral Debt Securities and Eligible Investments which have been credited to a Securities Account) constitutes either “instruments” or “general intangibles” within the meaning ofthe applicable Uniform Commercial Code.

(c) The Issuer owns and has good and marketable title to the Collateral Debt Securities and Eligible Investments. The Collateral is free and clear of any lien, claim or encumbrance of any Person (other than the security interest created hereunder). The Issuer has received all consents and approvals required by the terms of any item of Collateral to the transfer

to the Trustee of its interest and rights in the Collateral except to the extent that any requirement for consent or approval is rendered ineffective under the applicable Uniform Commercial Code.

(d) The Issuer has caused or will have caused, within ten days ofthe issuance of the Notes, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest granted in the Collateral, to the Trustee.

(e) The Issuer has delivered to the Trustee a fully executed agreement pursuant to which the securities intermediary has agreed to comply with all instructions originated by the Trustee relating to the Securities Accounts without further consent by the Issuer.

(f) Other than the security interest granted to the Trustee pursuant to this Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any part of the Collateral. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering any part of the Collateral, other than any financing statements relating to the security interest granted to the Trustee. The Issuer is not aware of any judgment or tax lien filings against the Issuer.

(g) The Securities Accounts are not in the name of any person other than the Issuer or the Trustee. The Issuer has not consented to the securities intermediary of any Securities Account complying with entitlement orders of any person other than the Trustee.

(h) All original executed promissory notes, if any, with respect to Loans and all original executed participation certificates, if any, with respect to Participations that constitute or evidence a portion of the Collateral have been delivered by the Issuer to the Trustee. The promissory notes, if any, with respect to Loans and participation certificates, if any, with respect to Participations, if any, that constitute or evidence a portion of the Collateral do not have any marks or notations indicating that they have been pledged, assigned or otherwise conveyed by the Issuer to any Person other than the Trustee. All financing statements filed or to be filed against the Issuer in favor of the Trustee in connection herewith describing the Collateral contain a statement to the following effect: "The grant of a security interest in any collateral described in this financing statement will violate the rights of the Trustee."

So long as any Notes are Outstanding and rated by S&P, no provision of this Section 7.20 may be waived or amended by any party hereto. The Issuer shall provide prompt notice to S&P upon the Issuer become aware of any breach of this Section 7.20.

ARTICLE 8
SUPPLEMENTAL INDENTURES

Section 8.1 Supplemental Indentures Without Consent ofNoteholders and Subordinated Noteholders.

Without the consent of the Holders of any Notes or any Subordinated Notes, the Issuer and the Co-Issuer when authorized by Board Resolutions, the Trustee, the Custodian and

the Securities Intermediary at any time and from time to time may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, subject to the terms of any existing Hedge Agreements, for any of the following purposes:

(a) to evidence the succession of another Person to the Issuer or the Co-Issuer and the assumption by any such successor Person of the covenants of the Issuer or the Co-Issuer herein and in the Notes;

(b) to add to the covenants of the Issuer and the Co-Issuer, if applicable, or the Trustee for the benefit of the Holders of the Notes or to surrender any right or power herein conferred upon the Co-Issuers;

(c) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery ofthe Notes;

(d) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Sections 6.9, 6.10 and 6.12;

(e) to provide for the issuance of additional Notes or Subordinated Notes to the extent permitted under, and subject to, Section 7.8(b) and to extend to such Notes and Subordinated Notes the benefits and provisions of this Indenture;

(f) to modify the transfer restrictions on the Notes, so long as any such modifications comply with the Securities Act, the Investment Company Act and other applicable law;

(g) to accommodate the issuance of any Class of Notes in book-entry form through the facilities of The Depository Trust Company ("DTC") or otherwise;

(h) to authorize the appointment of any listing agent, transfer agent, paying agent or additional registrar for any Class ofNotes required or advisable in connection with the listing of any Class of Notes on the Irish Stock Exchange, or any other stock exchange, and otherwise to amend this Indenture to incorporate any changes required or requested by any governmental authority, stock exchange authority, listing agent, transfer agent, paying agent or additional registrar for any Note in connection therewith;

(i) to make any modification to effect the provisions of Section 10.9 or as otherwise required by any law, rule or regulation to which the Issuer, the Securities or any stock exchange on which any Class of the Securities is listed is subject, in each case, in order to permit or maintain such listing on such stock exchange or on another stock exchange or, if applicable, terminate such listing;

(j) to correct or amplify the description of any property at any time subject or required to be subject to the lien of this Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien of this Indenture (including,

without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien of this Indenture any additional property;

(k) to reduce the permitted minimum denomination of the Notes or the Subordinated Notes;

(1) to take any action necessary or advisable to prevent the Issuer, the Holders of the Notes or the Trustee from being subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subjected to United States federal, state or local income tax on a net income tax basis; provided that such action will not cause the Holders of the Notes to experience any material change to the timing, character or source of the income from the Notes and will not be considered a significant modification resulting in an exchange for purposes of section 1.1001-3 of the Treasury Regulations;

(m) to conform this Indenture more fully to the Offering Memorandum;

(n) to evidence or implement any changes thereto required by applicable law and related regulations or guidelines, including without limitation the USA Patriot Act;

(o) to make any modification which the Collateral Manager deems necessary in order to correct or clarify the provisions of this Indenture relating to the Rating Agency methodologies;

(p) to amend or otherwise modify (a) if a Rating Agency Confirmation (from Moody's only) is obtained (1) the Weighted Average Recovery Rate (Moody's), the Diversity Test and the Weighted Average Rating Test and (2) other provisions of this Indenture to the extent relating to ratings provided by Moody's or (b) if a Rating Agency Confirmation (from S&P only) is obtained (1) Weighted Average Recovery Rate (Standard & Poor's) and (2) other provisions of this Indenture to the extent relating to ratings provided by S&P, other than (in the case of each of subclauses (a) and (b) of this clause (p)) an amendment that significantly alters the overall credit quality of the Collateral;

(q) to effect a refinancing, replacement, reissuance, substitution or other action of like effect with respect to the Subordinated Notes (a "Subordinated Note Reissuance") through the issuance of subordinated notes or other securities in replacement of the Subordinated Notes on terms subordinated to the Notes in all respects as the Subordinated Notes are subordinated to the Notes prior to such Subordinated Note Reissuance and otherwise having substantially the same rights, benefits and economic terms as the Subordinated Notes as evidenced by a certificate of the Collateral Manager, except that holders of such reissued security may be Secured Parties hereunder; provided that the Issuer shall have obtained Rating Agency Confirmation in relation to such Subordinated Note Reissuance;

(r) to correct any manifest error herein;

(s) to cure any ambiguity, correct any typographical error, or correct, modify or supplement any provision which is defective or inconsistent with any other provision herein or inconsistent with any Rating Agency methodology;

(t) to limit the amount of any Hedge Default Termination Payment payable pursuant to the Priority of Payments in connection with the receipt of a Rating Agency Confirmation in respect of the related Hedge Agreement; or

(u) to provide for the issuance of Refinancing Notes to the extent permitted under and subject to Section 9.1.

Notwithstanding anything to the contrary in this Section 8.1, by purchasing Notes, Holders of the Notes agree that the interest rate on the Notes may be amended by a Pricing Amendment, subject only to their right to require, as a condition to the effectiveness of such Pricing Amendment, that the Issuer cause any affected Notes held by such Holder to be sold for an amount equal to the outstanding principal amount thereof plus accrued and unpaid interest.

Notwithstanding anything to the contrary in this Section 8.1, the Issuer may enter into a Pricing Amendment at the direction of a Majority of the Subordinated Notes and the Collateral Manager; provided that no Pricing Amendment shall become effective unless and until (a) the Trustee and Standard & Poor's have received an Opinion of Counsel to the effect that the Pricing Amendment will not result in a deemed exchange of the Notes for purposes of Section 1001 of the Code for the Holder(s) of the Notes other than Transferring Noteholders, (b) each Transferring Noteholder shall have received a purchase price of no less than the outstanding principal of its Notes plus all accrued and unpaid interest thereon and (c) the Issuer must have received a Rating Agency Confirmation with respect to the Notes that are the subject of such Pricing Amendment. The Issuer may extend the effective date of a Pricing Amendment to a date no later than 5 Business Days after the proposed effective date to facilitate the settlement of the sales in respect of Transferring Noteholders.

Notwithstanding anything to the contrary in this Section 8.1, if any of the Rating Agencies changes the method of calculating any of its respective Collateral Quality Tests (a "Collateral Quality Test Modification") or any of the respective Coverage Tests (a "Coverage Test Modification"), the Issuer may incorporate corresponding changes into this Indenture without the consent of the holders of the Notes, Subordinated Notes (i) (A) in the case of a Collateral Quality Test Modification, if Rating Agency Confirmation is obtained with respect to the Rating Agency that made such change or (B) in the case of a Coverage Test Modification, if Rating Agency Confirmation is obtained with respect to each Rating Agency then rating the Notes and (ii) if notice of such change is delivered by the Collateral Manager to the Trustee and to the holders of the Notes and Subordinated Notes (which notice may be included in the next regular report to Noteholders). Any such modification shall be effected without execution of a supplemental indenture.

Section 8.2 Supplemental Indentures With Consent of Noteholders and Subordinated Noteholders.

Subject to the terms of any existing Hedge Agreements, by Act of said Holders delivered to the Trustee and the Co-Issuers, the Trustee, the Custodian, the Securities Intermediary and the Co-Issuers may enter into one or more indentures supplemental hereto to add any provisions to, or change in any manner or eliminate any of the provisions of, this Indenture or to modify in any manner the rights of the Holders of any Class of Securities under

this Indenture; provided that the Trustee, the Custodian, the Securities Intermediary and the Co Issuers shall not enter into any supplemental Indenture that materially and adversely affects (i) the Holders of the Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes without the prior written consent of not less than a Majority of each Class of Notes materially and adversely affected thereby or (ii) the Subordinated Noteholders without the prior written consent of the Subordinated Note Paying Agent acting at the direction of a Majority of the Subordinated Notes in the manner provided in the Subordinated Note Paying Agency Agreement.

Notwithstanding the foregoing, the Trustee, the Custodian, the Securities Intermediary and the Co-Issuers may not enter into any supplemental indenture without the written consent of each Interest Rate Hedge Counterparty materially and adversely affected thereby, each Holder of Outstanding Notes of any Class if such Class is materially and adversely affected thereby, and each Holder of Outstanding Subordinated Notes if the Class of Subordinated Notes is materially and adversely affected thereby, if such supplemental indenture shall:

(a) (i) change the Stated Maturity of the principal of or the due date of any installment of interest on any Note or distributions on the Subordinated Notes, reduce the principal amount thereof or reduce or increase the rate of interest (if any) thereon, or the Redemption Price with respect thereto, (ii) change the earliest date on which any Note or Subordinated Note may be redeemed, or (iii) change the provisions of this Indenture relating to the application of proceeds of any Collateral to the payment of principal of or (except in the case of a Pricing Amendment) interest on the Notes or distributions on or redemption of the Subordinated Notes or change any place where, or the coin or currency in which, any such amounts are payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable Redemption Date);

(b) reduce the percentage of the Holders of the Securities (in each case, by principal amount) of each Class whose consent is required for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of this Indenture or certain Defaults hereunder or their consequences provided for in this Indenture;

(c) impair or adversely affect the Collateral then held by the Issuer except as otherwise permitted in this Indenture;

(d) permit the creation of any lien ranking senior in priority to or pari passu with the lien of this Indenture with respect to any part of the Collateral, other than Synthetic Security Collateral, or terminate such lien on any property at any time subject hereto or deprive the Holder of any Note of the security afforded by the lien of this Indenture except as otherwise permitted in this Indenture;

(e) reduce the percentage of the Holders of Notes (in each case, by principal amount) of each Class whose consent is required to request the Trustee to preserve the Collateral or rescind the Trustee's election to preserve the Collateral pursuant to Section 5.5 or to sell or liquidate the Collateral pursuant to Section 5.4 or 5.5;

(f) modify any of the provisions of this Section 8.2, except to increase the percentage of outstanding Notes or Subordinated Notes whose Holders' consent is required for any such action or to provide that other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note or Subordinated Note materially and adversely affected thereby;

(g) modify the definition of the term "Outstanding" or the Priority of Payments set forth in Section 5.7 or Section 11.1(a); or

(h) modify any of the provisions of this Indenture in such a manner as to affect directly the calculation of the amount of any payment of interest on or principal of any Note or distributions on or redemption of Subordinated Notes on any Payment Date or to affect the rights of the Holders of Notes or Subordinated Notes to the benefit of any provisions for the redemption of such Notes or Subordinated Notes contained herein.

Section 8.3 Execution of Supplemental Indentures.

The Trustee shall not enter into any supplemental indenture (whether or not the consent of the Holders of any Class of Notes or the Subordinated Notes is required) pursuant to Section 8.1 or Section 8.2 until it shall have received Rating Agency Confirmation with respect to such supplemental indenture (in the case of a supplemental indenture pursuant to Section 8.1, other than subclauses (o) or (p) thereof, from S&P only); provided that the Trustee may, with the consent of each Holder of the Securities of each affected Class, enter into any such supplemental indenture notwithstanding that a Rating Agency Confirmation is not received with respect to such supplemental indenture. Not later than 15 Business Days prior to the execution of any proposed supplemental indenture, the Trustee, at the expense of the Co-Issuers, shall mail to the Noteholders, the Subordinated Note Paying Agent, the Collateral Manager and any Hedge Counterparty and, for so long as any Notes are rated by Moody's, to Moody's, and, for so long as any Notes are rated by S&P, to S&P, a copy of such proposed supplemental indenture (conforming in all substantive material respects to the supplemental indenture ultimately adopted) or a summary thereof and, if any Class of Notes are so rated, shall request Rating Agency Confirmation.

If applicable, the Trustee may, consistent with an Opinion of Counsel delivered in accordance with the last paragraph of this Section 8.3, determine whether or not the Holders of any Class of Notes or the Subordinated Noteholders, as the case may be, would be materially and adversely affected or adversely affected, as applicable, by such supplemental indenture (after giving notice of such supplemental indenture to such Holders). Such determination shall be conclusive and binding on all present and future Holders. The Trustee shall not be liable for any such determination made in good faith and in reliance upon an Opinion of Counsel delivered to the Trustee as described in the last paragraph of this Section 8.3.

It shall not be necessary for any Act of Noteholders or Act of Subordinated Noteholders under this Section 8.3 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Promptly after the execution by the Co-Issuers, the Trustee, the Custodian and the Securities Intermediary of any supplemental indenture pursuant to this Section 8.3, the Trustee, at the expense of the Co-Issuers, shall mail to the Holders of the Notes, the Subordinated Noteholders, the Collateral Manager, the Hedge Counterparties and, so long as any of the Notes are so rated, Moody's or S&P, as applicable, a copy thereof. Any failure of the Trustee to mail

such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture. In addition, the Trustee shall, (i) for so long as any Notes are listed on the Irish Stock Exchange, notify the Irish Stock Exchange of any supplemental indenture promptly upon the execution of such supplemental indenture promptly upon the execution of such supplemental indenture.

Each of the Trustee, the Custodian and the Securities Intermediary is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee, the Custodian or the Securities Intermediary shall not be obligated to enter into any such supplemental indenture which materially and adversely affects the Trustee's, the Custodian's or the Securities Intermediary's own rights, duties, liabilities or immunities under this Indenture or otherwise, except to the extent required by law.

In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article 8 or the modifications thereby of the trusts created by this Indenture, the Trustee, the Custodian and the Securities Intermediary shall be entitled to receive, and (subject to Sections 6.1 and 6.3) shall be fully protected in relying upon, an Opinion of Counsel (which may be based, as to factual matters, upon a certificate or opinion of, or representations by, an officer of the Issuer, the Co-Issuer or the Collateral Manager) stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and that all conditions precedent thereto have been complied with. The Collateral Manager shall not be bound to follow any supplemental indenture, however, until the Collateral Manager has received written notice and a copy thereof from the Issuer or the Trustee; provided, that the Collateral Manager will not be bound by any supplemental indenture that affects the rights and duties of the Collateral Manager unless the Collateral Manager shall have consented thereto.

Section 8.4 Certain Further Limitations on Supplemental Indentures.

Notwithstanding anything to the contrary herein, the Issuer and the Co-Issuer agree that they will not consent to or enter into any indenture supplemental hereto or any amendment to any other document related hereto that:

(a) modifies any provision of this Indenture or such other document relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent, or the consent by the Issuer or the Co-Issuer to the institution ofbankruptcy or insolvency proceedings against it, or the filing with respect to the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization or relief under the Bankruptcy Code or any other similar applicable law of any jurisdiction, or the consent by the Issuer or the Co-Issuer to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or of any substantial part of its property, respectively; or

(i) modifies any provision of this Indenture or any other document such that the obligations of the Co-Issuers are no longer limited-recourse senior debt obligations of the Issuer and limited-recourse and/or non-recourse debt obligations of the Co-Issuers, payable solely from the Collateral in accordance with the terms of this Indenture.

Section 8.5 Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article 8, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Notes, theretofore and thereafter authenticated and delivered hereunder shall be bound thereby.

Section 8.6 Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article 8 may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Co-Issuers shall so determine, new Notes, so modified as to conform in the opinion of the Trustee and the Co-Issuers to any such supplemental indenture, may be prepared and executed by the Co-Issuers and authenticated and delivered by the Trustee or the Authenticating Agent in exchange for Outstanding Notes.

ARTICLE 9
REDEMPTION OF NOTES

Section 9.1 Redemption at the Option of the Subordinated Noteholders; Election to Redeem.

(a) All Classes of Notes may be redeemed in whole but not in part by the Issuer at the applicable Redemption Price from Sale Proceeds and other proceeds of the Collateral, Refinancing Proceeds, if any, and all other funds in the Collection Account, the Payment Account, the Interest Reserve Account, the Loan Funding Account, the Hedge Termination Receipts Account and the Expense Reserve Account (after the payment of, or establishment of a reasonable reserve for all other amounts payable under the Priority of Payments, other than distributions to the Holders of the Subordinated Notes):

(i) on any Payment Date following the occurrence and during the continuation of a Tax/Regulatory Event (a redemption pursuant to this clause (i), a "Tax/Regulatory Redemption") or

(ii) on any Payment Date following the Non-Call Period (a redemption pursuant to this clause (ii), an "Optional Redemption");

in each case, upon receipt by the Trustee of the written direction of the Subordinated Note Paying Agent (acting at the direction of a Majority of the Subordinated Notes) delivered in accordance with the Subordinated Note Paying Agency Agreement, which direction shall be given so as to be received by the Issuer and the Trustee not later than sixty (60) days prior to such Payment Date (or such other date agreed to by the Trustee).

(b) A "Tax/Regulatory Event" is (x) a new, or a change in any, U.S. or foreign tax statute, treaty, regulation, rule, ruling, practice, procedure or judicial decision or interpretation which results in (i) any portion of any payment due from any obligor (including any Synthetic Security Counterparty) under any Collateral Debt Security becoming properly subject to the imposition of U.S. or foreign withholding tax, which withholding tax is not compensated for by a "gross-up" provision under the terms of such Collateral Debt Security, (ii) any jurisdiction properly imposing net income, profits or similar tax on the Issuer, (iii) any portion of any payment due under a Hedge Agreement by the Issuer becoming properly subject to the imposition of U.S. or foreign withholding tax, which withholding tax is compensated for by a "gross-up" provision under the terms of any Hedge Agreement or (iv) any portion of any payment due under any

Hedge Agreement by any Hedge Counterparty becoming properly subject to the imposition of U.S. or foreign withholding tax, which withholding tax is not compensated for by a "gross-up" provision under the terms of any Hedge Agreement; provided, that the total amount of (A) the tax or taxes imposed on the Issuer as described in clause (ii) of this definition, (B) the total amount withheld from payments to the Issuer which is not compensated for by a "gross-up" provision as described in clauses (i) and (iv) of this definition and (C) the total amount of any tax "gross-up" payments that are required to be made by the Issuer as described in clause (iii) of this definition are, in the aggregate, equal to or in excess of the Applicable Threshold for the Due Period immediately preceding the date of the applicable Tax/Regulatory Redemption or proposed Tax/Regulatory Redemption or (y) the receipt by the Collateral Manager of advice in writing by counsel or the applicable governmental or regulatory entity that existing regulations have been interpreted by such governmental or regulatory entity or the passing of new regulations, in each case, that may cause the Notes of the Issuer to be deemed debt of the Collateral Manager or otherwise cause the Collateral Manager's ownership of the Subordinated Notes or its acting as Collateral Manager to be in violation of such existing or new regulations.

Notwithstanding any other part of this Section 9.1 the Notes shall not be redeemed pursuant to subsection (a) above, unless (w) all Outstanding Classes of Notes shall be simultaneously redeemed in full, (x) any Hedge Agreements shall be terminated and any net payments then due and owing thereunder shall be paid in full and (y) any Administrative Expenses then due and owing and the Collateral Management Fees then due and owing shall be paid or provided for; provided that any Subordinated Collateral Management Fee need not be paid or provided for in the event a Tax/Regulatory Redemption is directed by a Majority of the Subordinated Notes.

In the event that the criteria described in (w) through (y) in the paragraph above are satisfied, the Collateral Manager shall direct the Trustee, and the Trustee shall direct the Custodian, to sell Collateral Debt Securities, Eligible Investments and any other Collateral; provided, that the Sale Proceeds and all other proceeds therefrom, any Refinancing Proceeds and all other funds in the Collection Account, the Payment Account, the Interest Reserve Account, the Expense Reserve Account, the Loan Funding Account and the Hedge Termination Receipts Account (after the payment of, or establishment of a reasonable reserve for, all other amounts required to be paid under this Section 9.1 and the Priority of Payments in order to redeem the Notes, including, without limitation, all amounts then due and owing under the Hedge Agreements) shall be at least sufficient to redeem the Notes in whole but not in part in accordance with the procedures set forth below; and provided further, that such Sale Proceeds

and other proceeds of the Collateral and Refinancing Proceeds are received by the Custodian for the benefit of the Noteholders on behalf of the Trustee at least one Business Day prior to the scheduled Redemption Date and are used, to the extent necessary, to make such a redemption.

The Notes shall not be redeemed pursuant to this Section 9.1 unless either:

(i) at least seven Business Days before the scheduled Redemption Date, the Collateral Manager will have furnished to the Trustee (with a copy to each Hedge Counterparty) evidence, in form satisfactory to the Trustee, that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements (which may include a confirmation of sale) with an institution or institutions (or a guarantor or guarantors of the obligations thereof) whose short-term unsecured debt obligations have a credit rating of "P-1" from Moody's and at least "A-1" by S&P, to purchase (and/or to provide a Refinancing in connection with) not later than one Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all or part of the Collateral Debt Securities, Eligible Investments and any other Collateral at a purchase price at least equal to an amount that, when taken together with any other Cash to be applied in respect of such redemption and the proceeds of the Collateral Debt Securities and Eligible Investments and any other Collateral maturing on or prior to the scheduled Redemption Date, any Refinancing Proceeds and any net payments with respect to any Hedge Agreements received by the Issuer under any Hedge Agreements on or prior to the scheduled Redemption Date, will be at least sufficient to (x) redeem the Notes, in full, at the applicable Redemption Prices and (y) pay the other amounts described in the second paragraph of this Section 9.1(b) when such amount is applied in accordance with the Priority of Payments (such Redemption Price, together with such other amounts, collectively, the "Total Redemption Amount"); or

(ii) prior to selling any Collateral Debt Securities and/or Eligible Investments and any other Collateral and selling or terminating the Hedge Agreements, the Collateral Manager will have certified to the Trustee (with a copy to each Hedge Counterparty) that the expected proceeds from such sale or termination multiplied by the applicable percentage specified in the table below (the "Redemption Advance Rates"), when taken together with any other Cash to be applied in respect of such redemption and the proceeds of the Collateral Debt Securities and Eligible Investments and any other Collateral maturing on or prior to the scheduled Redemption Date, any Refinancing Proceeds and any net payments with respect to any Hedge Agreements received by the Issuer under any Hedge Agreements on or prior to the scheduled Redemption Date, will equal or exceed the Total Redemption Amount.

Redemption Advance Rates

	Number of Business Days between Certification to the Trustee and Sale of Collateral			
Collateral Type	**same day**	**1 to 2 Business Days**	**3 to 5 Business Days**	**6 or more Business Days**
Loan Obligations (other than Loan Obligations with a Market Value of less than 90% of the portion of the Principal Collateral Value attributable thereto)	100%	93%	92%	88%
Collateral Debt Securities with a Moody's Rating of "B3" or higher (other than such Collateral Debt Securities with a Market Value of less than 90% of the portion of the Principal Collateral Value attributable thereto)	100%	89%	85%	75%
Loan Obligations with a Market Value of less than 90% of the portion of the Principal Collateral Value attributable thereto	100%	80%	73%	60%
Collateral Debt Securities with a Moody's Rating of "Caa1" or lower or with a Market Value of less than 90% of the portion of the Principal Collateral Value attributable thereto	100%	75%	65%	45%
Synthetic Securities	100%	(1)	(1)	(1)

(1) The Redemption Advance Rate for a Synthetic Security shall be 90% of the Redemption Advance Rate for the related Reference Obligation for the applicable number of days prior to the scheduled Redemption Date.

If the Subordinated Notes are not to be redeemed in connection with an Optional Redemption, then the Issuer, at the Collateral Manager's direction, may apply the proceeds received from the issuance of new senior secured notes or other debt obligations (the "Refinancing Notes") to the redemption of the Notes (a "Refinancing"). Any such refinancing will be subject to the consent of a Majority of the Subordinated Notes (including, for such purpose, Subordinated Notes that are Collateral Manager Securities). The terms of such Refinancing Notes and the financial institutions acting as lenders thereunder or purchasers thereof must be acceptable to the Collateral Manager and a Majority of the Subordinated Notes. Prior to executing any Refinancing, the Issuer shall obtain Rating Agency Confirmation in relation to such Refinancing.

The Issuer shall issue Refinancing Notes in connection with an Optional Redemption only if (i) the Cash proceeds from the Refinancing Proceeds and all other funds in the Collection Account on or prior to the Redemption Date will be at least sufficient to pay the Total Redemption Amount in respect of all Classes of Notes, (ii) the Refinancing Proceeds and other available funds are used (to the extent necessary) to make such redemption and (iii) the agreements relating to the Refinancing contain limited recourse and non-petition provisions equivalent (mutatis mutandis) to those contained in Sections 2.7(j) and 6.7(c).

The Subordinated Noteholders will not have any cause of action against any of the Co-Issuers, the Collateral Manager, the Subordinated Note Paying Agent or the Trustee for any failure to obtain a Refinancing. In the event that a Refinancing is obtained meeting the criteria specified above and in a manner acceptable to the requisite Subordinated Noteholders, the Issuer and the Trustee shall amend this Indenture to the extent necessary to reflect the terms of the Refinancing and no further consent for such amendments shall be required from the Subordinated Noteholders. The Trustee shall not be obligated to enter into any amendments that, in its view, adversely affects its duties, obligations, liabilities or protections hereunder; and the Trustee shall be entitled (but not obligated) to require the Issuer to provide to it an Opinion of Counsel to the effect that such amendment meets the criteria specified above and is permitted hereunder without consent of Noteholders (except that such counsel shall have no obligation to opine as to the sufficiency of the Refinancing Proceeds, or the sufficiency of the Accountants' Certificate required under Article 3 above).

(c) In addition to the redemption description in Section 9.1(a) and (b), at any time following the Non-Call Period, the Issuer may refinance (a "Replacement") any Class of Notes (the "Replaced Notes") in whole but not in part on a Payment Date after the Non-Call Period if (i) the Cash proceeds from the obligations issued to refinance such Replaced Notes (the "Replacement Notes") will be at least sufficient and will be used (to the extent necessary) to pay the Redemption Price in respect of 100% of the Aggregate Outstanding Amount of such Replaced Notes; (ii) the aggregate principal amount of any Replacement Notes is no greater than the aggregate principal amount of the Replaced Notes plus an amount equal to the expenses in connection with the Replacement; (iii) the Replacement Notes do not rank higher in priority pursuant to the Priority of Payments than the Replaced Notes (and do not have any greater entitlement to Interest Proceeds or Principal Proceeds on any Payment Date than would Replaced Notes of an equal principal amount); (iv) the stated maturity of the Replacement Notes is the same date as the Stated Maturity of the Replaced Notes; (v) the agreements or instruments relating to the Replacement Notes contain limited recourse and non-petition provisions equivalent to those applicable to the Replaced Notes; (vi) the expenses in connection with the Replacement Notes have been paid or will be adequately provided for from the proceeds of such Replacement (except for expenses owed to persons that agree to be paid solely as Administrative Expenses payable in accordance with the Priority of Payments); (vii) a Majority of the Subordinated Notes will have consented to such issuance; (viii) Rating Agency Confirmation will have been received with respect to such issuance; (ix) the Trustee will have received an opinion of counsel from the Issuer acceptable to the Trustee to the effect that the additional issue will not cause the Issuer to be required to register as an "investment company" under the Investment Company Act; and (x) the Trustee will have received an opinion of counsel from the Issuer acceptable to the Trustee to the effect that, for U.S. federal income tax purposes, (A) such issuance will not adversely affect the tax characterization as debt of any outstanding Class of Notes that was characterized as debt at the time of issuance, (B) the Replacement will not result in a deemed exchange of the Secured Notes for purposes of Section 1001 of the Code for the Holder(s) of the Secured Notes and (C) such issuance will not cause the Issuer to be engaged in a U.S. trade or business. Satisfaction of the foregoing clauses (i) through (viii) will be evidenced by an officer's certificate delivered to the Trustee.

Any Replacement Proceeds received in respect of Replacement Notes will not constitute Principal Proceeds or Interest Proceeds but will be applied directly on the related Redemption Date to redeem the Replaced Notes (or all of the Notes, in the case all Classes of Notes are being redeemed) being refinanced without regard to the Priority of Payments; provided that to the extent that any Replacement Proceeds are not applied to redeem the Replaced Notes, such Replacement Proceeds will be treated as Principal Proceeds.

(d) Amounts due and payable on the Notes on or prior to a Redemption Date shall continue to be payable to the Holders of such Notes as of the relevant Record Date according to their terms. The election of the Issuer to redeem any Notes pursuant to this Section 9.1 shall be evidenced by an Issuer Order from the Collateral Manager directing the Trustee to make the payment to the Notes Paying Agent of the Redemption Price of all of the Notes to be redeemed from funds in the Payment Account as described below. The Issuer shall deposit, or cause to be deposited, the funds required for a redemption pursuant to this Section 9.1 in the Payment Account on or before the Business Day prior to the Redemption Date. Principal

Proceeds and Interest Proceeds received in connection with any redemption shall be payable as set forth in the Priority of Payments.

The Issuer shall set the Redemption Date and the applicable Record Date and give notice thereof to the Trustee, each Hedge Counterparty and the Custodian pursuant to Section 9.2.

Section 9.2 Notice to Trustee of Optional Redemption, Replacement or Tax/Regillatory Redemption.

In the event of any redemption or replacement pursuant to Section 9.1, the Issuer shall, at least 45 days prior to the Redemption Date (unless the Trustee and the Custodian shall each agree to a shorter notice period), notify the Trustee, each Hedge Counterparty and the Custodian (which notice shall be sent from outside of the United States) of such Redemption Date, the applicable Record Date, the principal amount of Notes to be redeemed on such Redemption Date and the Redemption Price of such Notes as determined by the Collateral Manager, in accordance with Section 9.1.

Section 9.3 Notice of Optional Redemption, Replacement, Tax/Regulatory Redemption or Maturity by the Co-Issuers.

Notice of redemption pursuant to Section 9.1, the Maturity of any Class of Notes, or the Replacement of a Class of Notes shall be given by first class mail, postage prepaid, mailed not less than 10 Business Days prior to the applicable Redemption Date or Maturity to each Holder of Notes to be redeemed pursuant to Section 9.1 or at Maturity, at its address recorded in the Note Register with a copy to the Subordinated Note Paying Agent (for forwarding to the Holders of the Subordinated Notes) and to each Hedge Counterparty. If and for so long as any Class of Notes is listed on the Irish Stock Exchange, the Trustee shall give notice of any redemption of such Class of Notes and the applicable Redemption Date to the Company Announcements Office, not less than ten Business Days prior to such date.

All notices of redemption shall state or specify:

(a) the applicable Redemption Date;

(b) the Redemption Price;

(c) which Classes of Notes are being paid in full and that interest on the Notes of such Classes shall cease to accrue on the date specified in the notice; and

(d) the place or places where such Notes to be redeemed are to be surrendered for payment of the Redemption Price, which shall be the office or agency of the Issuer to be maintained as provided in Section 7.2.

Any such notice of redemption or replacement may be withdrawn by the Issuer up to the fourth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Subordinated Note Paying Agent, the Hedge Counterparties and the Collateral Manager (x) if the Collateral Manager shall be unable to deliver such sale agreement or

agreements or certifications, as the case may be, in form satisfactory to the Trustee or (y) at the written direction of at least a Majority of the Outstanding Subordinated Notes. Notice of any such withdrawal will be given by the Trustee to each Holder of Notes at each such Holder's address in the Note Register maintained by the Note Registrar by overnight courier guaranteeing next day delivery (or second day delivery outside the United States), sent not later than the third Business Day prior to the Redemption Date. Notwithstanding any other part of this Article 9, no Hedge Agreement shall be terminated in connection with an Optional Redemption, a Replacement or a Tax/Regulatory Redemption prior to the day following the last day during which a notice of redemption may be withdrawn by the Issuer pursuant to this paragraph.

At the cost of the Co-Issuers, the Trustee shall give notice of any withdrawal by overnight courier guaranteeing next day delivery (or second day delivery outside the United States), sent not later than the third Business Day prior to the scheduled Redemption Date, to each Holder of Notes to be redeemed at such Holder's address in the Note Register.

Notice of redemption shall be given by the Co-Issuers or, at the Co-Issuers' request, by the Trustee in the name and at the expense of the Co-Issuers. Failure to give notice of redemption, or any defect therein, to any Holder of any Note selected for redemption shall not impair or affect the validity of the redemption of any other Notes.

Section 9.4 Notes Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Notes to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therefor, and from and after the Redemption Date (unless the Issuer shall Default in the payment of the Redemption Price and accrued interest) such Notes shall cease to bear interest on the Redemption Date. Upon final payment on a Note to be redeemed in full, the Holder shall present and surrender such Note at the place specified in the notice of redemption on or prior to such Redemption Date; provided, that if there is delivered to the Co-Issuers, the Trustee and the Transfer Agent such security or indemnity as may be required by them to save each of them harmless and an undertaking thereafter to surrender such Note, then, in the absence of notice to the Co-Issuers, the Trustee or the Transfer Agent that the applicable Note has been acquired by a bona fide purchaser, such final payment shall be made without presentation or surrender. Payments of interest on Notes of a Class so to be redeemed whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Notes or one or more predecessor Notes, registered as such at the close of business on the relevant Record Date according to the terms and provisions of Section 2.7(e).

If any Note called for redemption shall not be paid upon surrender thereof for redemption, the principal thereof shall, until paid, bear interest from the Redemption Date at the applicable Note Interest Rate for each successive Interest Accrual Period, as applicable, the Note remains Outstanding.

Section 9.5 Mandatory Redemption.

On any Payment Date (beginning on each Payment Date on or after the Determination Date related to the second Payment Date with respect to the Class A/B Interest

Coverage Ratio Test, the Class C Interest Coverage Ratio Test and the Class D Interest Coverage Ratio Test) on which any of Coverage Tests shall not have been met on the immediately preceding Determination Date, or following an Effective Date Ratings Downgrade, principal payments on the Notes will be made as and to the extent set forth in Section 11.1.

Section 9.6 Special Amortization of the Notes.

During the Reinvestment Period, one or more Classes of the Notes may be amortized in whole or in part sequentially in order of seniority by the Issuer (a "Special Amortization") on one or more Payment Dates if, at any time during the related Due Period (i) the Collateral Manager has been unable, for a period of at least 30 consecutive days, to identify Collateral Debt Securities that it determines would be appropriate in sufficient amounts to permit the reinvestment in additional Collateral Debt Securities of all or a portion of the Unused Proceeds or Principal Proceeds then deposited in the Collection Account and (ii) the Collateral Manager elects, in its sole discretion, to cause all or any portion of such Unused Proceeds and/or Principal Proceeds to be applied to payment of principal of the Notes in order of seniority by notification to each of the Trustee and the Issuer (such amount specified by the Collateral Manager, the "Special Amortization Amount"). In addition, if and for so long as any Class of Notes is listed on the Irish Stock Exchange and the rules of such exchange so require, the

Trustee will give notice of such Special Amortization to the Company Announcements Office. On the first Payment Date following any date on which such notice is given by the related Determination Date (unless such notice is withdrawn as described in the next sentence), Principal Proceeds or Unused Proceeds, as designated by the Collateral Manager, shall be applied in an amount equal to the Special Amortization Amount to the extent available in accordance with the Priority of Payments, to pay the principal of the Notes, sequentially in order of seniority. The Collateral Manager may withdraw any notice designating Unused Proceeds or Principal Proceeds (or any portion thereof) as a Special Amortization Amount on or prior to the immediately preceding Determination Date.

The amount to be paid on any Note being redeemed on a Payment Date in connection with a Special Amortization shall be the Aggregate Outstanding Amount of such Note, or the portion thereof redeemed in connection with such Special Amortization (including any Class C Deferred Interest, Class D Deferred Interest or Class E Deferred Interest, as applicable, remaining unpaid), in accordance with the Priority of Payments. A partial redemption of the Notes in connection with a Special Amortization shall be made in accordance with subclause (E) of Section 11.1(a)(ii).

Section 9.7 Pricing Amendment.

After the last day of the Non-Call Period, a Majority of the Subordinated Notes and the Collateral Manager may, from time to time, direct an amendment of the provisions of this Indenture relating to interest on one or more Classes of Notes (a "Pricing Amendment"). In the event of a proposed Pricing Amendment, the Issuer shall deliver written notice (a "Repricing Notice") at least 30 Business Days prior to the proposed effective date of such Pricing Amendment to the Holders of each Class of Notes whose interest rate will be modified by such Pricing Amendment. Each Repricing Notice shall specify the proposed effective date of such Pricing Amendment and the interest rate proposed for each affected Class of Notes. Each Holder

of Notes of a Class affected by such Pricing Amendment shall have the right, exercisable by delivery of a transfer notice (in the form attached to, and containing the information specified therein, the related Repricing Notice) to the Issuer and the Trustee within 15 Business Days after receipt of the related Repricing Notice to request that the Notes of an affected Class held by such Holder be transferred to a third party eligible to purchase such Notes at a price of no less than the outstanding principal of such Notes plus all accrued and unpaid interest thereon (each Holder exercising such transfer right, a "Transferring Noteholder"). Prior to the effectiveness of any Pricing Amendment, (a) the Trustee and Standard & Poor's must have received an Opinion of Counsel to the effect that the Pricing Amendment will not result in a deemed exchange of the Notes for purposes of Section 1001 of the Code for the Holder(s) of the Notes other than Transferring Noteholders, (b) each Transferring Noteholder shall have received a purchase price of no less than the outstanding principal of its Notes plus all accrued and unpaid interest thereon and (c) the Issuer must have received a Rating Agency Confirmation. The Issuer may extend the effective date of the Pricing Amendment to a date no later than 5 Business Days after the proposed effective date to facilitate the settlement of the sales in respect of Transferring Noteholders.

By purchasing Notes, Holders of the Notes agree that the interest rate on the Notes may be amended by a Pricing Amendment, subject only to their right to require, as a condition to the effectiveness of such Pricing Amendment, that the Issuer cause any affected Notes held by them to be sold for an amount equal to the outstanding principal amount thereof plus accrued and unpaid interest.

ARTICLE 10
ACCOUNTS, ACCOUNTINGS AND RELEASES

Section 10.1 Collection of Money.

Except as otherwise expressly provided herein, the Custodian, in the name of and on behalf of the Trustee, may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other securities intermediary, all Money and other property payable to or receivable by the Trustee pursuant to this Indenture, including all payments due on the Pledged Securities in accordance with the terms and conditions of such Pledged Securities. The Custodian shall segregate and hold all such Money and property received by it in trust for the Secured Parties and shall apply it as provided in this Indenture.

The Accounts established by the Trustee pursuant to Section 7.18 and this Article 10 may include any number of sub-accounts for convenience in administering Collateral Debt Securities. In addition, all Cash deposited in the Accounts (other than the Payment Account) established pursuant to Section 7.18 and this Article 10 shall be invested in Eligible Investments in accordance with the procedures set forth in Sections 10.2(d) and 10.2(e) and any restrictions applicable to such Accounts.

Section 10.2 Collection Account.

(a) The Trustee shall, prior to the Closing Date, establish with the Custodian a single, segregated trust account in the name of the Trustee, as Entitlement Holder, which shall be designated as the "Note Financed Collection Account" and which shall be held by the Custodian in trust for the benefit of the Secured Parties and over which the Trustee shall have exclusive control and the sole right of withdrawal. The Trustee shall from time to time deposit into the Note Financed Collection Account (i) any Note Unused Proceeds, (ii) any Hedge Receipt Amount, (iii) all Principal Proceeds and Interest Proceeds of any Note Financed Collateral Debt Securities or in respect of or from the disposition of any Exchanged Margin Securities received in exchange for or in connection with a Note Financed Collateral Debt Security (unless Principal Proceeds are simultaneously reinvested in Collateral Debt Securities or deposited into the Loan Funding Account) and (iv) any other amounts permitted or required to be deposited into the Note Financed Collection Account pursuant to this Indenture. Notwithstanding any other part of this Indenture, the funds on deposit in the Note Financed Collection Account shall not be used at any time to acquire Attached Margin Securities.

(b) The Trustee shall, prior to the Closing Date, establish with the Custodian a single, segregated trust account in the name of the Trustee, as Entitlement Holder, which shall be designated as the "Subordinated Note Financed Collection Account" and which shall be held by the Custodian in trust for the benefit of the Secured Parties and over which the Trustee shall have exclusive control and the sole right of withdrawal. The Trustee shall from time to time deposit into the Subordinated Note Financed Collection Account (i) any Subordinated Note Unused Proceeds and (ii) all Principal Proceeds and Interest Proceeds of any Subordinated Note Financed Collateral Debt Securities or in respect of or from the disposition of any Exchanged Margin Securities received in exchange for or in connection with a Subordinated Note Financed Collateral Debt Security (unless Principal Proceeds are simultaneously reinvested in Collateral Debt Securities or deposited into the Loan Funding Account). Notwithstanding the foregoing (A) the total amount of Principal Proceeds and Unused Proceeds on deposit in the Subordinated Note Financed Collection Account shall not exceed the Available Subordinated Note Financed Amount and (B) the amount withdrawn from the Subordinated Note Financed Collection Account at any time to pay the purchase price of an Attached Margin Security shall not exceed the Available Subordinated Note Financed Amount.

(c) All monies deposited from time to time in the Collection Account pursuant to this Indenture shall be held in trust by the Trustee as part of the Collateral and shall be applied to the purposes provided herein. The Co-Issuers shall not have any legal, equitable or beneficial interest in the Collection Account other than in accordance with the Priority of Payments.

(d) All Distributions and any net proceeds from the sale or other disposition of a Collateral Debt Security or Equity Security received by or on behalf of the Trustee shall be immediately deposited into the applicable Collection Account. Subject to Sections 10.2(f) and 10.2(g), all such property, together with any securities in which funds included in such property are or shall be invested or reinvested during the term of this Indenture, and any income or other gain realized from such investments, shall be held by or on behalf of the Trustee in the Collection Account as part of the Collateral subject to disbursement and withdrawal as provided

in this Section 10.2. By Issuer Order (which may be in the form of standing instructions), the Issuer shall at all times direct the Trustee to invest, and, upon receipt of such Issuer Order, the Trustee shall cause to be invested, all funds received into the Collection Account during a Due Period, and amounts received in prior Due Periods and retained in the Collection Account, as so directed in Eligible Investments having Stated Maturities no later than the Business Day immediately preceding the next Payment Date. The Custodian, within one Business Day after receipt of any Distribution or other proceeds which is not Cash, shall so notify the Issuer and the Trustee and the Issuer shall treat such Distribution as an Equity Security and may sell such Distribution or other proceeds for Cash in an arm's length transaction to a Person which is not an Affiliate of the Issuer or the Collateral Manager in accordance with Article 12 and deposit the proceeds thereof in the Collection Account for investment pursuant to this Section 10.2; provided, that the Issuer need not treat such Distributions or other proceeds as an Equity Security if it delivers an Officer's certificate to the Trustee and the Custodian certifying that such Distributions or other proceeds constitute Collateral Debt Securities or Eligible Investments.

(e) If prior to the occurrence of an Event of Default, the Issuer shall not have given any investment directions with respect to investment in Eligible Investments pursuant to Section 10.2(d), the Trustee shall seek instructions from the Issuer within three Business Days after transfer of such funds to the Collection Account. If the Trustee does not thereupon receive written instructions from the Issuer within five Business Days after transfer of such funds to the Collection Account, it shall cause the investment and reinvestment of the funds held in the Collection Account, as fully as practicable, but only in one or more Eligible Investments described in clause (vii) of the definition of "Eligible Investments" maturing no later than the Business Day immediately preceding the next Payment Date. If after the occurrence of an Event of Default, the Issuer shall not have given investment directions to the Trustee pursuant to Section 10.2(d) for three consecutive days, the Trustee shall cause the investment and reinvestment of such Monies as fully as practicable in Eligible Investments described in clause (vii) of the definition of "Eligible Investments" maturing (or allowing withdrawal of funds) not later than the earlier of (i) 30 days after the date of such investment and (ii) the Business Day immediately preceding the next Payment Date. All interest and other income from such investments shall be deposited in the Collection Account, any gain realized from such investments shall be credited to the Collection Account, and any loss resulting from such investments shall be charged to the Collection Account. The Trustee and the Custodian shall not in any way be held liable by reason of any insufficiency of such Collection Account resulting from any loss relating to any such investment, except with respect to investments in obligations of U.S. Bank and only to the extent of the liability of U.S. Bank for such insufficiency.

(f) Upon Issuer Order and subject to the requirements of Section 3.4, between the Closing Date and the close of business on the Effective Date only, all or any portion of Unused Proceeds and any Reinvestment Income thereon shall be released from the Collection Account and applied by the Trustee in accordance with such Issuer Order in payment for Collateral Debt Securities purchased in accordance with Section 3.4 and Granted to the Trustee.

(g) During the Reinvestment Period, the Issuer may by Issuer Order direct the Trustee to reinvest in Collateral Debt Securities and, upon receipt of such Issuer Order, the Trustee shall cause such reinvestment in Collateral Debt Securities as permitted under and in accordance with the requirements of Article 12 and such Issuer Order, Principal Proceeds,

Unused Proceeds and Interest Proceeds deposited to the Collection Account pursuant to Section 11.1(a)(i)(Q), and after the end of the Reinvestment Period, the Issuer may by Issuer Order direct the Trustee to reinvest in Collateral Debt Securities and, upon receipt of such Issuer Order, the Trustee shall cause such reinvestment in Collateral Debt Securities as permitted under and in accordance with the requirements of Article 12 and such Issuer Order, Unscheduled Principal Payments or Sale Proceeds arising from the sale of Credit Risk Obligations or Credit Improved Obligations, which Principal Proceeds, Unused Proceeds and Unscheduled Principal Payments and Sale Proceeds, as applicable, in each of the foregoing cases have been deposited into the Collection Account and which, at the time of such reinvestment, either (i) are not invested in Eligible Investments pursuant to Section 10.2(d) or (ii) are available for withdrawal from or payment under such Eligible Investments. Any Collateral Debt Securities purchased with Interest Proceeds deposited to the Collection Account pursuant to Section 11.1(a)(i)(Q) shall, for all purposes hereunder, be deemed to have been purchased with Principal Proceeds.

(h) The Issuer hereby directs the Trustee to, and the Trustee shall, cause the Custodian to transfer to the Payment Account, for application pursuant to Section 11.1(a), on or prior to the Business Day prior to each Payment Date, all Interest Proceeds and Principal Proceeds (other than Principal Proceeds that are required to be deposited into the Loan Funding Account pursuant to Section 10.3(d) and Principal Proceeds that have been reinvested or designated for reinvestment) with respect to such Payment Date; provided, however, that, to the extent that Principal Proceeds in the Collection Account as of such date are in excess of the amounts required to be distributed pursuant to the Priority of Payments on the next Payment Date as shown in the Payment Date Report with respect to such Payment Date, the Issuer may direct the Trustee to, and, upon such direction, the Trustee shall cause the Custodian to, retain such excess amounts in the Collection Account and not to transfer such excess amounts to the Payment Account.

(i) Following the liquidation of the Collateral pursuant to and in accordance with Section 5.5, an Authorized Officer of the Issuer shall by Issuer Order direct the Trustee to, and the Trustee shall cause the Custodian to, transfer to the Payment Account, for application pursuant to Section 5.7, any Money collected by or on behalf ofthe Trustee with respect to the Notes or the Hedge Agreements pursuant to Article 5 and any Money that may then be held or thereafter received by or on behalf of the Trustee with respect to the Notes or the Hedge Agreements.

Section 10.3 Payment Account, Loan Funding Account, Expense Reserve Account, Custodial Account and Synthetic Letters of Credit Withholding Tax Account.

(a) The Trustee shall, prior to the Closing Date, establish with the Custodian in the United States a single, segregated trust account in the name of the Trustee, as Entitlement Holder, which shall be designated as the "Payment Account" and which shall be held by the Custodian in trust for the benefit

of the Secured Parties and over which the Trustee shall have exclusive control and the sole right of withdrawal. Except as provided in Sections 5.7, 11.1 and 11.2, the only permitted withdrawal from or application of funds on deposit in, or otherwise to the credit of, the Payment Account shall be to pay amounts due and payable on the Notes in accordance with their terms and the provisions of this Indenture and for payments to Holders of the Subordinated Notes and, upon Issuer Order, to pay the Hedge Payment Amount and

Administrative Expenses and all other amounts specified herein, all in accordance with the Priority of Payments. All monies deposited from time to time in the Payment Account pursuant to this Indenture shall be held in trust by the Trustee as part of the Collateral and shall be applied to the purposes provided herein. The Co-Issuers shall not have any legal, equitable or beneficial interest in the Payment Account other than in accordance with the Priority of Payments.

(b) The Trustee shall, on or prior to the Closing Date, establish at the Custodian a single segregated trust account in the name the Trustee, as Entitlement Holder, which shall be designated as the "Loan Funding Account" and which shall be held by the Custodian in trust for the benefit of the Secured Parties and over which the Trustee shall have exclusive control and sole right of withdrawal and into which the Issuer shall from time to time make such deposits as are required pursuant to Section 10.3(d).

(c) The Trustee shall, on or prior to the Closing Date, establish at the Custodian two separated segregated trust subaccounts of the Loan Funding Account in the name of the Trustee, as Entitlement Holder, which shall be designated as the "Note Financed Loan Funding Subaccount" and the "Subordinated Note Financed Loan Funding Subaccount," respectively.

(d) By Issuer Order (which may be in the form of standing instructions), the Issuer shall at all times direct the Trustee to invest, and, upon receipt of such Issuer Order, the Trustee shall cause to be invested, all funds received into the Loan Funding Account, as so directed in Eligible Investments having Stated Maturities no later than the Business Day immediately preceding the next scheduled funding date for any Delayed-Draw Loan or Revolving Credit Facility or, if there is no such scheduled funding date, the next succeeding Business Day. All interest and other income from such investments shall be deposited in the applicable Collection Account. Any gain realized from such investments shall be credited to the applicable Collection Account, and any loss resulting from such investments shall be charged to the applicable Collection Account. The only permitted withdrawal from or application of funds on deposit in, or otherwise to the credit of, the Loan Funding Account shall be pursuant to this Section 10.3(d). At all times, the Loan Funding Account shall remain with a Qualified Financial Institution. The Co-Issuers shall not have any legal, equitable or beneficial interest in the Loan Funding Account other than in accordance with the provisions of this Indenture and the Collateral Account Control Agreement.

Upon the earlier of the purchase by the Issuer or the initial funding by the Issuer of any Collateral Debt Security that is a Revolving Credit Facility or a Delayed-Draw Loan, funds from Principal Proceeds and Unused Proceeds in the applicable Collection Account shall be deposited, at the direction of the Collateral Manager acting on behalf of the Issuer, and at all times funds shall be maintained, in the corresponding Loan Funding Account such that the amount of funds on deposit in the account shall be equal to 100% of the combined aggregate principal amounts of the unfunded portion of the Issuer's funding commitments under the Revolving Credit Facilities and Delayed-Draw Loans. Upon initial purchase, such funds shall be treated as part of the purchase price for the related Collateral Debt Security. All Distributions in respect of principal payable under any Revolving Credit Facility received by the Trustee shall be deposited into the applicable subaccount of the Loan Funding Account, but only up to the amount of the undrawn commitment thereunder. Distributions in respect of principal payable

under any Revolving Credit Facility in excess of the amount of the undrawn commitment thereunder shall, to the extent not invested in accordance with Article 12, be deposited into the applicable Collection Account and treated as Principal Proceeds. Upon any draws by the borrower under a Revolving Credit Facility or any advances under any Delayed-Draw Loans, in either case, after the Closing Date, the Trustee upon Issuer Order shall withdraw from the Loan Funding Account an amount equal to the Issuer's obligation in respect of such draw or advance and shall satisfy the Issuer's obligation with such funds. Only funds in the Subordinated Note Financed Loan Funding Subaccount may be used to satisfy any additional funding obligations of the Issuer under any Revolving Credit Facilities or Delayed-Draw Loans constituting Subordinated Note Financed Collateral Debt Securities and only funds in the Note Financed Loan Funding Subaccount may be used to satisfy any additional funding obligations of the Issuer under any Revolving Credit Facilities or Delayed-Draw Loans constituting Note Financed Collateral Debt Securities. Upon the sale, maturation or termination of a Revolving Credit Facility or Delayed-Draw Loan or a termination or reduction of the Issuer's commitments thereunder, or any other date on which the funds on deposit in the Loan Funding account exceed the amount required to be maintained therein pursuant to this Section 10.3(d), at the direction of the Collateral Manager any funds in (a) the Subordinated Note Financed Loan Funding Subaccount in excess of 100% of the combined aggregate principal amounts of the undrawn and outstanding commitments under the Revolving Credit Facilities and Delayed-Draw Loans constituting Subordinated Note Financed Collateral Debt Securities and (b) the Note Financed Loan Funding Subaccount in excess of 100% of the combined aggregate principal amounts of the undrawn and outstanding commitments under the Revolving Credit Facilities and Delayed-Draw Loans constituting Note Financed Collateral Debt Securities, in each case, in the Collateral shall be transferred to the applicable Collection Account and treated as Sale Proceeds.

(e) The Trustee shall, prior to the Closing Date, establish with the Custodian in the United States a single, segregated trust account in the name of the Trustee, as Entitlement Holder, which shall be designated as the "Expense Reserve Account" and which shall be held by the Custodian in trust for the benefit of the Secured Parties and over which the Trustee shall have exclusive control and the sole right of withdrawal. A portion of the Deposit in an amount equal to approximately U.S.$1,625,500 shall be deposited into the Expense Reserve Account on the Closing Date. The Trustee shall, from time to time, use the amounts on deposit in the Expense Reserve Account, if so directed by the Issuer, by Issuer Order, to pay Administrative Expenses constituting expenses of the Co-Issuers (other than the Collateral Management Fee but including other amounts payable to the Collateral Manager), to invest in Eligible Investments in accordance with Section 10.1 and to pay the fees and expenses incurred by or on behalf of the Issuer in connection with the structuring and consummation of the initial issuance and sale of the Securities and in connection with the Effective Date. The Trustee shall remit funds as directed from the Expense Reserve Account to the Issuer or the Co-Issuer, as the case may be, or the appropriate vendor or payee in accordance with Section 11.1(d). On the earlier of (i) the Business Day immediately preceding the first Payment Date after the Effective Date and (ii) the Business Day that the Collateral Manager has confirmed to the Trustee that all fees and expenses incurred by or on behalf of the Issuer in connection with the structuring and consummation of the initial issuance and sale of the Securities and in connection with the Effective Date have been paid by the Issuer, the Trustee shall transfer any amount in excess of U.S.$40,000 remaining in the Expense Reserve Account to the Collection Account for application pursuant to Section 11.1(a). On the Business Day immediately preceding the final Payment Date, all amounts

remaining in the Expense Reserve Account shall be transferred to the Collection Account. Any amounts transferred from the Expense Reserve Account to the Collection Account shall be treated as Principal Proceeds.

(f) The Trustee shall, prior to the Closing Date, establish with the Custodian a single, segregated trust account in the name of the Trustee, as Entitlement Holder, which shall be designated as the "Custodial Account" and which shall be held by the Custodian in trust for the benefit of the Secured Parties and over which the Trustee shall have exclusive control and the sole right of withdrawal. The only permitted withdrawals from the Custodial Account shall be in accordance with this Indenture.

(g) The Trustee shall, on the Closing Date, establish with the Custodian in the United States a single, segregated trust account in the name of the Trustee, as Entitlement Holder, which shall be designated as the "Interest Reserve Account" and which shall be held by the Custodian in trust for the benefit of the Secured Parties and over which the Trustee shall, at the direction of the Collateral Manager, have exclusive control and the sole right of withdrawal. On the Closing Date, a portion of the net proceeds received by the Issuer from the initial issuance and sale of the Securities in an amount equal to U.S.$2,500,000 shall be deposited into the Interest Reserve Account. The Trustee shall remit funds as directed by the Collateral Manager from the Interest Reserve Account with respect to the first Payment Date and the second Payment Date (with respect to all remaining amounts, if any, credited to the Interest Reserve Account), to the Payment Account for application by the Trustee (as directed by the Collateral Manager) as (a) Interest Proceeds in accordance with Section ll.l(a)(i) and/or (b) Principal Proceeds in accordance Section ll.l(a)(ii) on such Payment Date.

(h) The Trustee shall, on the Closing Date, establish with the Custodian in the United States a single, segregated trust account in the name of the Trustee, as Entitlement Holder, which shall be designated as the "Quarterly Reserve Account" and which shall be held by the Custodian in trust for the benefit of the Secured Parties and over which the Trustee shall, at the direction of the Collateral Manager, have exclusive control and the sole right of withdrawal. All Interest Proceeds constituting Quarterly Pay Reserve Amounts in respect of the applicable Due Period shall be remitted to the Quarterly Reserve Account. On the Business Day prior to each Payment Date, the Trustee shall deposit into the Payment Account (for application as Interest Proceeds on such Payment Date) all funds standing to the credit of the Quarterly Reserve Account as ofthe commencement of the Due Period related to such Payment Date.

(i) The Trustee shall, prior to the Closing Date, establish with the Custodian in the United States a single, segregated trust account in the name of the Trustee, as Entitlement Holder, which shall be designated as the "Synthetic Letters of Credit Withholding Tax Account" and which shall be held by the Custodian in trust for the benefit of the Secured Parties and over which the Trustee shall, at the direction of the Collateral Manager, have exclusive control and sole right of withdrawal. The Collateral Manager, in its sole discretion, shall direct the Issuer to deposit 30.0% of the fees received in connection with each Synthetic Letter of Credit into the Synthetic Letters of Credit Withholding Tax Account, which represents an amount it believes to be at least equal to any withholding tax payments that may be payable by the Issuer with respect to such Synthetic Letter of Credit, to the extent not already withheld by the obligor thereon or any agent with respect thereto and to the extent such withholding taxes are not the subject of a

gross-up provision that would require any obligor thereon to pay additional amounts to the Issuer in respect of such tax liability. Amounts on deposit in the Synthetic Letters of Credit Withholding Tax Account shall be used solely to pay withholding tax payments (together with any penalties or other amounts payable in connection therewith) payable by (and at the direction of) the Issuer with respect to any Synthetic Letter of Credit that have not been previously paid by the agent bank for such Synthetic Letter of Credit until the earliest of (x) the Stated Maturity, (y) the redemption of the Securities and (z) the expiration of the statute of limitations applicable to the non-payment of such amounts, at which time such amounts shall be deposited into the Collection Account as Interest Proceeds. Amounts on deposit in the Synthetic Letters of Credit Withholding Tax Account shall not be considered for purposes of calculating the Interest Proceeds, the Weighted Average Coupon Test or the Weighted Average Spread Test. Amounts in the Synthetic Letters of Credit Withholding Tax Account shall be invested in Eligible Investments at the direction of the Collateral Manager pending the application of the funds in the manner described above, and earnings from such Eligible Investments shall be deposited in the Collection Account as Interest Proceeds.

(j) The Trustee hereby instructs the Custodian (which instruction may be revoked by written notice from the Trustee to the Custodian) to establish the accounts referenced in Section 10.2 and this Section 10.3 and to deposit or withdraw amounts in or from such accounts, and to take such other actions, each as required of the Trustee pursuant to Sections 10.1 and 10.2 and this Section 10.3.

(k) The Custodian, acting on behalf of the Trustee, shall give the Issuer immediate notice if it becomes aware that any Account or in any financial asset carried therein, or otherwise to the credit of such Account, shall become subject to any writ, garnishment, judgment, warrant of attachment, execution or similar process.

Section 10.4 Reports.

The Trustee shall cause the Custodian or the Collateral Administrator, as the case may be, to supply, in a timely fashion to the Co-Issuers and the Collateral Manager any information regularly maintained (or required to be maintained hereunder or under the Collateral Administration Agreement) by the Trustee, the Custodian or the Collateral Administrator, as the case may be, that the Co-Issuers or the Collateral Manager may from time to time request with respect to the Pledged Securities and any other information reasonably needed to complete the Monthly Report, the Payment Date Report, the Subordinated Noteholder Report or the Redemption Date Report. In addition, the Trustee, the Custodian and the Collateral Administrator shall promptly provide any other information reasonably available to the Trustee, the Custodian or the Collateral Administrator, respectively, by reason of its acting as the Trustee, the Custodian or the Collateral Administrator, as the case may be, hereunder and required to be provided by Section 10.5 or to permit the Collateral Manager to perform its obligations under the Collateral Management Agreement. The Trustee, the Custodian or the Collateral Administrator, as the case may be, shall forward to the Collateral Manager and the Hedge Counterparties copies of notices and other writings received by it from the issuer of or obligor on any Collateral Debt Security or from any Clearing Agency with respect to any Collateral Debt Security advising the holders of such security or obligation of any rights that the holders might have with respect thereto (including, without limitation, notices of calls and redemptions and/or prepayments of

securities) as well as all periodic financial reports received from such issuer and Clearing Agencies with respect to such issuer or obligor.

Nothing in this Section 10.4 shall be construed to impose upon the Trustee any duty to prepare any report or statement required under Section 10.5 or to calculate or compute information required to be set forth in any such report or statement other than information regularly maintained by the Trustee by reason of its acting as Trustee hereunder.

Section 10.5 Accountings.

If the Trustee and the Custodian shall not have received any accounting provided for in this Section 10.5 on the first Business Day after the date on which such accounting is due to the Trustee and the Custodian, the Trustee and the Custodian shall use their best efforts to cause such accounting to be made by the applicable Payment Date. Each Monthly Report, Payment Date Report and Subordinated Noteholder Report sent to any Holder or beneficial owner shall contain, or be accompanied by, the following notice:

> The Notes may be beneficially owned only by investors that (a) are neither U.S. persons (as defined in Regulations under the United States Securities Act of 1933, as amended (the "Securities Act") nor U.S. residents (for purposes of the United States Investment Company Act of 1940, as amended (the "Investment Company Act")) or are both U.S. persons and U.S. residents that are also (i) qualified purchasers for purposes of Section 3(c)(7) of the Investment Company Act and (ii) qualified institutional buyers within the meaning of Rule 144A of the Securities Act and in each case (b) can make the applicable representations set forth in Section 2.5 of this Indenture governing the Notes or the appropriate Exhibit to such Indenture. Beneficial ownership interest in the Notes may be transferred only to an investor that meets the qualifications set forth in clause (a) of the preceding sentence and that can make the applicable representations referred to in clause (b) of the preceding sentence. The Issuer has the right to compel any beneficial owner that does not meet the qualifications set forth in clause (a) to sell its interest in the Notes, or may sell such interest on behalf of such owner, pursuant to Section 2.11 of such Indenture.

(a) Monthly. Not later than the seventh Business Day after the 20th day of each month (other than a month in which a Payment Date occurs) commencing in April 2008, the Issuer shall cause the Collateral Administrator to compile a monthly report (the "Monthly Report"), which shall contain the following information and instructions with respect to the Collateral, determined as of such 20th day (or, if such 20th day is not a Business Day, the next succeeding Business Day), and shall provide such Monthly Report to the Trustee who shall deliver or make available such Monthly Report to each holder of a beneficial interest in any Global Note upon written request therefor in the form of Exhibit D attached hereto certifying that it is such a beneficial holder, the Hedge Counterparties, each Rating Agency, the Depository

(accompanied by a request that it be transmitted to the beneficial holders of Notes on the books of the Depository), the Initial Purchaser, the Collateral Manager, the Trustee and the Subordinated Note Paying Agent (for delivery to the Holders of the Subordinated Notes):

(i) Certain Information Relating to the Collateral.

(1) Principal Balances and Other Information Relating to Collateral Debt Securities, Equity Securities and Eligible Investments.

(A) The aggregate principal balance of the Collateral Debt Securities, Equity Securities and the Eligible Investments (separately stated and in the aggregate), the CDS Principal Balance and the Principal Collateral Value;

(B) With respect to each Collateral Debt Security, the principal balance, the purchase price, annual interest rate or spread to LIBOR or other applicable benchmark rate, Stated Maturity, issuer or obligor, Moody's Industry Classification Group, Moody's Default Probability Rating and Moody's Rating (if applicable), S&P Industry Classification Group and S&P Rating (if applicable)(provided that confidential S&P private ratings will not be included), Moody's Recovery Rate, Standard & Poor's Recovery Rate and the jurisdiction of organization of the issuer or obligor of such Collateral Debt Security (which, in the case of a Synthetic Security, shall be the jurisdiction of organization of the issuer or obligor of the related Reference Obligation) and the Sovereign debt rating of such jurisdiction of organization ; and

(C) With respect to each Equity Security, the principal balance (if applicable), the purchase price, annual interest rate or spread to LIBOR or other applicable benchmark rate (if applicable), exercise or strike price (in the case of a warrant or similar right) and the Stated Maturity (if applicable).

(2) Proceeds. The amount of any proceeds in the Collection Account, including Interest Proceeds and Principal Proceeds (with Sale Proceeds separately stated), received since the date of determination of the last Monthly Report and the principal balance, the annual interest rate or spread to LIBOR or other applicable benchmark rate, Stated Maturity, issuer and rating of each Eligible Investment purchased with funds from such account.

(3) Account Balances and Eligible Investments. The Balance of Cash and Eligible Investments on deposit in the Loan Funding Account and the Expense Reserve Account and the principal balance, annual interest rate, Stated Maturity, issuer and rating of each Eligible Investment purchased with funds from each such account.

(4) CDS Purchased and Sold.

(A) The identity of any Pledged Securities that were (x) released for sale or other disposition or (y) Granted, in each case since the date of determination of the last Monthly Report;

(B) The purchase or sale price of each Pledged Security Granted or sold since the date of determination of the last Monthly Report; and

(C) The identity of the purchasers or sellers thereof, if any, that are Affiliated with either of the Co-Issuers or the Collateral Manager.

(5) Defaulted CDS. The identity of each Collateral Debt Security that became a Defaulted Obligation since the date of determination of the last Monthly Report.

(6) Current Pay Obligations. The identity of each Collateral Debt Security that is a Current Pay Obligation.

(7) CDS Upgraded or Downgraded. The identity of each Collateral Debt Security whose issuer has experienced a rating upgrade or downgrade by Moody's or S&P since the date of determination of the last Monthly Report.

(ii) Compliance With Coverage Tests and the CERT.

(1) Class A/B OC. The Class A/B Overcollateralization Ratio, the level at which the Class A/B Overcollateralization Ratio Test is satisfied and a statement as to whether the Class A/B Overcollateralization Ratio Test is satisfied.

(2) Class A/B IC. The Class A/B Interest Coverage Ratio, the level at which the Class A/B Interest Coverage Ratio Test is satisfied and a statement as to whether the Class A/B Interest Coverage Ratio Test is satisfied.

(3) Class C OC. The Class C Overcollateralization Ratio, the level at which the Class C Overcollateralization Ratio Test is satisfied and a statement as to whether the Class C Overcollateralization Ratio Test is satisfied.

(4) Class C IC. The Class C Interest Coverage Ratio, the level at which the Class C Interest Coverage Ratio Test is satisfied and a statement as to whether the Class C Interest Coverage Ratio Test is satisfied

(5) Class DOC. The Class D Overcollateralization Ratio, the level at which the Class D Overcollateralization Ratio Test is satisfied and a statement as to whether the Class D Overcollateralization Ratio Test is satisfied.

(6) Class D IC. The Class D Interest Coverage Ratio, the level at which the Class D Interest Coverage Ratio Test is satisfied and a statement as to whether the Class D Interest Coverage Ratio Test is satisfied.

(7) Class E OC. The Class E Overcollateralization Ratio, the level at which the Class E Overcollateralization Ratio Test is satisfied and a statement as to whether the Class E Overcollateralization Ratio Test is satisfied.

(8) CERT. The CERT, the level at which the CERT is satisfied and a statement as to whether the CERT is satisfied.

(iii) Compliance With Collateral Quality Tests.

(1) S&P CDO Monitor Test. The Class A Scenario Default Rate, the Class A Break Even Default Rate, the Class A Loss Differential, the Class B Scenario Default Rate, the Class B Break Even Default Rate, the Class B Loss Differential, the Class C Scenario Default Rate, the Class C Break Even Default Rate, the Class C Loss Differential, the Class D Scenario Default Rate, the Class D Break Even Default Rate, the Class D Loss Differential, the Class E Scenario Default Rate, the Class E Break Even Default Rate, the Class E Loss Differential, the level at which the S&P CDO Monitor Test is satisfied, and a statement as to whether the S&P CDO Monitor Test is satisfied calculated based on the Current Portfolio as of the date of such report.

(2) Weighted Average Rating Test. The Weighted Average Rating Factor, the currently applicable maximum rating factor set forth in the Moody's Test Matrix and a statement as to whether the Weighted Average Rating Test is satisfied.

(3) Weighted Average Spread Test. The Weighted Average Spread, the level at which the Weighted Average Spread Test is satisfied and a statement as to whether the Weighted Average Spread Test is satisfied.

(4) Diversity Test. The Diversity Score, the level at which the Diversity Test is satisfied and a statement as to whether the Diversity Test is satisfied.

(5) Weighted Average Life Test. The Weighted Average Life, the levels at which the Weighted Average Life Test is satisfied with respect to the Payment Date occurring after such date and a statement as to whether the Weighted Average Life Test is satisfied.

(6) Weighted Average Recovery Rate Test. The Moody's Weighted Average Recovery Rate Test and the S&P Weighted Average Recovery Rate Test, the levels at which the Moody's Weighted Average Recovery Rate Test and the S&P Weighted Average Recovery Rate Test is satisfied and a statement as to whether the Moody's Weighted Average Recovery Rate Test and the S&P Weighted Average Recovery Rate Test is satisfied and, with respect to each Collateral Debt Security, the "Category" of such Collateral Debt Security for purposes of determining the Standard & Poor's Recovery Rate and the Moody's Recovery Rate with respect thereto as set forth on Schedule E.

(iv) Portfolio Profile Test and Other Percentage Limitations.

(1) Portfolio Profile Test. A calculation in reasonable detail necessary to determine compliance with each subclause of the Portfolio Profile Test and the levels required for each such criterion pursuant to this Indenture.

(2) Triple C Assets. The identity of each Collateral Debt Security which has a Moody's Default Probability Rating of "Caa1" or below or an S&P Rating of "CCC+" or below and any such Collateral Debt Securities sold or purchased pursuant to the proviso to clause (11) or (12) of the definition of "Portfolio Profile Test."

(3) Defaulted and Current Pay Obligations. The aggregate principal balance of all Defaulted Obligations and Current Pay Obligations then outstanding and since the Closing Date, and the market value of each Defaulted Obligation and Current Pay Obligation, as provided to the Trustee by the Collateral Manager.

(4) Moody's Rating. The identity of each Collateral Debt Security that has been assigned a Moody's Default Probability Rating pursuant to clause (iv) ofthe definition thereof.

(5) S&P Rating. The identity of each Collateral Debt Security that was assigned an S&P Rating based on a rating given by Moody's as provided in subclause (vii) of the definition of "S&P Rating."

(v) Synthetic Securities, Participations and Enhanced Bonds.

(1) Synthetic Securities. If applicable, the identity of each Collateral Debt Security that is a Synthetic Security and the identity of the related Reference Obligor, Reference Obligation and Synthetic Security Counterparty, the aggregate principal balance of all Synthetic Securities and, for each Synthetic Security, the rating by Moody's and S&P of the relevant Reference Obligor, the rating by Moody's and S&P of the relevant Synthetic Security Counterparty and the S&P Rating and the Moody's Rating of the Synthetic Security.

(2) Participations. If applicable, the identity of each Collateral Debt Security that is a Participation and the identity of the underlying loan and Selling Institution, the aggregate principal balance of all Participations, the rating by Moody's and S&P of the related Selling Institution and the S&P Rating and the Moody's Rating of such Participation.

(3) Enhanced Bonds. If applicable, the identity of each bond combined with an investment grade security, security or contract to create an Enhanced Bond.

(vi) Other Information. Such other information as the Trustee may reasonably request.

With respect to any of the foregoing items to be reported as a fraction or percentage, such items may be eliminated from the Monthly Report to the extent that the applicable percentage, or the numerator of such fraction, is equal to zero. Upon receipt of each

Monthly Report, the Collateral Manager shall, compare the information contained therein to the information contained in its records with respect to the Collateral and shall, within three Business Days after receipt of such Monthly Report, notify the Trustee and the Issuer that the information contained in the Monthly Report conforms to the information maintained by the Trustee, the Collateral Manager, the Collateral Administrator, as the case may be, with respect to the Collateral, or detail any discrepancies. In the event that any discrepancy exists, the Collateral Manager or the Collateral Administrator, as the case may be, and the Issuer, or the Collateral Manager on behalf of the Issuer, shall attempt to resolve the discrepancy. If such discrepancy cannot be promptly resolved or the Collateral Administrator, as the case may be, shall within five Business Days cause the Independent accountants appointed pursuant to Section 10.7 to review such Monthly Report and the Collateral Manager's or the Collateral Administrator's, as the case may be, records to determine the cause of such discrepancy. If such review reveals an error in the Monthly Report or the Trustee's, the Collateral Manager's or the Collateral Administrator's records, as the case may be, the Monthly Report or the Trustee's, the Collateral Manager or the Collateral Administrator's records, as the case may be, shall be revised accordingly and, as so revised, shall be utilized in making all calculations pursuant to this Indenture, and a copy of such revised report shall be provided by the Trustee to the Hedge Counterparties.

Each Monthly Report shall state that it is for informational purposes only; that certain information included in the report is estimated, approximated or projected; and that the report is provided without any representations or warranties as to accuracy or completeness and none of the Issuer, the Trustee, the Collateral Administrator, the Subordinated Note Paying Agent and the Collateral Manager will have any liability for such estimates, approximations or projections.

(b) Payment Date Accounting. The Issuer shall cause the Collateral Administrator to render an accounting (the "Payment Date Report"), determined as of each Determination Date, and delivered to the Trustee who shall deliver or make available such Payment Date Report to each holder of a beneficial interest in any Global Note upon written request there for in the form of Exhibit D attached hereto certifying that it is such a beneficial holder, the Hedge Counterparties, each Rating Agency, the Depository (accompanied by a request that it be transmitted to the beneficial holders of Notes on the books of the Depository), the Initial Purchaser, the Collateral Manager, the Trustee and the Subordinated Note Paying Agent (for delivery to the Holders of the Subordinated Notes) not later than the Business Day preceding the related Payment Date. The Payment Date Report shall contain the information set forth in Section 10.5(a) plus the following information, all as of such Determination Date unless otherwise specified:

(1) LIBOR for the related Interest Accrual Periods, the Floating Rates for the related Interest Accrual Period(s) and the Class A Interest Distribution Amount, Class B Interest Distribution Amount, Class C Interest Distribution Amount, Class D Interest Distribution Amount and Class E Interest Distribution Amount (including, without duplication, any Defaulted Interest on the Notes, if any) for the related Payment Date (in the aggregate and separately for each Class of Notes);

(2) the amount of Principal Proceeds and the amount of Interest Proceeds received during the related Due Period;

(3) the Administrative Expenses payable on the related Payment Date on an itemized basis;

(4) the Balance on deposit in the Collection Account at the end of the related Due Period;

(5) the Balance on deposit in the Interest Reserve Account at the end of the related Due Period;

(6) the amounts payable from the Payment Account pursuant to each subclause of Section 11.1(a)(i) and Section 11.1(a)(ii) on the related Payment Date; and

(7) the Balance on deposit in the Loan Funding Account at the end of the related Due Period; and

(8) for each Hedge Agreement, the Hedge Receipt Amount or the Hedge Payment Amount for the related Payment Date and the outstanding notional amount of such Hedge Agreement and the amounts, if any, scheduled to be received and paid by the Issuer pursuant to such Hedge Agreement for the related Payment Date, separately stating the portion (if any) payable under Sections 11.1(a)(i)(T) and (U).

Each Payment Date Report shall state that it is for informational purposes only; that certain information included in the report is estimated, approximated or projected; and that the report is provided without any representations or warranties as to accuracy or completeness and none of the Issuer, the

Trustee, the Collateral Administrator, the Subordinated Note Paying Agent and the Collateral Manager will have any liability for such estimates, approximations or projections.

(c) Subordinated Noteholder Report. The Issuer shall cause the Collateral Administrator to provide information (the "Subordinated Noteholder Report"), determined (except with respect to the approximate aggregate value referenced in clause (1) below) as of, and delivered to the Subordinated Note Paying Agent, in its capacity as Custodian (who shall deliver or make available such report to the Trustee, the Collateral Manager, the Initial Purchasers and the Administrator) on, the dates specified in Section 10.5(a) for the Monthly Report (other than for months in which a Payment Date occurs). The Subordinated Note Paying Agent shall deliver or make available to each Subordinated Noteholder a copy of the Subordinated Noteholder Report. The Subordinated Noteholder Report shall contain the following information:

(1) the approximate aggregate value of the Collateral Debt Securities, the Hedge Agreements, and the Equity Securities, in each case as of the preceding month end and the identity of each Collateral Debt Security that experienced a rating change since the last such report; and

(2) the estimated amount of the payment for the Subordinated Notes on the next Payment Date based on projected scheduled interest payments on the Collateral Debt Securities included in the Collateral, and based upon projected estimated amounts payable pursuant to subclauses (A) through (X) of Section 11.1(a)(i) and subclauses (A) through (H) of Section 11.1(a)(ii) on the related Payment Date.

Each Subordinated Noteholder Report shall state that it is for informational purposes only; that certain information included in the report is estimated, approximated or projected; and that the report is provided without any representations or warranties as to accuracy or completeness and none of the Issuer, the Trustee, the Collateral Administrator, the Subordinated Note Paying Agent and the Collateral Manager will have any liability for such estimates, approximations or projections.

(d) Payment Date Instructions. Each Payment Date Report shall constitute instructions to the Trustee or its agent to withdraw on the related Payment Date from the Payment Account and pay or transfer the amounts set forth in such report in the manner specified in, and in accordance with, the Priority of Payments.

(e) Redemption Date Instructions. Not later than five Business Days after receiving an Issuer Request requesting information regarding a redemption or replacement of the Notes of a Class or Subordinated Notes as of a proposed Redemption Date set forth in such Issuer Request, the Trustee shall provide the necessary information (to the extent it is available to the Trustee) to the Co-Issuers and the Co-Issuers shall compute the following information and provide such information in a statement (the "Redemption Date Statement") delivered to the Trustee:

(i) the Aggregate Outstanding Amount of the Notes of the Class or Classes or Subordinated Notes to be redeemed or replaced as of such Redemption Date;

(ii) the amount of accrued interest due on such Notes as of the last day of the Interest Accrual Period immediately preceding such Redemption Date or the remaining Interest Proceeds in respect of the Subordinated Note holders; and

(iii) the amount stated by the Custodian to be on deposit in the Collection Account and the Expense Reserve Account available for application to the redemption of such Notes or Subordinated Notes.

(f) Re-rating Report. The Trustee hereby instructs U.S. Bank, as Collateral Administrator, to provide annually to Moody's and S&P a report indicating, as of the Closing Date and each Payment Date that has occurred thereafter, (i) the Aggregate Outstanding Amount of each Class of Notes, (ii) the amount of Principal Proceeds paid to Holders of each Class of Notes and (iii) the amount of Interest Proceeds paid to Holders of each Class of Notes.

To the extent the Trustee or Custodian is required to provide any information or reports required to be provided by the Issuer, the Co-Issuer, the Collateral Administrator or the Collateral Manager pursuant to this Section 10.5 as a result of the failure of the Issuer, the Co Issuer, the Collateral Manager or (only so long as U.S. Bank or an Affiliate is not the Collateral Administrator) the Collateral Administrator to provide such information or reports, the Trustee

or Custodian shall be entitled to retain an Independent certified public accountant in connection therewith and the reasonable costs incurred by the Trustee or Custodian for such Independent certified public accountant shall be reimbursed pursuant to Section 6.7.

(g) Annual Reminder. On each anniversary of the Closing Date (or the next Business Day, if such anniversary is not a Business Day), the Trustee will request from the Depository (and pay on behalf of the Issuer any costs associated therewith) a list of all Agent Members holding positions in the Notes (provided, that if the Trustee is otherwise aware of who is holding the Regulation S Global Notes as custodian for Euroclear and Clearstream, it need not obtain such a report with respect to those Notes), and shall send to each such Agent Member (including the custodian for Euroclear and Clear stream) a notice (or, in the event the Depository does not furnish such list of Agent Members, send to the Depository accompanied by a request that it be transmitted to the beneficial holders ofNotes on the books of the Depository), identifying the Notes to which it relates, that provides as follows:

"Please convey copies of this notice to each person who is shown in your records as an owner of Notes held by you.

The Notes may be beneficially owned only by investors that (a) are neither U.S. persons (as defined in Regulations under the United States Securities Act of 1933, as amended (the "Securities Act") nor U.S. residents (for purposes of the United States Investment Company Act of 1940, as amended (the "Investment Company Act")) or are both U.S persons and U.S. residents that are also (i) qualified purchasers for purposes of Section 3(c)(7) of the Investment Company Act and (ii) qualified institutional buyers within the meaning of Rule 144A of the Securities Act and (b) can make the applicable representations set forth in Section 2.5 of this Indenture governing the Notes or the appropriate Exhibit to such Indenture. Beneficial ownership interest in the Notes may be transferred only to an investor that meets the qualifications set forth in clause (a) of the preceding sentence and that can make the applicable representations referred to in clause (b) of the preceding sentence. The Issuer has the right to compel any beneficial owner that does not meet the qualifications set forth in clause (a) to sell its interest in the Notes or may sell such interest on behalf of such owner, pursuant to Section 2.11 of such Indenture."

(h) Electronic Default Input Model Input File and Schedule of Collateral Debt Securities. The Issuer shall deliver or cause to be delivered to S&P on the same date as each Monthly Report is delivered the Excel Default Model Input File, prepared as of the date of such Monthly Report. In addition, such files shall be delivered on the second day prior to such Payment Date.

(i) Credit Estimates of the Collateral Debt Securities. The Issuer shall deliver or cause to be delivered to S&P (by email to creditestimates@standardandpoors.com) on the same date as each Monthly Report is delivered, a report setting forth each Collateral Debt

Security that has a S&P Rating based on a credit estimate (including the date of the last such credit estimate delivered with respect to such Collateral Debt Security).

(j) Excel Default Model Input File. The Trustee shall deliver or cause to be delivered to S&P (by email to cdo_surveillance@standardandpoors.com) on the same date as each Monthly Report is delivered, the Excel Default Model Input File for such reporting period.

Section 10.6 Release of Securities.

(a) If no Event of Default has occurred and is continuing and subject to Article 12, the Issuer may, by Issuer Order delivered to the Trustee and the Custodian at least two Business Days prior to the settlement date for any sale of a security certifying that:

(i) the Collateral Manager has determined that a Pledged Security has become a Credit Risk Obligation (which certification shall contain a short statement of the reason for such determination), a Credit Improved Obligation (which certification shall contain a short statement of the reason for such determination) or a Defaulted Obligation constitutes an Equity Security and that it has directed the Trustee or its agent to sell or cause the sale of such security pursuant to Section 12.1(a), Section 12.1(b) or Section 12.1(e), as applicable;

(ii) the Collateral Manager on behalf of the Issuer has directed the Trustee or its agent to sell or cause the sale of such security pursuant to Section 12.1(c);

(iii) such security is being sold in connection with a sale pursuant to Section 12.1(d) in connection with a redemption pursuant to Section 9.1 or in connection with the Stated Maturity and, in the case of a sale in connection with a redemption pursuant to Section 9.1, the proceeds from any such sale of Collateral Debt Securities and other securities shall be sufficient to redeem the Notes; or

(iv) the sale of such security is otherwise expressly permitted under the terms of this Indenture,

direct the Trustee or its agent to release or cause the release of such security and, upon receipt of such Issuer Order, the Trustee shall cause delivery of any such security, if in physical form, duly endorsed to the broker or purchaser designated in such Issuer Order or, if such security is a Clearing Corporation Security, cause an appropriate transfer thereof to be made, in each case against receipt of the sales price there for as set forth in such Issuer Order; provided, that the Trustee may cause delivery of any such security in physical form for examination in accordance with street delivery custom.

(b) The Issuer may, by Issuer Order delivered to the Trustee at least two Business Days prior to the date set for redemption or payment in full of a Pledged Security or the date set for redemption or surrender of any Equity Security, certifying that such security is being redeemed or paid in full, as applicable, direct the Trustee, or at the Trustee's instructions, the Custodian, to deliver such security, if in physical form, duly endorsed, or, if such security is a Clearing Corporation Security, to cause it to be presented, to the appropriate paying agent there for on or before the date set for redemption or payment, as applicable, in each case against receipt of the redemption price or payment in full thereof.

(c) If no Event of Default has occurred and is continuing and subject to Article 12, the Issuer may, by Issuer Order delivered to the Trustee at least two Business Days prior to the date set for an exchange, tender or sale, certifying that a Collateral Debt Security is subject to an Offer and setting forth in reasonable detail the procedure for response to such Offer, direct the Trustee or, at the Trustee's instructions, the Custodian, to deliver such security, if in physical form, duly endorsed, or, if such security is a Clearing Corporation Security, to cause it to be delivered, in accordance with such Issuer Order, in each case against receipt of payment therefor.

(d) The Trustee or the Custodian shall deposit any proceeds received by it from the disposition of a Pledged Security in the Collection Account, unless simultaneously applied to the purchase of Collateral Debt Securities or Eligible Investments as permitted under and in accordance with requirements of Article 12 and this Article 10. Subject to its applicable standard of care, neither the Trustee nor the Custodian shall be responsible for any loss resulting from delivery or transfer of any security prior to receipt of payment in accordance herewith.

(e) The Trustee or its agent shall upon receipt of an Issuer Order at such time as there are no Notes Outstanding and all obligations of the Co-Issuers hereunder have been satisfied, release the Collateral from the lien of this Indenture.

Section 10.7 Reports by Independent Accountants.

(a) On the Closing Date, the Collateral Manager on behalf of the Issuer shall appoint a firm of Independent certified public accountants of recognized international reputation for purposes of preparing and delivering the reports or certificates of such accountants required by this Indenture. Upon any removal of or resignation by such firm, the Collateral Manager on behalf of the Issuer shall, promptly appoint by Issuer Order delivered to the Trustee, Moody's and S&P, a successor thereto that shall also be a firm of Independent certified public accountants of recognized international reputation. If the Collateral Manager shall fail to appoint a successor to a firm of Independent certified public accountants which has resigned within 30 days after such resignation, the Collateral Manager shall promptly notify the Trustee of such failure. If the Collateral Manager shall not have appointed a successor within 10 days thereafter, the Trustee shall promptly appoint a successor firm of Independent certified public accountants of recognized international reputation. The fees of such firm of Independent certified public accountants and its successor shall be payable by the Issuer.

(b) On or before the Business Day immediately preceding the Payment Date occurring in October of each year (commencing in 2008), the Collateral Manager on behalf of the Issuer shall cause to be delivered to the Trustee, the Collateral Administrator, Moody's and S&P a statement from a firm of Independent certified public accountants indicating that (i) such firm has reviewed the Payment Date Report received since the last review (or since the Closing Date, in the case of the first such review) and applicable information from the Trustee or its agent (ii) the calculations within each such Payment Date Report have been performed in accordance with the applicable provisions of this Indenture and (iii) the aggregate principal balance of the Pledged Securities and the aggregate principal balance of the Collateral Debt Securities and any Eligible Investments purchased with Principal Proceeds securing the Notes as of the immediately preceding Determination Date; provided, that in the event of a conflict

between such firm of Independent certified public accountants and the Collateral Manager or the Issuer with respect to any matter in this Section 10.7, the determination by such firm of Independent certified public accountants shall be conclusive.

(c) Any statement delivered to the Trustee pursuant to clause (b) shall be delivered (or caused to be delivered) by the Trustee to (i) each beneficial holder of a Note, upon written request by such beneficial holder there for in the form of Exhibit D attached hereto certifying that it is such a beneficial holder and (ii) any Hedge Counterparty if required by such Hedge Counterparty.

Section 10.8 Reports to Moody's and S&P.

In addition to the information and reports specifically required to be provided to Moody's and S&P pursuant to the terms of this Indenture, the Collateral Manager on behalf of the Issuer shall provide Moody's and S&P with all information or reports delivered by the Collateral Manager to the Trustee hereunder, and such additional information as Moody's or S&P may from time to time reasonably request and the Issuer, or the Collateral Manager on behalf of the Issuer, determines in its commercially reasonable judgment may be obtained and provided without unreasonable burden or expense. The Issuer shall promptly notify the Collateral Manager, the Collateral Administrator, the Hedge Counterparties and the Trustee if the rating on any Class of Notes has been, or it is known by the Issuer that such rating will be, changed or withdrawn. Upon receipt of such notice, the Trustee, in the name and at the expense of the Co-Issuers, shall notify the Company Announcements Office, so long as any Notes are listed on the Irish Stock Exchange, of any reduction or withdrawal in the rating on such Notes. The Trustee, on behalf of the Issuer, shall notify S&P promptly (and in any case not later than the 1oth Business Day) upon becoming aware of the occurrence of any of the following events: (1) the breach of any covenant, representation or warranty by any party to this Indenture, the Collateral Management Agreement, the Collateral Administration Agreement, any Hedge Agreement, the Indemnity Agreement or the Initial Purchase Agreement since the last report, (2) the termination or change of any party to this Indenture or the Collateral Management Agreement or (3) the amendment or waiver of any provision of this Indenture or the Collateral Management Agreement (other than to cure an ambiguity).

Section 10.9 Regulatory Reporting.

The Issuer will use its commercially reasonable efforts to make an application for the listing of the Notes on the Irish Stock Exchange. The listing on the Irish Stock Exchange is not a condition to issuance of the Notes or the Subordinated Notes. If the provisions of any law, rule or regulation to which the Issuer, Co-Issuer, the Securities or any stock exchange upon which the Securities are listed require the furnishing of additional information to the Holders of any Class of Securities, require information to be delivered sooner than the dates contemplated under this Article 10 or if the Issuer otherwise determines that the maintenance of such listing would impose a material burden or expense (in excess of the amount anticipated on the Closing Date), the Issuer (or the Collateral Manager acting on the Issuer's behalf) may, in its sole discretion (i) subject to the approval of the Trustee, supplement or accelerate the delivery of any reports required under this Article 10, including the Monthly Report, the Payment Date Report and the Subordinated Noteholder Report, (ii) remove one or more affected Classes of the

Securities from listing on such stock exchange, (iii) reclassify one or more affected Classes of the Securities or (iv) subject to Section 8.1(g), effect a Subordinated Note Reissuance. For the avoidance of doubt, the expenses of preparing any additional reports, supplementing any other reports to Holders of the Securities or any removal or reclassification of a listing on a stock exchange pursuant to this Section 10.9 shall be Administrative Expenses. Any supplemental information to be delivered pursuant to this Section 10.9 may be delivered in conjunction with, or separately from, such reports. In the event the Issuer causes the delisting of any Class of Securities from a stock exchange pursuant to this Section 10.9, the Issuer will use reasonable efforts to seek a replacement listing on such other stock exchange outside the European Union, that is a member of the International Federation of Stock Exchanges and that is located in a state that is a member of the Organization for Economic Cooperation and Development, unless obtaining or maintaining a listing on such stock exchange requires the Issuer to restate its accounts or is otherwise unduly burdensome, in which event the Issuer will make reasonable endeavors to obtain a replacement listing elsewhere.

ARTICLE 11
APPLICATION OF MONIES

Section 11.1 Disbursements of Monies from Payment Account.

(a) Notwithstanding any other provision in this Indenture other than Section 5.7 and the other subsections of this Section 11.1, if applicable, the Trustee hereby instructs the Custodian (which shall be a standing instruction absent written revocation of such instruction by the Trustee to the Custodian) to, on each Payment Date prior to an acceleration of the maturity of the Notes pursuant to Section 5.2, disburse amounts, if any, transferred by the Custodian to the Payment Account from the Collection Account pursuant to Section 10.2 and the Expense Reserve Account pursuant to Section 10.3 and the Hedge Termination Receipts Account and the Hedge Replacement Account pursuant to Section 7.18 as follows and for application by the Trustee in accordance with the following priorities:

(i) On each Payment Date prior to an acceleration of the Maturity of the Notes, Interest Proceeds with respect to such Payment Date shall be applied in the following order of priority:

(A) to the payment of taxes and governmental fees and expenses, if any, owing by the Co-Issuers as certified by an Authorized Officer of the Issuer to the Trustee prior to and in connection with the related Determination Date; provided, that withholding tax payments payable by the Issuer with respect to any Synthetic Letter of Credit (together with any penalties or other amounts payable in connection therewith) will be paid out of funds on deposit in the Synthetic Letters of Credit Withholding Tax Account and any such obligations will be paid pursuant to this clause (A) only to the extent that such funds are insufficient for such purpose;

(B) to the payment, in the following order, of (i) accrued and unpaid fees due to the Trustee under this Indenture, (ii) on a pro rata basis, accrued and unpaid fees due to the Subordinated Note Paying Agent under the

Subordinated Note Paying Agency Agreement and accrued and unpaid fees due to the Collateral Administrator under the Collateral Administration Agreement, and accrued and unpaid fees due to the Administrator under the Administration Agreement, (iii) on a pro rata basis, accrued and unpaid Administrative Expenses (other than fees) due to the Trustee, the Subordinated Note Paying Agent, the Collateral Administrator and the Administrator, (iv) accrued and unpaid fees of the Rating Agencies in connection with their rating of the Notes, (v) accrued and unpaid amounts (other than Collateral Management Fees) due and owing to the Collateral Manager under the Collateral Management Agreement, (vi) any other accrued and unpaid Administrative Expenses of the Co-Issuers (including the expenses of the Administrator under the Administration Agreement) and, (vii) other than on the final Payment Date, to the credit of the Expense Reserve Account but only to the extent necessary to cause the amount on deposit therein to equal $40,000, provided that the cumulative amount paid under clauses (i) through (vii) above (excluding amounts due or accrued with respect to the Closing Date) in any consecutive 12 month period shall not exceed the sum of $160,000 and an amount equal to 0.035% of the CDS Principal Balance as of the preceding Determination Date;

(C) to the Collateral Manager in an amount equal to the Senior Collateral Management Fee due on such Payment Date and then, any accrued and unpaid Senior Collateral Management Fees due on prior Payment Dates;

(D) to the payment of, first, the net amounts due (excluding any Defaulted Hedge Termination Payments) under any Interest Rate Hedges, if any, to be allocated pro rata to any Interest Rate Hedge Counterparties under any Interest Rate Hedges, based on the respective amounts due and, second, the net amounts due (excluding any Defaulted Synthetic Security Termination Payments) under any Synthetic Security, if any, to be allocated pro rata to any Synthetic Security Counterparties under any Synthetic Securities, based on the respective amounts due;

(E) to the payment of, first, the Class A Interest Distribution Amount and any unpaid Defaulted Interest in respect of the Class A Notes and, second, the Class B Interest Distribution Amount and any unpaid Defaulted Interest in respect of the Class B Notes, in each foregoing case, along with (without duplication) any accrued and unpaid interest on such Defaulted Interest at the Class A Interest Rate or Class B Interest Rate, as applicable;

(F) if the Class A/B Overcollateralization Ratio Test or the Class A/B Interest Coverage Ratio Test is not satisfied on the immediately preceding Determination Date (other than the Determination Date related to the first Payment Date with respect to the Class A/B Interest Coverage Ratio Test), to pay the Aggregate Outstanding Amount of, first, the Class A Notes and, second, the Class B Notes, in each case, in whole or in part, to the extent

necessary to cause the Class A/B Overcollateralization Ratio Test or the Class A/B Interest Coverage Ratio Test, as applicable, to be met or, if sooner, until the Aggregate Outstanding Amount of each such Class of Notes has been reduced to zero;

(G) to the payment of the Class C Interest Distribution Amount and any unpaid Defaulted Interest on the Class C Notes (along with (without duplication) any accrued and unpaid interest on such Defaulted Interest at the Class C Interest Rate);

(H) to the payment of all unpaid Class C Deferred Interest, if any;

(I) if the Class C Overcollateralization Ratio Test or the Class C Interest Coverage Ratio Test is not satisfied on the immediately preceding Determination Date (other than the Determination Date related to the first Payment Date with respect to the Class C Interest Coverage Ratio Test), to pay the Aggregate Outstanding Amount of, first, the Class A Notes, second, the Class B Notes and, third, the Class C Notes, in each case, in whole or in part, to the extent necessary to cause the Class C Overcollateralization Ratio Test or the Class C Interest Coverage Ratio Test, as applicable, to be met or, if sooner, until the Aggregate Outstanding Amount of each such Class of Notes has been reduced to zero;

(J) to the payment of the Class D Interest Distribution Amount and any unpaid Defaulted Interest on the Class D Notes (along with (without duplication) any accrued and unpaid interest on such Defaulted Interest at the Class D Interest Rate);

(K) to the payment of all unpaid Class D Deferred Interest, if any;

(L) if the Class D Overcollateralization Ratio Test or the Class D Interest Coverage Ratio Test is not satisfied on the immediately preceding Determination Date (other than the Determination Date related to the first Payment Date with respect to the Class D Interest Coverage Ratio Test), to pay the Aggregate Outstanding Amount of, first, the Class A Notes, second, the Class B Notes, third, the Class C Notes, and, fourth, the Class D Notes, in each case, in whole or in part, to the extent necessary to cause the Class D Overcollateralization Ratio Test or the Class D Interest Coverage Ratio Test, as applicable, to be met or, if sooner, until the Aggregate Outstanding Amount of each such Class of Notes has been reduced to zero;

(M) to the payment of the Class E Interest Distribution Amount and any unpaid Defaulted Interest on the Class E Notes (along with (without duplication) any accrued and unpaid interest on such Defaulted Interest at the Class E Interest Rate);

(N) to the payment of all unpaid Class E Deferred Interest, if any;

(O) if the Class E Overcollateralization Ratio Test is not satisfied on the immediately preceding Determination Date, to pay the Aggregate Outstanding Amount of the Class E Notes, in whole or in part, to the extent necessary to cause the Class E Overcollateralization Ratio Test, as applicable, to be met or, if sooner, until the Aggregate Outstanding Amount of the Class E Notes has been reduced to zero;

(P) on each Payment Date following an Effective Date Ratings Downgrade, at the sole discretion of the Collateral Manager, either (i) to pay the Aggregate Outstanding Amount of, first, the Class A Notes, second, the Class B Notes, third, the Class C Notes, fourth, the Class D Notes, and, fifth, the Class E Notes, in each case, until each such rating is reinstated or, if sooner, until the Aggregate Outstanding Amount of the applicable Class or Classes of Notes has been reduced to zero or (ii) to invest in Collateral Debt Securities (or Eligible Investments prior to such investment), in each case until each such rating is reinstated;

(Q) with respect to any Payment Date occurring during the Reinvestment Period, if the CERT is not satisfied as of the immediately preceding Determination Date, an aggregate amount equal to the lesser of(a) 50% of the Interest Proceeds remaining after the payments pursuant to subclauses (A) through (P) above have been made and (b) the amount that would be required to be so applied in order to satisfy the CERT, in each case after taking into account the payments made pursuant to the preceding subclauses in this Section 11.1(a)(i), to the Collection Account, to be invested in additional Collateral Debt Securities or in Eligible Investments pending investment in additional Collateral Debt Securities;

(R) to the Collateral Manager in an amount equal to the Subordinated Collateral Management Fee due on such Payment Date and then, any accrued and unpaid Subordinated Collateral Management Fees due on prior Payment Dates;

(S) to the payment of Administrative Expenses, first (i) to the extent due to the Trustee, the Subordinated Note Paying Agent, the Collateral Administrator and the Administrator, pro rata, and second (ii) all other Administrative Expenses (including amounts due to and reimbursement of expenses and indemnities of the Collateral Manager and fees and expenses with respect to any Optional Redemption, Replacement or Pricing Amendment), in each case to the extent not otherwise paid in full under subclause (B) above, as a result of the limitations expressed in such subclauses;

(T) to the extent not paid in the manner described and in accordance with Section 7.18(e), to the payment of any unpaid Defaulted Hedge Termination Payments under any Interest Rate Hedges;

(U) to the payment of, first, any net amounts due under any Asset Specific Hedge and any Timing Hedge, if any, with respect to such Payment Date and, second, any unpaid Defaulted Synthetic Security Termination Payments;

(V) to be released from the lien of this Indenture and deposited in the Subordinated Note Distribution Account for distribution by the Subordinated Note Paying Agent to the Holders of the Subordinated Notes in accordance with the Subordinated Note Paying Agency Agreement, but only in such an amount that would not cause the Subordinated Note Internal Rate of Return for such Payment Date to exceed 12% after taking into account deposits thereto made on or prior to such Payment Date;

(W) to the Collateral Manager in an amount equal to 20% of the aggregate amount otherwise available for distribution pursuant to this subclause (W) on such Payment Date; and

(X) any remaining amounts to be released from the lien of this Indenture and deposited in the Subordinated Note Distribution Account for distribution by the Subordinated Note Paying Agent to the Holders ofthe Subordinated Notes in accordance with the Subordinated Note Paying Agency Agreement.

(ii) On each Payment Date prior to the acceleration of the Maturity of the Notes, Principal Proceeds with respect to such Payment Date (other than Principal Proceeds that are required to be deposited into the Loan Funding Account pursuant to Section 10.3(d) and Principal Proceeds that have been reinvested or designated for reinvestment) shall be applied in the following order of priority:

(A) first, to the payment of the amounts referred to in subclauses (A) through (E) of Section 11.1(a)(i) above (except for any remaining obligations relating to withholding tax liabilities associated with Synthetic Letters of Credit, and otherwise in the same manner and order of priority), but, in each case, only to the extent not paid in full thereunder;

(B) after giving effect to the application of Interest Proceeds as specified in Section 11.1(a)(i) above, if the Class A/B Overcollateralization Ratio Test or the Class A/B Interest Coverage Ratio Test is not satisfied on the immediately preceding Determination Date (other than the Determination Date related to the first Payment Date with respect to the Class A/B Interest Coverage Ratio Test), to pay the Aggregate Outstanding Amount of, first, the Class A Notes and, second, the Class B Notes, in each case, in whole or in part, to the extent necessary to cause the Class A/B Overcollateralization Ratio Test or the Class A/B Interest Coverage Ratio Test, as applicable, to be met or, if sooner, until the Aggregate Outstanding Amount of each such Class of Notes has been reduced to zero;

(C) on each Payment Date following an Effective Date Ratings Downgrade, to pay the Aggregate Outstanding Amount of, first, the Class A Notes, second, the Class B Notes, third, the Class C Notes, fourth, the Class D Notes and, fifth, the Class E Notes, in each case, until each such rating is reinstated or, if sooner, until the Aggregate Outstanding Amount of the applicable Class or Classes of Notes has been reduced to zero; but only to the extent the ratings on the applicable Notes have not been reinstated after the application of Interest Proceeds as specified in subclause (P) of Section 11.1(a)(i) above;

(D) to the payment of the Class C Interest Distribution Amount and any unpaid Defaulted Interest on the Class C Notes (along with (without duplication) any accrued and unpaid interest on such Defaulted Interest at the Class C Interest Rate), but only to the extent not paid in full under Section 11.1(a)(i) above;

(E) after giving effect to the application of Interest Proceeds as specified in Section 11.1(a)(i) and in subclause (B) above, if the Class C Overcollateralization Ratio Test or the Class C Interest Coverage Ratio Test is not satisfied on the immediately preceding Determination Date (other than the Determination Date related to the first Payment Date with respect to the Class C Interest Coverage Ratio Test), to pay the Aggregate Outstanding Amount of, first, the Class A Notes, second, the Class B Notes and, third, the Class C Notes, in each case, in whole or in part, to the extent necessary to cause the Class C Overcollateralization Ratio Test or the Class C Interest Coverage Ratio Test, as applicable, to be met or, if sooner, until the Aggregate Outstanding Amount of each such Class of Notes has been reduced to zero;

(F) to the payment of the Class D Interest Distribution Amount and any unpaid Defaulted Interest on the Class D Notes (along with (without duplication) any accrued and unpaid interest on such Defaulted Interest at the Class D Interest Rate), but only to the extent not paid in full under Section 11.1(a)(i) above;

(G) after giving effect to the application of Interest Proceeds as specified in Section 11.1(a)(i) and in subclauses (B) and (E) above, if the Class D Overcollateralization Ratio Test or the Class D Interest Coverage Ratio Test is not satisfied on the immediately preceding Determination Date (other than the Determination Date related to the first Payment Date with respect to the Class D Interest Coverage Ratio Test), to pay the Aggregate Outstanding Amount of, first, the Class A Notes, second, the Class B Notes, third, the Class C Notes, and, fourth, the Class D Notes, in each case, in whole or in part, to the extent necessary to cause the Class D Overcollateralization Ratio Test or the Class D Interest Coverage Ratio Test, as applicable, to be met or, if sooner, until the Aggregate

Outstanding Amount of each such Class of Notes has been reduced to zero;

(H) to the payment of the Class E Interest Distribution Amount and any unpaid Defaulted Interest on the Class E Notes (along with (without duplication) any accrued and unpaid interest on such Defaulted Interest at the Class E Interest Rate), but only to the extent not paid in full under Section 11.1(a)(i) above;

(I) at the option of the Collateral Manager, to the payment of fees and expenses with respect to any Optional Redemption, Replacement or Pricing Amendment;

(J) (A) during the Reinvestment Period, to the reinvestment in Collateral Debt Securities (and, pending such reinvestment, to the investment in Eligible Investments) or if a Special Amortization is elected by the Collateral Manager, to the payment of the Special Amortization Amount, first, to the payment of the Aggregate Outstanding Amount of the Class A Notes until the Class A Notes are paid in full, second, to the payment of the Aggregate Outstanding Amount of the Class B Notes until the Class B Notes are paid in full, third, to the payment of the Aggregate Outstanding Amount of the Class C Notes until the Class C Notes are paid in full, fourth, to the payment of the Aggregate Outstanding Amount of the Class D Notes until the Class D Notes are paid in full and, fifth, to the payment of the Aggregate Outstanding Amount of the Class E Notes until the Class E Notes are paid in full, in each case, after taking into account amounts paid under the preceding subclauses of this section and pursuant to Section 11.1(a)(i) above, or (B) after the Reinvestment Period (i) at the option of the Collateral Manager, with respect solely to Sale Proceeds of Credit Risk Obligations and Credit Improved Obligations and Unscheduled Principal Payments, to the reinvestment in Collateral Debt Securities (and, pending such reinvestment, to the investment in Eligible Investments) and then (ii) first, to the payment of the Aggregate Outstanding Amount of the Class A Notes until the Class A Notes are paid in full, second, to the payment of the Aggregate Outstanding Amount of the Class B Notes until the Class B Notes are paid in full, third, to the payment of Class C Deferred Interest, fourth, to the payment of the Aggregate Outstanding Amount of the Class C Notes until the Class C Notes are paid in full, fifth, to the payment of Class D Deferred Interest, sixth, to the payment of the Aggregate Outstanding Amount of the Class D Notes until the Class D Notes are paid in full , seventh, to the payment of Class E Deferred Interest and, eighth, to the payment of the Aggregate Outstanding Amount of the Class E Notes until the Class E Notes are paid in full, in each case after taking into account amounts paid under the preceding subclauses of this section and pursuant to Section 11.1(a)(i) above;

(K) to the payment of the amounts referred to in subclauses (R) through (V) of Section 11.1(a)(i) above (and in the same manner and order of priority), but only to the extent not paid in full thereunder;

(L) to the Collateral Manager in an amount equal to 20% of the aggregate amount otherwise available for distribution pursuant to this subclause (L) on such Payment Date; and

(M) any remaining amounts to be released from the lien of this Indenture and deposited in the Subordinated Note Distribution Account for distribution by the Subordinated Note Paying Agent to the Holders of the Subordinated Notes in accordance with the Subordinated Note Paying Agency Agreement.

(iii) Interest Proceeds may be applied on dates other than Payment Dates to pay the accrued interest portion of the purchase price of any Collateral Debt Securities.

(b) Not later than 12:00 p.m., New York City time, on or before the Business Day preceding each Payment Date, the Issuer shall, pursuant to Section 10.2(h), remit or cause to be remitted to the Custodian for deposit in the Payment Account, Interest Proceeds and Principal Proceeds with respect to such Payment Date to the extent necessary to pay the amounts described in Section 11.1(a) required to be paid on such Payment Date.

(c) If on any Payment Date the amount available in the Payment Account from amounts of Interest Proceeds and Principal Proceeds received in the related Due Period is insufficient to make the full amount of the disbursements required by the statements furnished by the Issuer pursuant to Section 10.5(b), the Custodian shall make the disbursements called for in the order and according to the Priority of Payments, to the extent funds are available therefor.

(d) In connection with the application of funds to pay Administrative Expenses of the Issuer or the Co-Issuer, as the case may be, in accordance with Section 11.1(a), the Custodian shall remit such funds as directed, to the extent available, to the appropriate vendor or payee no later than each Payment Date.

(e) In the event that any Hedge Counterparty defaults in the payment of its obligations to the Issuer under the relevant Hedge Agreement on any Payment Date, the Trustee shall make a demand on such Hedge Counterparty, or its credit support provider, if applicable, demanding payment by 3:00p.m., New York City time, on such date. The Trustee shall give notice to the Noteholders and the Collateral Manager upon the continuing failure by such Hedge Counterparty or its credit support provider, if applicable, to perform its obligations during the two Business Days following a demand made by the Trustee on such Hedge Counterparty and its credit support provider, if applicable, and shall take such action with respect to such continuing failure directed to be taken by the Noteholders.

Section 11.2 Trust Account.

All amounts held by, or deposited with or in the name of the Trustee in any Account other than the Payment Amount pursuant to the provisions of this Indenture, and not

invested in Collateral Debt Securities or Eligible Investments as herein provided, shall be deposited in one or more trust accounts, maintained at a Qualified Financial Institution to be held in trust in the name of the Trustee for the benefit of the Secured Parties. To the extent that Monies deposited in a trust account exceed amounts insured by the Bank Insurance Fund or Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation, or any agencies succeeding to the insurance functions thereof, and are not fully collateralized by direct obligations of the United States of America, such excess shall be invested in Eligible Investments in accordance with Section 10.1.

ARTICLE 12
SALE OF COLLATERAL DEBT SECURITIES; SUBSTITUTION

Section 12.1 Sale of Collateral Debt Securities and Reinvestment.

(a) Provided that no Event of Default has occurred and is continuing and subject to the satisfaction ofthe conditions specified in Section 10.6 as applicable, this Section 12.1 and Sections 12.2 and 12.3, the Collateral Manager, on behalf of the Issuer, may direct the Trustee or its agent to sell, and the Trustee shall sell or cause to be sold in the manner directed by the Collateral Manager:

(i) any Defaulted Obligation;

(ii) any Equity Security (including any debt security or obligation purchased by the Issuer that is later determined at the discretion of the Collateral Manager not to have been a Collateral Debt Security at the time ofthe purchase thereof);

(iii) any Credit Risk Obligation (provided, that if a Downgrade Event has occurred and is continuing, then the satisfaction of the Credit Risk Objective Criteria shall be required as a condition to such sale); or

(iv) any Credit Improved Obligation (provided, that if a Downgrade Event has occurred and is continuing, then the satisfaction of the Credit Improved Objective Criteria shall be required as a condition to such sale).

(b) Credit Improved Obligations and Credit Risk Obligations.

(i) Notwithstanding Section 12.1(a)(iv), the Collateral Manager may not direct the sale of a Credit Improved Obligation unless the Collateral Manager has certified to the Trustee that, in the commercially reasonable judgment of the Collateral Manager, either:

(1) in the case of a Credit Improved Obligation to be sold during the Reinvestment Period or after the Reinvestment Period the Collateral Manager believes that the Sale Proceeds of such Credit Improved Obligation can be reinvested within 30 Business Days of the sale of such Credit Improved Obligation in one or more substitute Collateral Debt Securities having an aggregate principal balance at least equal to 100% of the principal balance of the Credit Improved Obligation, and the Collateral Manager shall use commercially reasonable efforts to effect such reinvestment; or

(2) in the case of a Credit Improved Obligation to be sold after the Reinvestment Period, the Sale Proceeds from such sale shall not be less than 100% of the principal amount of the Credit Improved Obligation sold and the Sale Proceeds from such sale shall be deposited in the Collection Account to be applied as Principal Proceeds (to the extent constituting Principal Proceeds) and as Interest Proceeds (to the extent (if any) constituting Interest Proceeds) in accordance with the terms hereof and/or as otherwise required in accordance with the priorities described under Section 11.1(a) on the first Payment Date following the Due Period in which such sale occurred.

(ii) The Collateral Manager may direct sales of Credit Risk Obligations at any time. Sale Proceeds resulting from any the sale of Credit Risk Securities may be reinvested in Collateral Debt Securities only if (A) the principal amount of the Collateral Debt Securities so purchased equals or exceeds the Sale Proceeds applied to such purchase or (B)(i) the Class D Overcollateralization Ratio is at least equal to 115.2% after such reinvestment and (ii) the Portfolio Profile Test is met with respect to such reinvestment or, if any percentage limitation set forth in the Portfolio Profile Test is not met with respect to such reinvestment, the Collateral Debt Security being purchased is not of a type of Collateral Debt Security subject to such percentage limitation.

(c) Discretionary Trading. Provided that no Event of Default or Downgrade Event has occurred and is continuing, during the Reinvestment Period, any Collateral Debt Security which is not a Defaulted Obligation, an Equity Security, a Credit Risk Obligation or a Credit Improved Obligation may be sold so long as the following conditions are satisfied:

(i) The Collateral Manager has certified to the Trustee that in the commercially reasonable judgment of the Collateral Manager, the Sale Proceeds will be reinvested in compliance with the Reinvestment Criteria in one or more substitute Collateral Debt Securities prior to the end of the next Due Period and the Collateral Manager will use commercially reasonable efforts to effect such reinvestment; provided that the Class D Overcollateralization Ratio must be at least 115.2% after giving effect to such purchase if the Collateral Debt Securities to be purchased will have an aggregate principal balance of less than the aggregate principal balance of the Collateral Debt Securities sold; and

(ii) After giving effect to any such sale occurring after the Effective Date, the aggregate principal balance of such sale together with all other sales pursuant to Section 12.1(c) during the immediately preceding twelve month period (or if shorter, the period from and including the Effective Date) shall not exceed 25% of the Threshold Amount as of the date of such sale.

(d) Sale on Redemption. The Collateral Debt Securities, Eligible Investments and Equity Securities may be sold in connection with an Optional Redemption (including in connection with a Refinancing) or a Tax/Regulatory Redemption, subject to and in accordance with Section 9.1, but without regard to the restrictions set forth in this Section 12.1 and Section 12.2. In addition, on or prior to the date that is fifteen (15) Business Days prior to the Stated Maturity, the Collateral Manager shall direct the Trustee in writing to sell all of the Pledged Securities to the extent necessary such that no Pledged Securities (other than Eligible

Investments with overnight maturities) will be held by the Issuer on or after such date. The settlement date for any such sales shall be no later than one (1) Business Day prior to the Stated Maturity.

(e) Defaulted Obligations and Equity Securities.

(i) A Defaulted Obligation or an Equity Security may be sold and, during the Reinvestment Period only, the Sale Proceeds thereof may be reinvested without regard to the foregoing restrictions set forth in this Section 12.1.

(ii) During the Reinvestment Period, the Collateral Manager shall use commercially reasonable efforts to reinvest the Sale Proceeds of such Defaulted Obligation or Equity Security in compliance with the Reinvestment Criteria in one or more substitute Collateral Debt Securities prior to the end of the Reinvestment Period; provided, however, that the Sale Proceeds and recoveries in respect of a Defaulted Obligation may not be reinvested at any time unless each of the Coverage Tests would be satisfied after giving effect to such reinvestment.

(iii) After the Reinvestment Period, if an Equity Security or a Defaulted Obligation is sold, the Collateral Manager will instruct the Issuer and the Trustee to apply the Sale Proceeds thereof as Principal Proceeds (to the extent constituting Principal Proceeds) and as Interest Proceeds (to the extent (if any) constituting Interest Proceeds) in accordance with the Priority of Payments.

(iv) Notwithstanding the foregoing, (A) Equity Securities that are received upon the exercise of convertible bonds must be sold within three Business Days of receipt and (B) the acquisition of an Exchanged Defaulted Obligation and receipt of any other asset in connection with an Offer or a distressed (or other) exchange shall not be deemed to be a sale of the exchanged security or constitute a purchase or reinvestment pursuant to this Article 12.

(f) Synthetic Securities. For purposes of this Article 12, a Synthetic Security in the form of a swap transaction may, in the Collateral Manager's commercially reasonable judgment and otherwise in accordance with this Indenture, be assigned or terminated rather than sold, and any Cash received upon such assignment or termination shall be deemed to be Sale Proceeds. Any Cash received upon the liquidation of Synthetic Security Collateral shall be deemed to be (a) Sale Proceeds, in the event that the Synthetic Security or the Synthetic Security Counterparty's lien was sold or assigned, (b) Unscheduled Principal Payments, in the event that the Synthetic Security or the Synthetic Security Counterparty's lien was subject to early termination or (c) scheduled Principal Proceeds, in the event that the Synthetic Security was terminated at its scheduled maturity.

(g) Downgrade Notification. lf Moody's downgrades below "A3" its rating of any Selling Institution with respect to any Participation, the Collateral Manager, on behalf of the Issuer, shall direct the Trustee to notify Moody's of such downgrade.

(h) Securities Lending. The Issuer shall not enter into a securities lending agreement with respect to any Collateral Debt Securities.

Section 12.2 Eligibility Criteria and Trading Restrictions.

Excepting Collateral Debt Securities otherwise specified hereby and any Collateral Debt Securities purchased prior to the Effective Date, the Issuer may purchase a Collateral Debt Security, and Grant such Security to the Trustee as a Pledged Security, following the Ramp-Up Period only if, as evidenced by an Officer's certificate of the Issuer or the Collateral Manager delivered to the Trustee, as of the date of such purchase, the following conditions (the "Reinvestment Criteria") are satisfied as of the date of the Issuer's purchase of such Collateral Debt Security or, if earlier, the date the Issuer is committed to purchase such Collateral Debt Security:

(a) Diversity Test. After giving effect to such purchase, either (1) the Diversity Test will be satisfied or (2) the Diversity Score will have been maintained or increased.

(b) Coverage Tests. After giving effect to such purchase, either (1) the Coverage Tests will be satisfied or (2) solely in the case of a reinvestment of any Sale Proceeds (other than Sale Proceeds of a Defaulted Obligation) or Unscheduled Principal Payments during the Reinvestment Period, the coverage ratio relating to any Coverage Test that is not satisfied will have been maintained or improved.

(c) Weighted Average Life Test. After giving effect to such purchase, either (1) the Weighted Average Life Test will be satisfied or (2) if the Weighted Average Life Test will not be satisfied such test result will be maintained or improved.

(d) Weighted Average Rating Test. After giving effect to such purchase, either (1) the Weighted Average Rating Test will be satisfied or (2) such test result will have been maintained or improved.

(e) Weighted Average Spread Test. After giving effect to such purchase, either (1) the Weighted Average Spread Test will be satisfied or (2) the Weighted Average Spread will be maintained or will have increased after giving effect to such purchase.

(f) Compliance With Perfection Procedures. If such Collateral Debt Securities are securities held by a securities intermediary other than The Depository Trust Company, the Trustee, Euroclear or Clearstream, the Collateral Manager shall have notified Moody's prior to such purchase and delivered an Opinion of Counsel at the expense of the Issuer to the Trustee, Moody's and S&P, stating the necessary events upon the occurrence of which the security interest of the Trustee in such Collateral Debt Securities will be a perfected first priority security interest; provided, that in such event the Collateral Manager shall, within 30 days after the date of such Grant, deliver to the Trustee a certificate stating that the necessary events set forth in such Opinion of Counsel have taken place.

(g) S&P CDO Monitor Test. With respect to any purchase during the Reinvestment Period, after giving effect to such purchase, the S&P CDO Monitor Test will be satisfied; provided, that, Credit Risk Obligations may be sold and the Sale Proceeds thereof reinvested without regard to such restriction.

(h) Weighted Average Recovery Rate Test. After giving effect to such purchase, either of the following clauses (1) or (2) is satisfied: (1) the Moody's Weighted Average Recovery Rate Test and the S&P Weighted Average Recovery Rate Test will be satisfied or (2) if such purchase occurs during the Reinvestment Period or, solely in the case of a reinvestment of the Sale Proceeds of Credit Risk Obligations, after the Reinvestment Period (A) if either, but not both, the Moody's Weighted Average Recovery Rate Test or the S&P Weighted Average Recovery Rate Test would be failed after giving effect to such purchase, the failing test will not be further from being satisfied after giving effect to such purchase or (B) if both the Moody's Weighted Average Recovery Rate Test and the S&P Weighted Average Recovery Rate Test are not satisfied, each such test will not be further from being satisfied after giving effect to such purchase.

(i) No Event of Default. No Event of Default shall have occurred and be continuing.

(j) Portfolio Profile Test. Either (1) after giving effect to such purchase, the Portfolio Profile Test will be satisfied or (2) in the case of any subclause set forth in the Portfolio Profile Test that is not satisfied prior to such purchase or after giving effect to such purchase, the Collateral Debt Security to be purchased is not of the same type described in such subclause (if a maximum limitation is specified in such subclause), subject to the provisos in subclauses (11) and (12) of the definition of "Portfolio Profile Test."

(k) Replace With Same or Shorter Average Life; Rating Conditions. Notwithstanding any other subclause of these Reinvestment Criteria, if such purchase involves the reinvestment of Unscheduled Principal Payments or Sale Proceeds in connection with the sale of a Credit Improved Obligation or Credit Risk Obligation after the Reinvestment Period (i) the Weighted Average Life Test and the Weighted Average Rating Test will each be satisfied after giving effect to such investment, (ii) clauses (11) and (12) of the definition of the Portfolio Profile Test will be satisfied after giving effect to such investment (giving effect to the provisos contained therein), (iii) the Class E Overcollateralization Ratio Test will be satisfied and, if the S&P CDO Monitor Test is not satisfied, the Scenario Default Rate for each Class of Notes is maintained or improved from the levels as of the Effective Date, and (iv) neither Rating Agency has reduced its rating on the Class A Notes and/or the Class B Notes below the initial rating as in effect on the Closing Date (unless such rating has been subsequently upgraded back to the initial rating as in effect on the Closing Date) or reduced its rating on the Class C Notes, the Class D Notes or the Class E Notes by more than two subcategories below the initial rating as in effect on the Closing Date (unless such rating has been subsequently upgraded back to a rating no more than one subcategory below the initial rating as in effect on the Closing Date).

(l) Funding of Loan Funding Account. Upon the purchase of a Revolving Credit Facility or Delayed-Draw Loan, the Issuer has made a deposit to the Loan Funding Account in the amount and in the manner described in Section 10.3(d).

(m) Subordinated Notes Financed Amount. After giving effect to such purchase, the conditions set forth in Section 3.5(b) shall be satisfied.

(n) Exchange of Defaulted Obligations. Notwithstanding any other subclause of these Reinvestment Criteria, the Collateral Manager may instruct the Trustee to exchange a Defaulted Obligation for (i) another Defaulted Obligation (an "Exchanged Defaulted Obligation") or (ii) an Exchanged Equity Security for so long as at the time of or in connection with such exchange:

(i) such Exchanged Defaulted Obligation or Exchanged Equity Security is issued by the same obligor of the Defaulted Obligation (or an affiliate of or successor to such obligor or an entity that succeeds to substantially all of the assets of such obligor) and, in the case of such Exchanged Defaulted Obligation, ranks in right of payment no more junior than the Defaulted Obligation for which it was exchanged; provided that if the Issuer is also required to pay an amount for such Exchanged Defaulted Obligation or Exchanged Equity Security, the Issuer may use Interest Proceeds to effect such payment for so long as, after giving effect to such purchase, there would be sufficient proceeds in the Collection Account to pay all amounts required to be paid pursuant to the Priority of Payments prior to distributions to Holders of the Class E Notes on the next succeeding Payment Date;

(ii) in the case of an Exchanged Defaulted Obligation, each Coverage Test that is satisfied prior to each such exchange will be satisfied after such exchange or, if any Coverage Test is not satisfied prior to such exchange, then such Coverage Test will be at least as close to being satisfied after such exchange as prior to such exchange;

(iii) in the case of an Exchanged Defaulted Obligation that is rated by the Rating Agencies, if the Weighted Average Rating Test or the S&P CDO Monitor Test is satisfied prior to such exchange, both tests will be satisfied after such exchange or, if either of the Weighted Average Rating Test or the S&P CDO Monitor Test is not satisfied prior to such exchange, then each such unsatisfied test will be at least as close to being satisfied following such exchange as prior to such exchange;

(iv) in the case of an Exchanged Defaulted Obligation, the expected total recovery proceeds of such Exchanged Defaulted Obligation, as determined by the Collateral Manager, must be no less than the expected total recovery proceeds of the Defaulted Obligation for which it was exchanged; and

(v) as determined by the Collateral Manager, in the case of the Exchanged Defaulted Obligation, each clause of the Portfolio Profile Test that is satisfied prior to such exchange will be satisfied after such exchange and, with respect to any clause of the Portfolio Profile Test that is not satisfied prior to such exchange, then such clause will be at least as close to being satisfied as prior to such exchange.

The foregoing restrictions shall not apply to Eligible Investments.

Section 12.3 Conditions Applicable to all Transactions Involving Substitution.

(a) Any transaction effected under this Article 12 or under Section 10.2 shall be conducted on an arm's length basis (except as expressly permitted under Section 5 of the Collateral Management Agreement), and, in strict accordance with the terms of the Collateral Management Agreement.

(b) Upon any substitution pursuant to this Article 12, all of the Issuer's right, title and interest to the Pledged Security or Securities shall be Granted to the Trustee pursuant to this Indenture, such Pledged Securities shall be registered in the name of the Trustee, and, if applicable, the Issuer (or the Trustee or Custodian) shall receive the Pledged Security or Securities for which the Pledged Security or Securities were substituted. The Trustee shall also receive, not later than the date fixed by the Issuer on which a Collateral Debt Security is to be delivered to the Issuer and pledged to the Trustee an Officer's certificate of the Collateral Manager demonstrating compliance with the provisions of this Article 12. In the event of a substitution involving a Collateral Debt Security pursuant to this Article 12, the Trustee shall promptly forward a copy of such Officer's certificates to Moody's and S&P.

Section 12.4 Synthetic Securities.

(a) As part of the purchase of a Synthetic Security which is a credit swap transaction, the Issuer or the Collateral Manager on behalf of the Issuer may from time to time be required to purchase collateral (the "Synthetic Security Collateral"), deposit it with a custodian or other third party and Grant to the related Synthetic Security Counterparty a first priority security interest in such Synthetic Security Collateral. The Issuer may so purchase Synthetic Security Collateral and shall direct the Trustee to cause the release of funds to purchase such Synthetic Security Collateral; provided, that (i) payments received with respect to any Synthetic Security Collateral will not be subject to withholding tax of any jurisdiction, unless the Issuer is entitled to a full gross-up (on an after-tax basis) with respect to any such withholding tax and (ii) such Synthetic Security Collateral complies with the requirements of the definition of "Eligible Investments." The purchase price of the Synthetic Security Collateral shall, for purposes of this Indenture, be considered part of the purchase price of the related Synthetic Security. The Issuer shall Grant to the Trustee a second priority security interest in any Synthetic Security Collateral, and shall cause the Synthetic Security Counterparty and the custodian or other third party holding the Synthetic Security Collateral to be notified of and acknowledge such second priority security interest. Any payments in respect of such Synthetic Security Collateral not retained by the Synthetic Security Counterparty are to be paid to the Trustee. Interest received by the Trustee with respect to such Synthetic Security Collateral prior to the release of such Synthetic Security Collateral shall be Interest Proceeds; principal payments received by the Trustee on such Synthetic Security Collateral prior to the release of such Synthetic Security Collateral shall either be Principal Proceeds or, if required under the terms of the related Synthetic Security, invested in substitute Synthetic Security Collateral. Upon the release of the Synthetic Security Counterparty's lien on any Synthetic Security Collateral held in relation to a Synthetic Security through the termination or sale of such Synthetic Security or otherwise, the Collateral Manager on behalf of the Issuer shall cause such Synthetic Security Collateral to be Delivered to the Custodian for the benefit of the Trustee (or shall, in the case of any asset not of a category specified in the definition of "Deliver," use commercially reasonable efforts to take or cause the taking of any and all other actions necessary (for which determination the Collateral Manager may rely conclusively on an Opinion of Counsel) to create in favor of the Trustee a valid, perfected, first-priority security interest in such Synthetic Security Collateral under applicable law and regulations (including without limitation Articles 8 and 9 of the UCC) in effect at the time of such release) on behalf of the Note holders. Any Cash received upon the liquidation or maturity of such Synthetic Security Collateral shall be deemed to be (x) Sale Proceeds in the event the Synthetic Security or the Synthetic Security Counterparty's lien was sold or assigned,

(y) Unscheduled Principal Payments, in the event the Synthetic Security or the Synthetic Security Counterparty's lien was subject to an early termination other than by the Collateral Manager or (z) scheduled Principal Proceeds, in the event the Synthetic Security was terminated at its scheduled maturity.

(b) Synthetic Securities may be purchased or entered into by the Issuer for such purposes as (among others) (i) structuring an investment in a Reference Obligation which Reference Obligation has a maturity, currency or interest rate that otherwise may be inconsistent with the criteria for purchasing Collateral Debt Securities or (ii) achieving yield enhancement based on the coupon payments on a Reference Obligation; provided that, the Issuer shall not purchase or enter into a Synthetic Security for the purpose of establishing recovery floors or other means of credit protection as a result of defaults on Reference Obligations.

ARTICLE 13
NOTEHOLDERS' RELATIONS

Section 13.1 Subordination.

(a) The Issuer, the Trustee, the Holders of the Class B Notes, Class C Notes, Class D Notes, Class E Notes and the Subordinated Notes agree for the benefit of the Holders of each Note of a Senior Class that the rights of the Issuer and each Holder of a Subordinate Interest in and to the Collateral shall be subordinate and junior to the Classes of Notes Senior to each such Class of Notes to the extent and in the manner set forth in Section 11.1(a) and Section 5.7 of this Indenture. The Holders of the Class B Notes, Class C Notes, Class D Notes, Class E Notes and the Subordinated Notes and the other holders of equity in the Issuer and Co-Issuer agree, for the benefit of the Holders of each applicable Senior Class of Notes, not to cause the filing of a petition in bankruptcy against the Issuer or the Co-Issuer for failure to pay to them amounts due under the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Subordinated Notes, as applicable, until the payment in full of each applicable Class of Notes Senior to such Class of Notes and not before one year and one day (or if longer, the applicable preference period then in effect) have elapsed since such payment.

(b) In the event that notwithstanding the provisions of this Indenture, any Holder shall have received any payment or distribution or dividends in respect of the principal of or interest on such Note, respectively, contrary to the provisions of this Indenture (including, as applicable, Sections 5.7 and 11.1(a)), then such payment or distribution shall be received and held in trust for the benefit of, and shall forthwith be paid over and delivered to, the Trustee, which shall pay and deliver the same to the appropriate Holders in accordance with this Indenture; provided, that, if any such payment or distribution is made other than in Cash, it shall be held by the Trustee as part of the Collateral and subject in all respects to the provisions of this Indenture, including, without limitation, as applicable, Sections 5.7 and 11.1(a) and this Section 13.1.

(c) Each Holder of Subordinate Interests will be deemed to agree with all Holders of each Class of Notes that is Senior to such Class of Notes that such Holder of Subordinate Interests shall not demand, accept, or receive any payment or distribution in respect of such Subordinate Interests in violation of the provisions of this Indenture including, without

limitation, Section 5.7 and Section 11.1(a); provided, that after the all Notes of each Class of Notes Senior to such Subordinate Interest are no longer Outstanding, the Holders of Subordinate Interests shall be fully subrogated to the rights of the Holders of the Notes of such Senior Classes of Notes. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of Subordinate Interests.

Section 13.2 Standard of Conduct.

In exercising any of its or their voting rights, rights to direct and consent or any other rights as a Note holder under this Indenture, subject to the terms and conditions of this Indenture, including, without limitation, Section 5.9, a Note holder or Noteholders shall not have any obligation or duty to any Person or to consider or take into account the interests of any Person and shall not be liable to any Person for any action taken by it or them or at its or their direction or any failure by it or them to act or to direct that an action be taken, without regard to whether such action or inaction benefits or adversely affects any Note holder, the Issuer, or any other Person, except for any liability to which such Note holder may be subject to the extent such liability results from such Note holder's taking or directing an action, or failing to take or direct an action, in bad faith or in violation of the express terms of this Indenture.

Section 13.3 Right to List of Holders.

Any Note holder shall have the right, upon five Business Days' prior notice to the Note Registrar, to obtain a complete list of Note holders. For the avoidance of doubt, in no event shall the Note Registrar provide to Noteholders or any Person, or otherwise distribute, the initial complete list of Note holders.

ARTICLE 14
MISCELLANEOUS

Section 14.1 Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer or the Co-Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Authorized Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer of the Issuer or the Co-Issuer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, the Issuer, the Co-Issuer, the Collateral Manager or any other Person, stating that the information with respect to such factual matters is in the possession of the Issuer, the Co-Issuer, the Collateral Manager or such other Person, unless such Authorized Officer of the Issuer or the Co-Issuer or such counsel

knows that the certificate or opinion or representations with respect to such matters are erroneous. Any Opinion of Counsel may also be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Authorized Officer of the Issuer, the Co-Issuer or the Collateral Manager or an officer of an investment bank or other professional adviser, unless such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture it is provided that the absence of the occurrence and continuation of a Default or Event of Default is a condition precedent to the taking of any action by the Trustee, Note Registrar, Notes Paying Agent or Transfer Agent at the request or direction of the Issuer or the Co-Issuer, then notwithstanding that the satisfaction of such condition is a condition precedent to the Co-Issuers' rights to make such request or direction, the Trustee, Note Registrar, Notes Paying Agent or Transfer Agent shall be protected in acting in accordance with such request or direction if it does not have knowledge of the occurrence and continuation of such Default or Event of Default as provided in Section 6.1(d).

Section 14.2 Acts of Noteholders and Subordinated Note holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders or Subordinated Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders or Subordinated Noteholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action or actions embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders or Subordinated Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Co-Issuers, if made in the manner provided in this Section 14.2.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Trustee deems sufficient.

(c) The principal amount and registered numbers of Notes held by any Person, and the date of his holding the same, shall be proved by the Note Register or in the case of Subordinated Notes, the principal amount of the Subordinated Notes held by any Person, and the date of such Person holding the same will be proved by the Subordinated Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Notes or Subordinated Note holder shall bind the Holder (and any transferee thereof) of such Note and of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done

by the Trustee, Note Registrar, Notes Paying Agent or Transfer Agent or the Co-Issuers in reliance thereon, whether or not notation of such action is made upon such Note.

Section 14.3 Notices, etc., to the Trustee, the Co-Issuers, the Collateral Manager, any Hedge Counterparty, Moody's, S&P, the Subordinated Note Paying Agent, the Custodian and the Collateral Administrator.

Any request, demand, authorization, direction, notice, consent, waiver, confirmation or Act of Noteholders or Subordinated Noteholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(a) the Trustee by any Note holder or Subordinated Note holder or by the Co- Issuers or the Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to and mailed, by certified mail, return receipt requested, hand delivered, sent by overnight courier service guaranteeing next day delivery or by telecopy in legible form, to the Trustee addressed to it at its Corporate Trust Office, telecopy No. (704) 335-4678, Attention: CDO Trust Services - GSC Investment Corp. CLO 2007, Ltd., or at any other address previously furnished in writing to the Co-Issuers or Note holder by the Trustee;

(b) the Co-Issuers by the Trustee or by any Note holder or Subordinated Note holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by telecopy in legible form, to the Issuer addressed to it c/o Maples Finance Limited at P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands, telecopy No. (345) 945-7100, Attention: Directors, with a copy to (i) Maples and Calder addressed to it at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, telecopy No. (345) 949-8080, Attention: GSC Investment Corp. CLO 2007, and to the Co-Issuer addressed to it at 850 Library Avenue, Suite 204, Newark, Delaware 19711, Attention: President or if to (ii) the Issuer's agent for service of process in Ireland addressed to it at Maples and Calder Listing Services Limited, 75 St. Stephen's Green, Dublin 2, Ireland, facsimile No. +353 (0)1 619 2001, Attention: Ciaran Cotter, or at any other address previously furnished in writing to the Trustee by the Issuer or the Co-Issuer, as the case may be;

(c) the Collateral Manager by the Co-Issuers, or the Trustee shall be sufficient for every purpose hereunder if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by telecopy in legible form, to the Collateral Manager addressed to it at 888 7th Avenue, 27th Floor, New York, New York 10019, telecopy No. (212) 884-6184, Attention: Thomas Inglesby, with a copy to GSC Group, 300 Campus Drive, Florham Park, NJ 07932, telecopy No. (973-593-5454), Attention: General Counsel, or at any other address previously furnished in writing to the Co-Issuers or the Trustee by the Collateral Manager;

(d) Moody's by the Co-Issuers, the Collateral Manager or the Trustee shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by telecopy in legible form, to Moody's addressed to it at Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telecopy No. (212)

553-4808 (with confirmation of receipt thereof), Attention: CBO CBO/CLO Monitoring- GSC Investment Corp. CLO 2007, Ltd. with a copy by e-mail to cdomonitoring@moodys.com;

(e) S&P by the Co-Issuers, the Collateral Manager or the Trustee shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by telecopy in legible form, to S&P addressed to it at Standard & Poor's, 55 Water Street, 41st Floor, New York, New York 10041, telecopy No. (212) 438-2664 (with confirmation of receipt thereof), Attention: Asset-backed CBO/CLO Surveillance with a copy by e-mail to cdo_surveillance@standardandpoors.com;

(f) any Hedge Counterparty by the Co-Issuers, the Collateral Manager or the Trustee shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered or sent by overnight courier service or by telecopy in legible form to such Hedge Counterparty addressed to it at the address specified in the relevant Hedge Agreement or at any other address previously furnished in writing to the Issuer or the Trustee by such Hedge Counterparty; or

(g) the Subordinated Note Paying Agent shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage paid, hand delivered, sent by overnight courier service or by telecopy in legible form to the Subordinated Note Paying Agent at U.S. Bank National Association, 214 North Tryon Street, 26th Floor, Charlotte, North Carolina 28202, Attention: CDO Trust Services- GSC Investment Corp. CLO 2007, Ltd., Fax: (704) 335-4678; or

(h) the Custodian or Collateral Administrator shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class, postage paid, hand delivered, sent by overnight courier service or by telecopy in legible form to the Custodian at U.S. Bank National Association, 214 North Tryon Street, 26th Floor, Charlotte, North Carolina 28202, Attention: CDO Trust Services- GSC Investment Corp. CLO 2007, Ltd., Fax: (704) 335-4678.

Section 14.4 Notices to Noteholders; Waiver.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of Notes of any event,

(a) such notice shall be sufficiently given to the Holders of the Notes, as the case may be, if in writing and mailed, first class postage prepaid, to each Holder of a Note affected by such event, at the address of such Holder as it appears in the Note Register, not earlier than the earliest date and not later than the latest date, prescribed for the giving of such notice; and

(b) such notice shall be in the English language.

Such notices will be deemed to have been given on the date of such mailing.

The Trustee will deliver to the Holders of the Notes, as the case may be, any information or notice requested to be so delivered by at least 25% of the Holders of any class of Notes (other than the Initial Noteholders List). If and for so long as any Notes are listed on the Irish Stock Exchange notices to the Holders of such Notes shall also be given to the Company Announcements Office.

Neither the failure to mail any notice, nor any defect in any notice so mailed, to any particular Holder of a Note shall affect the sufficiency of such notice with respect to other Holders of Notes. In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification to Holders of Notes as shall be made with the approval of the Trustee shall constitute a sufficient notification to such Holders for every purpose hereunder.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In the event that, by reason of the suspension of the regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Notwithstanding any provision to the contrary contained herein or in any agreement or document related hereto, any report, statement or other information required to be provided by the Trustee may be provided by providing access to the Trustee's password protected website containing such information.

Section 14.5 Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction of this Indenture or the Notes.

Section 14.6 Successors and Assigns.

All covenants and agreements in this Indenture by the Co-Issuers shall bind their respective successors and assigns, whether so expressed or not.

Section 14.7 Separability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14.8 Benefits of Indenture.

Nothing in this Indenture or in the Notes expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the Noteholders, as such rights are limited herein, any benefit or any legal or equitable right, remedy or claim under this Indenture; provided, however, that each Hedge Counterparty, the Collateral Manager and the Subordinated Noteholders (and the Subordinated Note Paying Agent on behalf thereof) shall be express third- party beneficiaries of this Indenture.

Section 14.9 Governing Law.

THIS INDENTURE AND EACH NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

Section 14.10 Submission to Jurisdiction.

The Co-Issuers hereby irrevocably submit to the non-exclusive jurisdiction of any New York state or federal court sitting in the Borough of Manhattan in The City of New York in any action or proceeding arising out of or relating to the Notes or this Indenture, and the Co Issuers hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such New York state or federal court. The Co-Issuers hereby irrevocably waive, to the fullest extent that they may legally do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Co-Issuers irrevocably consent to the service of any and all process in any action or proceeding by the mailing or delivery of copies of such process to it at the office of the Co-Issuers' respective agents. The agent for service of process for each of the Issuer and the Co-Issuer is U.S. Bank National Association, 40 Broad Street, 5th Floor, New York, New York 10003. The Co-Issuers agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 14.11 Counterparts.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. A facsimile copy of a signature page to this Indenture or any related agreement or other document shall be deemed sufficient evidence of execution for all purposes.

ARTICLE 15
ASSIGNMENT OF COLLATERAL MANAGEMENT AGREEMENT AND HEDGE AGREEMENTS

Section 15.1 Assignment of Collateral Management Agreement and Hedge Agreement(s).

(a) The Issuer, in furtherance of the covenants of this Indenture and as security for the Notes hereunder and to the Secured Parties and the performance and observance

of the provisions hereof, hereby assigns, transfers, conveys and sets over to the Trustee, for the benefit of the Secured Parties, all of the Issuer's estate, right, title and interest in, to and under the Collateral Management Agreement and each Hedge Agreement, including, without limitation, (i) the right to give all notices, consents and releases thereunder, (ii) the right to give all notices of termination and to take any legal action upon the breach of an obligation of the Collateral Manager or the applicable Hedge Counterparty thereunder, including the commencement, conduct and consummation of proceedings at law or in equity, (iii) the right to receive all notices, accountings, consents, releases and statements thereunder and (iv) the right to do any and all other things whatsoever that the Issuer is or may be entitled to do thereunder; provided, however, that the Trustee hereby grants the Issuer a license to exercise all of the Issuer's rights pursuant to the Collateral Management Agreement and each Hedge Agreement without notice to or the consent of the Trustee (except as otherwise expressly required by this Indenture, including, without limitation, as set forth in subsection (f) of this Section 15.1), which license shall be and is hereby deemed to be automatically revoked upon the occurrence of an Event of Default hereunder until such time, if any, as such Event of Default is cured or waived.

(b) The assignment made hereby is executed as collateral security, and the execution and delivery hereby shall not in any way impair or diminish the obligations of the Issuer under the provisions of the Collateral Management Agreement or any Hedge Agreement, nor shall any of the obligations contained in the Collateral Management Agreement or any Hedge Agreement be imposed on the Trustee.

(c) Upon the retirement of the Notes and the release of the Collateral from the lien of this Indenture, this assignment and all rights herein assigned to the Trustee for the benefit of the Secured Parties shall cease and terminate and all of the estate, right, title and interest of the Trustee in, to and under the Collateral Management Agreement and all Hedge Agreement(s) shall revert to the Issuer and no further instrument or act shall be necessary to evidence such termination and reversion.

(d) The Issuer represents that the Issuer has not executed any other assignment of the Collateral Management Agreement or any Hedge Agreement.

(e) The Issuer agrees that this assignment is irrevocable, and that it will not take any action which is inconsistent with this assignment or make any other assignment inconsistent herewith. The Issuer will, from time to time upon the request of the Trustee, execute all instruments of further assurance and all such supplemental instruments with respect to this assignment as the Trustee may specify.

(f) The Issuer hereby agrees, and hereby undertakes to obtain the agreement and consent of the Collateral Manager in the Collateral Management Agreement, to the following:

(i) the Collateral Manager consents to the provisions of this assignment and agrees to perform any provisions of this Indenture applicable to the Collateral Manager;

(ii) the Collateral Manager acknowledges that the Issuer is assigning all of its right, title and interest in, to and under the Collateral Management Agreement to the Trustee for the benefit of the Secured Parties, and the Collateral Manager agrees that all of the representations, covenants and agreements made by the Collateral Manager in the Collateral Management Agreement are also for the benefit of the Secured Parties;

(iii) the Collateral Manager shall deliver to the Trustee or its agent duplicate original copies of all notices, statements, communications and instruments delivered or required to be delivered to the Issuer pursuant to the Collateral Management Agreement;

(iv) neither the Co-Issuers nor the Collateral Manager will enter into any agreement amending, modifying or terminating the Collateral Management Agreement (other than in respect of an amendment or modification of the type that may be made to this Indenture without Noteholder consent) or selecting or consenting to a successor manager without receiving Rating Agency Confirmation;

(v) except as otherwise set forth herein and therein (including, without limitation, pursuant to Section 12 and Section 13 of the Collateral Management Agreement), the Collateral Manager shall continue to serve as Collateral Manager under the Collateral Management Agreement notwithstanding that the Collateral Manager shall not have received amounts due it under the Collateral Management Agreement because sufficient funds were not then available hereunder to pay such amounts. The Collateral Manager agrees not to cause the filing of a petition in bankruptcy against the Issuer for the nonpayment of the Collateral Management Fee or other amounts payable by the Issuer to the Collateral Manager under the Collateral Management Agreement until the payment in full of all Notes issued under this Indenture and any amounts due and owing under the Hedge Agreements and the expiration of a period equal to one year and one day or, if longer, the applicable preference period then in effect, following such payment; and

(vi) The Collateral Manager shall not enter into any transactions with Affiliates except as specified in Section 5 of the Collateral Management Agreement.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, we have set our hands as of the date first written above.

GSC INVESTMENT CORP. CLO 2007, LTD.,
as Issuer

By: /s/ Carrie Bunton
Name: **Carrie Bunton**
Title: **Director**

[Signature Page to Indenture]

IN WITNESS WHEREOF, we have set our hands as of the date first written above.

GSC INVESTMENT CORP. CLO 2007, INC.,
as Co-Issuer

By: /s/ Donald J. Puglist
Name: **Donald J. Puglist**
Title: **President**

[Signature Page to Indenture]

IN WITNESS WHEREOF, we have set our hands as of the date first written above.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee, Custodian and Securities Intermediary

By: /s/ C. Brand Hosford
Name: **C. Brand Hosford**
Title: **Vice President**

[Signature Page to Indenture]

Divider

SCHEDULE A

COLLATERAL DEBT SECURITIES AS OF THE CLOSING DATE

Appendix I- GSC Investment Corp. CLO 2007, Ltd. Portfolio of Pre-Closing Collateral Debt Securities ***As of 01/16/08***

Information presented herein is confidential and proprietary to, Lehman Brothers Inc. and Lehman Brothers International (Europe) (collectively, "Lehman Brothers") Such material is not to be reproduced or retransmitted in whole or in part or used for any purpose except as authorized by Lehman Brothers, as appropriate, and is to be treated as strictly confidential and not disclosed directly or indirectly to any party other than the recipient. By accepting this information the recipient agrees that it will cause its directors, partners, officers, employees and representatives to, use the information only to evaluate its potential interest in the Securities to be issued based on this portfolio, Limited as described in the Offering Memorandum and for no other purpose and will not divulge any such information to any other party.

The information regarding the securities set forth below pertains only to the expected portfolio of the Issuer as of the Closing Date. Due to the accumulation of additional Collateral Debt Securities and the reinvestment of Principal Proceeds and Sale Proceeds, the portfolio of the Issuer on any date after the Closing Date will differ materially from the expected initial portfolio set forth below.

	Par Amount	Weighted Average Spread	Weighted Average Coupon	WARF	Diversity	Weighted Average Purchase Price
Total Portfolio	278,725,349	2.60%	11.00%	2383	42	94.94
Senior Secured Loans	254,200,349	2.46%	NA	2447	NA	96.10
Second Lien / Senior Unsecured Loans	9,025,000	6.95%	11.00%	2978	NA	97.77
Structured Finance Security	15,500,000	3.51%	NA	990	NA	74.33

	Issuer Name	Description	Asset Type	Par Amount	Fixed/ Float	Spread	Purchase Price	Maturity	Moody's Rating	Moody's RF	Moody's Facility	S&P Rating	Moody's Code	Moody's Industry	S&P Code	S&P Industry
1	Acosta, Inc.	Term Loan	Senior Secured Loan	3,000,000	Float	2.25%	95.75%	7/28/2013	B2	2720	B2	B	10	Diversified/Conglomerate Service	8	Business Equipmt
2	Advanced Lighting	Term Loan (First	Senior Secured	3,970,000	Float	2.75%	95.00%	6/1/2013	B2	2720	B1	B	13	Electronics	17	Electronics

	Technologies, Inc.	Lien)	Loan													
3	Aleris International Inc.	U.S. Loan	Senior Secured Loan	3,989,924	Float	2.00%	90.88%	12/19/2013	B2	2720	B2	B+	23	Mining, Steel, Iron and Nonprecious Metals	31	Minerals/Mining
4	Amerigroup Corporation	Credit-Linked Letter of Credit	Senior Secured Loan	3,970,000	Float	2.00%	97.00%	4/15/2012	B1	2220	Ba3	BB	20	Insurance	29	Insurance
5	Appleton Papers Inc.	Term B Loan	Senior Secured Loan	4,233,393	Float	1.75%	94.88%	6/5/2014	B1	2220	Ba2	BB-	11	Diversified Natural Resources, Precious Metals, and Minerals	24	Forest products
6	APS Healthcare, Inc.	Term Loan (First Lien)	Senior Secured Loan	2,039,750	Float	3.25%	94.50%	3/30/2013	B3	3490	B1	B	17	Healthcare, Education, and Childcare	25	Health care
7	Aramark Corporation	LC Facility Letter of Credit	Senior Secured Loan	266,814	Float	2.15%	95.09%	1/26/2014	B1	2220	Ba3	B+	10	Diversified/Conglomerate Service	23	Food service
8	Aramark Corporation	U.S. Term Loan	Senior Secured Loan	3,733,186	Float	1.88%	95.09%	1/26/2014	B1	2220	Ba3	B+	10	Diversified/Conglomerate Service	23	Food service
9	Asurion Corporation	Term Loan (First Lien)	Senior Secured Loan	6,000,000	Float	3.00%	96.33%	7/3/2014	B2	2720	B2	B-	14	Finance	20	Banking
10	BABSN 2007-1A	Floating - 01/2021 - D1 - 05617AAA9	Structured Finance Secu	1,500,000	Float	3.25%	73.52%	1/18/2021	Ba2	990	Ba2	BB	34	Structured Finance Securities	50	CDO
11	Brown Publishing Company, The	Loan (Second Lien)	Second Lien Loan	2,000,000	Float	7.50%	99.48%	9/14/2014	B3	3490	B3	B-	26	Printing and Publishing	33	Publishing
12	Canwest Mediaworks Limited Partnership	Credit D	Senior Secured Loan	2,000,000	Float	2.00%	95.63%	7/10/2014	B1	2220	Ba1	B	26	Printing and Publishing	33	Publishing
13	Capella Healthcare, Inc.	First Lien Term Loan	Senior Secured Loan	1,983,784	Float	2.50%	96.63%	11/30/2012	B3	3490	B2	B	17	Healthcare, Education, and Childcare	25	Health care
14	CCM Merger Inc. (Motor City Casino)	Term B Loan	Senior Secured Loan	1,984,739	Float	2.00%	97.63%	7/13/2012	B1	2220	Ba3	B	19	Hotels, Motels, Inns, and Gaming	27	Hotels
15	Celanese US Holdings LLC	CL Loan	Senior Secured Loan	2,000,000	Float	1.75%	98.00%	4/2/2014	Ba3	1766	Ba3	BB	6	Chemicals, Plastics, and Rubber	10	Chemicals
16	Celanese US Holdings LLC	Term Loan	Senior Secured Loan	997,487	Float	1.75%	96.00%	4/2/2014	Ba3	1766	Ba3	BB	6	Chemicals, Plastics, and Rubber	10	Chemicals
17	Cenveo Corporation	Term C Facility	Senior Secured Loan	1,741,858	Float	1.75%	96.38%	6/21/2013	B1	2220	Ba2	BB-	29	Telecommunications	38	Telecommunications
18	CFF Acquisition LLC,	Term Loan A	Senior Secured Loan	4,000,000	Float	3.75%	99.50%	7/31/2013	B3	3490	B3	B-	21	Leisure and Amusement	30	Leisure
19	CHS/ Community Health Systems, Inc.	Delayed Draw Term Loan	Senior Secured Loan	185,615	Float	2.25%	96.28%	7/25/2014	B1	2220	Ba3	B+	17	Healthcare, Education, and Childcare	25	Health care
20	CHS/ Community Health Systems, Inc.	Funded Term Loan	Senior Secured Loan	3,690,642	Float	2.25%	90.28%	7/25/2014	B1	2220	Ba3	B+	17	Healthcare, Education, and Childcare	25	Health care
21	Cinemark USA, Inc.	Term Loan	Senior Secured Loan	4,000,000	Float	1.75%	95.25%	10/5/2013	B1	2220	Ba3	B	21	Leisure and Amusement	30	Leisure
22	Citco III Limited	B Term Loan	Senior Secured Loan	4,275,000	Float	2.25%	96.80%	6/30/2014	Ba3	1766	Ba3	BBB-	8	Personal and Nondurable Consumer Products (Manufacturing Only)	14	Cosmetics
23	Commscope, Inc.	Term B Loan	Senior Secured Loan	4,000,000	Float	2.50%	90.00%	12/26/2014	Ba3	1766	Ba3	BB-	29	Telecommunications	38	Telecommunications
24	Continental Alloys & Services, Inc.	U.S. Term Advance	Senior Secured Loan	995,000	Float	2.50%	95.13%	6/15/2012	B2	2720	B2	B	24	Oil and Gas	32	Oil and gas
25	Covanta Energy Corporation	Funded Letter of Credit	Senior Secured Loan	622,012	Float	1.40%	96.00%	2/9/2014	Ba2	1350	Ba2	BB-	24	Oil and Gas	32	Oil and gas
26	Covanta Energy Corporation	Term Loan	Senior Secured Loan	1,334,626	Float	1.50%	96.00%	2/9/2014	Ba2	1350	Ba2	BB-	24	Oil and Gas	32	Oil and gas
27	Culligan International Company	Dollar Loan	Senior Secured Loan	2,493,719	Float	2.25%	90.90%	11/24/2012	B3	3490	B2	B	4	Beverage, Food and Tobacco	4	Beverage and tobacco
28	DaVita Inc.	Tranche B-1 Term Loan	Senior Secured Loan	1,000,000	Float	1.50%	96.00%	10/5/2012	Ba3	1766	Ba1	BB-	17	Healthcare, Education, and Childcare	25	Health care
29	DeCrane Aircraft Holdings, Inc.	First Lien Term Loan	Senior Secured Loan	4,200,000	Float	2.75%	96.53%	2/21/2013	B3	3490	B1	B-	1	Aerospace and Defense	1	Aerospace
30	Edgen Murray Corporation	Term Loan (Second Lien)	Second Lien Loan	2,000,000	Float	6.25%	92.25%	5/11/2015	B2	2720	B3	B-	23	Mining, Steel, Iron and Nonprecious Metals	36	Steel
31	Edgen Murray Corporation	US Term Loan	Senior Secured Loan	3,977,506	Float	2.75%	96.06%	5/11/2014	B2	2720	B3	B-	23	Mining, Steel, Iron and Nonprecious Metals	36	Steel
32	Education Management LLC	Tranche C Term Loan	Senior Secured Loan	4,544,667	Float	1.75%	94.64%	6/1/2013	B2	2720	B2	B	17	Healthcare, Education, and Childcare	25	Health care
33	First Data Corporation	Initial Tranche B-1 Term Loan	Senior Secured Loan	3,990,000	Float	2.75%	95.06%	9/24/2014	B2	2720	Ba3	B+	14	Finance	20	Banking
34	First Data Corporation	Initial Tranche B-2 Term Loan	Senior Secured Loan	2,000,000	Float	2.75%	95.25%	9/24/2014	B2	2720	Ba3	B+	14	Finance	20	Banking
35	FleetCor Technologies Operating Company, LLC	Tranche 1 Term Loan	Senior Secured Loan	2,012,819	Float	2.25%	96.49%	4/30/2013	B1	2220	Ba3	B+	14	Finance	20	Banking
36	FleetCor Technologies Operating Company, LLC	Tranche 2 Term Loan	Senior Secured Loan	405,606	Float	2.25%	96.49%	4/30/2013	B1	2220	Ba3	B+	14	Finance	20	Banking
37	Forestar (USA) Real Estate	Term Loan	Senior Secured Loan	2,400,000	Float	4.00%	99.90%	12/1/2010	B2	2720	B2	B+	11	Diversified Natural Resources. Precious Metals, and Minerals	24	Forest products
38	Freescale Semiconductor, Inc.	Term Loan	Senior Secured Loan	3,989,924	Float	1.75%	93.88%	11/29/2013	B1	2220	Ba1	B+	13	Electronics	17	Electronics
39	Fresenius Medical Care AG & Co., KGaA/Freser	Tranche B Term Loan	Senior Secured Loan	3,355,357	Float	1.38%	97.15%	3/31/2013	Ba2	1350	Ba1	BB	17	Healthcare, Education, and Childcare	25	Health care
40	GALE 2007 - 3A	Floating - 04/2021 - E - 363205AA3	Structured Finance Seas	4,000,000	Float	3.50%	75.04%	4/19/2021	Ba2	990	Ba2	BB	34	Structured Finance Securities	50	CDO
41	Georgia-Pacific LLC	Term B Loan	Senior Secured Loan	3,966,020	Float	1.75%	95.25%	12/20/2012	Ba3	1766	Ba2	BB-	7	Containers, Packaging, and Glass	24	Forest products
42	Graham Packaging Company, L.P.	Term Loan B	Senior Secured Loan	3,400,000	Float	2.25%	95.81%	10/7/2011	B2	2720	B1	B	7	Containers, Packaging, and Glass	13	Containers
43	Grosvenor Capital Management Holdings, LLLP	Term Loan	Senior Secured Loan	3,450,197	Float	2.00%	96.96%	12/5/2013	Ba2	1350	Ba2	BB+	14	Finance	6	Brokerages
44	GSI Holdings L.L.C.	Term Loan	Senior Secured Loan	3,990,000	Float	3.00%	96.94%	8/1/2014	B2	2720	B1	B	15	Farming and Agriculture	19	Agriculture
45	GXS Worldwide, Inc. (fka GXS Corporation)	First Lien Term Loan	Senior Secured Loan	4,250,000	Float	4.00%	98.39%	3/5/2013	B2	2720	Ba3	B	29	Telecommunications	8	Business Equipmt
46	Hanger *Orthopedic*Group, Inc.	*Tranche* B Term Loan	Senior Secured Loan	2,991,745	Float	2.25%	96.17%	5/26/2013	B2	2720	Ba3	B	17	Healthcare, Education, and Childcare	25	Health care
47	Harrington Holdings, Inc.	Term Loan (First Lien)	Senior Secured Loan	2,481,250	Float	2.25%	97.25%	1/11/2014	B2	2720	B1	B	17	Healthcare, Education, and Childcare	25	Health care
48	Hawker Beechcraft Acquisition Company LLC	LC Facility Deposit	Senior Secured Loan	235,126	Float	2.00%	95.75%	3/26/2014	B2	2720	Ba3	B+	1	Aerospace and Defense	1	Aerospace
49	Hawker Beechcraft Acquisition Company LLC	Term Loan	Senior Secured Loan	2,757,927	Float	2.00%	95.75%	3/26/2014	B2	2720	Ba3	B+	1	Aerospace and Defense	1	Aerospace
50	HCA Inc.	Tranche B Term Loan	Senior Secured Loan	5,989,924	Float	2.25%	95.92%	11/18/2013	B2	2720	Ba3	B+	17	Healthcare, Education, and Childcare	25	Health care
51	Hilsinger Company, The	Term Loan	Senior Secured Loan	1,985,000	Float	3.25%	96.00%	12/31/2013	B2	2720	B2	B-	8	Personal and Nondurable Consumer Products (Manufacturing Only)	14	Cosmetics
52	Hunter Defense Technologies, Inc.	First Lien Term B Loan	Senior Secured Loan	5,000,000	Float	3.25%	95.60%	8/13/2014	B2	2720	B1	B+	1	Aerospace and Defense	1	Aerospace
53	Idearc Inc (Verizon)	Tranche B Term Loan	Senior Secured Loan	5,989,924	Float	2.00%	96.15%	11/17/2014	Ba3	1766	Ba2	BB	29	Telecommunications	38	Telecommunications
54	Ineos US Finance LLC	Term A4 Facility	Senior Secured Lon	2,304,230	Float	2.25%	97.88%	12/14/2012	B1	2220	Ba3	B+	6	Chemicals, Plastics, and Rubber	10	Chemicals
55	IneosUS Finance LLC	Term B2 Facility	Senior Secured Loan	989,899	Float	2.25%	97.25%	12/16/2013	B1	2220	Ba3	B+	6	Chemicals, Plastics, and Rubber	10	Chemicals
56	Ineos US Finance LLC	Term C2 Facility	Senior Secured Loan	989,899	Float	2.75%	97.25%	12/15/2014	B1	2220	Ba3	B+	6	Chemicals, Plastics, and Rubber	10	Chemicals
57	*JFB Firth Rixson Inc*	Term B2 Facility (USD)	*Senior Secured Loan*	*1,500,000*	*Float*	*3.00%*	99.50%	8/11/2014	B1	2220	B1	B+	1	Aerospace and Defense	1	Aerospace
58	JFB Firth Rixson Inc	Term C2 Facility (USD)	Senior Secured Loan	1,500,000	Float	3.00%	99.50%	8/11/2015	B1	2220	B1	B+	1	Aerospace and Defense	1	Aerospace
59	KATO 2006-9A	Floating - 01/2019 - B2L - 486010AA9	Structured Finance Sears	5,000,000	Float	3.50%	75.07%	1/25/2019	Ba2	990	Ba2	BB	34	Structured Finance Securities	50	CDO
60	Key Safety Systems, Inc.	Term Loan (First Lien)	Senior Secured Loan	1,985,000	Float	2.25%	94.13%	3/8/2014	B2	2720	B1	B+	2	Automobile	3	Automotive
61	Kinder Morgan Inc.	Tranche B Term Loan	Senior Secured Loan	3,826,070	Float	1.50%	96.82%	5/30/2014	Ba2	1350	Ba2	BB-	24	Oil and Gas	32	Oil and gas

The information regarding the securities set forth below pertains only to the expected portfolio of the Issuer as of the Closing Date. Due to the accumulation of additional Collateral Debt Securities and the reinvestment of Principal Proceeds and Sale Proceeds, the portfolio of the Issuer on any date after the Closing Date will differ materially from the expected initial portfolio set forth below.

	Par Amount	Weighted Average Spread	Weighted Average Coupon	WARF	Diversity	Weighted Average Purchase Price
Total Portfolio	278,725,349	2.60%	11.00%	2383	42	94.94
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Second Lien / Senior Unsecured Loans	9,025,000	6.95%	11.00%	2978	NA	97.77
Structured Finance Security	15,500,000	3.51%	NA	990	NA	74.33

	Issuer Name	Description	Asset Type	Par Amount	Fixed/ Float	Spread	Purchase Price	Maturity	Moody's Rating	Moody's RF	Moody's Facility	S&P Rating	Moody's Code	Moody's Industry	S&P Code	S&P Industry
62	Kinetek Industries, Inc.	First Lien Term B-1 Loan	Senior Secured Loan	450,000	Float	2.50%	97.50%	11/10/2013	B2	2720	B1	B	9	Diversified/Conglomerate Manufacturing	28	Industrial machinery
63	Kinetek Industries, Inc.	First Lien Term B-2 Loan	Senior Secured Loan	45,000	Float	2.50%	97.50%	11/10/2013	B2	2720	B1	B	9	Diversified/Conglomerate Manufacturing	28	Industrial machinery
64	MC Communications, LLC	Tranche C Term Loan	Senior Secured Loan	3,951,554	Float	2.50%	95.91%	12/31/2010	B2	2720	B2		10	Diversified/Conglomerate Service	8	Business Equipmt
65	Metaldyne Company LLC	Credit Linked Deposit	Senior Secured Loan	256,410	Float	3.75%	88.75%	1/11/2012	B3	3490	B2	B	2	Automobile	3	Automotive
66	Metaldyne Company LLC	Initial Tranche B Term Loan	Senior Secured Loan	1,743,590	Float	3.75%	88.75%	1/13/2014	B3	3490	B2	B	2	Automobile	3	Automotive
67	Miller Heiman Acquisition Corp.	Term Loan B	Senior Secured Loan	1,783,073	Float	3.75%	99.25%	6/1/2012	B2	2720	B2	B	10	Diversified/Conglomerate Service	8	Business Equipmt
68	National Processing Company Group, Inc. (f/k/a/	First Lien Term Loan	Senior Secured Loan	2,448,203	Float	3.00%	98.44%	9/29/2013	B3	3490	B2	B	14	Finance	20	Banking
69	NewPage Corporation	Term Loan	Senior Secured Loan	3,300,000	Float	3.75%	98.55%	12/22/2014	B1	2220	Ba2	B	11	Diversified Natural Resources, Precious Metals, and Minerals	24	Forest products
70	Nielsen Finance LLC	Dollar Term Loan	Senior Secured Loan	5,992,429	Float	2.25%	94.65%	8/9/2013	B2	2720	Ba3	B	33	Broadcasting, Motion Pictures and Entertainment	5	Broadcast
71	NAG Energy, Inc.	Credit-Linked Deposit	Senior Secured Loan	1,066,667	Float	1.75%	94.81%	2/1/2013	Ba3	1766	Ba2	B+	32	Utilities	39	Utilities
72	NRG Energy, Inc.	Term Loan	Senior Secured Loan	2,933,333	Float	1.75%	94.81%	2/1/2013	Ba3	1766	Ba1	B+	32	Utilities	39	Utilities
73	Nuveen Investments, Inc.	Term Loan	Senior Secured Loan	4,000,000	Float	3.00%	98.81%	11/13/2014	B1	2220	Ba3	B+	14	Finance	20	Banking
74	Nyco Holdings 3 ApS	Facility B2	Senior Secured Loan	1,900,000	Float	2.25%	92.32%	12/29/2014	B1	2220	B1	B+	17	Healthcare, Education, and Childcare	25	Health care
75	Nyco Holdings 3 ApS	Facility C2	Senior Secured Loan	1,900,000	Float	3.00%	92.32%	12/29/2015	B1	2220	B1	B+	17	Healthcare, Education, and Childcare	25	Health care
76	Ones Carestream Finance LP	Term Loan (First Lien)	Senior Secured Loan	2,950,331	Float	2.00%	96.17%	4/30/2013	B1	2220	B2	B+	17	Healthcare, Education, and Childcare	25	Health care
77	Penton Media, Inc.	Term Loan (First Lien)	Senior Secured Loan	2,150,025	Float	2.25%	90.35%	2/1/2013	B2	2720	B1	B	26	Printing and Publishing	33	Publishing
78	Pinnacle Foods Finance LLC	Term Loan	Senior Secured Loan	5,000,000	Float	2.75%	93.75%	4/2/2014	B3	3490	B2	B	25	Personal, Food, and Miscellaneous Services	22	Food products
79	Psychiatric Solutions, Inc.	Term Loan	Senior Secured Loan	2,213,375	Float	1.75%	96.25%	7/2/2012	B1	2220	Ba3	B+	17	Healthcare, Education, and Childcare	25	Health care
80	QA Direct Holdings, LLC	Term Loan	Senior Secured Loan	1,994,987	Float	4.00%	99.00%	8/10/2014	B2	2720	B1	B+	10	Diversified/Conglomerate Service	12	Conglomerates
81	QCE, LLC (Quiznos)	Term Loan (First Lien)	Senior Secured Loan	2,992,405	Float	2.25%	91.75%	5/5/2013	B2	2720	B2	B	28	Retail Stores	23	Food service
82	Qualitor Acquisition Corp.	Second Lien Term Loan	Second Lien Loan	1,025,000	Float	7.25%	96.50%	6/30/2012	B3	3490	B3	B-	2	Automobile	3	Automotive
83	Quintiles Transnational Corp.	Term B Loan (First Lien)	Senior Secured Loan	1,396,447	Float	2.00%	98.38%	3/31/2013	B1	2220	B1	BB-	17	Healthcare, Education, and Childcare	25	Health care
84	Royalty Pharma Finance Trust	Tranche B Tema Loan	Senior Secured Loan	3,291,709	Float	2.25%	99.00%	4/16/2013	Baa2	360	Baa2	BBB-	14	Finance	15	Drugs
85	Seminole Tribe of Florida	Term B-1 Delay Draw Loan	Senior Secured Loan	248,421	Float	1.50%	98.13%	3/5/2014	Baa3	610	Baa3	BBB	21	Leisure and Amusement	30	Leisure
86	Seminole Tribe of Florida	Term B-2 Delay Draw Loan	Senior Secured Loan	847,368	Float	1.50%	98.13%	3/5/2014	Baa3	610	Baa3	BBB	21	Leisure and Amusement	30	Leisure
87	Seminole Tribe of Florida	Term B-3 Delay Draw Loan	Senior Secured Loan	866,397	Float	1.50%	98.13%	3/5/2014	Baa3	610	Baa3	BBB	21	Leisure and Amusement	30	Leisure
88	Specialized Technology Resources, Inc.	Term Loan (First Lien)	Senior Secured Loan	1,982,519	Float	2.50%	96.15%	6/15/2014	B2	2720	B1	B	9	Diversified/Conglomerate Manufacturing	12	Conglomerates
89	STCLO 2007-6A	Floating - 04/2021 - D- 86176YAG7	Structured Finance Secu	5,000,000	Float	3.60%	73.26%	4/17/2021	Ba2	990	Ba2	BB	34	Structured Finance Securities	50	CDO
90	Stronghaven, Incorporated	Term Loan B	Second Lien Loan	4,000,000	Fixed	11.00%	100.00%	10/31/2010	B2	2720	B2	B	7	Containers, Packaging, and Glass	13	Containers
91	SunGard Data Systems Inc (Solar Capital Corp)	New US Term Loan	Senior Secured Loan	5,000,000	Float	2.00%	95.85%	2/28/2014	B2	2720	Ba3	B+	14	Finance	20	Banking
92	Targus Group International	First Lien Tranche B Term Loan	Senior Secured Loan	3,000,000	Float	3.50%	90.96%	11/22/2012	Caal	4770	B2	B-	13	Electronics	17	Electronics
93	Texas Competitive Electric Holdings Company,1	Initial Tranche B-2 Term Loan	Senior Secured Loan	5,985,000	Float	3.50%	97.92%	10/10/2014	Ba3	1766	Ba3	B-	32	Utilities	39	Utilities
94	TransFirst Holdings,Inc.	Term Loan (First Lien)	Senior Secured Loan	2,487,500	Float	2.75%	95.75%	6/15/2014	B3	3490	B2	B	14	Finance	20	Banking
95	USI Holdings Corporation	Tranche B Term Loan	Senior Secured Loan	2,982,513	Float	2.75%	95.00%	5/5/2014	B3	3490	B2	B-	20	Insurance	29	Insurance
96	Weight Watchers International, Inc.	Term B Loan	Senior Secured Loan	4,115,142	Float	1.50%	97.71%	1/26/2014	Ba1	940	Ba1	BB	25	Personal, Food, and Miscellaneous Services	22	Food products
97	Wenner Media LLC	Term Loan	Senior Secured Loan	1,984,293	Float	1.75%	98.25%	10/2/2013	Ba3	1766	Ba3	B+	26	Printing and Publishing	33	Publishing
98	WireCo WorldGroup Inc.	Term Loan	Senior Secured Loan	3,986,714	Float	2.25%	95.00%	2/10/2014	B2	2720	B1	B	23	Mining, Steel, Iron and Nonprecious Metals	31	Minerals/Mining
99	Worldwide Express Operations, LLC	Term Loan	Senior Secured Loan	3,989,305	Float	4.25%	100.00%	6/30/2013	B3	3490	B3	B-	27	Cargo Transport	2	Air transport
100	Yell Group Plc	Facility B1	Senior Secured Loan	4,000,000	Float	2.00%	97.19%	10/27/2012	Ba3	1766	Ba3	BB-	26	Printing and Publishing	33	Publishing

Divider

SCHEDULE B-1

MOODY'S INDUSTRY CLASSIFICATION GROUP LIST

1. Aerospace and Defense

2. Automobile
3. Banking
4. Beverage, Food and Tobacco
5. Buildings and Real Estate
6. Chemicals, Plastics and Rubber
7. Containers, Packaging and Glass
8. Personal and Non-Durable Consumer Products (Manufacturing Only)
9. Diversified/Conglomerate Manufacturing
10. Diversified/Conglomerate Service
11. Diversified Natural Resources, Precious Metals and Minerals
12. Ecological
13. Electronics
14. Finance
15. Farming and Agriculture
16. Grocery
17. Healthcare, Education and Childcare
18. Home and Office Furnishings, Housewares and Durable Consumer Products
19. Hotels, Motels, Inns and Gaming
20. Insurance
21. Leisure and Amusement
22. Machinery (Non-Agriculture, Non-Construction and Non-Electronic)
23. Mining, Steel, Iron and Non-Precious Metals
24. Oil and Gas
25. Personal, Food and Miscellaneous Services
26. Printing and Publishing
27. Cargo Transport
28. Retail Store
29. Telecommunications
30. Textiles and Leather
31. Personal Transportation
32. Utilities
33. Broadcasting and Entertainment
34. Structured Finance Obligations

Divider

SCHEDULE B-2

S&P INDUSTRY CLASSIFICATION GROUP LIST**

0	Zero Default Risk
1	Aerospace & Defense
2	Air transport
3	Automotive
4	Beverage & Tobacco
5	Radio & Television
6	Brokers, Dealers & Investment Houses
7	Building & Development
8	Business equipment & services
9	Cable & satellite television
10	Chemicals & plastics
11	Clothing/textiles
12	Conglomerates
13	Containers & glass products
14	Cosmetics/toiletries
15	Drugs
16	Ecological services & equipment
17	Electronics/electrical
18	Equipment leasing
19	Farming/agriculture
20	Financial intermediaries
21	Food/drug retailers
22	Food products
23	Food service
24	Forest products
25	Health care
26	Home furnishings
27	Lodging & casinos
28	Industrial equipment
29	Insurance
30	Leisure goods/activities/movies

31 Nonferrous metals/minerals
32 Oil & gas
33 Publishing
34 Rail industries
35 Retailers (except food & drug)
36 Steel
37 Surface transport
38 Telecommunications
39 Utilities

** This list may be modified from time to time to conform to the Industry Classification Group currently reflected in S&P's criteria.

Divider

SCHEDULE C

LIBOR FORMULA

For purposes of calculating the Floating Rates, the Co-Issuers will appoint the Trustee as calculation agent (in such capacity, the "Calculation Agent"). With respect to each Interest Accrual Period, "LIBOR" for purposes of determining the Floating Rates means the rate determined by the Calculation Agent in accordance with the following provisions:

(1) LIBOR for any Interest Accrual Period will equal the offered rate, as obtained by the Calculation Agent, for U.S. Dollar deposits of the Designated Maturity which appears on the Reuters Screen LIBOR01 (as defined in the International Swaps and Derivatives Association, Inc. 2006 ISDA Definitions) or such other screen as may replace Reuters Screen LIBOR01, for the purpose of displaying comparable rates as of 11:00 a.m. (London time) on the applicable LIBOR Determination Date as reported by Bloomberg Financial Markets Commodities News. "LIBOR Determination Date" means, with respect to any Interest Accrual Period, the second London Banking Day prior to the first day of such Interest Accrual Period. "London Banking Day" means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

(2) If, on any LIBOR Determination Date, such rate does not appear on the Reuters Screen LIBOR01 (or such other page as may replace such Reuters Screen LIBOR01 for the purpose of displaying comparable rates), the Calculation Agent will determine the arithmetic mean of the offered quotations of the Reference Banks to prime banks in the London interbank market for U.S. Dollar deposits of the Designated Maturity, by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such LIBOR Determination Date made by the Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR will equal such arithmetic mean. If, on any LIBOR Determination Date, fewer than two Reference Banks provide such quotations, LIBOR will be deemed to be the arithmetic mean of the offered quotations that one or more leading banks in New York City selected by the Calculation Agent (after consultation with the Collateral Manager) are quoting on the relevant LIBOR Determination Date for U.S. Dollar deposits for the Designated Maturity, to the principal London offices of leading banks in the London interbank market. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Calculation Agent.

(3) If the Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures described above, LIBOR with respect to such Interest Accrual Period will be the arithmetic mean of the base rate for each day during such Interest Accrual Period.

For purposes of clause (1) above, all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point. For the purposes of clauses (2) and (3) above, all percentages resulting from such calculations will be rounded, if necessary, to the nearest one thirty-second of a percentage point.

With respect to any Collateral Debt Security, LIBOR shall be the London interbank offered rate determined in accordance with the related Underlying Instrument.

"Designated Maturity": Three months; provided, that with respect to the initial Interest Accrual Period and the Interest Accrual Period related to the Stated Maturity of each Note, "Designated Maturity" will mean the total number of days elapsed in such Interest Accrual Period. LIBOR for the first Interest Accrual Period will be determined by interpolating from the rate corresponding to the integer maturity obtained when the Designated Maturity is rounded down and the rate corresponding to the integer maturity obtained when the Designated Maturity is rounded up; provided that, if an Interest Accrual Period is less than or equal to seven days, then LIBOR will be determined as if the maturity of the Dollar deposits referred to therein were a period of time equal to seven days.

Divider

SCHEDULE D

DIVERSITY SCORE TABLE

Aggregate Industry/ Regional Equivalent Unit Score	Diversity Score	Aggregate Industry Regional Equivalent Unit Score	Diversity Score	Aggregate Industry/ Regional Equivalent Unit Score	Diversity Score	Aggregate Industry/ Regional Equivalent Unit Score	Diversity Score
0.0000	0.0000	5.0500	2.7000	10.1500	4.0200	15.2500	4.5300
0.0500	0.1000	5.1500	2.7333	10.2500	4.0300	15.3500	4.5400
0.1500	0.2000	5.2500	2.7667	10.3500	4.0400	15.4500	4.5500
0.2500	0.3000	5.3500	2.8000	10.4500	4.0500	15.5500	4.5600
0.3500	0.4000	5.4500	2.8333	10.5500	4.0600	15.6500	4.5700
0.4500	0.5000	5.5500	2.8667	10.6500	4.0700	15.7500	4.5800
0.5500	0.6000	5.6500	2.9000	10.7500	4.0800	15.8500	4.5900
0.6500	0.7000	5.7500	2.9333	10.8500	4.0900	15.9500	4.6000
0.7500	0.8000	5.8500	2.9667	10.9500	4.1000	16.0500	4.6100
0.8500	0.9000	5.9500	3.0000	11.0500	4.1100	16.1500	4.6200
0.9500	1.0000	6.0500	3.0250	11.1500	4.1200	16.2500	4.6300
1.0500	1.0500	6.1500	3.0500	11.2500	4.1300	16.3500	4.6400
1.1500	1.1000	6.2500	3.0750	11.3500	4.1400	16.4500	4.6500
1.2500	1.1500	6.3500	3.1000	11.4500	4.1500	16.5500	4.6600
1.3500	1.2000	6.4500	3.1250	11.5500	4.1600	16.6500	4.6700
1.4500	1.2500	6.5500	3.1500	11.6500	4.1700	16.7500	4.6800
1.5500	1.3000	6.6500	3.1750	11.7500	4.1800	16.8500	4.6900
1.6500	1.3500	6.7500	3.2000	11.8500	4.1900	16.9500	4.7000
1.7500	1.4000	6.8500	3.2250	11.9500	4.2000	17.0500	4.7100
1.8500	1.4500	6.9500	3.2500	12.0500	4.2100	17.1500	4.7200
1.9500	1.5000	7.0500	3.2750	12.1500	4.2200	17.2500	4.7300
2.0500	1.5500	7.1500	3.3000	12.2500	4.2300	17.3500	4.7400
2.1500	1.6000	7.2500	3.3250	12.3500	4.2400	17.4500	4.7500
2.2500	1.6500	7.3500	3.3500	12.4500	4.2500	17.5500	4.7600
2.3500	1.7000	7.4500	3.3750	12.5500	4.2600	17.6500	4.7700
2.4500	1.7500	7.5500	3.4000	12.6500	4.2700	17.7500	4.7800
2.5500	1.8000	7.6500	3.4250	12.7500	4.2800	17.8500	4.7900
2.6500	1.8500	7.7500	3.4500	12.8500	4.2900	17.9500	4.8000
2.7500	1.9000	7.8500	3.4750	12.9500	4.3000	18.0500	4.8100
2.8500	1.9500	7.9500	3.5000	13.0500	4.3100	18.1500	4.8200
2.9500	2.0000	8.0500	3.5250	13.1500	4.3200	18.2500	4.8300
3.0500	2.0333	8.1500	3.5500	13.2500	4.3300	18.3500	4.8400
3.1500	2.0667	8.2500	3.5750	13.3500	4.3400	18.4500	4.8500
3.2500	2.1000	8.3500	3.6000	13.4500	4.3500	18.5500	4.8600
3.3500	2.1333	8.4500	3.6250	13.5500	4.3600	18.6500	4.8700
3.4500	2.1667	8.5500	3.6500	13.6500	4.3700	18.7500	4.8800
3.5500	2.2000	8.6500	3.6750	13.7500	4.3800	18.8500	4.8900
3.6500	2.2333	8.7500	3.7000	13.8500	4.3900	18.9500	4.9000
3.7500	2.2667	8.8500	3.7250	13.9500	4.4000	19.0500	4.9100
3.8500	2.3000	8.9500	3.7500	14.0500	4.4100	19.1500	4.9200
3.9500	2.3333	9.0500	3.7750	14.1500	4.4200	19.2500	4.9300
4.0500	2.3667	9.1500	3.8000	14.2500	4.4300	19.3500	4.9400
4.1500	2.4000	9.2500	3.8250	14.3500	4.4400	19.4500	4.9500
4.2500	2.4333	9.3500	3.8500	14.4500	4.4500	19.5500	4.9600
4.3500	2.4667	9.4500	3.8750	14.5500	4.4600	19.6500	4.9700
4.4500	2.5000	9.5500	3.9000	14.6500	4.4700	19.7500	4.9800
4.5500	2.5333	9.6500	3.9250	14.7500	4.4800	19.8500	4.9900
4.6500	2.5667	9.7500	3.9500	14.8500	4.4900	19.9500	5.0000
4.7500	2.6000	9.8500	3.9750	14.9500	4.5000		
4.8500	2.6333	9.9500	4.0000	15.0500	4.5100		
4.9500	2.6667	10.0500	4.0100	15.1500	4.5200		

Source: Moody's Investors Service Inc.

Divider

SCHEDULE E

DETERMINATION OF RECOVERY RATE PERCENTAGE

Standard & Poor's

As of any date of determination, in making calculations with respect to any Class of Notes (including calculation of the S&P Weighted Average Recovery Rate Test), the Standard & Poor's recovery rate (the "Standard & Poor's Recovery Rate") with respect to any Collateral Debt Security will be the percentage for such Collateral Debt Security set forth in (x) the applicable table below, (y) the row in such table opposite the Standard & Poor's CRR of such Collateral Debt Security (or, in the case of a Form-Approved Synthetic Security, the Reference Obligation unless otherwise specified by Standard & Poor's) and (z) the column in such table below the current S&P Rating of the respective Class of Notes; provided, that (i) with respect to a DIP Loan or a Synthetic Security, the Standard & Poor's Recovery Rate shall be the recovery rate assigned by Standard & Poor's or, if not assigned, shall be the recovery rate assigned to a Senior Secured Loan in Table IV below, and with respect to a Structured Finance Security the Standard & Poor's Recovery Rate shall be the recovery rate determined by reference to Table V or Table VI below, as applicable and (ii) the Issuer or the Collateral Manager may request the assignment of a recovery rate from Standard & Poor's with respect to any Collateral Debt Security, any such assignment by Standard & Poor's to be in writing (electronic or otherwise). Notwithstanding anything in this Indenture to the contrary, the recovery rate for each Asset Specific Hedged Collateral Debt Security must be assigned by Standard & Poor's at the time of entry into the applicable Asset Specific Hedge.

Table I (if the Collateral Debt Security has a Standard & Poor's CRR):

Recovery Rates for Assets With Corporate Recovery Ratings

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
Asset recovery rating						
1+	100%	100%	100%	100%	100%	100%
1	92%	94%	96%	98%	100%	100%
2	78%	81%	84%	87%	90%	90%
3	58%	61%	64%	67%	70%	70%
4	38%	41%	44%	47%	50%	50%
5	16%	20%	24%	27%	30%	30%
6	6%	7%	8%	9%	10%	10%

**As of the Closing Date.

Table II (if the Collateral Debt Security is a Senior Unsecured Loan and has no Standard & Poor's CRR, but other senior secured corporate debt of the same obligor has a Standard & Poor's CRR)

U.S. Recovery Rates of Corporate Senior Unsecured Debt If Senior Secured Debt Has A Recovery Rating

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
Senior secured recovery ratings						
1+	53%	55%	57%	59%	61%	61%
1	48%	50%	52%	54%	56%	56%
2	43%	45%	47%	49%	51%	51%
3	39%	41%	43%	45%	47%	47%
4	22%	24%	26%	28%	30%	30%
5	8%	10%	12%	14%	15%	15%
6	4%	4%	4%	4%	4%	4%

** As of the Closing Date.

Table III (if the Collateral Debt Security is a subordinated obligation and has no Standard & Poor's CRR, but other senior secured corporate debt of the same obligor has a Standard & Poor's CRR)

U.S. Recovery Rates of Corporate Subordinnted Debt If Senior Secured Debt Has A Recovery Rating

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
Senior secured recovery ratings						
1+	25%	25%	25%	25%	25%	25%
1	22%	22%	22%	22%	22%	22%
2	20%	20%	20%	20%	20%	20%
3	20%	20%	20%	20%	20%	20%
4	10%	10%	10%	10%	10%	10%
5	5%	5%	5%	5%	5%	5%
6	2%	2%	2%	2%	2%	2%

** As of the Closing Date.

Table IV (if none of Table I, Table II or Table III is applicable)

Standard & Poor's U.S. Tiered Corporate Recovery Rates
(for Collateral Debt Securities that do not have a Standard & Poor's CRR)*

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
U.S. loan recovery rates						
Senior Secured Loans+	56%	60%	64%	67%	70%	70%
Cov-Lite Loans	51%	54%	57%	60%	63%	63%
Senior Unsecured Loans and Second Lien Loans*++	40%	42%	44%	46%	48%	48%
Subordinated loans	22%	22%	22%	22%	22%	22%
U.S. bond recovery rates						
Senior Secured Notes	48%	49%	50%	51%	52%	52%
Unsecured bonds	38%	41%	42%	44%	45%	45%
Subordinated bonds	19%	19%	19%	19%	19%	19%

* The aggregate principal amount of all Second Lien Loans without a Standard & Poor's CRR (excluding any Defaulted Obligations) that, in the aggregate, represent up to 15% of the CDS Principal Balance will have the Standard & Poor's Recovery Rate specified for Second Lien Loans in the table above. The aggregate principal amount of all Second Lien Loans without a Standard & Poor's CRR (excluding any Defaulted Obligations) in excess of 15% of the CDS Principal Balance will have the Standard & Poor's Recovery Rate specified for Subordinated Loans in the table above.

**As of the Closing Date.

+ Solely for the purpose of determining the Standard & Poor's Recovery Rate for such Loan, no Loan shall constitute a "Senior Secured Loan" if such Loan does not have a Standard & Poor's CRR or a Standard & Poor's Recovery Rate assigned as part of a credit estimate, unless such Loan, in the Collateral Manager's commercially reasonable judgment (with such determination being made in good faith by the Collateral Manager at the time of such Loan's purchase and based upon information reasonably available to the Collateral Manager at such time and without any requirement of additional investigation beyond the Collateral Manager's customary credit review procedures), is secured by specified collateral that has a value not less than an amount equal to the sum of (i) the aggregate principal amount of all Loans senior or *pari passu* to such Loans and (ii) the outstanding principal balance of such Loan, which value may be derived from, among other things, the enterprise value of the issuer of such Loan *(provided*, that the terms of this proviso may be amended or revised at any time by a written agreement of the Issuer, the Collateral Manager and the Trustee (without the consent of any holder of any Note), subject to Rating Agency Confirmation from Standard & Poor's, in order to conform to Standard & Poor's then-current criteria for such Loans).

++ Solely for the purpose of determining the Standard & Poor's Recovery Rate for any Loan, no Loan shall constitute a "Second Lien Loan" if such Loan does not have a Standard & Poor's CRR or a Standard & Poor's Recovery Rate assigned as part of a credit estimate, unless such Loan, in the Collateral Manager's commercially reasonable judgment (with such determination being made in good faith by the Collateral Manager at the time of such Loan's purchase and based upon information reasonably available to the Collateral Manager at such time and without any requirement of additional investigation beyond the Collateral Manager's customary credit review procedures), is secured by specified collateral that has a value not less than an amount equal to the sum of (i) the aggregate principal amount of all Loans senior or *pari passu* to such Loan and (ii) the outstanding principal balance of such Loan, which value may be derived from, among other things, the enterprise value of the issuer of such Loan *(provided*, that the terms of this footnote may be amended or revised at any time by a written agreement of the Issuer, the Collateral Manager and the Trustee (without the consent of any holder of

any Note), subject to Rating Agency Confirmation from Standard & Poor's, in order to conform to Standard & Poor's then-current criteria for such Loans).

Standard & Poor's Recovery Rates for Structured Finance Securities

Table V (if the Structured Finance Security is the Senior-most tranche of securities issued by the issuer of or obligor on such Structured Finance Security)

S&P Rating of Collateral Debt Security at the Date of Issuance	Recovery Rate by S&P Rating of Class of Notes on the Applicable Measurement Date						
	AAA	AA	A	BBB	BB	B	CCC
AAA	80%	85%	90%	90%	90%	90%	90%
AA	70%	75%	85%	90%	90%	90%	90%
A	60%	65%	75%	85%	90%	90%	90%
BBB	50%	55%	65%	75%	85%	85%	85%
BB*							
B*							
CCC*							

* As assigned by Standard & Poor's on a case-by-case basis.

Table VI (if the Structured Finance Security is not the Senior-most tranche of securities issued by the issuer of or obligor on such Structured Finance Security)

S&P Rating of Collateral Debt Security at the Date of Issuance	Recovery Rate by S&P Rating of Class of Notes on the Applicable Measurement Date						
	AAA	AA	A	BBB	BB	B	CCC
AAA	65%	75%	80%	85%	85%	85%	85%
AA	55%	65%	75%	80%	80%	80%	80%
A	40%	45%	55%	65%	80%	80%	80%
BBB	30%	35%	40%	45%	50%	60%	70%
BB	10%	10%	10%	25%	35%	40%	50%

B	3%	5%	5%	10%	10%	20%	25%
CCC	0%	0%	0%	0%	3%	5%	5%

In all recovery rate tables above, Note rating categories below "AAA" include rating subcategories (for example, the "AA" column also applies to Notes rated "AA+" and "AA-").

"Cov-Lite Loan": A Loan that (i) does not contain any financial covenants or (ii) requires the borrower to comply with an Incurrence Covenant, but no Maintenance Covenants.

"Incurrence Covenant": A covenant by the borrower of a Loan to comply with one or more financial covenants only upon the occurrence of certain actions of the borrower including, but not limited to, a debt issuance, dividend payment, share purchase, merger, acquisition or divestiture.

"Maintenance Covenant": A covenant by the borrower of a Loan to comply with one or more financial covenants during each reporting period, whether or not it has taken any specified action.

"Standard & Poor's CRR": With respect to any Collateral Debt Security, a corporate recovery rate assigned by Standard & Poor's to such Collateral Debt Security.

"Standard & Poor's CRR Recovery Rate": With respect to any Collateral Debt Security to which Standard & Poor's has assigned a Standard & Poor's CRR, the recovery rate determined in accordance with the definition of Standard & Poor's Recovery Rate.

"Standard & Poor's Group A1 Countries": The "Standard & Poor's Group A1 Countries," as determined from time to time by Standard & Poor's, which as of the date hereof are the United Kingdom, Ireland, Finland, Denmark, The Netherlands, South Africa, Australia and New Zealand.

"Standard & Poor's Group A2 Countries": The "Standard & Poor's Group A2 Countries," as determined from time to time by Standard & Poor's, which as of the date hereof are Belgium, Germany, Austria, Spain, Portugal, Luxembourg, Switzerland, Sweden, Norway, Hong Kong and Singapore.

"Standard & Poor's Group B Countries": The "Standard & Poor's Group B Countries," as determined from time to time by Standard & Poor's, which as of the date hereof are France, Italy, Greece, Japan, South Korea and Taiwan.

"Standard & Poor's Group Countries": The Standard & Poor's Group Al Countries, the Standard & Poor's Group A2 Countries and the Standard & Poor's Group B Countries.

Table VII

Emerging Market Recoveries

	AAA	AA	A	BBB	BB	B and CCC
Sovereign Debt	37%	38%	40%	47%	49%	50%
Corporate Debt	22%	24%	32%	33%	35%	37%

Table VIII (Standard & Poor's Group A1 Countries)

Europe and Asia Recovery Rates of Senior Unsecured Debt If Senior Secured Debt Has A Recovery Rating

Rating of Class of Secured Notes**	AAA	AA	A	BBB	BB	B and CCC
Senior secured recovery ratings						
1+	65%	68%	71%	73%	76%	76%
1	57%	60%	63%	65%	68%	68%
2	50%	53%	55%	57%	59%	59%
3	42%	45%	47%	49%	51%	51%
4	18%	18%	18%	18%	18%	18%
5	8%	8%	8%	8%	8%	8%
6	4%	4%	4%	4%	4%	4%

** As of the Closing Date.

Table IX (Standard & Poor's Group A2 Countries)

Europe and Asia Recovery Rates of Senior Unsecured Debt If Senior Secured Debt Has A Recovery Rating

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
Senior secured recovery ratings						
1+	53%	55%	57%	59%	61%	61%
1	48%	50%	52%	54%	56%	56%
2	43%	45%	47%	49%	51%	51%
3	39%	41%	43%	45%	47%	47%
4	18%	18%	18%	18%	18%	18%
5	8%	8%	8%	8%	8%	8%

6	4%	4%	4%	4%	4%	4%

** As of the Closing Date.

Table X (Standard & Poor's Group B Countries)

Europe and Asia Recovery Rates of Senior Unsecured Debt If Senior Secured Debt Has A Recovery Rating

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
Senior secured recovery ratings						
1+	45%	46%	48%	49%	51%	51%
1	41%	43%	44%	46%	47%	48%
2	37%	39%	41%	42%	44%	44%
3	33%	36%	37%	39%	40%	41%
4	16%	16%	16%	16%	16%	16%
5	6%	6%	6%	6%	6%	6%
6	3%	3%	3%	3%	3%	3%

** As of the Closing Date.

Table XI (Standard & Poor's Group A1 Countries)

Europe and Asia Recovery Rates of Subordinated Debt If Senior Secured Debt Has A Recovery Rating

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
Senior secured recovery ratings						
1+	22%	22%	22%	22%	22%	22%
1	20%	20%	20%	20%	20%	20%
2	18%	18%	18%	18%	18%	18%
3	18%	18%	18%	18%	18%	18%
4	9%	9%	9%	9%	9%	9%
5	4%	4%	4%	4%	4%	4%
6	2%	2%	2%	2%	2%	2%

** As of the Closing Date.

Table XII (Standard & Poor's Group A2 Countries)

Europe and Asia Recovery Rates of Subordinated Debt If Senior Secured Debt Has A Recovery Rating

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
Senior secured recovery ratings						
1+	22%	22%	22%	22%	22%	22%
1	20%	20%	20%	20%	20%	20%
2	18%	18%	18%	18%	18%	18%
3	18%	18%	18%	18%	18%	18%
4	9%	9%	9%	9%	9%	9%
5	4%	4%	4%	4%	4%	4%
6	2%	2%	2%	2%	2%	2%

** As of the Closing Date.

Table XIII (Standard & Poor's Group B Countries)

Europe and Asia Recovery Rates of Subordinated Debt If Senior Secured Debt Has A Recovery Rating

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
Senior secured recovery ratings						
1+	20%	20%	20%	20%	20%	20%
1	17%	17%	17%	17%	17%	17%
2	15%	15%	15%	15%	15%	15%
3	15%	15%	15%	15%	15%	15%
4	8%	8%	8%	8%	8%	8%
5	3%	3%	3%	3%	3%	3%
6	1%	1%	1%	1%	1%	1%

** As of the Closing Date.

Table XIV (Standard & Poor's Group Countries)

Europe and Asia Tiered Corporate Recovery Rates (By Asset Class and Standard & Poor's Group Countries) (for Collateral Debt Securities that do not have a Standard & Poor's CRR)

Rating of Class of Notes**	AAA	AA	A	BBB	BB	B and CCC
Senior secured loans						
Group A1	68%	73%	78%	81%	85%	85%
Group A2	56%	60%	64%	67%	70%	70%
Group B	48%	51%	55%	57%	60%	60%
Senior secured Cov-Lite Loans						
Group A1	61%	66%	70%	73%	77%	77%
Group A2	50%	54%	58%	60%	63%	63%
Group B	43%	46%	49%	52%	54%	54%
Mezzanine/second-lien/senior unsecured loans						
Group A1	45%	47%	50%	52%	54%	54%
Group A2	40%	42%	44%	46%	48%	48%
Group B	35%	37%	39%	40%	42%	42%
Subordinated loans						
Group A1	20%	20%	20%	20%	20%	20%
Group A2	20%	20%	20%	20%	20%	20%
Group B	17%	17%	17%	17%	17%	17%
Senior secured bonds						
Group A1	60%	61%	62%	63%	64%	64%
Group A2	48%	49%	50%	51%	52%	52%
Group B	43%	44%	45%	46%	47%	47%
Senior unsecured bonds						
Group A1	40%	42%	44%	46%	48%	48%
Group A2	38%	41%	42%	44%	45%	45%
Group B	32%	35%	36%	38%	39%	40%
Subordinated bonds						
Group A1	18%	18%	18%	18%	18%	18%
Group A2	18%	18%	18%	18%	18%	18%
Group B	15%	15%	15%	15%	15%	15%

** As of the Closing Date.

In all recovery rate tables above, Note rating categories below "AAA" include rating subcategories (for example, the "AA" column also applies to Notes rated "AA+" and "AA-"). Notwithstanding the foregoing, the Standard & Poor's Recovery Rates set forth in the tables above may be adjusted on a case-by-case basis upon receipt of Rating Agency Confirmation from Standard & Poor's. The Standard & Poor's Recovery Rate of any Synthetic Security shall be 0% until a Standard & Poor's Recovery Rate is assigned by Standard & Poor's.

Moody's

As of any determination date, the Moody's recovery rate (the "Moody's Recovery Rate") with respect to any Collateral Debt Security will be the percentage for such Collateral Debt Security set forth in the applicable table below:

Table I:

Moody's Priority Category	Moody's Recovery Rate
Synthetic Securities	In the case of: (i) a Form-Approved Synthetic Security, the "Moody's Priority Category Recovery Rate" given by Moody's to the Form-Approved Synthetic Security at the time of approval of the Form-Approved Synthetic Security by Moody's, and (ii) any other Synthetic Security, the "Moody's Priority Category Recovery Rate" given by Moody's to the Synthetic Security at the time of acquisition of the Synthetic Security.
Structured Finance Obligations	The Moody's Priority Category Recovery Rate determined in accordance with the Moody's Structured Finance Security Recovery Rates set forth in Appendix F by reference to the type of asset and its then Moody's Rating (or, with respect to assets to which such schedule does not apply, on a case-by-case basis in connection with the grant of the relevant Collateral Debt Security).
Unsecured DIP Loans and any Collateral Debt Securities not covered above or below	As determined by Moody's on a case-by-case basis.

For Bonds, Moody's Senior Secured Loans and Moody's Non Senior Secured Loans, the relevant Moody's Recovery Rate is the rate determined pursuant to the table below based on the number of rating subcategories difference between the Bond's or Loan's Moody's Obligation Rating and its Moody's Default

Probability Rating (for purposes of clarification, if the Moody's Obligation Rating is higher than the Moody's Default Probability Rating, the rating subcategories difference will be positive and if it is lower, negative):

Table II:

Number of Moody's Ratings Subcategories Difference Between the Moody's Obligation Rating and the Moody's Default Probability Rating	Moody's Senior Secured Loans	Moody's Non Senior Secured Loans	Bonds
+2 or more	60%	45%	40%
+1	50%	42%	35%
0	45%	40%	30%
-1	40%	30%	15%
-2	30%	15%	10%
-3 or less	20%	10%	2%

If no Moody's Recovery Rate has been specifically assigned with respect to a Loan pursuant to the above tables and the Loan is a DIP Loan, the relevant Moody's Recovery Rate is 50%.

Table III:

The Moody's Recovery Rate for a Structured Finance Security will be the applicable rate set forth below based on the appropriate sector as categorized by Moody's:

Diversified Securities primarily include (1) Automobile Securities; (2) Car Rental Receivable Securities; (3) Credit Card Securities; (4) Student Loan Securities:

Initial Rating Structured Finance Security

% of Underlying Capital Structure	Aaa	Aa	A	Baa	Ba	B
>70%	85%	80%	70%	60%	50%	40%
≤0%						
>10%	75%	70%	60%	50%	40%	30%
≤10%	70%	65%	55%	45%	35%	25%

Residential Securities primarily include (1) Home Equity Loan Securities; (2) Manufactured Housing Securities; (3) Residential A Mortgage Securities; (4) Residential B/C Mortgage Securities:

Initial Rating of Structured Finance Security

% of Underlying Capital Structure	Aaa	Aa	A	Baa	Ba	B
>70%	85%	80%	65%	55%	45%	30%
≤70%						
>10%	75%	70%	55%	45%	35%	25%
≤10%						
>5%	65%	55%	45%	40%	30%	20%
≤5%						
>2%	55%	45%	40%	35%	25%	15%
≤2%	45%	35%	30%	25%	15%	10%

Undiversified Securities primarily include (1) CMBS Conduit; (2) CMBS Credit Tenant Lease; (3) CMBS Large Loan; (4) those ABS Sectors not included in Diversified Securities:

Initial Rating of Structured Finance Security

% of Underlying Capital Structure	Aaa	Aa	A	Baa	Ba	B
>70%	85%	80%	65%	55%	45%	30%
≤70%						
>10%	75%	70%	55%	45%	35%	25%
≤10%						
>5%	65%	55%	45%	35%	25%	15%
≤5%						
>2%	55%	45%	35%	30%	20%	10%
≤2%	45%	35%	25%	20%	10%	5%

Collateralized Debt Obligations include (1) High-diversity CDOs (Diversity Score in excess of 20); (2) Low-Diversity CDOs (Diversity Score of 20 or less).

High Diversity Collateralized Debt Obligations:

Initial Rating of Structured Finance Security

% of Underlying Capital Structure	Aaa	Aa	A	Baa	Ba	B
>70%	85%	80%	65%	55%	45%	30%
≤70% >10%	75%	70%	60%	50%	40%	25%
≤10% >5%	65%	55%	50%	40%	30%	20%
≤5% >2%	55%	45%	40%	35%	25%	10%
≤2%	45%	35%	30%	25%	10%	5%

Low Diversity Collateralized Debt Obligations:

Initial Rating of Structured Finance Security

% of Underlying Capital Structure	Aaa	Aa	A	Baa	Ba	B
>70%	80%	75%	60%	50%	45%	30%
≤70% >10%	70%	60%	55%	45%	35%	25%
≤10% >5%	60%	50%	45%	35%	25%	15%
≤5% >2%	50%	40%	35%	30%	20%	10%
≤2%	30%	25%	20%	15%	7%	4%

Notwithstanding the foregoing, the Moody's Recovery Rates and Standard & Poor's Recovery Rates set forth in the tables above may be modified by the Issuer on a case-by-case basis upon receipt of Rating Agency Confirmation from Moody's or Standard & Poor's, as applicable.

"Assigned Moody's Rating": The monitored publicly available rating or the monitored estimated rating expressly assigned to a debt obligation (or facility) by Moody's that addresses the full amount of the principal and interest promised.

"Corporate Family Rating": With respect to any Collateral Debt Security or any obligor on any Collateral Debt Security as of any date of determination, the corporate family rating of such Collateral Debt Security or such obligor, as the case may be, as of such date, if any, as published from time to time by Moody's.

"Moody's Default Probability Rating": With respect to any Loan or Bond, as of any date of determination, is the rating determined in accordance with the following, in the following order of priority:

(a) with respect to any Moody's Senior Secured Loan:

(i) if the Loan's obligor has a Corporate Family Rating from Moody's, such Corporate Family Rating; and

(ii) if the preceding clause does not apply, the Moody's Obligation Rating of such Loan; and

(b) with respect to a Moody's Non Senior Secured Loan or a Bond:

(i) if the Obligor has a senior unsecured obligation with an Assigned Moody's Rating, such rating; and

(ii) if the preceding clause does not apply, the Moody's Equivalent Senior Unsecured Rating of the Loan or Bond, as applicable; and

(c) with respect to a Synthetic Security or collateralized loan obligation, the Moody's Obligation Rating thereof; and

(d) with respect to a DIP Loan, the rating that is one rating subcategory below the Moody's Obligation Rating thereof.

Notwithstanding the foregoing, if the Moody's Rating or ratings used to determine the Moody's Default Probability Rating are on watch for downgrade or upgrade by Moody's, such rating or ratings will be adjusted down one subcategory (if on watch for downgrade) or up one subcategory (if on watch for upgrade; provided, that with respect to Structured Finance Securities such rating or ratings will be adjusted down two subcategories (if on watch for downgrade) or up two subcategories (if on watch for upgrade); and provided, further, that the requirement for such rating or ratings to be adjusted will not apply if(a) there has been an announcement by Moody's with respect to such Loan or Bond that the placement of such Loan or Bond on watch was in connection with an acquisition, corporate merger, reorganization or other similar transaction and (b) the issuer of such Bond or Loan is required to redeem such Bond or Loan at par upon the completion of such transaction.

"Moody's Equivalent Senior Unsecured Rating": With respect to any Loan or Bond and the obligor thereof as of any date of determination, is the rating determined in accordance with the following, in the following order of priority:

(a) if the obligor has a senior unsecured obligation with an Assigned Moody's Rating, such Assigned Moody's Rating;

(b) if the preceding clause does not apply, the Moody's "Issuer Rating" for the obligor;

(c) if the preceding clauses do not apply, but the obligor has a subordinated obligation with an Assigned Moody's Rating, then

(i) if such Assigned Moody's Rating is at least "B3" (and, if rated "B3," not on watch for downgrade), the Moody's Equivalent Senior Unsecured Rating shall be the rating which is one rating subcategory higher than such Assigned Moody's Rating, or

(ii) if such Assigned Moody's Rating is less than "B3" (or rated "B3" and on watch for downgrade), the Moody's Equivalent Senior Unsecured Rating shall be such Assigned Moody's Rating;

(d) if the preceding clauses do not apply, but the obligor has a senior secured obligation with an Assigned Moody's Rating, then:

(i) if such Assigned Moody's Rating is at least "Caa3" (and, if rated "Caa3," not on watch for downgrade), the Moody's Equivalent Senior Unsecured Rating shall be the rating which is one subcategory below such Assigned Moody's Rating, or

(ii) if such Assigned Moody's Rating is less than "Caa3" (or rated "Caa3" and on watch for downgrade), then the Moody's Equivalent Senior Unsecured Rating shall be "Ca";

(e) if the preceding clauses do not apply, but such obligor has a Corporate Family Rating, the Moody's Equivalent Senior Unsecured Rating shall be one rating subcategory below such Corporate Family Rating;

(f) if the preceding clauses do not apply, but the obligor has a senior unsecured obligation (other than a bank loan) with a monitored public rating from Standard & Poor's (without any postscripts, asterisks or other qualifying notations, that addresses the full amount of principal and interest promised), then the Moody's Equivalent Senior Unsecured Rating shall be:

(i) one rating subcategory below the Moody's equivalent of such Standard & Poor's rating if it is "BBB-" or higher,

(ii) two rating subcategories below the Moody's equivalent of such Standard & Poor's rating if it is "BB+" or lower, or

(iii) so long as the aggregate of the principal balances of Collateral Debt Securities having an Assigned Moody's Rating pursuant to this clause (:t)(iii), clause (g)(iii) and clause (h)(iii) below, in the aggregate, does not exceed 10.0% of the CDS Principal Balance, (x) "B3" (unless such Collateral Debt Security is an interest in a Loan (or Participation therein) of an obligor whose outstanding credit facilities have a maximum aggregate principal balance of less than U.S.$100,000,000) until the Issuer or the Collateral Manager obtains an estimated rating from Moody's if(A) the Collateral Manager certifies to the Trustee that in its commercially reasonable judgment, it believes an estimated rating equivalent to a rating no lower than "B3" will be assigned by Moody's and the Issuer or the Collateral Manager on its behalf applies for an estimated rating from Moody's within ten (10) Business Days of the date of the commitment to purchase the Loan

or Bond and (B) all the Coverage Tests and the Collateral Quality Tests are satisfied; provided, that if Moody's issues an estimated rating lower than "B3" pursuant to this clause (f)(iii)(x) at least three times within a twelve-month period or a cumulative total of five times, the Issuer may not utilize this clause (f)(iii)(x) and (y) if such Collateral Debt Security is an interest in a Loan (or Participation therein) of an obligor whose outstanding credit facilities have a maximum aggregate principal balance of less than U.S.$100,000,000, "Caa1" until the Issuer or the Collateral Manager obtains an estimated rating from Moody's; provided, that, with respect to any Collateral Debt Security for which an estimated rating from Moody's has been received, the Collateral Manager shall request that Moody's confirm such estimated rating on an annual basis;

(g) if the preceding clauses do not apply, but the obligor has a subordinated obligation (other than a bank loan) with a monitored public rating from Standard & Poor's (without any postscripts, asterisks or other qualifying notations, that addresses the full amount of principal and interest promised), the Assigned Moody's Rating shall be deemed to be:

(i) one rating subcategory below the Moody's equivalent of such Standard & Poor's rating if it is "BBB-" or higher,

(ii) two rating subcategories below the Moody's equivalent of such Standard & Poor's rating if it is "BB+" or lower, and the Moody's Equivalent Senior Unsecured Rating shall be determined pursuant to clause (c) above, or

(iii) so long as the aggregate of the principal balances of Collateral Debt Securities having an Assigned Moody's Rating pursuant to this clause (g)(iii), clause (f)(iii) above and clause (h)(iii) below, in the aggregate, does not exceed 10.0% of the CDS Principal Balance, (x) "B3" (unless such Collateral Debt Security is an interest in a Loan (or Participation therein) of an obligor whose outstanding credit facilities have a maximum aggregate principal balance of less than U.S.$100,000,000) until the Issuer or the Collateral Manager obtains an estimated rating from Moody's if(A) the Collateral Manager certifies to the Trustee that in its commercially reasonable judgment, it believes an estimated rating equivalent to a rating no lower than "B3" will be assigned by Moody's and the Issuer or the Collateral Manager on its behalf applies for an estimated rating from Moody's within ten (10) Business Days of the date of the commitment to purchase the Loan or Bond and (B) all the Coverage Tests and the Collateral Quality Tests are satisfied; provided, that if Moody's issues an estimated rating lower than "B3" pursuant to this clause (g)(iii)(x) at least three times within a twelve-month period or a cumulative total of five times, the Issuer may not utilize this clause (g)(iii)(x) and (y) if such Collateral Debt Security is an interest in a Loan (or Participation therein) of an obligor whose outstanding credit facilities have a maximum aggregate principal balance of less than U.S.$100,000,000, "Caa1" until the Issuer or the Collateral Manager obtains an estimated rating from Moody's; provided, that, with respect to any Collateral Debt Security for which an estimated rating from Moody's has been received, the Collateral Manager shall request that Moody's confirm such estimated rating on an annual basis;

(h) if the preceding clauses do not apply, but the obligor has a senior secured obligation with a monitored public rating from Standard & Poor's (without any postscripts, asterisks or other qualifying notations, that addresses the full amount of principal and interest promised), the Assigned Moody's Rating shall be deemed to be:

(i) one rating subcategory below the Moody's equivalent of such Standard & Poor's rating if it is "BBB-" or higher,

(ii) two rating subcategories below the Moody's equivalent of such Standard & Poor's rating if it is "BB+" or lower, and the Moody's Equivalent Senior Unsecured Rating shall be determined pursuant to clause (d) above, or

(iii) so long as the aggregate of the principal balances of Collateral Debt Securities having an Assigned Moody's Rating pursuant to this clause (h)(iii), clause (f)(iii) and clause (g)(iii) above, in the aggregate does not exceed 10.0% of the CDS Principal Balance, (x) "B3" (unless such Collateral Debt Security is an interest in a Loan (or Participation therein) of an obligor whose outstanding credit facilities have a maximum aggregate principal balance of less than U.S.$100,000,000) until the Issuer or the Collateral Manager obtains an estimated rating from Moody's if(A) the Collateral Manager certifies to the Trustee that in its commercially reasonable judgment, it believes an estimated rating equivalent to a rating no lower than "B3" will be assigned by Moody's and the Issuer or the Collateral Manager on its behalf applies for an estimated rating from Moody's within ten (10) Business Days of the date of the commitment to purchase the Loan or Bond and (B) all the Coverage Tests and the Collateral Quality Tests are satisfied; provided, that if Moody's issues an estimated rating lower than "B3" pursuant to this clause (h)(iii)(x) at least three times within a twelve-month period or a cumulative total of five times, the Issuer may not utilize this clause (h)(iii)(x) and (y) if such Collateral Debt Security is an interest in a Loan (or Participation therein) of an obligor whose outstanding credit facilities have a maximum aggregate principal balance of less than U.S.$100,000,000, "Caa1" until the Issuer or the Collateral Manager obtains an estimated rating from Moody's; provided, that, with respect to any Collateral Debt Security for which an estimated rating from Moody's has been received, the Collateral Manager shall request that Moody's confirm such estimated rating on an annual basis;

(i) if the preceding clauses do not apply and each of the following clauses (i) through (viii) do apply, the Moody's Equivalent Senior Unsecured Rating will be "Caa1":

(i) neither the obligor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings,

(ii) no debt securities or obligations of the obligor are in default,

(iii) neither the obligor nor any of its Affiliates has defaulted on any debt during the preceding two years,

(iv) the obligor has been in existence for the preceding five years,

(v) the obligor is current on any cumulative dividends,

(vi) the fixed-charge ratio for the obligor exceeds 125% for each of the preceding two fiscal years and for the most recent quarter,

(vii) the obligor had a net profit before tax in the past fiscal year and the most recent quarter, and

(viii) the annual financial statements of such obligor are unqualified and certified by a firm of Independent accountants of international reputation, and quarterly statements are unaudited but signed by a corporate officer;

(j) if the preceding clauses do not apply but each of the following clauses (i) and (ii) do apply, the Moody's Equivalent Senior Unsecured Rating will be "Caa3":

(i) neither the obligor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings; and

(ii) no debt security or obligation of such obligor has been in default during the past two years; and

(k) if the preceding clauses do not apply and a debt security or obligation of the obligor has been in default during the past two years, the Moody's Equivalent Senior Unsecured Rating will be "Ca."

Notwithstanding the foregoing, the aggregate principal amount of the Collateral Debt Securities that may be given a Moody's Equivalent Senior Unsecured Rating based on a rating by Standard & Poor's in the manner provided in clauses (f), (g) and (h) above may not exceed 10% of the CDS Principal Balance as of any date of determination.

"Moody's Non Senior Secured Loan": Any Loan that is not a Moody's Senior Secured Loan.

"Moody's Obligation Rating": With respect to any Loan, Bond or Synthetic Security as of any date of determination, is the rating determined in accordance with the following, in the following order of priority:

(a) any Collateral Debt Security (other than a Moody's Non Senior Secured Loan, a Bond, a Synthetic Security or a DIP Loan):

(i) if it has an Assigned Moody's Rating, such Assigned Moody's Rating; or

(ii) if the preceding clause does not apply, the rating that is one rating subcategory above the Moody's Equivalent Senior Unsecured Rating; and

(b) with respect to a Moody's Non Senior Secured Loan or a Bond:

(i) if it has an Assigned Moody's Rating, such Assigned Moody's Rating; or

(ii) if the preceding clause does not apply, the Moody's Equivalent Senior Unsecured Rating; and

(c) with respect to a Synthetic Security, DIP Loan or collateralized loan obligation, the Assigned Moody's Rating thereof.

Notwithstanding the foregoing, if the Moody's Rating or ratings used to determine the Moody's Obligation Rating are on watch for downgrade or upgrade by Moody's, such rating or ratings will be adjusted down one subcategory (if on watch for downgrade) or up one subcategory (if on watch for upgrade; provided, that with respect to Structured Finance Securities such rating or ratings will be adjusted down two subcategories (if on watch for downgrade) or up two subcategories (if on watch for upgrade); and provided, further, that the requirement for such rating or ratings to be adjusted will not apply if(a) there has been an announcement by Moody's with respect to such Loan or Bond that the placement of such Loan or Bond on watch was in connection with an acquisition, corporate merger, reorganization or other similar transaction and (b) the issuer of such Bond or Loan is required to redeem such Bond or Loan at par upon the completion of such transaction.

"Moody's Rating": With respect to any Collateral Debt Security, the Moody's Default Probability Rating thereof; provided, that with respect to the Collateral Debt Securities generally, if at any time Moody's or any successor to it ceases to provide rating services, references to rating categories of Moody's in this Indenture shall be deemed instead to be references to the equivalent categories of any other nationally recognized investment rating agency selected by the Collateral Manager as of the most recent date on which such other rating agency and Moody's published ratings for the type of security in respect of which such alternative rating agency is used.

"Moody's Senior Secured Loan": (a) (i) a Senior Secured Loan or (ii) a Second Lien Loan; provided, that such Senior Secured Floating Rate Note or such Second Lien Loan, in each case, will only constitute a "Moody's Senior Secured Loan" if it has an Assigned Moody's Rating that is not lower than the Corporate Family Rating of the related obligor and (b) such Loan is not: (i) a DIP Loan, (ii) a Loan for which the security interest or lien (or the validity or effectiveness thereof) in substantially all of its collateral attaches, becomes effective, or otherwise "springs" into existence after the origination thereof, or (iii) a type of Loan that Moody's has identified as having unusual terms and with respect to which its Moody's Recovery Rate has been or is to be determined on a case-by-case basis.

Divider

EXHIBIT A

Form of Regulation S Note

[Class A][Class B][Class C][Class D][Class E][Deferrable]
Floating Rate [Senior] Note Due 2020

THIS SECURED NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED FROM TIME TO TIME (THE "SECURITIES ACT"), AND THE CO-ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED FROM TIME TO TIME (THE "INVESTMENT COMPANY ACT"). THIS SECURED NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (A)(l) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(l)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A IN ACCORDANCE WITH RULE 144A, AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE INVESTMENT COMPANY ACT), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW, AND WHICH MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXCEPTION OR (2) TO A PERSON THAT IS NEITHER A U.S. PERSON (AS DEFINED IN REGULATION S) NOR A U.S. RESIDENT (FOR PURPOSES OF THE INVESTMENT COMPANY ACT) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF THIS SECURED NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE CO-ISSUERS, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT, UNDER THE INDENTURE, TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON OR A U.S. RESIDENT AND IS NOT A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE SECURED NOTES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

EACH INITIAL PURCHASER OF A SECURED NOTE (OTHER THAN A CLASS E NOTE) OR INTEREST THEREIN AND EACH SUBSEQUENT TRANSFEREE OF ANY SECURED NOTE (OTHER THAN A CLASS E NOTE) OR INTEREST THEREIN WILL BE DEEMED BY SUCH PURCHASE OR ACQUISITION OF ANY SUCH SECURED NOTE OR INTEREST THEREIN TO HAVE REPRESENTED AND WARRANTED AND IN CERTAIN CIRCUMSTANCES (WITH RESPECT TO ANY TRANSFER OF AN INTEREST IN A RULE 144A GLOBAL SECURED NOTE FOR AN INTEREST IN A REGULATIONS GLOBAL SECURED NOTE OR VICE VERSA OR ANY TRANSFER OF A DEFINITIVE SECURED NOTE) WILL BE REQUIRED TO REPRESENT AND WARRANT THAT ON EACH DAY FROM THE DATE ON WHICH SUCH PURCHASER OR TRANSFEREE ACQUIRES SUCH SECURED NOTE OR INTEREST THEREIN THROUGH AND INCLUDING THE DATE ON WHICH SUCH PURCHASER OR TRANSFEREE DISPOSES OF SUCH SECURED NOTE OR INTEREST THEREIN, EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED FROM TIME TO TIME **("ERISA"),** A "PLAN" SUBJECT TO

SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED FROM TIME TO TIME (THE **"CODE"),** AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE THE PLAN ASSETS OF ANY SUCH ERISA PLAN OR OTHER PLAN, OR A FOREIGN, GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FOREIGN, FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE, HOLDING AND DISPOSITION OF SUCH SECURITY OR INTEREST THEREIN WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR FOREIGN, FEDERAL, STATE OR LOCAL LAW).

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

To be included in the case of the Class E Notes:

THESE NOTES HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OlD"). FOR INFORMATION REGARDING THE ISSUE PRICE, THE AMOUNT OF OlD, THE ISSUE DATE AND THE YIELD TO MATURITY PLEASE CONTACT TRUSTEE AT TELEPHONE No. (704) 335-4678, ATTENTION: CDO TRUST SERVICES- GSC INVESTMENT CORP. CLO 2007, LTD.

NEITHER THIS NOTE NOR ANY INTEREST THEREIN MAY BE HELD BY OR TRANSFERRED TO A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") AND THE TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER. EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR AN INTEREST THEREIN) WILL NOT BE) AND IS NOT ACTING ON BEHALF OF OR USING THE ASSETS OF (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR AN INTEREST THEREIN) WILL NOT BE ACTING ON BEHALF OF OR USING THE ASSETS OF) A BENEFIT PLAN INVESTOR. EACH HOLDER OF THIS NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT (1) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR; (2) IT WILL NOT SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR AN INTEREST THEREIN) TO BENEFIT PLAN INVESTOR; AND (3) IT AND ANY FIDUCIARY CAUSING IT TO ACQUIRE THIS NOTE (OR ANY INTEREST HEREIN) AGREE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE INITIAL PURCHASERS, THE TRUSTEE AND THE COLLATERAL MANAGER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ITS BREACH OF THE FOREGOING CERTIFICATIONS, REPRESENTATIONS AND WARRANTIES THAT ARE APPLICABLE TO IT.

"BENEFIT PLAN INVESTOR" AS DEFINED IN SECTION 3(42) OF ERISA INCLUDES AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISION OF TITLE I OF ERISA, A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, AND ANY ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF A PLAN'S INVESTMENT IN SUCH ENTITY, INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT (AND A WHOLLY OWNED SUBSIDIARY OF SUCH GENERAL ACCOUNT) ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "PLAN ASSETS" UNDER SECTION 401(c) OF ERISA.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER (OR THE COLLATERAL MANAGER ON ITS BEHALF) DETERMINES THAT ANY HOLDER OF THIS SECURED NOTE OR AN INTEREST HEREIN IS OR BECOMES A BENEFIT PLAN INVESTOR, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURED NOTE (OR INTEREST HEREIN) TO A PERSON THAT IS NOT A BENEFIT PLAN INVESTOR AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE

SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS SECURED NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610 OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT ARE THE SUBJECT OF WIDELY DISTRIBUTED STANDARD PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS NOT A BENEFIT PLAN INVESTOR AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURED NOTE HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURED NOTE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE CLASS E NOTES.

GSC INVESTMENT CORP. CLO 2007, LTD.
[GSC INVESTMENT CORP. CLO 2007, INC.]

[Class A][Class B][Class C][Class D][Class E] [Deferrable] Floating Rate
[Senior] Note Due 2020

[A][B][C][D][E]/S- Up to U.S.$[ ]
CUSIP NO.: [ ] ISIN NO.: [ ]
COMMON CODE: [ ]

[For the Class A Notes, Class B Notes, Class C Notes and Class D Notes: GSC INVESTMENT CORP. CLO 2007, LTD., an exempted limited liability company incorporated under the laws of the Cayman Islands (the "Issuer"), and GSC INVESTMENT CORP. CLO 2007, INC., a corporation incorporated under the laws of the State of Delaware (the "Co-Issuer," and together with the Issuer, the "Co-Issuers")][For the Class E Notes: GSC INVESTMENT CORP. CLO 2007, LTD., an exempted limited liability company incorporated under the laws of the Cayman Islands (the "Issuer")], for value received, hereby promise[s] to pay to [ ] or its registered assigns, upon presentation and surrender of this [Class A][Class B][Class C][Class D][Class E] Note (except as otherwise permitted by the Indenture) (defined below), the principal sum of up to U.S.$[ ], as adjusted upward or downward in accordance with the adjustments recorded in the books and records of the Trustee, or DTC or its nominees, on January 21, 2020 (the "Stated Maturity") or upon the unpaid portion of such principal sum becoming due and payable at an earlier date by declaration of acceleration, call for redemption or as otherwise provided in the Indenture. The Notes shall accrue interest during each Interest Accrual Period at the Note Interest Rate specified in the Indenture. Except as provided otherwise in the Indenture, interest on this [Class A][Class B][Class C][Class D][Class E] Note shall be due and payable quarterly in arrears on each Payment Date immediately following the related Interest Accrual Period. All payments on the Notes shall be made subject to and in accordance with the Priority of Payments. All amounts payable and punctually paid on any Payment Date, will, as provided in the Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) preceding such Payment Date.

This Note is one of a duly authorized issue of [Class A][Class B][Class C][Class D][Class E][Deferrable] Floating Rate [Senior] Notes due 2020 (the "[Class A][Class B][Class C][Class D][Class E] Notes") of the [Co-Issuers][Issuer], limited in aggregate face amount to U.S.$[ ] and issued under that certain Indenture, dated as of January 22, 2008 (the "Indenture"), by and among GSC Investment Corp. CLO 2007, Inc., a corporation incorporated under the laws of the State of Delaware, the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), custodian and securities intermediary. Authorized under the Indenture are the Class A Floating Rate Senior Notes due 2020 (the "Class A Notes"), the Class B Floating Rate Senior Notes due 2020 (the "Class B Notes"), the Class C Deferrable Floating Rate Notes due 2020 (the "Class C Notes"), the Class D Deferrable Floating Rate Notes due 2020 (the "Class D Notes") and the Class E Deferrable Floating Rate Notes due 2020 (the "Class E Notes," and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "Notes"). The Issuer will also issue U.S.$30,000,000 Subordinated Notes due 2020 (the "Subordinated Notes").

Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Co-Issuer, the Trustee and the Holders of the Notes and the terms upon which the Notes are to be authenticated and delivered. In the event that any term or provision contained herein shall conflict with or be inconsistent with any provision contained in the Indenture, the terms and provisions of the Indenture shall govern with respect to this Note.

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Indenture.

As more specifically detailed in the Indenture, (A) (i) the Class E Notes will rank subordinate in priority of payment to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and (ii) the Class E Notes bear the first risk of loss after the Subordinated Notes; (B) (i) the Class D Notes will rank subordinate in priority of payment to the Class A Notes, the Class B Notes and the Class C Notes and (ii) the Class D Notes bear the first risk of loss after the Class E Notes; (C) (i) the Class C Notes will rank subordinate in priority of payment to the Class A Notes and the Class B Notes and (ii) the Class C Notes bear the first risk of loss after the Class D Notes; and (D) the Class B Notes will rank subordinate in priority of payment to the Class A Notes and (ii) the Class B Notes bear the first risk of loss after the Class C Notes.

The obligations of the [Co-Issuers][Issuer] under this Note and the Indenture are limited recourse obligations of the [Co-Issuers][Issuer] payable solely from the Collateral and following realization and application of the Collateral in accordance with the Priority of Payments or as otherwise provided in the Indenture upon a liquidation of the Collateral, and in the event the Collateral are insufficient to satisfy such obligations, any claims of Holders and obligations of the [Issuer][Co-Issuers] shall be extinguished.

Payments on this Note, if in global form, will be made by wire transfer in immediately available funds to a U.S. Dollar account maintained by the Depository or its nominee or, if a wire transfer cannot be effected, by a U.S. Dollar check in immediately available funds delivered to the Depository or its nominee. Payments on this Note, if not in global form, will be made by wire transfer in immediately available funds to a U.S. Dollar account maintained by the Holder hereof in accordance with wiring instructions provided to the Notes Paying Agent, or, if such instructions have not been received at least five Business Days prior to the relevant Payment Date or a wire transfer cannot be effected, by a U.S. Dollar check mailed to the address of the Holder specified in the Note Register as of the Record Date applicable to such Payment Date.

The registered Holder of this Note shall be treated as the owner hereof for all purposes.

The [Co-Issuers][Issuer] shall not be obligated to pay any additional amounts as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges.

The Notes are subject to mandatory redemption upon the occurrence of certain events specified in the Indenture and are redeemable by the [Co-Issuers][Issuer] in whole, but not in part, as provided for and at a redemption price set forth in the Indenture.

If an Event of Default shall occur and be continuing, this Note may become or be declared due and payable in the manner and with the effect provided in the Indenture. If any such acceleration of maturity occurs prior to the Stated Maturity of this Note, the amount payable to the Holder of this Note will be equal to the aggregate unpaid principal amount of this [Class A][Class B][Class C][Class D][Class E] Note, plus accrued and unpaid interest thereon calculated as set forth above.

Each Class of the Notes is issuable in global form deposited with the Trustee as custodian for DTC and registered in the name of Cede & Co., in minimum denominations such that the minimum denominations of each Note satisfy the minimum denominations of such Class of Notes as set forth in the Indenture.

The Issuer shall arrange for the Note Registrar to maintain the Note Register. Title to this Note shall pass by registration in the Note Register.

No service charge shall be made to a Holder for any registration of transfer or exchange of Notes, but the Trustee, the Authenticating Agent or the Transfer Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The remedies of the Trustee or the Holder hereof, as provided in the Indenture, shall be cumulative and concurrent and may be pursued solely against the Collateral. No failure on the part of the Holder or of the Trustee in exercising any right or remedy hereunder or under the Indenture shall operate as a waiver or release thereof, nor shall any single or partial exercise of any such right or remedy preclude any other further exercise thereof or the exercise of any other right or remedy hereunder or under the Indenture.

THE INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

Unless the certificate of authentication hereon has been executed by the Trustee by the manual signature of one of its Authorized Officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the [Co-Issuers][Issuer] [have][has] caused this Note to be duly executed.

Dated:

GSC INVESTMENT CORP. CLO 2007, LTD.

By: _____
Name:
Title:

[GSC INVESTMENT CORP. CLO 2007, INC.]

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

ASSIGNMENT FORM

For value received hereby sells, assigns and transfers unto

[Please print or type name and address, including zip code, and social security or other identifying number of assignee of assignee:]

the within Note and does hereby irrevocably constitute and appoint Attorney to transfer the Note on the books of the Issuer with full power of substitution in the premises.

Date:

Signature _____

SCHEDULE OF EXCHANGES IN NOTE

The initial principal amount of this Note at issuance: $[ ]

The following exchanges of a part of this Note have been made:

Date of Exchange	Amount of decrease in principal amount of this Note	Amount of increase in principal amount of this Note	Principal amount of this Note following such decrease (or increase)	Signature of authorized officer of Trustee

Divider

EXHIBIT B

Form of Rule 144A Note

[Class A][Class B][Class C][Class D][Class E][Deferrable]
Floating Rate [Senior] Note Due 2020

THIS SECURED NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED FROM TIME TO TIME (THE "SECURITIES ACT"), AND THE CO-ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED FROM TIME TO TIME (THE "INVESTMENT COMPANY ACT"). THIS SECURED NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (A)(l) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(l)(i)(D) OR (a)(l)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(l)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A IN ACCORDANCE WITH RULE 144A, AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE INVESTMENT COMPANY ACT), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW, AND WHICH MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXCEPTION OR (2) TO A PERSON THAT IS NEITHER A U.S. PERSON (AS DEFINED IN REGULATIONS) NOR A U.S. RESIDENT (FOR PURPOSES OF THE INVESTMENT COMPANY ACT) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATIONS UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF THIS SECURED NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE CO-ISSUERS, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT, UNDER THE INDENTURE, TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON OR A U.S. RESIDENT AND IS NOT A QUALIFIED PURCHASER AND A

QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE SECURED NOTES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

EACH INITIAL PURCHASER OF A SECURED NOTE (OTHER THAN A CLASS E NOTE) OR INTEREST THEREIN AND EACH SUBSEQUENT TRANSFEREE OF ANY SECURED NOTE (OTHER THAN A CLASS E NOTE) OR INTEREST THEREIN WILL BE DEEMED BY SUCH PURCHASE OR ACQUISITION OF ANY SUCH SECURED NOTE OR INTEREST THEREIN TO HAVE REPRESENTED AND WARRANTED AND IN CERTAIN CIRCUMSTANCES (WITH RESPECT TO ANY TRANSFER OF AN INTEREST IN A RULE 144A GLOBAL SECURED NOTE FOR AN INTEREST IN A REGULATIONS GLOBAL SECURED NOTE OR VICE VERSA OR ANY TRANSFER OF A DEFINITIVE SECURED NOTE) WILL BE REQUIRED TO REPRESENT AND WARRANT THAT ON EACH DAY FROM THE DATE ON WHICH SUCH PURCHASER OR TRANSFEREE ACQUIRES SUCH SECURED NOTE OR INTEREST THEREIN THROUGH AND INCLUDING THE DATE ON WHICH SUCH PURCHASER OR TRANSFEREE DISPOSES OF SUCH SECURED NOTE OR INTEREST THEREIN, EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED FROM TIME TO TIME **("ERISA"),** A "PLAN" SUBJECT TO SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED FROM TIME TO TIME (THE **"CODE"),** AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE THE PLAN ASSETS OF ANY SUCH ERISA PLAN OR OTHER PLAN, OR A FOREIGN, GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FOREIGN, FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE, HOLDING AND DISPOSITION OF SUCH SECURITY OR INTEREST THEREIN WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR FOREIGN, FEDERAL, STATE OR LOCAL LAW).

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER (OR THE COLLATERAL MANAGER ON ITS BEHALF) DETERMINES THAT ANY HOLDER OF THIS SECURED NOTE OR AN INTEREST HEREIN IS NOT BOTH (A) A QUALIFIED

INSTITUTIONAL BUYER AND (B) A QUALIFIED PURCHASER, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL

ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURED NOTE (OR INTEREST HEREIN) TO A PERSON THAT IS BOTH (A) A QUALIFIED INSTITUTIONAL BUYER AND (B) A QUALIFIED PURCHASER AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS SECURED NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610 OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT ARE THE SUBJECT OF WIDELY DISTRIBUTED STANDARD PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (A) A QUALIFIED INSTITUTIONAL BUYER AND (B) A QUALIFIED PURCHASER AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURED NOTE HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURED NOTE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT.

To be included in the case of the Class E Notes:

THESE NOTES HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OlD"). FOR INFORMATION REGARDING THE ISSUE PRICE, THE AMOUNT OF OlD, THE ISSUE DATE AND THE YIELD TO MATURITY PLEASE CONTACT TRUSTEE AT TELEPHONE No. (704) 335-4678, ATTENTION: CDO TRUST SERVICES - GSC INVESTMENT CORP. CLO 2007, LTD.

NEITHER THIS NOTE NOR ANY INTEREST THEREIN MAY BE HELD BY OR TRANSFERRED TO A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") AND THE TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER. EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR AN INTEREST THEREIN) WILL NOT BE) AND IS NOT ACTING ON BEHALF OF OR USING THE ASSETS OF (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR AN INTEREST THEREIN) WILL NOT BE ACTING ON BEHALF OF OR USING THE ASSETS OF) A BENEFIT PLAN INVESTOR. EACH HOLDER OF THIS NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT (1) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR; (2) IT WILL NOT SELL, PLEDGE OR

OTHERWISE TRANSFER THIS NOTE (OR AN INTEREST THEREIN) TO BENEFIT PLAN INVESTOR; AND (3) IT AND ANY FIDUCIARY CAUSING IT TO ACQUIRE THIS NOTE (OR ANY INTEREST HEREIN) AGREE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE INITIAL PURCHASERS, THE TRUSTEE AND THE COLLATERAL MANAGER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ITS BREACH OF THE FOREGOING CERTIFICATIONS, REPRESENTATIONS AND WARRANTIES THAT ARE APPLICABLE TO IT.

"BENEFIT PLAN INVESTOR" AS DEFINED IN SECTION 3(42) OF ERISA INCLUDES AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISION OF TITLE I OF ERISA, A "PLAN" THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, AND ANY ENTITY WHOSE ASSETS ARE TREATED AS "PLAN ASSETS" FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF A PLAN'S INVESTMENT IN SUCH ENTITY, INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT (AND A WHOLLY OWNED SUBSIDIARY OF SUCH GENERAL ACCOUNT) ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "PLAN ASSETS" UNDER SECTION 401(c) OF ERISA.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER (OR THE COLLATERAL MANAGER ON ITS BEHALF) DETERMINES THAT ANY HOLDER OF THIS SECURED NOTE OR AN INTEREST HEREIN IS OR BECOMES A BENEFIT PLAN INVESTOR, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURED NOTE (OR INTEREST HEREIN) TO A PERSON THAT IS NOT A BENEFIT PLAN INVESTOR AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS SECURED NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610 OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT ARE THE SUBJECT OF WIDELY DISTRIBUTED STANDARD PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS NOT A BENEFIT PLAN INVESTOR AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURED NOTE HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURED NOTE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE CLASS E NOTES.

[A][B][C][D][E]- Up to U.S.$[ ]
CUSIP NO.: [ ] ISIN NO.: [ ]
COMMON CODE: [ ]

[For the Class A Notes, Class B Notes, Class C Notes and Class D Notes: GSC INVESTMENT CORP. CLO 2007, LTD., an exempted limited liability company incorporated under the laws of the Cayman Islands (the "Issuer"), and GSC INVESTMENT CORP. CLO 2007, INC., a corporation incorporated under the laws of the State of Delaware (the "Co-Issuer," and together with the Issuer, the "Co-Issuers")][For the Class E Notes: GSC INVESTMENT CORP. CLO 2007, LID., an exempted limited liability company incorporated under the laws of the Cayman Islands (the "Issuer")], for value received, hereby promise[s] to pay to [ ] or its registered assigns, upon presentation and surrender of this [Class A][Class B][Class C][Class D][Class E] Note (except as otherwise permitted by the Indenture) (defined below), the principal sum of up to U.S.$[ ], as adjusted upward or downward in accordance with the adjustments recorded in the books and records of the Trustee, or DTC or its nominees, on January 21, 2020 (the "Stated Maturity") or upon the unpaid portion of such principal sum becoming due and payable at an earlier date by declaration of acceleration, call for redemption or as otherwise provided in the Indenture. The Notes shall accrue interest during each Interest Accrual Period at the Note Interest Rate specified in the Indenture. Except as provided otherwise in the Indenture, interest on this [Class A][Class B][Class C][Class D][Class E] Note shall be due and payable quarterly in arrears on each Payment Date immediately following the related Interest Accrual Period. All payments on the Notes shall be made subject to and in accordance with the Priority of Payments. All amounts payable and punctually paid on any Payment Date, will, as provided in the Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) preceding such Payment Date.

This Note is one of a duly authorized issue of [Class A][Class B][Class C][Class D][Class E][Deferrable] Floating Rate [Senior] Notes due 2020 (the "[Class A][Class B][Class C)[Class D][Class E] Notes") of the [Co-Issuers][Issuer], limited in aggregate face amount to U.S.$[ ] and issued under that certain Indenture, dated as of January 22, 2008 (the "Indenture"), by and among GSC Investment Corp. CLO 2007, Inc., a corporation incorporated under the laws of the State of Delaware, the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), custodian and securities intermediary. Authorized under the Indenture are the Class A Floating Rate Senior Notes due 2020 (the "Class A Notes"), the Class B Floating Rate Senior Notes due 2020 (the "Class B Notes"), the Class C Deferrable Floating Rate Notes due 2020 (the "Class C Notes"), the Class D Deferrable Floating Rate Notes due 2020 (the "Class D Notes") and the Class E Deferrable Floating Rate Notes due 2020 (the "Class E Notes," and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "Notes"). The Issuer will also issue U.S.$30,000,000 Subordinated Notes due 2020 (the "Subordinated Notes").

Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Co-Issuer, the Trustee and the Holders of the Notes and the terms upon which the Notes are to be authenticated and delivered. In the event that any term or provision contained herein shall conflict with or be inconsistent with any provision contained in the Indenture, the terms and provisions of the Indenture shall govern with respect to this Note.

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Indenture.

As more specifically detailed in the Indenture, (A) (i) the Class E Notes will rank subordinate in priority of payment to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and (ii) the Class E Notes bear the first risk of loss after the Subordinated Notes; (B) (i) the Class D Notes will rank subordinate in priority of payment to the Class A Notes, the Class B Notes and the Class C Notes and (ii) the Class D Notes bear the first risk of loss after the Class E Notes; (C) (i) the Class C Notes will rank subordinate in priority of payment to the Class A Notes and the Class B Notes and (ii) the Class C Notes bear the first risk of loss after the Class D Notes; and (D) the Class B Notes will rank subordinate in priority of payment to the Class A Notes and (ii) the Class B Notes bear the first risk ofloss after the Class C Notes.

The obligations of the [Co-Issuers][Issuer] under this Note and the Indenture are limited recourse obligations of the [Co-Issuers][Issuer] payable solely from the Collateral and following realization and application of the Collateral in accordance with the Priority of Payments or as otherwise provided in the Indenture upon a liquidation of the Collateral, and in the event the Collateral are insufficient to satisfy such obligations, any claims of Holders and obligations of the [Issuer][Co-Issuers] shall be extinguished.

Payments on this Note, if in global form, will be made by wire transfer in immediately available funds to a U.S. Dollar account maintained by the Depository or its nominee or, if a wire transfer cannot be effected, by a U.S. Dollar check in immediately available funds delivered to the Depository or its nominee. Payments on this Note, if not in global form, will be made by wire transfer in immediately available funds to a U.S. Dollar account maintained by the Holder hereof in accordance with wiring instructions provided to the Notes Paying Agent, or, if such instructions have not been received at least five Business Days prior to the relevant Payment Date or a wire transfer cannot be effected, by a U.S. Dollar check mailed to the address of the Holder specified in the Note Register as of the Record Date applicable to such Payment Date.

The registered Holder of this Note shall be treated as the owner hereof for all purposes.

The [Co-Issuers][Issuer] shall not be obligated to pay any additional amounts as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges.

The Notes are subject to mandatory redemption upon the occurrence of certain events specified in the Indenture and are redeemable by the [Co-Issuers][Issuer] in whole, but not in part, as provided for and at a redemption price set forth in the Indenture.

If an Event of Default shall occur and be continuing, this Note may become or be declared due and payable in the manner and with the effect provided in the Indenture. If any such acceleration of maturity occurs prior to the Stated Maturity of this Note, the amount payable to the Holder of this Note will be equal to the aggregate unpaid principal amount of this [Class A][Class B][Class C][Class D][Class E] Note, plus accrued and unpaid interest thereon calculated as set forth above.

Each Class of the Notes is issuable in global form deposited with the Trustee as custodian for DTC and registered in the name of Cede & Co., in minimum denominations such that the minimum denominations of each Note satisfy the minimum denominations of such Class of Notes as set forth in the Indenture.

The Issuer shall arrange for the Note Registrar to maintain the Note Register. Title to this Note shall pass by registration in the Note Register.

No service charge shall be made to a Holder for any registration of transfer or exchange of Notes, but the Trustee, the Authenticating Agent or the Transfer Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The remedies of the Trustee or the Holder hereof, as provided in the Indenture, shall be cumulative and concurrent and may be pursued solely against the Collateral. No failure on the part of the Holder or of the Trustee in exercising any right or remedy hereunder or under the Indenture shall operate as a waiver or release thereof, nor shall any single or partial exercise of any such right or remedy preclude any other further exercise thereof or the exercise of any other right or remedy hereunder or under the Indenture.

THE INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

Unless the certificate of authentication hereon has been executed by the Trustee by the manual signature of one of its Authorized Officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the [Co-Issuers][Issuer] [have][has] caused this Note to be duly executed.

Dated:

GSC INVESTMENT CORP. CLO 2007, LTD.

By: _____
Name:
Title:

[GSC INVESTMENT CORP. CLO 2007, INC.]

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

ASSIGNMENT FORM

For value received hereby sells, assigns and transfers unto

[Please print or type name and address, including z1p code, and social security or other identifying number of assignee of assignee:]

_____
_____
_____
_____

the within Note and does hereby irrevocably constitute and appoint Attorney to transfer the Note on the books of the Issuer with full power of substitution in the premises.

Date:

Signature _____

SCHEDULE OF EXCHANGES IN NOTE

The initial principal amount of this Note at issuance: $[ ]

The following exchanges of a part of this Note have been made:

Date of Exchange	Amount of decrease in principal amount of this Note	Amount of increase in principal amount of this Note	Principal amount of this Note following such decrease (or increase)	Signature of authorized officer of Trustee

Divider

EXHIBIT C-1

FORM OF SECTION 2.5 TRANSFER CERTIFICATE TO REGULATION S GLOBAL NOTE

[To be used in connection with all transfers other than to persons taking delivery thereof in the form of Rule 144A Global Notes]

Lehman Brothers Inc.
745 Seventh Avenue
New York, NY 10019

Lehman Brothers International (Europe)
One Broadgate
London EC2M 7HA
England

GSC Investment Corp. CLO 2007, Ltd.
c/o Maples Finance Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

GSC Investment Corp.
888 Seventh Avenue
New York, New York 10019

U.S. Bank National Association,
as Subordinated Note Paying Agent and
Trustee
214 North Tryon Street, 26th Floor
Charlotte, North Carolina 28202

GSC Investment Corp. CLO 2007, Inc.
c/o Donald J. Puglisi
850 Library Avenue, Suite 204
Newark, Delaware 19711

Re: GSC Investment Corp. CLO 2007, Ltd.
GSC Investment Corp. CLO 2007, Inc.
Class [A][B][C][D][E] Notes

Dear Sirs:

Reference is hereby made to (i) the Indenture, dated as of the Closing Date (the "**Indenture**"), among GSC Investment Corp. CLO 2007, Ltd. (the "**Issuer**") and GSC Investment Corp. CLO 2007, Inc. (the "**Co-Issuer**," and together with the Issuer, the "**Co-Issuers**") and U.S. Bank National Association, as trustee (the "**Trustee**"), custodian and securities intermediary, (ii) the Subordinated Note Paying Agency Agreement, dated as of the Closing Date (the "**Subordinated Note Paying Agency Agreement**"), between the Issuer and U.S. Bank National Association, as subordinated note paying agent (the "**Subordinated Notes Paying Agent**") and (iii) U.S.$296,000,000 in aggregate principal amount of the Co-Issuers' Class A Floating Rate Senior Notes Due 2020 (the "**Class A Notes**"); U.S.$22,000,000 in aggregate principal amount of the Co-Issuers' Class B Floating Rate Senior Notes Due 2020 (the "**Class B Notes"**); U.S.$14,000,000 in aggregate principal amount of the Co-Issuers' Class C Deferrable Floating Rate Notes Due 2020 (the "**Class C Notes**"); U.S.$16,000,000 in aggregate principal amount of the Co-Issuers' Class D Deferrable Floating Rate Notes Due 2020 (the "**Class D Notes**"); U.S.$22,000,000 in aggregate principal amount of the Issuer's Class E Deferrable Floating Rate Notes Due 2020 (the "**Class E Notes,**" and together with the Class A Notes, the Class B Notes,

the Class C Notes and the Class D Notes, the **"Notes")** described in the Co-Issuers' Offering Memorandum, dated January [ ], 2008 (the **"Final Offering Memorandum").** The undersigned purchaser (the "**Purchaser**") is purchasing U.S.$[ ] Class [ ] Notes (the **"Purchaser's Notes**") to be purchased and held by the Purchaser (a) in definitive, fully registered, physical certificated form or (b) through Euroclear or Clearstream as a participant in DTC, on behalf of the Purchaser, in the form of one or more permanent global notes in definitive, fully-registered form (in each case purchased in reliance on Regulation S ("**Regulation S**") under the Securities Act of 1933, as amended (the "**Securities Act**")). Capitalized terms used, and not otherwise defined herein, shall have the meaning specified in the Final Offering Memorandum.

In connection with its purchase of the Purchaser's Notes, the Purchaser hereby represents, for the benefit of the Co-Issuers, the Trustee, the Collateral Manager, the Note Registrar, the Transfer Agent, the Parties and the Initial Purchasers and their respective affiliates (collectively, the "**Parties**"), that it is purchasing the Purchaser's Notes in accordance with the transfer restrictions applicable to the Notes in the Indenture and the Final Offering Memorandum. In addition, the Purchaser makes the further representations, acknowledgments and agreements that are set forth in this transfer certificate (this "**Transfer Certificate**"), each for the benefit of the Parties:

1. The Purchaser understands that the Purchaser's Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Purchaser's Notes have not been and will not be registered under the Securities Act, and, if in the future the Purchaser decides to offer, resell, pledge or otherwise transfer the Purchaser's Notes, such Notes may be offered, resold, pledged or otherwise transferred only in accordance with the Indenture and the legend on such Notes, which shall be substantially in the form set forth in Exhibit A hereto. It acknowledges that no representation is made by the Co-Issuers or the Initial Purchasers as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Purchaser's Notes.

2. In connection with the purchase of the Purchaser's Notes (provided, that no such representation is made with respect to the Collateral Manager by any affiliate of the Collateral Manager): (i) none of the Co-Issuers, the Initial Purchasers or the Collateral Manager is acting as a fiduciary or financial or investment adviser for the Purchaser; (ii) the Purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Co-Issuers, the Initial Purchasers or the Collateral Manager other than any in a current offering memorandum for such Purchaser's Notes and any representations expressly set forth in a written agreement with such party; (iii) none of the Co-Issuers, the Initial Purchasers or the Collateral Manager have given to the Purchaser (directly or indirectly through any other person) 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) of its purchase or the documentation for the Purchaser's Notes; (iv) the Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisers to the extent that it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any

transaction pursuant to the documentation for the Purchaser's Notes) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Initial Purchasers or the Collateral Manager; (v) the Purchaser has determined that the rates, prices or amounts and other terms of the purchase and sale of the Purchaser's Notes reflect those in the relevant market for similar transactions; (vi) the Purchaser is purchasing the Purchaser's Notes with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (vii) the Purchaser is a sophisticated investor familiar with transactions similar to its investment in the Purchaser's Notes.

3. It understands that the Purchaser's Notes will bear a legend substantially in the form attached as Exhibit A to this Transfer Certificate, unless the Co-Issuers determine otherwise in compliance with applicable law.

4. Either [check one]:

o (a) it is not (and for so long as it holds any Note or any interest therein will not be) acting on behalf of an Employee Benefit Plan that is subject to Title I of ERISA, a plan described in section 4975(e)(1) of the Code, an entity which is deemed to hold the assets of any such plan pursuant to 29 *C.P.R.* section 2510.3-101, as modified by Section 3(42) ofERISA, which plan or entity is subject to Title I of ERISA or section 4975 of the Code, or a governmental or church plan which is subject to any Similar Law, or

o (b) its purchase and ownership of a Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of a governmental or church plan, will not result in a violation of any Similar Law).

(i) In the case of a Class E Note, each transferee of such Class E Note will be deemed to represent and warrant that it is not a Benefit Plan Investor (including, for this purpose the general account of an insurance company any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA).

(ii) In the case of a Class E Note, each purchaser of such Class E Note understands that if the Issuer determines that any holder of a Class E Note or beneficial interest therein is (or became) a Benefit Plan Investor, the Issuer may require, by notice to such holder require such holder to sell all of its right, title and interest to such Class E Note (or interest therein) to a person that is not a Benefit Plan Investor and otherwise satisfies the applicable requirements for holding such Class E Note, with such sale to be effected within 30 days after notice of such sale requirement is given. If such holder fails to effect the transfer required within such 30-day period, (x) upon written direction from the Collateral Manager or the Issuer, the Trustee shall, and is hereby irrevocably authorized by such

holder to, cause such holder's interest in such Class E Note to be transferred in a commercially reasonable sale arranged by the Collateral Manager (conducted by the Trustee in accordance with section 9-610 of the UCC as in effect in the state of New York as applied to securities that are sold on a recognized market or that are the subject of widely distributed standard price quotations) to a person that certifies to the Trustee, the Issuer and the Collateral Manager, in connection with such transfer, that such person is not a Benefit Plan Investor and otherwise meets the requirements for holding such Class E Note and (y) pending such transfer, no further payments will be made in respect of the interest in such Class E Note held by such holder, and the interest in such Class E Note shall not be deemed to be outstanding for the purpose of any vote or consent of the holders of the Class E Notes.

(iii) If the Purchaser of Notes is, or is acting on behalf of, a Plan subject to Title I of ERISA or an employee benefit plan that is not subject to Title I of ERISA but is subject to provisions of a Similar Law, the fiduciaries of such Plan or such employee benefit plan, as applicable, represent and warrant that they have been informed of and understand the Issuer's investment objectives, policies and strategies and that the decision to invest such Plan's assets or such employee benefit plan's assets in Notes was made with appropriate consideration of relevant investment factors with regard to such Plan or such employee benefit plan, as the case may be, and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under Title I of ERISA or such Similar Law.

5. The Purchaser will not, at any time, offer to buy or offer to sell the Purchaser's Notes by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or seminar or meeting whose attendees have been invited by general solicitations or advertising.

6. The Purchaser and each beneficial owner of the Purchaser's Notes that it holds is not, and will not be, a U.S. Person as defined in Regulation S under the Securities Act or a U.S. resident for purposes of the Investment Company Act, its principal place of business is not located within any Federal Reserve District of the Board of Governors of the Federal Reserve System (or it has satisfied and will satisfy any applicable registration and other requirements of the Board of Governors of the Federal Reserve System in connection with its acquisition of the Purchaser's Notes) and its purchase of the Purchaser's Notes will comply with all applicable laws in any jurisdiction in which it resides or is located. A transferor who transfers an interest in a Regulation S Global Note or a Regulation S Definitive Note to a transferee who will hold the interest in the same form is not required to make any representation or certification. The Purchaser is aware that the sale of the Purchaser's Notes to it is being made in reliance on the exemption from registration provided by Regulation S under the Securities Act. Before any interest in a Regulation S Global Note or Regulation S Definitive Note may be offered, resold, pledged or

otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note or Rule 144A Definitive Note, as applicable, the transferor will be required to provide the Trustee with a written certification (in the form provided in the Indenture) as to compliance with the transfer restrictions.

7. The Purchaser is not purchasing the Purchaser's Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act.

8. The Purchaser or transferee, as applicable, will provide notice to each person to whom it proposes to transfer any interest in the Notes of the transfer restrictions and representations set forth in Section 2.5 of the Indenture, including the Exhibits referenced in such Section 2.5.

9. The Purchaser understands that an investment in the Notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances and that the Co-Issuers have assets limited to the Collateral for payment of all Classes of the Notes and the Subordinated Notes. The Purchaser understands that the Notes will be highly illiquid and are not suitable for short-term trading. Furthermore, (A) in the case of a purchaser or transferee of the Class E Notes, the holder understands that (i) the Class E Notes will rank subordinate in priority of payment to the Class D Notes and (ii) the Class E Notes bear the first risk of loss after the Subordinated Notes, (B) in the case of a purchaser or transferee of the Class D Notes, the holder understands that (i) the Class D Notes will rank subordinate in priority of payment to the Class C Notes and (ii) the Class D Notes bear the first risk of loss after the Class E Notes, (C) in the case of a purchaser or transferee of the Class C Notes, the holder understands that (i) the Class C Notes will rank subordinate in priority of payment to the Class B Notes and (ii) the Class C Notes bear the first risk of loss after the Class D Notes and (D) in the case of a purchaser or transferee of the Class B Notes, the holder understands that (i) the Class B Notes will rank subordinate in priority of payment to the Class A Notes and (ii) the Class B Notes bear the first risk of loss after the Class C Notes, in each of the foregoing case, as and in the manner described herein. The Purchaser has had access to such financial and other information concerning the Co-Issuers and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes, including an opportunity to ask questions of and request information from the Co-Issuers.

10. If the Purchaser is acquiring the Purchaser's Notes in a transfer from an existing holder the transferee has satisfied all applicable registration and other requirements of the Board of Governors of the Federal Reserve System in connection with its acquisition of the Notes.

11. The Purchaser acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal income, state and local income and franchise tax, the Notes will be treated as debt of the Issuer; it agrees to such treatment and agrees to take no action inconsistent with such treatment unless required by law.

12. The Purchaser understands that the Issuer may require certification acceptable to it (i) to permit the Issuer to make payments to it without, or at a reduced rate of, withholding or (ii) to enable the Issuer to qualify for a reduced rate or withholding in any jurisdiction from or through which the Issuer receives payments on its assets. The purchaser agrees to provide any such certification that is requested by the Issuer.

13. The Purchaser is not a member of the Public in the Cayman Islands.

[The following information is to be provided in the event that the Purchaser is taking delivery of its Notes in the form of Certificated Notes:

(A) The name and address of the registered holder of the Purchaser's Notes will be:
[ ]
[ ]
[ ]
[ ]
[ ].

(B) The taxpayer ID of the registered holder of the Purchaser's Notes: [ ].

(C) The wire/payment instructions for the registered holder of the Purchaser's Notes are:
[ ]
[ ]
[ ]
[ ]
[ ].

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,

[NAME OF PURCHASER]

By: _____

Name:
Title:
Date: , 20]

Exhibit A

THIS SECURED NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED FROM TIME TO TIME (THE "SECURITIES ACT"), AND THE CO-ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED FROM TIME TO TIME (THE "INVESTMENT COMPANY ACT"). THIS SECURED NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (A)(l) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(l)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A IN ACCORDANCE WITH RULE 144A, AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE INVESTMENT COMPANY ACT), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW, AND WHICH MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXCEPTION OR (2) TO A PERSON THAT IS NEITHER A U.S. PERSON (AS DEFINED IN REGULATIONS) NOR A U.S. RESIDENT (FOR PURPOSES OF THE INVESTMENT COMPANY ACT) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION SUNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF THIS SECURED NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE CO-ISSUERS, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT, UNDER THE INDENTURE, TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON OR A U.S. RESIDENT AND IS NOT A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE SECURED NOTES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

EACH INITIAL PURCHASER OF A SECURED NOTE (OTHER THAN A CLASS E NOTE) OR INTEREST THEREIN AND EACH SUBSEQUENT TRANSFEREE OF ANY SECURED NOTE (OTHER THAN A CLASS E NOTE) OR INTEREST THEREIN WILL BE DEEMED BY SUCH PURCHASE OR ACQUISITION OF ANY SUCH SECURED NOTE OR INTEREST THEREIN TO HAVE REPRESENTED AND WARRANTED AND IN CERTAIN

CIRCUMSTANCES (WITH RESPECT TO ANY TRANSFER OF AN INTEREST IN A RULE 144A GLOBAL SECURED NOTE FOR AN INTEREST IN A REGULATIONS GLOBAL SECURED NOTE OR VICE VERSA OR ANY TRANSFER OF A DEFINITIVE SECURED NOTE) WILL BE REQUIRED TO REPRESENT AND WARRANT THAT ON EACH DAY FROM THE DATE ON WHICH SUCH PURCHASER OR TRANSFEREE ACQUIRES SUCH SECURED NOTE OR INTEREST THEREIN THROUGH AND INCLUDING THE DATE ON WHICH SUCH PURCHASER OR TRANSFEREE DISPOSES OF SUCH SECURED NOTE OR INTEREST THEREIN, EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED FROM TIME TO TIME **("ERISA"),** A "PLAN" SUBJECT TO SECTION 4975(e)(l) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED FROM TIME TO TIME (THE **"CODE"**), AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE THE PLAN ASSETS OF ANY SUCH ERISA PLAN OR OTHER PLAN, OR A FOREIGN, GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FOREIGN, FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE, HOLDING AND DISPOSITION OF SUCH SECURITY OR INTEREST THEREIN WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR FOREIGN, FEDERAL, STATE OR LOCAL LAW).

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

To be included in the case of the Class E Notes:

THESE NOTES HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID"). FOR INFORMATION REGARDING THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY PLEASE CONTACT TRUSTEE AT TELEPHONE No. (704) 335-4678, ATTENTION: CDO TRUST SERVICES – GSC INVESTMENT CORP. CLO 2007, LTD.

NEITHER THIS NOTE NOR ANY INTEREST THEREIN MAY BE HELD BY OR TRANSFERRED TO A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") AND THE

TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER. EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE

OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR AN INTEREST THEREIN) WILL NOT BE) AND IS NOT ACTING ON BEHALF OF OR USING THE ASSETS OF (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR AN INTEREST THEREIN) WILL NOT BE ACTING ON BEHALF OF OR USING THE ASSETS OF) A BENEFIT PLAN INVESTOR. EACH HOLDER OF THIS NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT (1) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR; (2) IT WILL NOT SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR AN INTEREST THEREIN) TO BENEFIT PLAN INVESTOR; AND (3) IT AND ANY FIDUCIARY CAUSING IT TO ACQUIRE THIS NOTE (OR ANY INTEREST HEREIN) AGREE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE INITIAL PURCHASERS, THE TRUSTEE AND THE COLLATERAL MANAGER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ITS BREACH OF THE FOREGOING CERTIFICATIONS, REPRESENTATIONS AND WARRANTIES THAT ARE APPLICABLE TO IT.

“BENEFIT PLAN INVESTOR” AS DEFINED IN SECTION 3(42) OF ERISA INCLUDES AN “EMPLOYEE BENEFIT PLAN” (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISION OF TITLE I OF ERISA, A “PLAN” THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, AND ANY ENTITY WHOSE ASSETS ARE TREATED AS “PLAN ASSETS” FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF A PLAN’S INVESTMENT IN SUCH ENTITY, INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT (AND A WHOLLY OWNED SUBSIDIARY OF SUCH GENERAL ACCOUNT) ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE “PLAN ASSETS” UNDER SECTION 401(c) OF ERISA.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER (OR THE COLLATERAL MANAGER ON ITS BEHALF) DETERMINES THAT ANY HOLDER OF THIS SECURED NOTE OR AN INTEREST HEREIN (X) IS OR BECOMES A BENEFIT PLAN INVESTOR OR (Y) (I) IS A U.S. PERSON AND (II) IS NOT BOTH (A) A QUALIFIED INSTITUTIONAL BUYER AND (B) A QUALIFIED PURCHASER, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURED NOTE (OR INTEREST HEREIN) TO A PERSON THAT IS NOT A BENEFIT PLAN INVESTOR AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER’S INTEREST IN THIS SECURED NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE TRUSTEE IN

ACCORDANCE WITH SECTION 9-610 OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT ARE THE SUBJECT OF WIDELY DISTRIBUTED STANDARD PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS NOT A BENEFIT PLAN INVESTOR AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURED NOTE HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURED NOTE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE CLASS E NOTES.

Divider

EXHIBIT C-2

FORM OF SECTION 2.5 TRANSFER CERTIFICATE
TO RULE 144A GLOBAL NOTE

[To be used in connection with transfers other than transfers to persons taking delivery thereof in the form of Regulations Global Notes]

Lehman Brothers Inc.
745 Seventh Avenue
New York, NY 10019

Lehman Brothers International (Europe)
One Broadgate
London EC2M 7HA
England

GSC Investment Corp. CLO 2007, Ltd.
c/o Maples Finance Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

GSC Investment Corp.
888 Seventh Avenue
New York, New York 10019

U.S. Bank National Association,
as Subordinated Note Paying Agent and

GSC Investment Corp. CLO 2007, Inc.
c/o Donald J. Puglisi

Trustee
214 North Tryon Street, 26th Floor
Charlotte, North Carolina 28202

850 Library Avenue, Suite 204
Newark, Delaware 19711

Re: GSC Investment Corp. CLO 2007, Ltd.
GSC Investment Corp. CLO 2007, Inc.
Class [A][B][C][Dl[El Notes

Dear Sirs:

Reference is hereby made to (i) the Indenture, dated as of the Closing Date (the **"Indenture"),** among the GSC Investment Corp. CLO 2007, Ltd. (the **"Issuer")** and GSC Investment Corp. CLO 2007, Inc. (the **"Co-Issuer,"** and together with the Issuer, the **"Co-Issuers")** and U.S. Bank National Association, as trustee (the **"Trustee"),** custodian and securities intermediary, (ii) the Subordinated Note Paying Agency Agreement, dated as of the Closing Date (the **"Subordinated Note Paying Agency Agreement"),** between the Issuer and U.S. Bank National Association, as subordinated note paying agent (the **"Subordinated Notes Paying Agent")** and (iii) U.S.$296,000,000 in aggregate principal amount of the Co-Issuers' Class A Floating Rate Senior Notes Due 2020 (the **"Class A Notes");** U.S.$22,000,000 in aggregate principal amount of the Co-Issuers' Class B Floating Rate Senior Notes Due 2020 (the **"Class B Notes");** U.S.$14,000,000 in aggregate principal amount of the Co-Issuers' Class C Deferrable Floating Rate Notes Due 2020 (the **"Class C Notes");** U.S.$16,000,000 in aggregate principal amount of the Co-Issuers' Class D Deferrable Floating Rate Notes Due 2020 (the **"Class D Notes");** U.S.$22,000,000 in aggregate principal amount of the Issuer's Class E Deferrable Floating Rate Notes Due 2020 (the **"Class E Notes,"** and together with the Class A Notes, the Class B Notes,

the Class C Notes and the Class D Notes, the **"Notes")** described in the Co-Issuers' Offering Memorandum, dated January [ ], 2008 (the **"Final Offering Memorandum").** The undersigned purchaser (the **"Purchaser")** is purchasing U.S.$[ ] Class [ ] Notes (the **"Purchaser's Notes")** to be purchased and held by the Purchaser (a) in definitive, fully registered, physical certificated form or (b) through Euroclear or Clearstream as a participant in DTC, on behalf of the Purchaser, in the form of one or more permanent global notes in definitive, fully-registered form; in each case purchased in reliance on Rule 144A **("Rule 144A")** under the Securities Act of 1933, as amended (the **"Securities Act")).** Capitalized terms used, and not otherwise defined herein, shall have the meaning specified in the Final Offering Memorandum.

In connection with its purchase of the Purchaser's Notes, the Purchaser hereby represents, for the benefit of the Co-Issuers, the Trustee, the Collateral Manager, the Note Registrar, the Transfer Agent, the Parties and the Initial Purchasers and their respective affiliates (collectively, the **"Parties"),** that it is purchasing the Purchaser's Notes in accordance with the transfer restrictions applicable to the Notes in the Indenture and the Final Offering Memorandum. In addition, the Purchaser makes the further representations, acknowledgments and agreements that are set forth in this transfer certificate (this **"Transfer Certificate"),** each for the benefit of the Parties:

1. The Purchaser (A) is a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act of 1933, as amended) that is not (i) a broker-dealer which owns and invests on a discretionary basis less than U.S.$25 million in securities of issuers that are not affiliated persons of the dealer and is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(l)(i)(E) of Rule 144A or (ii) a trust fund referred to in paragraph (a)(l)(i)(F) of Rule 144A that holds the assets of such a plan, if investment decisions with respect to the plan are made by the beneficiaries of the plan, (B) understands that such Notes may be resold, pledged or transferred only to a person who is a QIB within the meaning of Rule 144A, (C) is aware that the sale of the Purchaser's Notes to it is being made in reliance on the exemption from registration provided by Rule 144A and (D) is acquiring the Purchaser's Notes for its own account or for one or more accounts, each of which is a qualified institutional buyer, and as to each of which the Purchaser exercises sole investment discretion, and in a principal amount of not less than the minimum denomination of such Note for the Purchaser and for each such account. The Purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Purchaser's Notes, and the Purchaser and any accounts for which it is acting are each able to bear the economic risk of the Purchaser's or its investment.

2. The Purchaser understands that the Purchaser's Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Purchaser's Notes have not been and will not be registered under the Securities Act, and, if in the future the Purchaser decides to offer, resell, pledge or otherwise transfer the Purchaser's Notes, such Notes may be offered, resold, pledged or otherwise transferred only in accordance with the Indenture and the legend on such Notes, which shall be substantially in the form set forth in Exhibit A hereto. It acknowledges that no representation is made by the Co-Issuers or the Initial Purchasers

as to the availability of any exemption under the Securities Act or any state securities laws for resale ofthe Purchaser's Notes.

3. In connection with the purchase of the Purchaser's Notes (provided, that no such representation is made with respect to the Collateral Manager by any affiliate of the Collateral Manager): (i) none of the Co-Issuers, the Initial Purchasers or the Collateral Manager is acting as a fiduciary or financial or investment adviser for the Purchaser; (ii) the Purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Co-Issuers, the Initial Purchasers or the Collateral Manager other than any in a current offering memorandum for such Purchaser's Notes and any representations expressly set forth in a written agreement with such party; (iii) none of the Co-Issuers, the Initial Purchasers or the Collateral Manager have given to the Purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, retum, performance, result, effect, consequence, or benefit (including legal, regulatory, tax, financial, accounting, or otherwise) of its purchase or the documentation for the Purchaser's Notes; (iv) the Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisers to the extent that it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the documentation for the Purchaser's Notes) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Co-Issuers, the Initial Purchasers or the Collateral Manager; (v) the Purchaser has determined that the rates, prices or amounts and other terms of the purchase and sale of the Purchaser's Notes reflect those in the relevant market for similar transactions; (vi) the Purchaser is purchasing the Purchaser's Notes with a full understanding of all of the terms, conditions and risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (vii) the Purchaser is a sophisticated investor familiar with transactions similar to its investment in the Purchaser's Notes.

4. The Purchaser and each account for which the Purchaser is acquiring the Purchaser's Notes is a qualified purchaser for purposes of Section 3(c)(7) of the Investment Company Act, the Purchaser (or if the Purchaser is acquiring the Purchaser's Notes for any account, each such account) is acquiring the

Purchaser's Notes as principal for its own account for investment and not for sale in connection with any distribution thereof, the Purchaser and each such account was not formed solely for the purpose of investing in the Purchaser's Notes and is not a (i) partnership, (ii) common trust fund or (iii) special trust, pension fund or retirement plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made, and the Purchaser and each such account agrees that it will not hold such Purchaser's Notes for the benefit of any other person and will be the sole beneficial owner thereof for all purposes and that it will not sell participation interests in the Purchaser's Notes or enter into any other arrangement pursuant to which any other person will be entitled to a beneficial interest in the distributions on the Purchaser's Notes and further that the Purchaser's Notes purchased directly or indirectly by it constitute an investment of no more than 40% of the Purchaser's and each such account's assets. If the Purchaser is a private investment

company formed prior to April 30, 1996, it has received the necessary consents from its beneficial holders. The Purchaser understands and agrees that any purported transfer of the Purchaser's Notes or any interest therein to a purchaser that does not comply with the requirements of this paragraph will be null and void ab initio.

5. The Purchaser's Notes may not at any time be held by or on behalf of U.S. Persons (as defined in Regulation S under the Securities Act) that are not qualified institutional buyers. Before any interest in a Rule 144A Global Note may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, the transferor will be required to provide the Trustee with a written certification (in the applicable form provided in the Indenture) as to compliance with the transfer restrictions.

6. It understands that the Purchaser's Notes will bear a legend substantially in the form attached as Exhibit A to this Transfer Certificate, unless the Co-Issuers determine otherwise in compliance with applicable law.

7. Either [check one]:

o (a) it is not (and for so long as it holds any Note or any interest therein will not be) acting on behalf of an Employee Benefit Plan that is subject to Title I of ERISA, a plan described in section 4975(e)(1) of the Code, an entity which is deemed to hold the assets of any such plan pursuant to 29 C.F.R. section 2510.3-101, as modified by Section 3(42) ofERISA, which plan or entity is subject to Title I of ERISA or section 4975 of the Code, or a governmental or church plan which is subject to any Similar Law, or

o (b) its purchase and ownership of a Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of a governmental or church plan, will not result in a violation of any Similar Law).

(i) In the case of a Class E Note, each transferee of such Class E Note will be deemed to represent and warrant that it is not a Benefit Plan Investor (including, for this purpose the general account of an insurance company any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA).

(ii) In the case of a Class E Note, each purchaser of a Class E Note understands that if the Issuer determines that any holder of a Class E Note or beneficial interest therein is (or became) a Benefit Plan Investor, the Issuer may require, by notice to such holder require such holder to sell all of its right, title and interest to such Class E Note (or interest therein) to a person that is not a Benefit Plan Investor and otherwise satisfies the applicable requirements for holding such Class E Note, with such sale to be effected within 30 days after notice of such sale requirement is given. If such holder fails to effect the transfer required within such 30-day

period, (x) upon written direction from the Collateral Manager or the Issuer, the Trustee shall, and is hereby irrevocably authorized by such holder to, cause such holder's interest in such Class E Note to be transferred in a commercially reasonable sale arranged by the Collateral Manager (conducted by the Trustee in accordance with section 9-610 of the UCC as in effect in the state of New York as applied to securities that are sold on a recognized market or that are the subject of widely distributed standard price quotations) to a person that certifies to the Trustee, the Issuer and the Collateral Manager, in connection with such transfer, that such person is not a Benefit Plan Investor and otherwise meets the requirements for holding such Class E Note and (y) pending such transfer, no further payments will be made in respect of the interest in such Class E Note held by such holder, and the interest in such Class E Note shall not be deemed to be outstanding for the purpose of any vote or consent of the holders of the Class E Notes.

(iii) If the Purchaser of Notes is, or is acting on behalf of, a Plan subject to Title I of ERISA or an employee benefit plan that is not subject to Title I of ERISA but is subject to provisions of a Similar Law, the fiduciaries of such Plan or such employee benefit plan, as applicable, represent and warrant that they have been informed of and understand the Issuer's investment objectives, policies and strategies and that the decision to invest such Plan's assets or such employee benefit plan's assets in Notes was made with appropriate consideration of relevant investment factors with regard to such Plan or such employee benefit plan, as the case may be, and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under Title I of ERISA or such Similar Law.

8. The Purchaser will not, at any time, offer to buy or offer to sell the Purchaser's Notes by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or seminar or meeting whose attendees have been invited by general solicitations or advertising.

9. The Purchaser is not purchasing the Purchaser's Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act.

10. The Purchaser or transferee, as applicable, will provide notice to each person to whom it proposes to transfer any interest in the Notes of the transfer restrictions and representations set forth in Section 2.5 of the Indenture, including the Exhibits referenced in such Section 2.5.

11. The Purchaser understands that an investment in the Notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances and that the Co-Issuers have assets limited to the Collateral for payment of all Classes of the Notes and the Subordinated Notes. The Purchaser understands that the

Notes will be highly illiquid and are not suitable for short-term trading. Furthermore, (A) in the case of a purchaser or transferee of the Class E Notes, the holder understands that (i) the Class E Notes will rank subordinate in priority of payment to the Class D Notes and (ii) the Class E Notes bear the first risk of loss after the Subordinated Notes, (B) in the case of a purchaser or transferee of the Class D Notes, the holder understands that (i) the Class D Notes will rank subordinate in priority of payment to the Class C Notes and (ii) the Class D Notes bear the first risk of loss after the Class E Notes and (C) in the case of a purchaser or transferee of the Class C Notes, the holder understands that (i) the Class C Notes will rank subordinate in priority of payment to the Class B Notes and (ii) the Class C Notes bear the first risk of loss after the Class D Notes and (D) in the case of a purchaser or transferee of the Class B Notes, the holder understands that (i) the Class B Notes will rank subordinate in priority of payment to the Class A Notes and (ii) the Class B Notes bear the first risk of loss after the Class C Notes, in each of the foregoing case, as and in the manner described herein. The Purchaser has had access to such financial and other information concerning the Co-Issuers and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes, including an opportunity to ask questions of and request information from the Co-Issuers.

12. If the Purchaser is acquiring the Purchaser's Notes in a transfer from an existing holder the transferee has satisfied all applicable registration and other requirements of the Board of Governors of the Federal Reserve System in connection with its acquisition of the Notes.

13. The Purchaser acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal income, state and local income and franchise tax, the Notes will be treated as debt of the Issuer; it agrees to such treatment and agrees to take no action inconsistent with such treatment unless required by law.

14. The Purchaser understands that the Issuer may require certification acceptable to it (i) to permit the Issuer to make payments to it without, or at a reduced rate of, withholding or (ii) to enable the Issuer to qualify for a reduced rate or withholding in any jurisdiction from or through which the Issuer receives payments on its assets. The Purchaser agrees to provide any such certification that is requested by the Issuer.

15. The Purchaser is not a member of the Public in the Cayman Islands.

[The following information is to be provided in the event that the Purchaser is taking delivery of its Notes in the form of Certificated Notes:

(A) The name and address of the registered holder of the Purchaser's Notes will be:
[ ]
[ ]
[ ]
[ ]
[ ].

(B) The taxpayer ID of the registered holder of the Purchaser's Notes: [ ].

(C) The wire/payment instructions for the registered holder of the Purchaser's Notes are:
[ ]
[ ]
[ ]
[ ]
[ ].

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,

[NAME OF PURCHASER]

By: _____
Name:
Title:
Date: , 20]

Exhibit A

THIS SECURED NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED FROM TIME TO TIME (THE "SECURITIES ACT"), AND THE CO-ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED FROM TIME TO TIME (THE "INVESTMENT COMPANY ACT"). THIS SECURED NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (A)(l) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(l)(i)(D) OR (a)(l)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN

ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A IN ACCORDANCE WITH RULE 144A, AND WHO IS ALSO A QUALIFIED PURCHASER (FOR PURPOSES OF THE INVESTMENT COMPANY ACT), SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO BELOW, AND WHICH MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXCEPTION OR (2) TO A PERSON THAT IS NEITHER A U.S. PERSON (AS DEFINED IN REGULATION S) NOR A U.S. RESIDENT (FOR PURPOSES OF THE INVESTMENT COMPANY ACT) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATIONS UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. EACH PURCHASER OF THIS SECURED NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTION 2.5 OF THE INDENTURE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE CO-ISSUERS, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT, UNDER THE INDENTURE, TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON OR A U.S. RESIDENT AND IS NOT A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE SECURED NOTES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

EACH INITIAL PURCHASER OF A SECURED NOTE (OTHER THAN A CLASS E NOTE) OR INTEREST THEREIN AND EACH SUBSEQUENT TRANSFEREE OF ANY SECURED NOTE (OTHER THAN A CLASS E NOTE) OR INTEREST THEREIN WILL BE DEEMED BY SUCH PURCHASE OR ACQUISITION OF ANY SUCH SECURED NOTE OR INTEREST THEREIN TO HAVE REPRESENTED AND WARRANTED AND IN CERTAIN

CIRCUMSTANCES (WITH RESPECT TO ANY TRANSFER OF AN INTEREST IN A RULE 144A GLOBAL SECURED NOTE FOR AN INTEREST IN A REGULATION S GLOBAL SECURED NOTE OR VICE VERSA OR ANY TRANSFER OF A DEFINITIVE SECURED NOTE) WILL BE REQUIRED TO REPRESENT AND WARRANT THAT ON EACH DAY FROM THE DATE ON WHICH SUCH PURCHASER OR TRANSFEREE ACQUIRES SUCH SECURED NOTE OR INTEREST THEREIN THROUGH AND INCLUDING THE DATE ON WHICH SUCH PURCHASER OR TRANSFEREE DISPOSES OF SUCH SECURED NOTE OR INTEREST THEREIN, EITHER THAT (A) IT IS NOT AN “EMPLOYEE BENEFIT PLAN” SUBJECT TO THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED FROM TIME TO TIME **(“ERISA”),** A “PLAN” SUBJECT TO SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED FROM TIME TO TIME (THE **“CODE”),** AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE THE PLAN ASSETS OF ANY SUCH ERISA PLAN OR OTHER PLAN, OR A FOREIGN, GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FOREIGN, FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE, HOLDING AND DISPOSITION OF SUCH SECURITY OR INTEREST THEREIN WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR FOREIGN, FEDERAL, STATE OR LOCAL LAW).

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (“DTC”) TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER (OR THE COLLATERAL MANAGER ON ITS BEHALF) DETERMINES THAT ANY HOLDER OF THIS SECURED NOTE OR AN INTEREST HEREIN IS NOT BOTH (A) A QUALIFIED INSTITUTIONAL BUYER AND (B) A QUALIFIED PURCHASER, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURED NOTE (OR INTEREST HEREIN) TO A PERSON THAT IS BOTH (A) A QUALIFIED INSTITUTIONAL BUYER AND (B) A QUALIFIED PURCHASER AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO,

CAUSE SUCH HOLDER’S INTEREST IN THIS SECURED NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610 OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT ARE THE SUBJECT OF WIDELY DISTRIBUTED STANDARD PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (A) A QUALIFIED INSTITUTIONAL BUYER AND (B) A QUALIFIED PURCHASER AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURED NOTE HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURED NOTE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT.

To be included in the case of the Class E Notes:

THESE NOTES HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT (“OlD”). FOR INFORMATION REGARDING THE ISSUE PRICE, THE AMOUNT OF OlD, THE ISSUE DATE AND THE YIELD TO MATURITY PLEASE CONTACT TRUSTEE AT TELEPHONE No. (704) 335-4678, ATTENTION: CDO TRUST SERVICES – GSC INVESTMENT CORP. CLO 2007, LTD.

NEITHER THIS NOTE NOR ANY INTEREST THEREIN MAY BE HELD BY OR TRANSFERRED TO A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) AND THE TRUSTEE WILL NOT RECOGNIZE ANY SUCH TRANSFER. EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR AN INTEREST THEREIN) WILL NOT BE) AND IS NOT ACTING ON BEHALF OF OR USING THE ASSETS OF (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR AN INTEREST THEREIN) WILL NOT BE ACTING ON BEHALF OF OR USING THE ASSETS OF) A BENEFIT PLAN

INVESTOR. EACH HOLDER OF THIS NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT (1) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR; (2) IT WILL NOT SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR AN INTEREST THEREIN) TO BENEFIT PLAN INVESTOR; AND (3) IT AND ANY FIDUCIARY CAUSING IT TO ACQUIRE THIS NOTE (OR ANY INTEREST HEREIN) AGREE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE INITIAL PURCHASERS, THE TRUSTEE AND THE COLLATERAL MANAGER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ITS BREACH OF THE FOREGOING

CERTIFICATIONS, REPRESENTATIONS AND WARRANTIES THAT ARE APPLICABLE TO IT.

“BENEFIT PLAN INVESTOR” AS DEFINED IN SECTION 3(42) OF ERISA INCLUDES AN “EMPLOYEE BENEFIT PLAN” (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISION OF TITLE I OF ERISA, A “PLAN” THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 4975 OF THE CODE, AND ANY ENTITY WHOSE ASSETS ARE TREATED AS “PLAN ASSETS” FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF A PLAN’S INVESTMENT IN SUCH ENTITY, INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT (AND A WHOLLY OWNED SUBSIDIARY OF SUCH GENERAL ACCOUNT) ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE “PLAN ASSETS” UNDER SECTION 401(c) OF ERISA.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER (OR THE COLLATERAL MANAGER ON ITS BEHALF) DETERMINES THAT ANY HOLDER OF THIS SECURED NOTE OR AN INTEREST HEREIN IS OR BECOMES A BENEFIT PLAN INVESTOR, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURED NOTE (OR INTEREST HEREIN) TO A PERSON THAT IS NOT A BENEFIT PLAN INVESTOR AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER’S INTEREST IN THIS SECURED NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610 OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT ARE THE SUBJECT OF WIDELY DISTRIBUTED STANDARD PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS NOT A BENEFIT PLAN INVESTOR AND IS OTHERWISE ELIGIBLE TO HOLD THIS NOTE AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURED NOTE HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURED NOTE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE CLASS E NOTES.

Divider

EXHIBIT D

FORM OF CERTIFICATE OF BENEFICIAL OWNERSHIP

U.S. Bank National Association,
as Trustee
214 North Tryon Street, 26th Floor
Charlotte, North Carolina 28202
Attention: CDO Trust Services-GSC Investment Corp. CLO 2007, Ltd.

Ladies and Gentlemen:

The undersigned hereby certifies that it is the beneficial owner of $ in principal amount of the [[Class A][Class B][Class C][Class D] [Class E] [Deferrable] Floating Rate [Senior] Notes due 2020][Subordinated Notes due 2020] of GSC Investment Corp. CLO 2007, Ltd. [and GSC Investment Corp. CLO 2007, Inc.] and hereby requests the Trustee to provide it at the following address the [Monthly Report specified in Section 10.5(a)] [Payment Date Report specified in Section 10.5(b)] [Subordinated Noteholder Report specified in Section 10.5(c)] [notices pursuant to Section 14.3] [until such time as the undersigned ceases to be a beneficial owner]:

Name:
Address: _____

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed this day of , .

[NAME OF BENEFICIAL OWNER]

By: _____
Authorized Signatory

Divider

EXHIBIT E

FORM OF COLLATERAL ACCOUNT CONTROL AGREEMENT

See Tab 7

E-1

Divider

EXHIBIT F

FORM OF OPINION OF MAPLES AND CALDER

See Tab 41

F-1

Divider

EXHIBIT G

FORMS OF OPINIONS OF STROOCK & STROOCK & LAVAN LLP

See Tabs 35, 36, 37, 38, 40

G-1

Divider

EXHIBIT H

FORMS OF OPINION OF
ALSON & BIRD LLP

See Tab 42

H-1

Divider

EXHIBIT I

FORM OF DTC NOTICE TO INVESTORS

See Tab 53

L-1

Exhibit (l)

[Letterhead of Sutherland Asbill & Brennan LLP]

April 29, 2013

Saratoga Investment Corp.
535 Madison Avenue
New York, New York 10022

Ladies and Gentlemen:

We have acted as counsel to Saratoga Investment Corp., a Maryland corporation (the "***Company***"), in connection with the registration statement on Form N-2 (File No. 333-186323) (the "***Registration Statement***") filed by the Company with the Securities and Exchange Commission (the "***Commission***") under the Securities Act of 1933, as amended (the "***Securities Act***"), in connection with the registration, issuance and sale under the Securities Act of $25,000,000 in aggregate principal amount of the Company's Senior Notes (the "***Notes***"), together with any additional Notes that may be issued by the Company pursuant to Rule 462(b) under the Securities Act (as prescribed by the Commission pursuant to the Securities Act) in connection with the offering described in the Registration Statement.

The Notes will be issued pursuant to an indenture, substantially in the form filed as an exhibit to the Registration Statement, to be entered into between the Company and U.S. Bank National Association, as trustee (the "***Trustee***"), as supplemented by a first supplemental indenture, substantially in the form filed as an exhibit to the Registration Statement, to be entered into between the Company and the Trustee (collectively, the "***Indenture***").

As counsel to the Company, we have participated in the preparation of the Registration Statement and have examined originals or copies of the following:

(i) the Articles of Incorporation of the Company, as amended, certified as of the date of this opinion letter by an officer of the Company;

(ii) the Amended and Restated Bylaws of the Company, certified as of the date hereof by an officer of the Company;

(iii) a Certificate of Good Standing, dated March 22, 2013, with respect to the Company issued by the State of Maryland Department of Assessments and Taxation;

(iv) resolutions of the Board of Directors of the Company relating to, among other things, (a) the authorization and approval of the preparation and filing of the Registration Statement and (b) the authorization, execution and delivery of the Indenture;

(v) the Indenture; and

(vi) a specimen copy of the form of the Notes to be issued pursuant to the Indenture in the form attached to the Indenture.

With respect to such examination and our opinion expressed herein, we have assumed, without any independent investigation or verification, (i) the genuineness of all signatures on all documents submitted to us for examination, (ii) the legal capacity of all natural persons, (iii) the authenticity of all documents submitted to us as originals, (iv) the conformity to original documents of all documents submitted to us as conformed or reproduced copies and the authenticity of the originals of such copied documents, and (v) that all certificates issued by public officials have been properly issued. We also have assumed without independent investigation or verification (i) the accuracy and completeness of all corporate records made available to us by the Company and (ii) that the Indenture will be a valid and legally binding obligation of the parties thereto (other than the Company).

Where factual matters material to this opinion letter were not independently established, we have relied upon certificates and/or representations of officers of the Company. We have also relied on certificates of public officials. Except as otherwise stated herein, we have not independently established the facts, or in the case of certificates of public officials, the other statements, so relied upon.

This opinion is limited to the contract laws of the State of New York, as in effect on the date hereof, and we express no opinion with respect to any other laws of the State of New York or the laws of any other jurisdiction. Without limiting the preceding sentence, we express no opinion as to any state securities or broker-dealer laws or regulations thereunder relating to the offer, issuance or sale of the Notes. This opinion letter has been prepared, and should be interpreted, in accordance with customary practice followed in the preparation of opinion letters by lawyers who regularly give, and such customary practice followed by lawyers who on behalf of their clients regularly advise opinion recipients regarding, opinion letters of this kind.

Based upon and subject to the limitations, exceptions, qualifications and assumptions set forth in this opinion letter, we are of the opinion that, when the Notes are duly executed and delivered by duly authorized officers of the Company and duly authenticated by the Trustee, all in accordance with the provisions of the Indenture, and delivered to the purchasers thereof against payment of the agreed consideration therefor, the Notes will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms.

The opinion expressed in this opinion letter is subject, as to enforcement, to (i) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or conveyance or other laws of general applicability relating to or affecting creditors' rights generally and (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law) and the discretion of the court before which any proceeding therefor may be brought.

The opinions expressed in this opinion letter (a) are strictly limited to the matters stated in this opinion letter, and without limiting the foregoing, no other opinions are to be implied and (b) are only as of the date of this opinion letter, and we are under no obligation, and do not undertake, to advise the addressee of this opinion letter or any other person or entity either of any change of law or fact that occurs, or of any fact that comes to our attention, after the date of this opinion letter, even though such change or such fact may affect the legal analysis or a legal conclusion in this opinion letter.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our firm in the "Legal Matters" section in the Registration Statement. We do not admit by giving this consent that we are in the category of persons whose consent is required under Section 7 of the Securities Act.

Very truly yours,

/s/ Sutherland Asbill & Brennan LLP

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Exhibit (n)(1)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Senior Securities" and "Independent Registered Public Accounting Firm" and to the use of our report dated May 23, 2012 Except for Note 4, as to which the date is April 27, 2013 with respect to the consolidated financial statements of Saratoga Investment Corp. as of February 29, 2012 and February 28, 2011, and for the years ended February 29, 2012, February 28, 2011 and 2010 and to reference our report dated April 27, 2013 with respect to the senior securities table of Saratoga Investment Corp. as of February 29, 2012, included in the Pre-Effective Amendment No. 1 to the Registration Statement (Form N-2 No. 333-186323) and related Prospectus of Saratoga Investment Corp. for the registration of its senior notes.

/s/ ERNST & YOUNG LLP

New York, New York
April 27, 2013

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Exhibit (n)(2)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Saratoga Investment Corp.

We have audited the senior securities table of Saratoga Investment Corp. (the "Company") as of February 29, 2012 included in the accompanying registration statement on Form N-2 (No. 333-186323), Pre-Effective Amendment No. 1. The senior securities table is the responsibility of the Company's management. Our responsibility is to express an opinion on the senior securities table based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the senior securities table is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the senior securities table. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall senior securities table presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the senior securities table referred to above presents fairly, in all material respects, the senior securities, as defined in Section 18 of the Investment Company Act of 1940, of Saratoga Investment Corp. at February 29, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

New York, New York
April 27, 2013

QuickLinks

Exhibit 99.1

Saratoga Investment Corp.
Computation of Ratios of Earnings to Fixed Charges

	For the Nine Months Ended November 28, 2012	For the Year Ended February 29, 2012	For the Year Ended February 28, 2011
Earnings:			
Net increase in net assets resulting from operations	$ 8,807,377	$ 13,275,143	$ 16,958,241
Income tax expense, including excise tax	—	—	—
Total earnings before taxes	$ 8,807,377	$ 13,275,143	$ 16,958,241
Fixed Charges:			
Interest Expense	$ 1,808,568	$ 1,297,985	$ 2,611,839
Total fixed charges	$ 1,808,568	$ 1,297,985	$ 2,611,839
Earnings available to cover fixed charges	$ 10,615,945	$ 14,573,128	$ 19,570,080
Ratio of earnings to fixed charges	5.9	11.2	7.5