THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT CONTAINS PROPOSALS RELATING TO BLACKSTONE / GSO LOAN FINANCING LIMITED (THE "COMPANY") ON WHICH YOU ARE BEING ASKED TO VOTE.

If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the UK Financial Services and Markets Act 2000 or, if you are in a territory outside the United Kingdom, from an appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in the Company (the "**Shares**"), please send this Circular, together with the accompanying proxy appointment form (the "**Proxy Appointment Form**"), at once to the purchaser or transferee of such shares, or to the stockbroker, banker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Australia, South Africa or Japan or into any other jurisdiction if to do so would constitute a violation of the relevant laws and regulations in such other jurisdiction. If you have sold or transferred only part of your holding of Shares, please consult the bank, stockbroker or other agent through which the sale or transfer was effected.

BLACKSTONE / GSO LOAN FINANCING LIMITED

(a closed-ended investment company limited by shares incorporated under the laws of Jersey with registered number 115628)

NOTICE OF EXTRAORDINARY GENERAL MEETING

AMENDMENTS TO EXISTING INVESTMENT OBJECTIVE AND POLICY

DISAPPLICATION OF PRE-EMPTION RIGHTS AND APPROVAL OF THE ISSUE OF SHARES

ADOPTION OF NEW ARTICLES OF ASSOCIATION

APPROVAL OF RELATED PARTY TRANSACTION

The Proposals described in this Circular are conditional on approval from Shareholders, which is being sought at the extraordinary general meeting of the Company to be held at 2.00 p.m. on 29 February 2016 at the offices of BNP Paribas Securities Services, Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY (the "**Extraordinary General Meeting**" or "**EGM**"). The notice ("**Notice**") in respect of the Extraordinary General Meeting is set out at the end of this Circular.

The Proxy Appointment Form enclosed with this Circular must be lodged at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU at least 48 hours before the commencement of the meeting. Completion of a Proxy Appointment Form will not preclude a Shareholder from attending, speaking and voting in person at the Extraordinary General Meeting.

This Circular should be read as a whole. Your attention is drawn in particular to the letter from the Chair of the Company which is set out on pages 3 to 9 of this Circular and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. Your attention is also drawn to the section entitled "Action to be Taken" on page 9 of this Circular.

5 February 2016

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS*

Date of the Notice	5 February 2016
Latest time and date for receipt of Proxy Appointment Forms	27 February 2016 at 2.00 p.m.
Extraordinary General Meeting	29 February 2016 at 2.00 p.m.

* References to times in this Circular are to London times unless otherwise stated. Any changes to the expected timetable will be notified by the Company through a Regulatory Information Service.

PART 1 – LETTER FROM THE CHAIR

BLACKSTONE / GSO LOAN FINANCING LIMITED

Charlotte Valeur *(Chair)*
Philip Austin
Gary Clark
Joanna Dentskevich

Registered Office:
Liberté House
19-23 La Motte Street
St Helier
Jersey
JE2 4SY

5 February 2016

Dear Shareholder,

NOTICE OF EXTRAORDINARY GENERAL MEETING

AMENDMENTS TO EXISTING INVESTMENT OBJECTIVE AND POLICY

DISAPPLICATION OF PRE-EMPTION RIGHTS AND APPROVAL OF THE ISSUE OF SHARES

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1. INTRODUCTION

I am writing to provide you with details of the Extraordinary General Meeting which will be held at the offices of BNP Paribas Securities Services, Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY at 2.00 p.m. (London time) on 29 February 2016.

This Circular sets out details of, and seeks your approval for: (i) certain amendments to the Company's investment objective and policy; (ii) the issue of up to 500 million Shares for a period until the end of the Company's annual general meeting to be held in 2017 and the disapplication of pre-emption rights in respect thereof; (iii) the adoption of the New Articles in order to incorporate certain administrative and legislative amendments; and (iv) the potential subscription by an entity in the Blackstone Group for Shares (together, the "**Proposals**").

Further details of the Proposals and the relevant corresponding Resolutions which will be put to Shareholders at the EGM are set out below.

Notice of the Extraordinary General Meeting is set out at the end of this Circular and a Proxy Appointment Form is enclosed with this Circular.

2. BACKGROUND

The Company was launched on 18 July 2014 with Euro Shares in issue and having total initial net assets of €260.5 million. As at 31 December 2015, the Company's net assets were valued at €326 million. Since launch, the Company has generated total net asset value returns of 5.03 per cent. (on an annualised basis, as at 31 December 2015) and 8.11 per cent. in 2015.

The Company, through Blackstone / GSO Corporate Funding Limited ("**BGCF**"), currently invests predominantly in floating rate senior secured loans, both directly and indirectly through CLO Income Notes. The Company is now seeking Shareholder approval to permit investment in all debt tranches of CLOs and in Loan Warehouses. The Company is also seeking Shareholder approval to enable it to invest by way of exposure (directly or indirectly) to additional risk retention companies or entities established from time to time ("**Risk Retention Companies**") (currently the investment objective and policy only permits the Company to invest by way of exposure to BGCF).

The amendments to the investment objective and policy will enable the Company to invest, through BGCF, in Blackstone / GSO US Corporate Funding, Ltd. ("**U.S. MOA**"), a newly-formed entity, in which an entity in the Blackstone Group will be the other investor and over which DFM will exercise control. U.S. MOA may, in accordance with the amended investment objective and policy, invest in senior secured loans and CLO Securities; however, the U.S. MOA will not make investments in Loan Warehouses. It is expected that an entity in the Blackstone Group will have a controlling financial interest in U.S. MOA for the purposes of U.S. GAAP and, as such, the purchase by U.S. MOA of CLO Securities will enable DFM or DFME to comply with their U.S. risk retention obligations in connection with CLOs that they sponsor. U.S. MOA may also seek debt financing in connection with these investments.

Further details of these proposed changes are set out below.

In addition to the Company's investment in profit participating notes issued by BGCF pursuant to the EU NPA ("**EU PPNs**"), it is anticipated that BGCF will raise additional funding (expected to be in U.S. Dollars but which may be in Euros), to be invested by BGCF in accordance with its investment policy (which mirrors that of the Company). Such additional funding will rank *pari passu* with the EU PPNs.

Separately, as announced on 14 December 2015, on the occurrence of suitable market conditions, the Company may also consider raising additional funding through the issue of new Shares to take advantage of the continued attractive investment and funding environment. It is anticipated that any such issue of Shares would be by way of a 12 month placing programme. Any such fundraising will only be carried out when the Directors consider that it is in the best interests of Shareholders and the Company as a whole. Relevant factors in making such a determination will include net asset performance, share price rating and perceived investor demand. Any new Shares will only be issued at prices greater than the latest published NAV per Share and any such fundraise is therefore expected to be accretive to the NAV per Share. Any new Shares may, at the Directors' discretion, be denominated in either U.S. Dollars or Euros.

Accordingly, the Directors consider it appropriate now to seek the requisite Shareholder authority which would allow them to carry out the fundraising in due course, subject to market conditions. The Directors believe that seeking such Shareholder authority in advance will allow them to respond promptly to investor demand and also to conduct the fundraise in a cost-efficient manner without needing to convene an additional extraordinary general meeting.

3. AMENDMENTS TO THE COMPANY'S INVESTMENT OBJECTIVE AND POLICY

The Company is seeking Shareholder approval to amend the existing investment objective and policy to provide the Company greater flexibility by:

- permitting investment in all debt tranches of CLOs and in Loan Warehouses (currently the investment objective and policy only permits investment in CLO Income Notes); and
- enabling the Company to invest by way of exposure (directly or indirectly) to one or more Risk Retention Companies (such term including BGCF) (currently the investment objective and policy only permits the Company to invest by way of exposure to BGCF).

The U.S. Risk Retention Regulations were finalised in December 2014 and will become effective in December 2016. The addition of a U.S. Risk Retention Company to the underlying structure will give the Company the ability to invest, through BGCF, in U.S. loans or European loans, whichever are more commercially attractive, and finance those loans via risk retention compliant CLOs in the U.S. or Europe, whichever offers more efficient cost of capital. The amendments to the Company's investment objective and policy are designed to give the Company the ability to take advantage of these opportunities, while also providing exposure to CLO Securities (in addition to CLO Income Notes, in which the Company can currently invest pursuant to the existing investment objective and policy) and Loan Warehouses. In order to mirror the domicile of loans permitted within CLOs, the amended investment objective and policy will allow for a portion of the loans in which Risk Retention Companies may invest to be domiciled outside of the U.S. or Europe. It is, however, expected that loans domiciled in the U.S. or Europe would be a substantial majority of the loans in which Risk Retention Companies invest.

Investments by BGCF in Loan Warehouses will be in "first loss" positions or the "warehouse equity" in Loan Warehouses managed by DFME or DFM (or any affiliates), which investment may be alongside other prospective investors in such Loan Warehouses. Such Loan Warehouses are expected to be refinanced into

CLO transactions, in which BGCF or another Risk Retention Company may make a retention investment. GSO expects that the ability to invest in Loan Warehouses will provide BGCF with attractive returns during portfolio construction of a CLO, and assist BGCF in implementing its investment policy (which mirrors the investment policy of the Company).

To the extent attributable to the Company, the aggregate value of investments made by BGCF or other Risk Retention Companies in any single externally financed warehouse (net of any directly attributable financing) shall not exceed 20 per cent. of the NAV of the Company at the time of investment, and in all externally financed warehouses taken together (net of any directly attributable financing) shall not exceed 30 per cent. of the NAV of the Company at the time of investment. These limitations shall only apply to BGCF and the other Risk Retention Companies in aggregate and not to BGCF or the other Risk Retention Companies individually.

In order to meet the requirements of the relevant European and/or U.S. risk retention rules, the Risk Retention Companies will retain 5 per cent. of the credit risk of the securitised exposures of each CLO, which may be held as: (a) CLO Income Notes representing at least 5 per cent. of the credit risk relating to the assets collateralising the CLO (the "**horizontal strip**"); or (b) not less than 5 per cent. of the principal amount of each of the tranches of CLO Securities in each such CLO (the "**vertical strip**"). In the case of deals structured to be compliant with the U.S. risk retention rules, the retention by a Risk Retention Company (which in this context only shall not include BGCF) may be structured as a combination of a horizontal strip and a vertical strip.

Whilst not a requirement of the European risk retention rules, in the case of European CLOs where BGCF intends to hold a horizontal strip, it will hold between 51 per cent. and 100 per cent. of the CLO Income Notes issued by each such CLO.

Vertical strips in CLOs in which Risk Retention Companies may invest are expected to be financed partly through term finance for investment-grade CLO Securities, with the balance being provided by the relevant Risk Retention Company investing in such CLO. This term financing may be full-recourse, non-mark to market, long-term financing which may, among other things, match the maturity of the relevant CLO or match the reinvestment period or non-call period of the relevant CLO. In particular, and although not forming part of the Company's investment policy, the following levels of, or limitations on, leverage are expected in relation to investments made by Risk Retention Companies:

- senior secured loans may be levered up to 2.5x with term finance;
- investments in "first loss" positions or the "warehouse equity" in Loan Warehouses will not be levered;
- CLO Income Notes will not be levered;
- investments in CLO Securities rated BBB- and above at the time of issue may be funded entirely with term finance; and
- investments in a vertical strip may be levered 6.0-7.0x, with term finance as described above.

To the extent that they are financed, vertical strips are anticipated to require less capital than horizontal strips, which is expected to result in more efficient use of the Risk Retention Companies' capital. In addition, since the return profile on financed vertical strips is different to retained CLO Income Notes, GSO believes that vertical strips are more robust through a market downturn, although projected IRRs may be slightly lower. However, an investment in vertical strips is not expected to impact the Company's stated target return, based on current market conditions, of an annualised mid-teen total return over the medium term.

Net investment in vertical strips, to the extent attributable to the Company, will be restricted to 15 per cent. of the NAV of the Company at the time of investment. This limitation shall apply to investments made by BGCF and the other Risk Retention Companies in aggregate and not to BGCF or the other Risk Retention Companies individually.

A comparison of the Company's existing investment objective and policy against the proposed investment objective and policy is set out in Section A of Part 2 of this Circular. A clean version of the proposed investment objective and policy is set out in Section B of Part 2 of this Circular.

4. DISAPPLICATION OF PRE-EMPTION RIGHTS AND APPROVAL OF THE ISSUE OF SHARES

As announced on 14 December 2015, the Company is considering raising additional capital through an issue of new Shares. In order to issue additional Shares without first offering them to existing Shareholders in proportion to their holdings, as set out in Article 2.16 of the Existing Articles, the Directors require specific authority from Shareholders. Therefore, in connection with the potential issue of new Shares, the Company is seeking Shareholder authority to issue and to disapply such pre-emption rights, for an aggregate of 500 million Shares (which may be denominated in either U.S. Dollars or Euros).

The Directors believe that the disapplication of pre-emption rights for, and approval of the issue of, up to 500 million Shares in connection with the potential fundraise should yield the following principal benefits: (i) provide additional capital which will enable the Company to benefit from the continued investment opportunities in the market; (ii) potential to enhance the NAV per Share through new share issuance at a premium to NAV per Share, after the related costs have been deducted; (iii) grow the Company, thereby spreading operating costs over a larger capital base, which should reduce the total expense ratio; and (iv) increase the number of Shares in issue, which may provide the Shares with additional liquidity. Accordingly, the Directors are recommending that Shareholders vote in favour of the disapplication of pre-emption rights and approval of the issue of Shares.

The issue price of any new Shares will be calculated by reference to the latest published NAV per Share, and shall be announced in connection with any potential fundraising. Shares will only be issued at a premium to the latest published NAV per Share.

A deduction will be made from the proceeds of the issue of Shares to cover the costs and expenses of the fundraise.

The Company does not at the current time hold any Shares in treasury.

If Resolution 2 (as defined in paragraph 9 of this letter) is passed by Shareholders, the Company's authority to issue Shares on a non pre-emptive basis will expire at the end of the annual general meeting to be held by the Company in 2017, unless previously renewed, varied or revoked by the Shareholders in general meeting. If Resolution 2 is passed, it will replace any existing unused disapplication of pre-emption rights or approval of issue of Shares.

5. RISK DISCLOSURES

Shareholders should read and consider the risk disclosures relating to the proposed amendments to the existing investment objective and policy, set out in Part 3 of this Circular.

These risk disclosures relate primarily to the proposed amendments to the existing investment objective and policy and should be considered in conjunction with the risk factors set out in the prospectus of the Company dated 10 July 2014 and in the subsequent half yearly and annual reports of the Company. In particular, Shareholders should note that several of the risk factors set out in the prospectus of the Company dated 10 July 2014 relating to: (i) BGCF, apply equally to other Risk Retention Companies; and (ii) investments in CLO Income Notes and senior secured loans, apply equally to investments in CLO Securities and Loan Warehouses.

The risk disclosures set out in Part 3 of this Circular do not purport to be exhaustive and Shareholders should review Part 3 of this Circular in its entirety and consult with their professional advisers. There may be additional material risks relating to the proposed investment objective and policy that the Company does not consider to be material or of which the Company is not aware.

6. ADOPTION OF NEW ARTICLES

The Company is also taking the opportunity to make certain administrative changes to the Existing Articles. In particular, it is proposed to permit the Directors (at their discretion) to determine that with effect from the EGM, the Annual Report and Half Yearly Report of the Company shall be published on a website notified to Shareholders, rather than being sent by post. However, should a Shareholder prefer to receive the Annual Report or Half Yearly Report by post and has informed the Company of this preference, a copy of the Annual Report and Half Yearly Report will be posted to the Shareholder in accordance with the New Articles. The

Board feels that this amendment is appropriate, as a number of announcements in respect of the Company (including monthly reports and publication of the Company's Net Asset Value) are already published on a website, and is customary for a fund such as the Company.

In addition, certain other amendments are also being proposed to the Existing Articles which are intended to reflect recent legislative amendments to the Companies Law.

7. BLACKSTONE RELATED PARTY TRANSACTION

As noted above, the Company may choose to undertake a fundraising over the coming months by way of a 12 month placing programme. It is possible that an entity in the Blackstone Group may subscribe for Shares under such a fundraising. The amount of such subscription is not currently known and will depend, *inter alia*, on the amount subscribed by other investors. However, any such participation will be subject to an overall limit such that entities in the Blackstone Group may (in aggregate) acquire up to 15 per cent. of the new Shares which may be issued pursuant to the placing programme. Any future fundraise will be open to other investors alongside such entity in the Blackstone Group, and all placees, including such entity in the Blackstone Group, will subscribe to new Shares on the same terms in relation to any particular placing.

Blackstone Treasury Asia Pte. Ltd, an entity in the Blackstone Group, currently owns 50,000,000 Euro Shares, being approximately 15.09 per cent. of the issued share capital of the Company. Blackstone Treasury Asia Pte. Ltd is therefore a substantial shareholder and a related party of the Company under Chapter 11 of the Listing Rules and under Chapter 7 of the CISE Listing Rules.

Whilst the Company is not subject to the Listing Rules, as a matter of best practice and good corporate governance, the Company conducts its affairs in accordance a number of key provisions of the Listing Rules in such manner as they would apply to the Company were it admitted to the Official List maintained by the UK Listing Authority under Chapter 15 of the Listing Rules. Specifically, the Company has elected to comply, to the extent reasonably practicable, with Chapter 11 of the Listing Rules regarding Related Party Transactions (as defined therein).

The Company is also listed on the Official List of the Channel Islands Securities Exchange Authority Limited and as such is subject to Chapter 7 of the CISE Listing Rules regarding Related Party Transactions (as defined therein).

Since Blackstone Treasury Asia Pte. Ltd is a substantial shareholder of the Company, the participation by it or any other entity in the Blackstone Group in any future fundraise carried out by the Company is subject to the passing of Resolution 4 (as defined in paragraph 9 of this letter), as an ordinary resolution, by Independent Shareholders of the Company. Neither Blackstone Treasury Asia Pte. Ltd nor any of its Associates will vote on Resolution 4 at the Extraordinary General Meeting to approve the Blackstone Related Party Transaction (described above). Resolution 4 requires the approval of more than 50 per cent. of the votes cast in respect of it by the Independent Shareholders.

The Board considers that the Blackstone Related Party Transaction will be in the best interests of Shareholders because, as part of a potential fundraise, it will provide additional capital which will enable the Company to benefit from the continued investment opportunities. Over time, this may also improve the secondary market liquidity of the Shares.

8. OTHER RECENT CHANGES

In addition to the proposed amendments to the existing investment objective and policy, the Company also wishes to notify the Shareholders of some of the changes implemented to the Company's investment valuation methodology and to its corporate structure.

The Company has amended certain aspects of its investment valuation methodology, particularly in respect of CLO Securities and Loan Warehouses. Specifically, as CLO Securities are long-term investments, the valuation will be performed by a third party approved pricing source ("**Approved Pricing Source**") which will utilise an intrinsic valuation model based on future cash flows and agreed scenario assumptions. The Approved Pricing Source will not use secondary market information (including third party broker/dealer quotes) for the valuation of any such CLO Securities.

On IPO, the Company held the EU PPNs issued by BGCF directly, with a wholly owned subsidiary of the Company incorporated in Jersey (the "**Jersey Subsidiary**") holding 15 Class B2 Shares issued by BGCF. The Directors have resolved to change this underlying structure such that: (i) the Company holds the 15 Class B2 Shares issued by BGCF directly; and (ii) the EU PPNs are held by a wholly owned subsidiary of the Company incorporated in Luxembourg (the "**Lux Subsidiary**"). The Directors have resolved to implement these changes on the basis of advice that the new structure is more tax efficient and is not expected to have a material effect on the Company's ability to supervise its underlying portfolio.

Accordingly, on 23 December 2015, the Jersey Subsidiary was dissolved and, as at the date of this Circular, the Company holds the 15 Class B2 Shares issued by BGCF directly. On 3 February 2015, the transfer of the EU PPNs from the Company to the Lux Subsidiary completed and, as at the date of this Circular, the Company also holds shares and cash settlement warrants issued by the Lux Subsidiary.

9. RESOLUTIONS AND EXTRAORDINARY GENERAL MEETING

In order to effect the Proposals, Shareholders will need to pass each Resolution described below. The Resolutions are set out in the Notice at the end of this Circular.

Resolution 1: Amendments to existing investment objective and policy

An Ordinary Resolution will be required to amend the Company's existing investment objective and policy.

Details of the proposed changes to the Company's existing investment objective and policy are set out in Part 2 of this Circular and a summary of the proposed changes is set out above.

Resolution 2: Disapplication of pre-emption rights and approval of issue of Shares

A Special Resolution will be required to disapply pre-emption rights in connection with, and to approve, the issue of up to 500 million new Shares under a potential fundraise.

Details relating to the disapplication of pre-emption rights and the proposed fundraise are set out above.

Resolution 3: Adoption of the New Articles

A Special Resolution will be required to adopt the New Articles in substitution for the Existing Articles.

Details of the proposed changes to the Existing Articles are set out above.

Resolution 4: Subscription for Shares by an entity in the Blackstone Group

An Ordinary Resolution, on which only Independent Shareholders may vote, will be required to approve the issue of Shares to an entity in the Blackstone Group which constitutes a related party transaction under Chapter 11 of the Listing Rules and Chapter 7 of the CISE Listing Rules.

Details of the related party transaction are set out in the section entitled "Blackstone Related Party Transaction" above.

The quorum for the EGM will be two Shareholders present and entitled to vote in person or by proxy. If within 20 minutes of the time appointed for the EGM a quorum is not present, the EGM shall stand adjourned for fourteen days at the same time and place or to such other day and at such other time and place as the Board may determine and no notice of such adjourned meeting need be given unless the meeting is adjourned for more than fourteen days.

For an Ordinary Resolution to be passed, it must be approved by more than 50 per cent. of votes cast by eligible Shareholders present at the EGM in person or by proxy.

For a Special Resolution to be passed, it must be approved by a majority of not less than two-thirds of votes cast by eligible Shareholders present at the EGM in person or by proxy.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection (by Shareholders or an authorised representative) at the Company's registered office during normal business hours on any Business Day from the date of this Circular until the conclusion of the Extraordinary General Meeting:

1. this Circular; and
2. the proposed New Articles, along with a comparison of the proposed New Articles against the Existing Articles.

A copy of this Circular has been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/NSM. This Circular will also be available on the Company's page on following website: www.blackstone.com.

11. ACTION TO BE TAKEN

Whether or not you intend to attend the Extraordinary General Meeting, you should ensure that your Proxy Appointment Form is returned to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU at least 48 hours before the commencement of the meeting. Completion of a Proxy Appointment Form will not preclude a Shareholder from attending, speaking and voting in person at the Extraordinary General Meeting.

12. RECOMMENDATION

The Board considers that the proposed Resolutions are in the best interests of the Company and its Shareholders as a whole. The Board accordingly recommends that all Shareholders vote in favour of the Resolutions (provided that only Independent Shareholders may vote on Resolution 4) to be proposed at the Extraordinary General Meeting, as the Directors intend to do in respect of their entire beneficial shareholding of 25,000 Shares, representing 0.01 per cent. of the total number of issued Shares in the Company.

Yours faithfully,

Charlotte Valeur
Chair

PART 2 – INVESTMENT OBJECTIVE AND POLICY

SECTION A – SUMMARY OF AMENDMENTS TO EXISTING INVESTMENT OBJECTIVE AND POLICY

The Company is proposing to amend the existing investment objective and policy by deleting those words below which are crossed out and adding those words below which are underlined.

Investment Objective

The Company's investment objective is to provide Shareholders with stable and growing income returns, and to grow the capital value of the investment portfolio by exposure predominantly to floating rate senior secured loans directly and indirectly through CLO ~~Income Notes~~Securities and investments in Loan Warehouses. The Company ~~will seek~~seeks to achieve its investment objective solely through exposure ~~to the Originator~~(directly or indirectly) to one or more risk retention companies or entities established from time to time ("**Risk Retention Companies**").

Investment Policy

Overview

The Company's investment policy is to invest (directly or indirectly, through one or more Risk Retention Companies) predominantly in a diverse portfolio of senior secured loans ~~and in CLO Income Notes~~(including broadly syndicated, middle market or other loans) (such investments being made by the Risk Retention Companies directly or through investments in Loan Warehouses) and in CLO Securities, and generate attractive risk-adjusted returns from such portfolios. The Company intends to pursue its investment policy by investing ~~the Net Placing Proceeds in Profit Participating Notes issued by the Originator and the acquisition of 15 Class B2 Shares in the Originator (which will be non-voting, and which will be held by a wholly-owned subsidiary of the Company)~~(through one or more wholly owned subsidiaries) in profit participating instruments (or similar securities) issued by one or more Risk Retention Companies.

The ~~Originator~~Risk Retention Companies will use the proceeds from the issue of the ~~Profit Participating Notes and the equity investment to initially invest predominantly in senior secured loans. Subsequently, on the availability of appropriate market opportunities, the Originator will also invest in CLO Income Notes issued by Originator CLOs. Initially, the Originator's investments will be focussed~~profit participating instruments (or similar securities) together with the proceeds from other funding or financing arrangements it has in place currently or may have in the future to invest predominantly in: (i) senior secured loans, CLO Securities and Loan Warehouses; or (ii) other Risk Retention Companies which, themselves, invest predominantly in senior secured loans, CLO Securities and Loan Warehouses. The Risk Retention Companies may invest predominantly in European ~~senior secured loans, but the Originator may in due course also invest in~~or U.S. senior secured loans. ~~As such, there,~~ CLO Securities, Loan Warehouses and other assets in accordance with the investment policy of the Risk Retention Companies. Investments in Loan Warehouses, which are generally expected to be subordinated to senior financing provided by third party banks ("**First Loss**"), will typically be in the form of an obligation to purchase preference shares or a subordinated loan.

There is no limit on the maximum U.S. or European exposure. The ~~Originator does not intend~~Risk Retention Companies are not expected to invest substantially directly in senior secured loans domiciled outside North America or Western Europe.

Investment Limits and Risk Diversification

The Company's investment strategy is to implement its investment policy by investing, through the ~~Originator, in a portfolio of predominantly senior secured loans. It is intended that the Originator will~~Risk Retention Companies, in a portfolio of predominantly senior secured loans or in Loan Warehouses containing predominantly senior secured loans and, in connection with such strategy, to own debt and equity tranches of CLOs and be the risk retention provider in each.

The Risk Retention Companies may periodically securitise ~~these loans into Originator CLOs managed by DFME (or any affiliate) in its capacity as the CLO Manager. The Originator will retain *CLO Income Notes*~~

~~*equal to between 51 per cent. and 100 per cent. of the CLO Income Notes* in the Originator CLOs. It is anticipated that once substantially invested, the Originator will retain CLO Income Notes in no less than four CLOs, and will also continue to directly hold floating rate senior secured loans. It is further intended that *the value of the CLO Income Notes retained by* the Originator in any Originator CLO will not exceed 25 per cent. of the Originator's NAV at the time of investment.~~ a portion of the loans into CLOs which may be managed either by such Risk Retention Company itself or by DFME or DFM (or one of their affiliates), in its capacity as the CLO Manager. The Risk Retention Companies will retain exposures of each CLO, which may be held as:

(a) *CLO Income Notes equal to:* (i) between 51 per cent. and 100 per cent. of the CLO Income Notes issued by each such CLO in the case of European CLOs; or (ii) CLO Income Notes representing at least 5 per cent. of the credit risk relating to the assets collateralising the CLO in the case of U.S. CLOs (each of (i) and (ii), (the "**horizontal strip**"); or

(b) not less than 5 per cent. of the principal amount of each of the tranches of CLO Securities in each such CLO (the "**vertical strip**").

In the case of deals structured to be compliant with the U.S. risk retention rules, the retention by a Risk Retention Company may be structured as a combination of horizontal strip and vertical strip.

To the extent attributable to the Company, *the value of the CLO Income Notes retained by* Risk Retention Companies in any CLO will not exceed 25 per cent. of the NAV of the Company at the time of investment. Further, to the extent attributable to the Company, the aggregate value of investments made by Risk Retention Companies in vertical strips of CLOs (net of any directly attributable financing) will not exceed 15 per cent. of the NAV of the Company at the time of investment. This limitation shall apply to Risk Retention Companies in aggregate and not to Risk Retention Companies individually.

Loan Warehouses may eventually be securitised into CLOs managed either by a Risk Retention Company itself or by DFME or DFM (or one of their affiliates), in its capacity as the CLO Manager. To the extent attributable to the Company, the aggregate value of investments made by Risk Retention Companies in any single externally financed warehouse (net of any directly attributable financing) shall not exceed 20 per cent. of the NAV of the Company at the time of investment, and in all externally financed warehouses taken together (net of any directly attributable financing) shall not exceed 30 per cent. of the NAV of the Company at the time of investment. These limitations shall apply to Risk Retention Companies in aggregate and not to Risk Retention Companies individually.

The following limits (the "**Eligibility Criteria**") apply to senior secured loans (and, to the extent applicable, other corporate debt instruments) directly held by ~~the Originator~~any Risk Retention Company (and not through CLO ~~Income Notes~~Securities or Loan Warehouses):

Maximum exposure	**% of ~~Originator~~a Risk Retention Company's "gross asset value"**
Per obligor	5
Per industry sector	15 (with the exception of one industry which may be up to 20 per cent.)
To obligors with a rating lower than B-/B3/B-	7.5
To second lien loans, unsecured loans, mezzanine loans and high yield bonds	10

For the purposes of these Eligibility Criteria, ~~"~~"**gross asset value**~~"~~" shall mean gross assets including any investments in CLO ~~Income Notes~~Securities and any undrawn commitment amount of any gearing under any t~~erm Revolving Credit Facility~~debt facility. Further, for the avoidance of doubt, the ~~"~~"**maximum exposures**~~"~~" set out in the Eligibility Criteria shall apply on a trade date basis.

Each of these Eligibility Criteria will be measured at the close of each Business Day on which a new investment is made, and there will be no requirement to sell down in the event the limits are breached at

any subsequent point (for instance, as a result of movement in the gross asset value, or the sale or downgrading of any assets held by ~~the Originator~~a Risk Retention Company).

In addition, each CLO in which ~~the Originator holds CLO Income Notes~~a Risk Retention Company holds CLO Securities and each Loan Warehouse in which a Risk Retention Company invests will have its own eligibility criteria and portfolio limits. These limits are designed to ensure that: (i) the portfolio of assets within the CLO meets a prescribed level of diversity and quality as set by the relevant rating agencies rating securities issued by such CLO; or (ii) in the case of a Loan Warehouse, that the warehoused assets will eventually be eligible for a rated CLO. The CLO Manager will seek to identify and actively manage assets which meet those criteria and limits within each CLO or Loan Warehouse. The eligibility criteria and portfolio limits within a CLO ~~will~~or Loan Warehouse may include the following:

- a limit on the weighted average life of the portfolio;
- a limit on the weighted average rating of the portfolio;
- a limit on the maximum amount of portfolio assets with a rating lower than B-/B3/B-; and
- a limit on the minimum diversity of the portfolio.

CLOs in which ~~the Originator~~a Risk Retention Company may hold CLO ~~Income Notes~~Securities or Loan Warehouses in which a Risk Retention Company may invest are also expected to have certain other criteria and limits, ~~including~~which may include:

- a limit on the minimum weighted average of the prescribed rating agency recovery rate;
- a limit on the minimum amount of senior secured assets;
- a limit on the maximum aggregate exposure to second lien loans, high yield bonds, mezzanine loans and unsecured loans;
- a limit on the maximum portfolio exposure to covenant-lite loans;
- an exclusion of project finance loans;
- an exclusion of structured finance securities;
- an exclusion on investing in the debt of companies domiciled in countries with a local currency sub investment grade rating; and
- an exclusion of leases.

This is not an exhaustive list of the eligibility criteria and portfolio limits within a typical CLO or Loan Warehouse and the inclusion or exclusion of such limits and their absolute levels are subject to change depending on market conditions. Any such limits applied shall be measured at the time of investment in each CLO~~.~~ or Loan Warehouse.

Company Borrowing Limit

The Company will not utilise borrowings for investment purposes. However, the Directors will be permitted to borrow up to 10 per cent. of the NAV for day to day administration and cash management purposes. For the avoidance of doubt, this limit only applies to the Company and not the Risk Retention Companies.

The Company may use hedging or derivatives (both long and short) for the purposes of efficient portfolio management. It is intended that up to 100 per cent. (as appropriate) of the Company's exposure to non-Euro assets will be hedged, subject to suitable hedging contracts being available at appropriate times and on acceptable terms.

Changes to Investment Policy

Any material change to the investment policy of the Company would be made only with the approval of Shareholders.

~~The investment policy of the Originator currently mirrors the investment policy of the Company~~It is intended that the investment policy of each Substantial Risk Retention Company will mirror the Company's investment policy, subject to such additional restrictions as may be adopted by a Substantial Risk Retention Company from time to time. The Company will receive periodic reports from ~~the Originator~~each Substantial Risk

Retention Company in relation to the implementation of ~~the Originator~~such Substantial Risk Retention Company's investment policy to enable the Company to have oversight of its activities. If ~~the Originator~~a Substantial Risk Retention Company proposes to make any changes (material or otherwise) to its investment policy, the Directors will seek Shareholder approval of any changes which are either material in their own right or, when viewed as a whole together with previous non-material changes, constitute a material change from the published investment policy of the Company. If Shareholders do not approve the change in investment policy of the Company such that it is once again materially consistent with that of ~~the Originator~~such Substantial Risk Retention Company, the Directors will redeem the Company's investment in ~~the Originator~~such Substantial Risk Retention Company (either directly or, if the Company's investment in a subsidiary is invested by such subsidiary in such Substantial Risk Retention Company (either directly or through one or more other Risk Retention Companies), by redeeming the securities held by the Company in such subsidiary and procuring that the subsidiary redeems its investment in such Substantial Risk Retention Company (either directly or through one or more other Risk Retention Companies)), as soon as reasonably practicable but at all times subject to the relevant legal, regulatory and contractual obligations.

SECTION B – PROPOSED INVESTMENT OBJECTIVE AND POLICY

Investment Objective

The Company's investment objective is to provide Shareholders with stable and growing income returns, and to grow the capital value of the investment portfolio by exposure predominantly to floating rate senior secured loans directly and indirectly through CLO Securities and investments in Loan Warehouses. The Company seeks to achieve its investment objective through exposure (directly or indirectly) to one or more risk retention companies or entities established from time to time ("**Risk Retention Companies**").

Investment Policy

Overview

The Company's investment policy is to invest (directly or indirectly, through one or more Risk Retention Companies) predominantly in a diverse portfolio of senior secured loans (including broadly syndicated, middle market or other loans) (such investments being made by the Risk Retention Companies directly or through investments in Loan Warehouses) and in CLO Securities, and generate attractive risk-adjusted returns from such portfolios. The Company intends to pursue its investment policy by investing (through one or more wholly owned subsidiaries) in profit participating instruments (or similar securities) issued by one or more Risk Retention Companies.

The Risk Retention Companies will use the proceeds from the issue of the profit participating instruments (or similar securities) together with the proceeds from other funding or financing arrangements it has in place currently or may have in the future to invest predominantly in: (i) senior secured loans, CLO Securities and Loan Warehouses; or (ii) other Risk Retention Companies which, themselves, invest predominantly in senior secured loans, CLO Securities and Loan Warehouses. The Risk Retention Companies may invest predominantly in European or U.S. senior secured loans, CLO Securities, Loan Warehouses and other assets in accordance with the investment policy of the Risk Retention Companies. Investments in Loan Warehouses, which are generally expected to be subordinated to senior financing provided by third party banks ("**First Loss**"), will typically be in the form of an obligation to purchase preference shares or a subordinated loan.

There is no limit on the maximum U.S. or European exposure. The Risk Retention Companies are not expected to invest substantially directly in senior secured loans domiciled outside North America or Western Europe.

Investment Limits and Risk Diversification

The Company's investment strategy is to implement its investment policy by investing, through the Risk Retention Companies, in a portfolio of predominantly senior secured loans or in Loan Warehouses containing predominantly senior secured loans and, in connection with such strategy, to own debt and equity tranches of CLOs and be the risk retention provider in each.

The Risk Retention Companies may periodically securitise a portion of the loans into CLOs which may be managed either by such Risk Retention Company itself or by DFME or DFM (or one of their affiliates), in its capacity as the CLO Manager. The Risk Retention Companies will retain exposures of each CLO, which may be held as:

(a) CLO Income Notes equal to: (i) between 51 per cent. and 100 per cent. of the CLO Income Notes issued by each such CLO in the case of European CLOs; or (ii) CLO Income Notes representing at least 5 per cent. of the credit risk relating to the assets collateralising the CLO in the case of U.S. CLOs (each of (i) and (ii), (the "**horizontal strip**"); or

(b) not less than 5 per cent. of the principal amount of each of the tranches of CLO Securities in each such CLO (the "**vertical strip**").

In the case of deals structured to be compliant with the U.S. risk retention rules, the retention by a Risk Retention Company may be structured as a combination of horizontal strip and vertical strip.

To the extent attributable to the Company, the value of the CLO Income Notes retained by Risk Retention Companies in any CLO will not exceed 25 per cent. of the NAV of the Company at the time of investment.

Further, to the extent attributable to the Company, the aggregate value of investments made by Risk Retention Companies in vertical strips of CLOs (net of any directly attributable financing) will not exceed 15 per cent. of the NAV of the Company at the time of investment. This limitation shall apply to Risk Retention Companies in aggregate and not to Risk Retention Companies individually.

Loan Warehouses may eventually be securitised into CLOs managed either by a Risk Retention Company itself or by DFME or DFM (or one of their affiliates), in its capacity as the CLO Manager. To the extent attributable to the Company, the aggregate value of investments made by Risk Retention Companies in any single externally financed warehouse (net of any directly attributable financing) shall not exceed 20 per cent. of the NAV of the Company at the time of investment, and in all externally financed warehouses taken together (net of any directly attributable financing) shall not exceed 30 per cent. of the NAV of the Company at the time of investment. These limitations shall apply to Risk Retention Companies in aggregate and not to Risk Retention Companies individually.

The following limits (the "**Eligibility Criteria**") apply to senior secured loans (and, to the extent applicable, other corporate debt instruments) directly held by any Risk Retention Company (and not through CLO Securities or Loan Warehouses):

Maximum exposure	**% of a Risk Retention Company's gross asset value**
Per obligor	5
Per industry sector	15 (with the exception of one industry which may be up to 20 per cent.)
To obligors with a rating lower than B-/B3/B-	7.5
To second lien loans, unsecured loans, mezzanine loans and high yield bonds	10

For the purposes of these Eligibility Criteria, "**gross asset value**" shall mean gross assets including any investments in CLO Securities and any undrawn commitment amount of any gearing under any debt facility. Further, for the avoidance of doubt, the "**maximum exposures**" set out in the Eligibility Criteria shall apply on a trade date basis.

Each of these Eligibility Criteria will be measured at the close of each Business Day on which a new investment is made, and there will be no requirement to sell down in the event the limits are breached at any subsequent point (for instance, as a result of movement in the gross asset value, or the sale or downgrading of any assets held by a Risk Retention Company).

In addition, each CLO in which a Risk Retention Company holds CLO Securities and each Loan Warehouse in which a Risk Retention Company invests will have its own eligibility criteria and portfolio limits. These limits are designed to ensure that: (i) the portfolio of assets within the CLO meets a prescribed level of diversity and quality as set by the relevant rating agencies rating securities issued by such CLO; or (ii) in the case of a Loan Warehouse, that the warehoused assets will eventually be eligible for a rated CLO. The CLO Manager will seek to identify and actively manage assets which meet those criteria and limits within each CLO or Loan Warehouse. The eligibility criteria and portfolio limits within a CLO or Loan Warehouse may include the following:

- a limit on the weighted average life of the portfolio;
- a limit on the weighted average rating of the portfolio;
- a limit on the maximum amount of portfolio assets with a rating lower than B-/B3/B-; and
- a limit on the minimum diversity of the portfolio.

CLOs in which a Risk Retention Company may hold CLO Securities or Loan Warehouses in which a Risk Retention Company may invest are also expected to have certain other criteria and limits, which may include:

- a limit on the minimum weighted average of the prescribed rating agency recovery rate;
- a limit on the minimum amount of senior secured assets;
- a limit on the maximum aggregate exposure to second lien loans, high yield bonds, mezzanine loans and unsecured loans;
- a limit on the maximum portfolio exposure to covenant-lite loans;
- an exclusion of project finance loans;
- an exclusion of structured finance securities;
- an exclusion on investing in the debt of companies domiciled in countries with a local currency sub investment grade rating; and
- an exclusion of leases.

This is not an exhaustive list of the eligibility criteria and portfolio limits within a typical CLO or Loan Warehouse and the inclusion or exclusion of such limits and their absolute levels are subject to change depending on market conditions. Any such limits applied shall be measured at the time of investment in each CLO or Loan Warehouse.

Company Borrowing Limit

The Company will not utilise borrowings for investment purposes. However, the Directors will be permitted to borrow up to 10 per cent. of the NAV for day to day administration and cash management purposes. For the avoidance of doubt, this limit only applies to the Company and not the Risk Retention Companies.

The Company may use hedging or derivatives (both long and short) for the purposes of efficient portfolio management. It is intended that up to 100 per cent. (as appropriate) of the Company's exposure to non-Euro assets will be hedged, subject to suitable hedging contracts being available at appropriate times and on acceptable terms.

Changes to Investment Policy

Any material change to the investment policy of the Company would be made only with the approval of Shareholders.

It is intended that the investment policy of each Substantial Risk Retention Company will mirror the Company's investment policy, subject to such additional restrictions as may be adopted by a Substantial Risk Retention Company from time to time. The Company will receive periodic reports from each Substantial Risk Retention Company in relation to the implementation of such Substantial Risk Retention Company's investment policy to enable the Company to have oversight of its activities. If a Substantial Risk Retention Company proposes to make any changes (material or otherwise) to its investment policy, the Directors will seek Shareholder approval of any changes which are either material in their own right or, when viewed as a whole together with previous non-material changes, constitute a material change from the published investment policy of the Company. If Shareholders do not approve the change in investment policy of the Company such that it is once again materially consistent with that of such Substantial Risk Retention Company, the Directors will redeem the Company's investment in such Substantial Risk Retention Company (either directly or, if the Company's investment in a subsidiary is invested by such subsidiary in such Substantial Risk Retention Company (either directly or through one or more other Risk Retention Companies), by redeeming the securities held by the Company in such subsidiary and procuring that the subsidiary redeems its investment in such Substantial Risk Retention Company (either directly or through one or more other Risk Retention Companies)), as soon as reasonably practicable but at all times subject to the relevant legal, regulatory and contractual obligations.

PART 3 – RISK DISCLOSURES

Material changes affecting global debt and equity capital markets may have a negative effect on the Company's business, financial condition, results of operations, NAV and/or the market price of the Share

The global financial markets have experienced extreme volatility and disruption in recent years, as evidenced by a lack of liquidity in the equity and debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the credit market and the failure of major financial institutions. Despite actions of governmental authorities, these events contributed to general economic conditions that have materially and adversely affected the broader financial and credit markets and reduced, and in certain circumstances, significantly reduced, the availability of debt and equity capital.

Further, within the banking sector, the default of any institution could lead to defaults by other institutions. Concerns about, or default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect other third parties with whom the Risk Retention Companies deal. The Risk Retention Companies and, by extension the Company, may therefore be exposed to systemic risk when the Risk Retention Companies deal with various third parties whose creditworthiness may be exposed to such systemic risk.

Recurring market deterioration may materially adversely affect the ability of an issuer whose debt obligations form part of the portfolio to service its debts or refinance its outstanding debt. Further, such financial market disruptions may have a negative effect on the valuations of the investments (and, by extension, on the NAV and/or the market price of the Shares), and on the potential for liquidity events involving such investments. In the future, non-performing assets in the Risk Retention Companies' portfolios or in the Loan Warehouses in which the Risk Retention Companies invest may cause the value of that portfolio to decrease (and, by extension, the NAV and/or the market price of the Shares to decrease). Adverse economic conditions may also decrease the value of any security obtained in relation to any of the investments.

Conversely, in the event of sustained market improvement, the Risk Retention Companies, and indirectly the Company, may have access to a reduced number of attractive potential investment opportunities, which also may result in limited returns to Shareholders.

Significant risks for CLO transactions (and therefore investors in such transactions such as the investments of the Risk Retention Companies in CLO Retention Income Notes or CLO Retention Securities) exist as a result of the current economic conditions. These risks include, among other things: (i) the likelihood that the CLO issuer will find it more difficult to sell any of its assets or to purchase new assets in the secondary market; (ii) the possibility that, on or after the date on which the CLO is issued, the price at which assets can be sold by the CLO issuer will have deteriorated from their effective purchase price; and (iii) the illiquidity of the notes issued by the CLO issuer. These additional risks may affect the returns on the securities (such as the investments of the Risk Retention Companies in CLO Retention Income Notes or CLO Retention Securities) to investors and/or the ability of investors to realise their investment in the securities prior to their maturity date. In addition, the primary market for a number of financial products including leveraged loans has not fully recovered from the effects of the global credit crisis. As well as reducing opportunities for the CLO issuer to purchase assets in the primary market, this is likely to increase the refinancing risk in respect of maturing assets. Although there have recently been signs that the primary market for certain financial products is recovering, particularly in the United States, the impact of the economic crisis on the primary market may adversely affect the flexibility of the CLO Manager to invest and, ultimately, reduce the returns on the CLO Securities to investors.

Difficult macro-economic conditions may adversely affect the rating, performance and the realisation value of the collateral of a CLO. Default rates on loans and other investments may continue to fluctuate and accordingly the performance of many CLO transactions and other types of investment vehicles may suffer as a result. It is also possible that the collateral of a CLO will experience higher default rates than anticipated and that performance will suffer.

Many financial institutions, including banks, continue to suffer from capitalisation issues. The bankruptcy or insolvency of a major financial institution may have an adverse effect on a CLO issuer, particularly if such

financial institution is a grantor of a participation in an asset or is a hedge counterparty, or a counterparty to a buy or sell trade that has not settled with respect to an asset. The bankruptcy or insolvency of another financial institution may result in the disruption of payments to the CLO issuer. In addition, the bankruptcy or insolvency of one or more additional financial institutions may trigger additional crises in the global credit markets and overall economy which could have a significant adverse effect on the CLO issuer, the collateral of the CLO and the CLO Securities.

It is very likely that one of the effects of the global credit crisis and the failure of financial institutions will be an introduction of a significantly more restrictive regulatory environment including the implementation of new accounting and capital adequacy rules in addition to further regulation of derivative or securitised instruments. Such additional rules and regulations could, among other things, adversely affect the holders of CLO Securities as well as the flexibility of the CLO Manager in managing and administering the collateral of the CLO.

While it is possible that current conditions may improve for certain sectors of the global economy, there can be no assurance that CLO, leveraged finance or structured finance markets will recover at the same time or to the same degree as such other recovering sectors.

The investment strategy of the Risk Retention Companies will include investing predominantly in senior secured loans (directly and through an investment in the Loan Warehouses) and CLO Securities which are subject to a risk of loss of principal

The investment strategy of the Risk Retention Companies will consist of investing predominantly in senior secured loans (directly and through an investment in Loan Warehouses) and CLO Securities. Such investments may be considered to be subject to a level of risk in the case of deterioration of general economic conditions, which might increase the risk of loss of principal. This could result in losses to the Risk Retention Companies which could have a material adverse effect on the performance of the Risk Retention Companies and, by extension, on the Company's business, financial condition, results of operations, NAV and/or the market price of the Shares.

CLO Income Notes and certain investments in Loan Warehouses are volatile and interest and principal payments payable on such instruments are not fixed

CLO Income Notes are the most subordinated tranche of a CLO and all payments of principal and interest on such CLO Income Notes are fully subordinated. In addition, investments in Loan Warehouses are expected to be the most subordinated tranche of debt issued in the Loan Warehouse. Interest and principal payments are not fixed but are based on residual amounts available to make such payments. As a result, payments on such CLO Income Notes or Loan Warehouse investments will be made by the CLO issuer or Loan Warehouse vehicle to the extent of available funds, and no payments thereon will be made until amongst other things: (i) the payment of certain costs, fees, taxes and expenses have been made; (ii) interest and principal (respectively) has been paid on the more senior notes of the CLO or more senior debt of the Loan Warehouse (as applicable) and (iii) certain other amounts have been paid to the secured creditors of the CLO or Loan Warehouse, including without limitation, amounts payable to the holders of CLO Securities and any hedge counterparties in respect of CLOs. Non-payment of interest or principal on such CLO Income Notes or Loan Warehouse investments will be unlikely to cause an event of default in relation to the CLO issuer or the Loan Warehouse vehicle (as applicable).

CLO Securities and investments in Loan Warehouses are limited recourse obligations of the CLO issuer or warehouse vehicle (as applicable)

CLO Securities and investments in Loan Warehouses are limited recourse obligations of the CLO issuer or warehouse vehicle (as applicable) and amounts payable on such CLO Securities or Loan Warehouse investments are payable solely from amounts received in respect of the collateral of the CLO issuer or warehouse vehicle (as applicable). Payments on CLO Securities and Loan Warehouse investments prior to and following enforcement of the security over the collateral of a CLO issuer are subordinated to the prior payment of certain costs, fees and expenses of, or payable by, the CLO issuer or warehouse vehicle and to payment of principal and interest on more senior notes of the CLO issuer or senior debt in the Loan Warehouse. To the extent that any interest is not paid on any class of deferrable CLO Securities on any payment date on which such class is not the highest ranking outstanding class, although such amounts will not be added to the principal balance of the related class of CLO Securities, such amounts will be deferred and will bear interest at the interest rate applicable to such CLO Securities, and the failure to pay such

amounts will not be an event of default under the relevant terms and conditions of the CLO Securities. Except as provided in the priority of payments of the CLO, no payments of interest or distributions from interest proceeds will be made on any lower ranking class of CLO Securities on any payment date until interest on each priority class has been paid, and no payments of principal will be made on any lower ranking class of CLO Securities on any payment date until principal of each priority class has been paid in full. If any coverage test is not satisfied in relation to any CLO payment date on which it is applicable, cash flows otherwise payable to lower ranking classes of CLO Securities will be diverted to the payment of principal of priority classes of CLO Securities.

The holders of CLO Securities must rely solely on distributions on the collateral of the CLO for payment of principal and interest, if any, on the CLO Securities. There can be no assurance that the distributions on the collateral of a CLO will be sufficient to make payments on CLO Securities. If distributions are insufficient to make payments on the CLO Securities, no other assets of the CLO issuer will be available for payment of the deficiency and following realisation of the collateral and the application of the proceeds thereof, the obligations of the CLO issuer to pay such deficiency shall be extinguished. Such shortfall will be borne in the first instance by the CLO Income Notes and then by the other CLO Securities in reverse order of priority.

In addition, at any time whilst the CLO Securities are outstanding in a CLO, no holder of CLO Securities shall be entitled at any time to institute against the related CLO issuer, or join in any institution against such CLO issuer of, any bankruptcy, reorganization, arrangement, insolvency, examinership, winding up or liquidation proceedings under any applicable bankruptcy or similar law in connection with any obligations of the CLO issuer relating to the CLO Securities or otherwise owed to the CLO Securities, save for lodging a claim in the liquidation of the CLO issuer which is initiated by another party or taking proceedings to obtain a declaration as to the obligations of the CLO issuer, nor shall it have a claim arising in respect of the share capital of the CLO issuer.

Exercise of Rights; Control of Remedies

Many rights under a CLO's transaction documents (including without limitation the right to remove the collateral manager and certain remedies available if an event of default has occurred and is continuing) are exercisable by holders of a specified percentage of the aggregate outstanding principal amount of one or more classes of CLO Securities. The exercise of such rights could be adverse to holders of CLO Securities that do not have the ability to exercise such rights, with respect to removal of the collateral manager and waiver of events constituting "cause" as a basis for termination of the collateral manager, and the failure to exercise a right because holders of a class or a portion of a class must act in concert with one or more other classes to exercise such right and insufficient holders are willing to do so could also be adverse to holders of one or more classes of CLO Securities. When exercising its rights under the CLO transaction documents, a holder has no obligation to take into account the effect on other holders. At any time one or more other affiliated investors hold a significant percentage of the aggregate outstanding principal amount of one or more classes of CLO Securities, it may be more difficult for other investors, including a Risk Retention Company, to take certain actions.

If an event of default occurs in the CLO, in limited circumstances the controlling class or the holders of the CLO Securities will be entitled to direct a liquidation of the collateral obligations owned by the CLO even if all classes of CLO Securities will not be paid in full. The controlling class will also be entitled to determine certain other remedies to be exercised under the CLO transaction documents. If one or more affiliated investors own a majority of the controlling class (or one or more classes of CLO Securities), they would be able to direct, or block the exercise of remedies. Remedies pursued by any class could be adverse to the interests of other classes and holders will have no obligation under the CLO transaction documents to consider any possible adverse effect on such other interests. The holders of CLO Income Notes will not be able to exercise any remedies following a CLO event of default and will not receive payments pursuant to the CLO priority of payments until the CLO Securities are paid in full.

The CLO Securities may be subject to early redemption, refinancing and/or re-pricing

The CLO Securities will be subject to optional redemption (including via refinancing), tax redemption, mandatory redemption, clean-up call redemption, special redemption and, in the case of certain classes, re-pricing, typically at the direction of holders of a majority of the CLO Income Notes. Any such redemption or re-pricing may result in a shorter term investment than an investor in CLO Securities such as a Risk Retention Company may have anticipated and there can be no assurance that such Risk Retention Company would be able find suitable investments with comparable yields or maturity in which to invest the proceeds.

A redemption of the CLO Securities could require the CLO collateral manager to liquidate positions more rapidly than might otherwise be desirable, which could adversely affect the realized value of the collateral obligations sold by the CLO. There can be no assurance that, upon any such redemption, available funds would permit any distribution on the CLO Income Notes after all required payments are made to the holders of the CLO Securities and for the payment of fees and expenses.

The CLO reinvestment period may terminate earlier than expected

The CLO reinvestment period may terminate earlier than scheduled, including: (i) on any date on which the maturity of any class of CLO Securities is accelerated following a CLO event of default; (ii) if the CLO collateral manager reasonably determines that it can no longer reinvest in additional collateral obligations in accordance with the CLO transaction documents; and (iii) the date of an optional redemption of all the CLO Securities. Such early termination of the CLO reinvestment period may shorten the expected lives of the other CLO Securities and could adversely affect returns on the CLO Retention Income Notes.

Floating rate CLO Securities may be affected by changes in LIBOR or EURIBOR

The interest rate on each class of CLO Securities is likely to be based upon LIBOR or EURIBOR and therefore may fluctuate from one interest accrual period to another in response to changes in LIBOR or EURIBOR (as applicable). From time to time, LIBOR and EURIBOR have experienced historically high volatility and significant fluctuations. Changes in LIBOR or EURIBOR (as applicable) will affect the amount of interest payable on the floating rate CLO Securities, the trading price of the CLO Securities and the yield on the CLO Income Notes, but it is impossible to predict whether such levels will rise or fall.

LIBOR and EURIBOR Reform

Concerns have been raised by a number of regulators that some of the member banks surveyed by the BBA in connection with the calculation of LIBOR across a range of maturities and currencies may have been manipulating the inter-bank lending rate. There have also been allegations that member banks may have manipulated EURIBOR and other inter-bank lending rates. If manipulation of EURIBOR or LIBOR or another inter-bank lending rate occurred, it may have resulted in that rate being artificially lower (or higher) than it would otherwise have been.

A review of LIBOR was conducted at the request of the UK Government, following which a number of recommendations for changes with respect to LIBOR including the introduction of statutory regulation of LIBOR, replacing the BBA as administrator of LIBOR with an independent administrator, changes to the method of compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate-setting and reduction in the number of currencies and tenors for which LIBOR is published. As of 1 February 2014, the IBA replaced the BBA as administrator of LIBOR. It is anticipated that a reform of EURIBOR will be implemented also, which may (but will not necessarily) be in a similar fashion. Accordingly, EURIBOR calculation and publication could be altered, suspended or discontinued. It is not possible to predict the effect of any changes in the methods pursuant to which the LIBOR and/or EURIBOR rates are determined and any other reforms to LIBOR and/or EURIBOR that will be enacted in the UK and elsewhere. Any such changes or reforms to LIBOR and/or EURIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR and/or EURIBOR rates, which could have an adverse impact on the value of CLO Securities and any payments linked to LIBOR and/or EURIBOR thereunder.

The IBA as a new administrator of LIBOR and/or any new administrator of EURIBOR may make methodological changes that could change the level of LIBOR or EURIBOR, which in turn may adversely affect the value of the floating rate collateral obligations. The IBA as a new administrator of LIBOR or any new administrator of EURIBOR may also alter, discontinue or suspend calculation or dissemination of LIBOR or EURIBOR. Neither the IBA nor any administrator of LIBOR or EURIBOR will have any obligation to any investor in respect of any floating rate loans or bonds. The IBA or any administrator of EURIBOR may take any actions in respect of LIBOR or EURIBOR without regard to the interests of any investor in CLO Securities, and any of these actions could have an adverse effect on the value of CLO Securities.

The proposals to reform LIBOR in the UK also include compelling more banks to provide LIBOR submissions, and basing these submissions on actual transaction data. This may cause LIBOR to be more volatile than it has been in the past, which may adversely affect the value of the floating rate loans and bonds. It is uncertain if such changes will be made to LIBOR and if so whether corresponding changes will be made to EURIBOR.

If any proposed changes, when implemented, change the way in which LIBOR or EURIBOR is calculated with respect to floating rate loans and bonds, this could result in the rate of interest being lower than anticipated, which would adversely affect the value of CLO Securities. However, any proposed changes, if implemented, may also result in the rate of interest being higher than anticipated, which could therefore increase payments on loans, bonds and therefore the CLO Securities. This could result in a decrease in the amounts available to be paid to the CLO Income Notes. As the substantial majority of the interest payments due on CLO assets are expected to be calculated based upon EURIBOR or LIBOR and the CLO Securities are likely to pay interest based upon EURIBOR or LIBOR, an inaccurate EURIBOR or LIBOR setting could have adverse effects on the CLO and/or the holders of loans, bonds or CLO Securities. Furthermore, questions surrounding the integrity in the process for determining EURIBOR or LIBOR may have other unforeseen consequences, including potential litigation against banks and/or obligors on loans, which could result in a material and adverse effect on the CLO or the holders of the CLO Securities. Investors should consider these recent developments when making their investment decision.

EMIR

EMIR and its corresponding regulations impose certain obligations on parties to OTC derivative contracts according to whether they are "financial counterparties", such as European investment firms, alternative investment funds, credit institutions and insurance companies, or other entities such as "non-financial counterparties" or third country entities equivalent to "financial counterparties" or "non-financial counterparties".

Financial counterparties will be subject to a general obligation (the "**clearing obligation**") to clear all "eligible" OTC derivative contracts entered into with other counterparties subject to the clearing obligation through a duly authorised or recognised central counterparty. They must also report the details of all derivative contracts to a trade repository (the "**reporting obligation**") and in general undertake certain risk-mitigation techniques in respect of OTC derivative contracts which are not cleared by a central counterparty, including complying with requirements related to timely confirmation of terms, portfolio reconciliation, dispute resolution, daily valuation and margin collection (together, the "**risk mitigation obligations**").

Non-financial counterparties are subject to the reporting obligation and certain of the risk mitigation obligations, but are not subject to the clearing obligation unless the gross notional value of all derivative contracts entered into by the non-financial counterparty and other non-financial entities in its "group", excluding eligible hedging transactions, exceed certain thresholds. If a Risk Retention Company is considered to be a member of such a "group" and if the aggregate notional value of OTC derivative contracts entered into by such Risk Retention Company and any non-financial entities within such group exceeds the applicable threshold, such Risk Retention Company would be subject to the clearing obligation, or if the relevant contract is not a type required to be cleared, to the risk mitigation obligations, including the margin collection requirement.

The clearing obligation does not yet apply, but will gradually be phased in for certain types of interest rate OTC derivative contracts (denominated in pounds sterling, Euro, USD and Japanese Yen) over the next three years dependent on the categorisation of a counterparties to an OTC derivative contract. In addition, the European Securities and Markets Authority's ("**ESMA**") final version of regulatory technical standards implementing the clearing obligation for certain additional classes of interest rate OTC derivatives (denominated in Norwegian Krone, Polish Zloty and Swedish Krona) was published on 10 November 2015 and has been submitted to the European Commission for endorsement (the "**Additional Currencies RTS**"). The Additional Currencies RTS is still subject to a legislative approval process and as such, it is not certain when the Additional Currencies RTS will become effective or whether it will be amended. Key details as to how the clearing obligation may apply to other classes of OTC derivatives remain to be clarified via corresponding technical standards

The clearing obligation may, in certain circumstances, also apply to swap arrangements entered into prior to the relevant future effective date, although the European delegated regulation relating to the clearing obligation contemplates that this will not be the case for swap contracts entered into by non-financial counterparties which are not Alternative Investment Funds. The margin collection requirements do not yet apply, although it is likely that they will be phased in from 1 September 2016. As such, the exact timing for their implementation and whether such requirements will affect entities such as the Issuer is currently uncertain. Regulatory technical standards have been published in draft form only and are yet to be finalised. The margin collection requirements are expected to apply in respect of new swap arrangements entered into from the relevant future effective dates.

Whilst the hedge transactions which a Risk Retention Company may enter into are expected to be treated as hedging transactions and deducted from the total in assessing the notional value of OTC derivative contracts entered by a Risk Retention Company and/or non-financial entities within its "group", there is currently no certainty as to whether the relevant regulators will share this view.

Therefore, if a Risk Retention Company becomes subject to the clearing obligation or the margin collection requirement, it is unlikely that it would be able to comply with such requirements, which would adversely affect such Risk Retention Company's ability to enter into hedge transactions or significantly increase the cost thereof. As a result of such increased costs, additional regulatory requirements and potential limitations on the ability of a Risk Retention Company to hedge interest rate and currency risk, the amounts payable to the Company on the Profit Participating Notes may be negatively affected.

The laws of some jurisdictions other than the European Union, including the United States, also impose a clearing obligation. Accordingly, even in circumstances where a Risk Retention Company is exempt from the clearing obligation under the laws of the European Union, such an obligation may be imposed by the laws of such other jurisdictions.

The Risk Retention Companies will be unable to liquidate, sell, hedge or otherwise mitigate their credit risk under or associated with the CLO Retention Securities or CLO Retention Income Notes, as applicable, except to the extent permitted by the European Risk Retention Requirements or the U.S. Risk Retention Regulations (as applicable), which places limitations on the ability of Lux Subsidiary, the Company's wholly owned subsidiary, to redeem the Profit Participating Notes

The European CLOs in which Risk Retention Companies may invest are intended to be compliant with the European risk retention requirements for securitisation transactions, namely Part Five of Regulation No 575/2013 of the European Parliament and of the Council (the "**CRR**") as amended from time to time and including any guidance or any technical standards published in relation thereto, Article 51 of Regulation (EU) No 231/2013 as amended from time to time and Article 17 of the AIFMD, as implemented by Section 5 of Chapter III of the European Union Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012, supplementing the AIFMD and the risk retention requirements and due diligence requirements set out in Article 254 and Article 256 of Chapter VIII of Commission Delegated Regulation (EU) 2015/35 which came into force on 18 January 2015, as amended from time to time, including any guidance published in relation thereto and any implementing laws or regulations in force in any Member State of the European Union (together the "**European Risk Retention Requirements**"). In connection with this intention, a Risk Retention Company will need to, amongst other things: (i) on the closing date of a CLO, commit to purchase (a) an amount of the CLO Income Notes equal to at least 5 per cent. of the maximum portfolio principal amount of the assets in the CLO (the "**CLO Retention Income Notes**"), or (b) an amount of the CLO Securities of no less than 5 per cent. of the nominal value of each of the tranches sold or transferred to investors of the CLO (the "**CLO Retention Securities**"); and (ii) undertake that, for so long as any securities of the CLO remain outstanding (including the CLO Retention Income Notes or CLO Retention Securities (as applicable)), it will retain its interest in the CLO Retention Income Notes or CLO Retention Securities (as applicable) and will not (except to the extent permitted by the European Risk Retention Requirements) sell, hedge or otherwise mitigate its credit risk under or associated with such CLO Retention Income Notes or CLO Retention Securities (as applicable). A Risk Retention Company may make certain representations and/or give certain undertakings in favour of Risk Retention Company CLOs (and/or certain other transaction parties) in respect of its ongoing retention of the CLO Retention Income Notes or CLO Retention Securities (as applicable) and regarding its agreement to sell certain assets to such Risk Retention Company CLO from time to time. There are currently transactions in the market which are similar to the Risk Retention Company CLOs; however, if an applicable regulatory authority supervising investors in a Risk Retention Company CLO were to conclude that the Risk Retention Company was not holding the CLO Retention Income Notes or CLO Retention Securities (as applicable) in accordance with the European Risk Retention Requirements, it is possible, but far from certain, that this may negatively impact upon the investors in such Risk Retention Company CLO. If such investors decided to take action against the Risk Retention Company as a result of any negative impact, this may have an adverse effect on the Risk Retention Company's business and financial position and, by extension, may have an adverse effect on the Company's financial performance and prospects.

In addition, with the intention of achieving classification as an "originator" (as defined in the CRR) and complying with the European Risk Retention Requirements, a Risk Retention Company investing in European

CLOs intended to be compliant with European Risk Retention Requirements will be required to commit to: (i) establishing the relevant CLO; (ii) selling investments to the relevant CLO which it has (a) purchased for its own account initially, or (b) itself or through related entities, directly or indirectly, been involved in the original agreement which created such obligations; and (iii) during each relevant CLO's reinvestment period agreeing to sell investments to the relevant CLO from time to time so that, for so long as the securities of the CLO are outstanding, the required percentage of the total securitised exposures held by the CLO issuer have come from the Risk Retention Company (such percentage calculated including the principal proceeds received by the relevant CLO in respect of any Risk Retention Company sourced assets).

Where Risk Retention Companies hold CLO Retention Securities or CLO Retention Income Notes and the relevant CLO is intended to be compliant with the European Risk Retention Requirements, the relevant Risk Retention Company will be unable (except to the extent permitted by the European Risk Retention Requirements) to liquidate, sell, hedge or otherwise mitigate its credit risk under or associated with the CLO Retention Income Notes or CLO Retention Securities until such time as the securities of the relevant CLO have been redeemed in full (whether at final maturity or early redemption), which places limitations on the ability of Lux Subsidiary, the Company's wholly owned subsidiary, to redeem the Profit Participating Notes. Consequently, in the case of BGCF, if the EU Profit Participating Notes or U.S. Profit Participating Notes were to become due and repayable in connection with an early redemption or were subject to partial-redemption, BGCF will not be obliged under the terms of the EU Profit Participating Notes, the U.S. Profit Participating Notes, the EU NPA or the U.S. NPA (as applicable) to immediately sell, transfer or liquidate the CLO Retention Income Notes or the CLO Retention Securities and the proceeds of such CLO Retention Income Notes or the CLO Retention Securities (if any) will not be available until the final maturity or early redemption in full of the securities of the relevant CLO. In addition, cash held by BGCF will not be able to be used to repay the EU Profit Participating Notes or the U.S. Profit Participating Notes to the extent that such repayment could leave BGCF unable to continue to originate and sell assets to the CLO issuers in order to ensure, during the relevant CLO's reinvestment period, that it has provided the required percentage of the total securitised exposures of each CLO issuer (such percentage calculated including the principal proceeds received by the relevant CLO in respect of any BGCF sourced assets).

Where BGCF holds CLO Retention Income Notes in a European Risk Retention Company CLO, BGCF will hold a controlling equity stake in such CLO; accordingly upon exercise by BGCF, an early redemption option will result in a full redemption of the applicable CLO securities. BGCF will generally not be able to exercise any early redemption options until two years from the closing date of the CLO. As a result of this feature and the European Risk Retention Requirements, the relevant CLO Retention Income Notes will not be permitted to be sold, transferred or liquidated during this time. In addition, even after an early redemption option is permitted to be exercised, such an option usually contains a number of conditions to its exercise including, but not limited to, a threshold that the liquidation value of the CLO collateral exceed an amount which would pay: (i) all expenses of the CLO; and (ii) principal and accrued interest on the CLO notes senior to the CLO Income Notes. If the liquidation value of the portfolio will not achieve this threshold at the time BGCF intends to exercise its early redemption option, the CLO will not be able to be optionally redeemed by BGCF at such time. In such circumstances the CLO Retention Income Notes may not redeem until their final stated maturity (which may be in excess of 20 years), therefore producing no proceeds to repay the Profit Participating Notes until this point. See further the risk factor titled "The Profit Participating Notes issued by BGCF held by Lux Subsidiary, the Company's wholly owned subsidiary, have limited liquidity".

The Company may invest in CLOs which are intended to be compliant with the U.S. Risk Retention Regulations including by virtue of the Risk Retention Companies retaining CLO Retention Securities and/or CLO Retention Income Notes. In connection with this intention, the applicable retention holder would have to, among other things: (i) on the closing date of a CLO, purchase either (a) CLO Retention Income Notes representing at least 5 per cent. of the credit risk relating to the assets collateralizing the CLO, or (b) CLO Retention Securities representing at least 5 per cent. of the principal amount of each class of CLO Securities issued; and (ii) undertake that, until at least the U.S. Risk Retention Hedging Prohibition End Date, it will retain its interest in the CLO Retention Securities or CLO Retention Income Notes and will not (except to the extent permitted by the U.S. Risk Retention Regulations) sell, hedge or otherwise mitigate its credit risk under or associated with such CLO Retention Securities or CLO Retention Income Notes. Such purchase and retention of CLO Retention Securities or CLO Retention Income Notes would need to be undertaken by the applicable retention holder either in its capacity as the collateral manager of the relevant CLO or as a majority-owned affiliate of the collateral manager of such CLO. The applicable retention holder may be required to make certain representations and/or give certain undertakings in favour of new CLOs (and/or certain other transaction parties) in respect of its ongoing retention of the CLO Retention Securities or CLO Retention Income Notes.

Where the Risk Retention Companies hold CLO Retention Securities or CLO Retention Income Notes and the relevant CLO is intended to be compliant only with the U.S. Risk Retention Regulations, the relevant Risk Retention Company will be unable (except to the extent permitted by the U.S. Risk Retention Regulations) to liquidate, sell, hedge or otherwise mitigate its credit risk under or associated with the CLO Retention Securities or CLO Retention Income Notes, as applicable, until the U.S. Risk Retention Hedging Prohibition End Date. Consequently, if the Company has exposure to the applicable risk retention holder and such investment was to become due and repayable in connection with an early redemption or were subject to partial-redemption, the risk retention holder will not be obliged under the terms of the relevant investment instruments to immediately sell, transfer or liquidate the CLO Retention Securities or CLO Retention Income Notes, and the proceeds of such CLO Retention Securities or CLO Retention Income Notes (if any) will not be available until a later time.

Relevant investors are required to independently assess and determine the sufficiency of the information described herein for the purposes of complying with any relevant requirements and none of GSO or its affiliates makes any representation that the information described therein is sufficient in all circumstances for such purposes or any other purpose or that the structure of the Risk Retention Company CLOs, the Risk Retention Companies (including their holding of the CLO Retention Income Notes or CLO Retention Securities) and the transactions described herein are compliant with the European Risk Retention Requirements and/or U.S. Risk Retention Regulations described herein or any other applicable legal or regulatory or other requirements and no such person shall have any liability to any prospective investor or any other person with respect to any deficiency in such information or any failure of the transactions or structure contemplated hereby to comply with or otherwise satisfy such requirements. Without limiting the foregoing, investors should be aware that at this time, save for the EBA Report described below, the EU authorities have not published any binding guidance relating to the satisfaction of the European Risk Retention Requirements by an institution similar to the Risk Retention Companies including in the context of a transaction involving a separate collateral manager. Furthermore, the European Banking Authority's or any other applicable regulator's views with regard to the European Risk Retention Requirements and/or the U.S. Risk Retention Regulations may not be based exclusively on technical standards, guidance or other information known at this time.

In relation to compliance with the European Risk Retention Requirements, it should be noted that the European Commission published on 30 September 2015 legislative proposals for two new regulations related to securitisation. Amongst other things, the proposals include provisions intended to implement the revised securitisation framework developed by BCBS and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. There are differences between the legislative proposals and the current requirements, including with respect to the application approach under the European Risk Retention Requirements and in relation to the originator entities which are eligible to retain the required interest.

In particular, investors should note that the European Banking Authority published a report on 22 December 2014 (the "**EBA Report**"). In the EBA Report the European Banking Authority recommended that the definition of "originator" should be narrowed in order to avoid potential abuses. In response, the abovementioned legislative proposals seek to implement the European Banking Authority's recommendation. These proposals include a provision which would restrict an entity from being an "originator" (as defined in the legislative proposals) for risk retention purposes if it has been established or operates "for the sole purpose of securitising exposures". The explanatory memorandum published in conjunction with the legislative proposals indicates that the provision relating to originators is intended to restrict retention by an entity if it has been established as a dedicated shelf for the sole purpose of securitising exposures and lacks a broad business purpose, providing the example of an entity which does not have the capacity to meet a payment obligation from resources not related to the exposures being securitised. In this regard investors should note that BGCF currently makes the following representation in any CLOs in which it holds the retention piece: "(i) it is not an entity that has been established or that operates for the sole purpose of securitising exposures; and (ii) it has the capacity to meet a payment obligation from resources not related to the exposures it securitises".

It is not clear whether, and in what form, the legislative proposals (and any corresponding technical standards) will be adopted. In particular, the proposed restriction in relation to originators may be adopted in a different form to that currently proposed and/or other changes to the risk retention requirements (including to the technical standards) applicable to securitisations such as this transaction and any affected investors may be made through the political negotiation process and adopted. The compliance position under any adopted

and potentially revised requirements of transactions entered into, and of activities undertaken by a party (including an investor), prior to (and, in certain circumstances, on and after) adoption is uncertain. There can be no assurances as to whether the transactions described herein and any investors in the Notes will be affected, if at all, by any change which may be adopted in any final law or regulation (including any regulatory technical standards) relating to the European Risk Retention Requirements.

Potential non-compliance with or changes to the European Risk Retention Requirements and the U.S. Risk Retention Regulations

The purchase and retention of the CLO Retention Income Notes or CLO Retention Securities in a CLO will be undertaken by BGCF or the other Risk Retention Companies with the intention of achieving compliance with the European Risk Retention Requirements and/or the U.S. Risk Retention Regulations (as applicable) by the relevant CLO.

The European Risk Retention Requirements and/or the U.S. Risk Retention Regulations may be amended, supplemented or revoked from time to time. There is no guarantee that existing CLOs will be grandfathered into the regime which results from such amendments, supplements or revocations and, as such, the CLOs in which BGCF or other Risk Retention Company is retaining the CLO Retention Income Notes or CLO Retention Securities, may become non-compliant with the European Risk Retention Requirements and/or the U.S. Risk Retention Regulations.

Potential non-compliance with or changes to the U.S. Risk Retention Regulations

On 21 and 22 October 2014, the joint final regulations implementing the credit risk retention requirements of section 15G of the U.S. Exchange Act as added by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**U.S. Risk Retention Regulations**") were adopted and will become effective with respect to CLOs on 24 December 2016 (the "**U.S. Risk Retention Regulations Effective Date**"). The U.S. Risk Retention Regulations generally require "sponsors" of securitization transactions, including collateral managers of CLOs, or their "majority-owned affiliates" (each as defined in the U.S. Risk Retention Regulations) to retain not less than 5 per cent. of the credit risk of the assets collateralizing such securitization transactions unless an exemption applies. The U.S. Risk Retention Regulations are applicable to asset-backed securities, including CLOs, issued on or after the U.S. Risk Retention Regulations Effective Date.

The U.S. Risk Retention Regulations may be amended, supplemented or revoked, or their interpretation may change, from time to time. There is no guarantee that existing CLOs will be grandfathered into the regime which results from such amendments, supplements or revocations or re-interpretation and, as such, CLOs which were intended to be compliant with the U.S. Risk Retention Regulations at the time they were issued may become, or be determined to be, non-compliant with the U.S. Risk Retention Regulations. The U.S. Risk Retention Regulations also include additional disclosure and other requirements that would need to be satisfied by the relevant risk retention holder or (if it is a different entity) the collateral manager of the CLO on or prior to the date of issuance of the CLO Securities. If an applicable regulatory authority were to conclude that the relevant risk retention holder was not holding the CLO Retention Securities or CLO Retention Income Notes in accordance with the U.S. Risk Retention Regulations or that the additional disclosure and other requirements of the U.S. Risk Retention Regulations were not complied with, this could result in regulatory action taken against the risk retention holder as well as liability on the part of the risk retention holder to the CLOs and their investors. If the Company has invested in such risk retention holder, any such action may have an adverse effect on the Company's financial performance and prospects.

The U.S. Risk Retention Regulations may also have other adverse effects on the market for CLO Securities prior to the U.S. Risk Retention Regulations Effective Date. It is possible that the U.S. Risk Retention Regulations may reduce the number of collateral managers active in the CLO market, which may result in fewer new-issue CLOs and reduce the liquidity provided by CLOs to the leveraged loan market generally. A contraction or reduced liquidity in the leveraged loan market could reduce opportunities for collateral managers of CLOs to sell collateral obligations or to invest in collateral obligations when they believe it is in the interest of the relevant CLO issuer to do so, including after the U.S. Risk Retention Regulations Effective Date. If the Company were to become exposed to a risk retention holder in relation to a CLO intending to be compliant with the U.S. Risk Retention Regulations, such a contraction may adversely affect the Company's ability to pursue its commercial objectives. Furthermore, no assurance can be given as to whether the U.S. Risk Retention Regulations will have any material adverse effect on the business, financial condition or prospects of collateral managers of CLOs that issue securities prior to the U.S. Risk Retention Regulations Effective Date, including DFME, DFM and their affiliates.

Where a Risk Retention Company enters into retention financing arrangements with respect to CLO Retention Securities, if such arrangements are enforced by the lender(s), the CLO Retention Securities and other assets of the Risk Retention Company may be appropriated, potentially leading to the relevant CLO being non-compliant with the applicable risk retention requirements and a reduction in the level of assets of the Risk Retention Company

A Risk Retention Company may enter into financing arrangements with respect to CLO Retention Securities. Should such Risk Retention Company default in the performance of its obligations under such financing arrangements, the lender(s) will have the right to enforce any security granted by the Risk Retention Company including effecting the sale of some or all of the CLO Retention Securities. In carrying out such sales, such lender(s) will not be required to have regard to the retention requirements applicable to the Risk Retention Company and the relevant CLO and any such sale may therefore cause the CLO to become non-compliant with the applicable retention requirements. This could materially and adversely affect the performance of the Risk Retention Company and, by extension, the Company's business, financial condition, results of operations and/or NAV.

In addition, the financing arrangements for the CLO Retention Securities will be provided to the Risk Retention Company on a full recourse basis. Should the Risk Retention Company default in the performance of its obligations under such financing arrangements, the lender(s) may have a right of recourse over certain other assets of the Risk Retention Company (in addition to the recourse described above over the CLO Retention Securities). Such recourse could materially and adversely affect the performance of the Risk Retention Company and, by extension, the Company's business, financial condition, results of operations and/or NAV.

The Risk Retention Companies may need to sell CLO Retention Income Notes or CLO Retention Securities below market value

A Risk Retention Company may be contractually obligated to transfer CLO Retention Securities or CLO Retention Income Notes in the event it acts as, and is replaced as, collateral manager of a CLO. The terms of such transfer may not reflect the market price of the CLO Retention Securities or CLO Retention Income Notes at such time.

Risks associated with Investment in Loan Warehouses

There can be no assurance that the market value of any warehoused asset owned by a Loan Warehouse on the closing date of the relevant CLO will be equal to or greater than the price paid by the Loan Warehouse, and after repayment of financing costs, any net losses (as well as net gains) experienced in respect of the warehoused assets will be for the Loan Warehouse's account. It is not expected that there will be any secondary market in investments in Loan Warehouses. Accordingly, investments in Loan Warehouses are expected to be less liquid than investments in CLO Securities. Thus, Risk Retention Companies may only be able to realise their investments through the Loan Warehouse selling the underlying assets. To the extent that any losses are realised on the warehoused assets, such losses will generally be borne by the investors in the Loan Warehouse, including the Risk Retention Companies. If the issuance of the notes by a CLO does not occur, the warehoused assets may be liquidated at market price and the investors in the Loan Warehouse may suffer a loss.

The purchase of warehoused assets may be financed by a warehouse loan facility provided by a warehouse lender (i.e., a bank or other lending institution). The warehouse lender may have the right to reject any asset proposed to be acquired by the Loan Warehouse and, in certain cases, to require or approve sales of assets by the Loan Warehouse. The warehouse lender will exercise those rights solely for its own benefit as a lender and in a manner that protects its rights and interests as a creditor of the Loan Warehouse. Neither the warehouse lender nor any of its affiliates will do any analysis of the warehoused assets acquired or sold by the Loan Warehouse for the benefit of, or in a manner designed to further the interests of, any investor in the Loan Warehouse.

Approved Pricing Source	in relation to loans, Markit Partners or any other entity appointed from time to time; in relation to CLO Securities, Thomson Reuters or any other entity appointed from time to time; and in relation to private debt assets, Valuation Research Corporation or any other entity appointed from time to time
Associate	has the meaning given in the Listing Rules
BBA	British Bankers' Association
BGCF	Blackstone / GSO Corporate Funding Limited, a company incorporated in Ireland on 16 April 2014 under the Companies Acts 1963 to 2013 with registration number 542626, which is, for the avoidance of doubt, a Risk Retention Company
BGCF CLO	a CLO established by BGCF
Blackstone Group	The Blackstone Group L.P., together with its affiliates, as the context requires
Business Day	a day on which the London Stock Exchange, the Channel Islands Securities Exchange Authority Limited, and banks in Jersey, the United Kingdom and Ireland are normally open for business
Blackstone Related Party Transaction	the subscription for Shares by an entity in the Blackstone Group pursuant to the proposed fundraise by the Company, subject to the limits set out in paragraph 7 of Part 1 of this Circular
Circular	this shareholder circular published by the Company on 5 February 2016, containing the notice of the Extraordinary General Meeting
CISE Listing Rules	the listing rules made by the Channel Islands Securities Exchange Authority Limited
Class B2 Share	shares issued by BGCF, which are not accompanied by voting rights and which do not carry an entitlement to a dividend
CLO	a special purpose vehicle which issues notes backed by a pool of collateral consisting primarily of loans
CLO Income Notes	the most subordinated tranche of debt issued by a CLO (which may be represented by a debt or equity security)
CLO Retention Income Notes	the CLO Income Notes (i) equalling at least 5 per cent. of the maximum portfolio principal amount of the assets in a CLO retained by BGCF (in respect of the European Risk Retention Requirements); and (ii) representing at least 5 per cent. of the credit risk relating to the assets collateralising the CLO (in respect of the U.S. Risk Retention Regulations)
CLO Retention Securities	the CLO Securities equalling at least 5 per cent. of the nominal value of each of the tranches sold or transferred to investors in a CLO retained by BGCF
CLO Securities	all tranches of debt issued by a CLO, including, for the avoidance of doubt, CLO Income Notes

Companies Law	the Companies (Jersey) Law 1991, as amended, extended or replaced and any ordinance, statutory instrument or regulation made thereunder
Company	Blackstone / GSO Loan Financing Limited, a closed-ended investment company incorporated in Jersey under the Companies Law on 30 April 2014 with registration number 115628
CRR	Regulation No 575/2013 of the European Parliament and of the Council as amended from time to time and including any guidance or any technical standards published in relation thereto
DFM	GSO / Blackstone Debt Funds Management LLC
DFME	Blackstone / GSO Debt Funds Management Europe Limited
Directors or **Board**	the directors of the Company
EGM or **Extraordinary General Meeting**	the extraordinary general meeting of the Company to be held at 2.00 p.m. on 29 February 2016
Eligibility Criteria	has the meaning given in the proposed investment objective and policy
EMIR	the European Market Infrastructure Regulation EU 648/2012
ESMA	the European Securities and Markets Authority
EU CLO	a collateralised loan obligation transaction which is collateralised primarily by loans to European obligors
EU NPA	the EU Profit Participating Notes issuing and Purchase Agreement dated 1 July 2014 as amended on 23 July 2014, 23 February 2015, 6 May 2015, 20 January 2016 and 3 February 2016, between the Company, BGCF, DFME, Intertrust Management Ireland Limited and the Lux Subsidiary
EU PPN	profit participating notes to be issued by BGCF pursuant to the EU NPA
EURIBOR	Euro interbank offered rate, a benchmark interest rate
Euro or **€**	the lawful currency of the EU
Euro Share	a Share denominated in Euro
European Risk Retention Requirements	Part Five of Regulation No 575/2013 of the European Parliament and of the Council as amended from time to time and including any guidance or any technical standards published in relation thereto, Article 51 of Regulation (EU) No 231/2013 as amended from time to time and Article 17 of the AIFMD, as implemented by Section 5 of Chapter III of the European Union Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012, supplementing the AIFMD and the risk retention requirements and due diligence requirements set out in Article 254 and Article 256 of Chapter VIII of Commission Delegated Regulation (EU) 2015/35 which came into force on 18 January 2015, as amended from time to time, including any guidance published in relation thereto and any implementing laws or regulations in force in any Member State of the European Union

Existing Articles	the articles of association of the Company in force as at the date of this Circular
First Loss	has the meaning given in the proposed investment objective and policy
GSO	GSO Capital Partners LP (together with its affiliates within the credit-focused business unit of the Blackstone Group)
horizontal strip	has the meaning given in the proposed investment objective and policy
IBA	ICE Benchmark Administration Limited
Independent Shareholders	the Shareholders excluding Blackstone Treasury Asia Pte Ltd and its Associates (as applicable)
IRR	internal rate of return
IPO	the initial public offering of the Company in July 2014
Jersey Subsidiary	has the meaning given in paragraph 8 of Part 1 of this Circular
LIBOR	London interbank offered rate
Listing Rules	the listing rules made by the UK Listing Authority pursuant to Part VI of FSMA
Loan Warehouse	a special purpose vehicle incorporated for the purposes of warehousing U.S. and/or European floating rate senior secured loans and bonds
Lux Subsidiary	has the meaning given in paragraph 8 of Part 1 of this Circular
Net Asset Value or **NAV**	gross assets less liabilities (including accrued but unpaid fees) calculated in accordance with the Company's valuation methodology
Net Asset Value per Share or **NAV per Share**	the Net Asset Value divided by the number of Shares in issue at the relevant time
New Articles	the Existing Articles which have been amended to reflect some administrative amendments, and which are proposed to be adopted by Shareholders by Special Resolution at the EGM
Notice	the notice of the EGM, as set out at the end of this Circular
Official List	the list maintained by the UK Listing Authority pursuant to Part VI of the UK Financial Services and Markets Act 2000, or the Channel Islands Securities Exchange Authority Limited (as applicable)
Ordinary Resolution	a resolution of the Company approved by more than 50 per cent. of votes cast by the Shareholders present at the relevant Shareholder meeting in person or by proxy
Profit Participating Notes	the EU PPNs and the U.S. PPNs
Proposals	the proposals as described in detail in Part 1 of this Circular
Proxy Appointment Form	the proxy appointment form enclosed with this Circular for use in relation to the EGM

Resolutions	the resolutions to be voted on by Shareholders at the EGM and any adjournment thereof
Risk Retention Company	a company or entity to which the Company has a direct or indirect exposure for the purpose of achieving its investment objective and pursuing its investment policy, which is established to, among other things, directly or indirectly, purchase, hold and/or provide funding for the purchase and retention of CLO Securities issued by U.S. CLOs or EU CLOs (which, in each case, it may manage), loans and interests in Loan Warehouses
Shares	a redeemable ordinary share of no par value in the capital of the Company issued as a "Share" of such class and denominated in such currency as the Directors may determine in accordance with the Articles and having such rights and being subject to such restrictions as are contained in the Articles
Shareholder	a holder of Shares
Special Resolution	a resolution of the Company approved by a majority of not less than two thirds of votes cast by Shareholders present at the relevant Shareholder meeting in person or by proxy
Substantial Risk Retention Company	a Risk Retention Company to which the Company has an exposure (directly or indirectly) equal to or greater than 20 per cent. of the Company's gross assets
U.S. CLO	a collateralised loan obligation transaction which is collateralised primarily by loans to U.S. obligors
U.S. Dollar	the lawful currency of the United States
U.S. GAAP	U.S. Generally Accepted Accounting Principles
U.S. MOA	Blackstone / GSO US Corporate Funding, Ltd., an entity which will be formed after, and subject to, the approval of the proposed amendments to the existing investment objective and policy, with investments from the Company (through BGCF) and an entity in the Blackstone Group
U.S. NPA	the U.S. Profit Participating Notes issuing and Purchase Agreement proposed to be entered into between the Company, BGCF, DFME, Intertrust Management Ireland Limited and the Lux Subsidiary
U.S. PPN	profit participating notes to be issued by BGCF pursuant to the U.S. NPA
U.S. Risk Retention Regulations	the joint final regulations implementing the credit risk retention requirements of section 15G of the U.S. Exchange Act as added by the Dodd-Frank Wall Street Reform and Consumer Protection Act
U.S. Risk Retention Regulations Effective Date	24 December 2016
vertical strip	has the meaning given in the proposed investment objective and policy

BLACKSTONE / GSO LOAN FINANCING LIMITED

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the "**Extraordinary General Meeting**") of the members of the Company, will be held at the offices of BNP Paribas Securities Services, Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY at 2.00 p.m. (London time) on 29 February 2016 to consider, and if thought fit, to pass the following Resolutions.

Resolutions 2 and 3 will be proposed as Special Resolutions and Resolutions 1 and 4 will be proposed as Ordinary Resolutions:

	Resolution
1.	**ORDINARY RESOLUTION:** To, with effect from the conclusion of the Extraordinary General Meeting, approve the proposed amendments to the existing investment objective and policy by adopting the proposed investment objective and policy as the investment objective and policy of the Company in substitution for and to the exclusion of, in its entirety, the existing investment objective and policy.
2.	**SPECIAL RESOLUTION:** To grant authority to the Company to allot and issue up to, in aggregate, 500 million new Shares without having previously offered such Shares to Shareholders on a pre-emptive basis.
3.	**SPECIAL RESOLUTION:** To adopt the New Articles in substitution for, and to the exclusion of, the Existing Articles.
4.	**ORDINARY RESOLUTION:** To authorise the Blackstone Related Party Transaction.

Defined terms shall have the meanings given to them in the shareholder circular published by the Company on 5 February 2016.

Enclosed with this Notice is a Proxy Appointment Form in order for you to cast your votes on the matters to be voted on at the Extraordinary General Meeting. Only those members registered as members of the Company shall have the right to participate and vote in the Extraordinary General Meeting.

By order of the Board

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For and on behalf of
BNP Paribas Securities Services
Secretary

Registered Office:
Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY
Date: 5 February 2016

Notes:

1. Resolutions 2 and 3 are proposed as special resolutions. For each special resolution to be passed, not less than two-thirds of the total number of votes cast by Shareholders being entitled to vote (by proxy or in person) must be in favour of the resolution.

2. Resolutions 1 and 4 are proposed as ordinary resolutions. For each ordinary resolution to be passed, more than half of the total number of votes cast by Shareholders being entitled to vote (by proxy or in person) must be in favour of the resolution.

3. Every member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. A body corporate may appoint an authorised person to attend, speak and vote on its behalf. The instrument appointing a proxy must be lodged at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU at least 48 hours before the commencement of the meeting.

4. All Shareholders have equal voting rights based on the number of Shares held. The total number of Shares (and, accordingly, voting rights) in the Company is 331,319,700.

5. Where there are joint registered holders of any Share, the vote of the first-named of the joint holders who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority should be determined by the order in which the names stand in the register of members in respect of the joint holding.

6. A member may terminate a proxy's authority at any time before the commencement of the meeting, provided that the revocation notice is received by Capita Asset Services no later than 2.00 p.m. on 27 February 2016. In order to revoke a proxy instruction, you will need to inform Capita Asset Services by sending a signed notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or a duly appointed attorney for the company. Any power of attorney or other authority under which the revocation notice is signed (or a duly certified copy of such power of authority) must be included with the revocation notice. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

7. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

8. The quorum for the Extraordinary General Meeting will be two holders of Shares present and entitled to vote in person or by proxy. If within 20 minutes of the time appointed for the EGM a quorum is not present, the EGM shall stand adjourned for fourteen days at the same time and place or to such other day and at such other time and place as the Board may determine and no notice of such adjourned meeting need be given unless the meeting is adjourned for more than fourteen days.

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