

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

JEFFERIES FINANCE LLC

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Jefferies Finance LLC
520 Madison Avenue
New York, NY 10022
Tel: (212) 284-3474
Fax: (212) 284-3444

This brochure (this "Brochure") provides information about the qualifications and business practices of Jefferies Finance LLC (the "Investment Adviser"). If you have any questions about the contents of this Brochure, please contact us at (212) 284-3474. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about the Investment Adviser also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2
MATERIAL CHANGES

This Brochure has been amended for the 2013 annual update to reflect the fact that the Investment Adviser added a new CLO client.

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ITEM 4

ADVISORY BUSINESS

A. General Description of Advisory Firm

The Investment Adviser was formed under the laws of the State of Delaware on October 7, 2004. The Investment Adviser is a joint venture between (i) Jefferies Group, Inc. (together with its subsidiaries, collectively, “Jefferies Group”), the public holding company for Jefferies & Company, Inc. (“Jefferies & Co.”), a global securities and investment banking firm, and (ii) Massachusetts Mutual Life Insurance Company, a mutual life insurance company organized under the laws of the Commonwealth of Massachusetts (“MassMutual” and, together with Jefferies Group, the “JF Investors”). Each JF Investor owns, directly or indirectly, 50% of the equity in the Investment Adviser. MassMutual, through Babson Capital Management LLC (“Babson”), a wholly-owned indirect subsidiary of MassMutual, and Jefferies Group each contribute significant resources and infrastructure support to the Investment Adviser.

The Investment Adviser currently acts as the collateral manager to several issuers (each an “Issuer” and together, the “Issuers”) that have issued rated notes and non-rated “income” notes to qualified purchasers and non-U.S. persons under collateralized loan obligation transactions (each a “CLO”). These notes are secured by a portfolio of senior secured loans and second lien loans, and a small amount of other debt investments, managed by the Investment Adviser. The terms of the CLOs are set out in indentures (the “Indentures”) among the Issuers and State Street Bank and Trust Company, as trustee (the “Trustee”). The Issuers and the Investment Adviser are parties to collateral management agreements (each, a “Collateral Management Agreement”) and the Issuers, the Investment Adviser and the Trustee are parties to collateral administration agreements relating to the Issuers (the “Collateral Administration Agreement”). The terms of the CLOs, including summaries of certain terms of the Indentures, the Collateral Management Agreements, the Collateral Administration Agreements and other transaction documents, are described in the offering circular of each Issuer (the “Offering Circular”).

The Investment Adviser is a finance company that underwrites and originates secured commercial loans. The Investment Adviser may also acquire secured commercial loans in the secondary market. The commercial loans originated or acquired by the Investment Adviser may include revolving credit loans and term loans, first lien or second lien loans, and asset based loans and cash flow loans. A small portion of the Investment Adviser’s portfolio may also include bonds or other debt instruments. The Investment Adviser will generally seek to sell a portion of the positions it originates or holds to other lenders. The Investment Adviser may act as an arranger and syndication agent for credit facilities and may also act as the administrative agent or collateral agent for credit facilities. The Investment Adviser may own some or all of the income notes of the Issuers, which represents the economic equity in the Issuers. The Investment Adviser owns certain other special purpose subsidiaries, some of which have entered into warehouse credit facilities with third party lenders to finance their purchase of loans and other investments from the Investment Adviser. The Investment Adviser may own the equity of an issuer under future collateralized loan obligation transactions.

B. Description of Advisory Services

The Investment Adviser acts as collateral manager to the Issuers pursuant to the Collateral Management Agreements and may act as collateral manager or investment adviser to additional clients in the future. In its capacity as collateral manager, the Investment Adviser (i) determines which commercial loans or other debt investments each Issuer may acquire (and whether such loans or other debt investments comply with the eligibility requirements and concentration limits under the Indentures), (ii) monitors and administers, on an ongoing basis, any loans or other investments that are acquired by each Issuer, and (iii) monitors the Issuers' compliance with the terms of the Indentures. In connection with these services, the Investment Adviser prepares reports on behalf of the Issuers, with assistance of the Trustee pursuant to the Collateral Administration Agreements. These reports are distributed to the noteholders. Additionally, the Investment Adviser delegates many of its obligations as collateral manager to Babson, an affiliated investment adviser under common control with the Investment Adviser.

C. Availability of Customized Services for Individual Clients

The Investment Adviser's investment decisions and advice with respect to the Issuers are subject to the restrictions as set forth in the applicable Indentures and the Collateral Management Agreements and described in the Offering Circular.

D. Wrap Fee Programs

The Investment Adviser does not participate in wrap fee programs.

E. Assets Under Management

The Investment Adviser manages approximately \$686,671,039 as of November 30, 2012 on a discretionary basis.

This Brochure generally includes information about the Investment Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

ITEM 5

FEES AND COMPENSATION

A. Advisory Fees and Compensation

The Investment Adviser is entitled to compensation from the Issuers based on a percentage of assets held by the Issuers. The "senior collateral management fee" is payable to the Investment Adviser in arrears, quarterly in an amount equal to 0.20% per annum of the Fee Basis Amount.¹ The "subordinated collateral management fee" will be payable to the extent of funds available for such purpose. The subordinated collateral management fee varies by Issuer and is payable to the Investment Adviser in arrears quarterly in an amount equal to between 0.20% to 0.40% per annum of the Fee Basis Amount. The Investment Adviser's fees are set forth in the Collateral Management Agreements and are non-negotiable.

The Investment Adviser may receive an incentive management fee of up to 20% of proceeds remaining on each payment date, after all payments required to be made to the Trustee, noteholders and other parties have been made (including the collateral management fees described above), but only if certain rates of return are achieved for the Issuers' income noteholders, as set forth in the Indentures and the Collateral Management Agreements and described in the Offering Circulars.

B. Payment of Fees

The senior collateral management fee and subordinated collateral management fee (and if it should be payable, the incentive management fee) are paid on a quarterly basis on the 20th day of each January, April, July and October. Fees are determined by the Trustee in conjunction with the other payments that are required to be made on each payment date, based on the collections received by each Issuer during the quarterly period preceding such payment date. Such fees and other payments are set forth in a report that is prepared by the Trustee, reviewed and approved by the Investment Adviser and distributed to the noteholders prior to the applicable payment date. Payment of fees is made by the Trustee on behalf of the Issuers on the applicable payment date. Fees are not otherwise invoiced.

C. Additional Fees and Expenses

Pursuant to the Collateral Management Agreement, the Issuers are required to reimburse the Investment Adviser for out-of-pocket expenses incurred by the Investment Adviser on behalf of the Issuers. Under the Indentures, expense reimbursement is paid quarterly on each

¹ The "Fee Basis Amount" is the average of the sum of the aggregate principal balances (including undrawn committed amounts under revolving loans and delayed draw loans) of the loans, debt securities and other investments held by the Issuer, based on the first day and the last day of the quarterly period preceding such payment date. However, in the case of defaulted loans and defaulted debt securities, in place of the principal balance, a market value is determined based on listed prices obtained from certain pricing services, or if not available, the average of three bid side quotes (or if only two can be obtained, the lower quote) from unaffiliated market participants, and otherwise, as may be reasonably determined by the collateral manager. Certain exceptions and procedures are set out in detail in the Indenture and described in the Offering Circular.

payment date, to the extent proceeds are available. The amount of expense reimbursement that will be paid on a senior basis (i.e., prior to payment of interest or other required payments to the noteholders) is subject to a cap. Any expenses to be paid in excess of the cap are subordinated and will be paid after interest and other required payments to the noteholders to the extent proceeds are available.

D. Prepayment of Fees

As described above, the Issuers pay the Investment Adviser in arrears.

E. Additional Compensation and Conflicts of Interest

The Investment Adviser owns the Issuers' income notes and also owns certain senior notes of the Issuers, and therefore will receive payments of interest and principal in respect of these notes on a pro rata basis with other noteholders to the extent provided under the Indentures.

ITEM 6
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Investment Adviser accepts performance-based fees from every client. As a result, the Investment Adviser does not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

ITEM 7
TYPES OF CLIENTS

The Investment Adviser's advisory clients are the Issuers as described in Item 4, however the Investment Adviser may advise additional clients in the future (including additional issuers under new collateralized loan obligation transactions).

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

The Investment Adviser's strategy focuses on (i) determining which commercial loans or other debt investments the Issuers should acquire (and whether such loans or other debt investments comply with the eligibility requirements and concentration limits under the Indenture), (ii) monitoring and administering, on an ongoing basis, any loans or other investments that are acquired by the Issuers, and (iii) monitoring the Issuers' compliance with the terms of the Indentures. The Investment Adviser delegates many of its obligations as collateral manager to Babson, an affiliated investment adviser under common control with the Investment Adviser.

B. Material, Significant, or Unusual Risks Relating to Investment Strategies

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser. A more detailed explanation of risk factors can be found in each Issuer's Offering Circular.

Market Condition Risk on Reinvestment. The ability of the Issuers to obtain collateral ("Collateral") or to enter into forward commitments for the purchase of Collateral, and the interest rates and terms on which such Collateral can be obtained, as well as the interest rates and other terms in connection with the investment of funds in eligible investments as described in the Offering Circulars, may affect the timing and amount of payments to the holders of the notes. Disposing of certain Collateral and purchasing certain Collateral, subject to meeting the investment criteria as set forth in the Offering Circulars, will expose the Issuers to the market conditions prevailing at the time of such sale and reinvestment and may result in changes in the characteristics and quality of the collateral included in the Collateral. The impact, including any adverse impact, of such reinvestment (or lack thereof) and of the yields on such substitute Collateral on the holders of the certain notes would be magnified by the leveraged nature of the Issuers' capital structure.

Illiquidity of Collateral Debt Securities. Much of the Collateral purchased by the Issuers will have no, or only a limited, trading market. The Issuers' investment in illiquid Collateral may restrict its ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities, although the Issuers are generally prohibited by the Indentures from selling Collateral except under certain limited circumstances. Illiquid Collateral may trade at a discount from comparable, more liquid investments. In addition, the Issuers may invest in privately placed Collateral that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale. Even if such privately placed Collateral are transferable, the prices realized from their sale could be less than those originally paid by the Issuers or less than what may be considered the fair value of such debt obligations.

Concentration Risk. A limited amount of concentration with respect to any particular obligor, region or industry is expected to exist. However, redemptions of Collateral and reinvestment may result in a greater concentration in any one obligor, region or industry and such concentration would subject the notes to a greater degree of risk with respect to collateral defaults by such obligor, and such concentration of the portfolio in any one industry or region would subject the notes to a greater degree of risk with respect to economic downturns relating to such industry or region.

Credit Ratings of Debt Obligations. Credit ratings of debt obligations represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of the Collateral will be used by the Investment Adviser only as a preliminary indicator of investment quality. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Investment Adviser's credit analysis than would be the case with investments in investment-grade debt obligations.

Participation on Creditors' Committees. The Issuers may (through the Investment Adviser) participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Issuer may seek to negotiate directly with the debtors with respect to restructuring issues. If the Issuers do join a creditors' committee, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the Issuers in such proceedings. By participating on such committees, the Issuers may be deemed to have duties to other creditors represented by the committees, which might expose the Issuers to liability to such other creditors who disagree with the Issuers' actions.

The Issuers may also be provided with material non-public information that may restrict the Issuers' ability to trade in the company's securities. While the Issuers intend to comply with all applicable securities laws and to make judgments concerning restrictions on

trading in good faith, the Issuers may trade in the company's securities while engaged in the company's restructuring activities. Such trading creates a risk of litigation and liability that may cause the Issuers to incur significant legal fees and potential losses.

C. Risks Associated With Particular Types of Securities

Nature of Collateral. The collateral of the Issuers will consist primarily of non-investment grade loans or interests in non-investment grade loans and high-yield debt securities.

The Collateral are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks.

In addition, there can be no assurance that the Investment Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value and return of the Collateral and purchase Collateral that can generate high returns for the Issuers. It is anticipated that the Collateral generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular types of Collateral.

Prices of the Collateral may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Collateral. In particular, the market for high-yield debt securities has experienced periods of price volatility and reduced liquidity. Additionally, loans and interests in loans have significant liquidity and market value risks since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities. In addition, historically the trading volume in the loan market has been small relative to the high-yield debt securities market.

A non-investment grade loan or debt obligation or an interest in a non-investment grade loan is generally considered speculative in nature and may become a "defaulted security" for a variety of reasons. A defaulted security may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted security. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted security. The liquidity for defaulted securities may be limited, and to the extent that defaulted securities are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. Furthermore, there can be no assurance that the ultimate recovery on any defaulted security will be at least equal to either the minimum recovery rate used in connection with any analysis of the notes that may have been prepared for or at the direction of holders of any notes.

A high-yield debt security is generally unsecured, may be subordinated to other obligations of its issuer and generally has greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations. Depending upon market conditions, there may be a very limited market for high-yield debt securities. High-yield debt securities are often issued in connection with leveraged acquisitions or recapitalizations in which the Issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. The lower rating of high-yield debt securities reflects a greater possibility that adverse changes in the financial condition of the obligor or general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings or disruptions in the financial markets) or both may impair the ability of the obligor to make payments of principal and interest.

High-yield debt securities and leveraged loans have historically experienced greater default rates than has been the case for investment grade securities. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced on the Collateral.

The Issuers will observe certain limitations on its ability to purchase loans and other debt obligations, as set forth in the Offering Circulars, to ensure that it is not treated as a “dealer in securities” or otherwise treated as engaged in a trade or business within the United States for U.S. federal income tax purposes.

Middle Market Obligors. A substantial portion of the obligors on the Collateral are expected to be “middle market companies”. “Middle market loans” are typically defined as debt issued as part of a loan facility with an original first lien loan size less than \$250,000,000 that is not broadly syndicated to institutional investors. They share many of the same characteristics as more broadly syndicated loans, including, in some cases, a senior secured position in the company’s capital structure and floating rate interest payments. “Middle market loans” tend to be privately held, are often not publicly rated. The risks of “middle market loans” include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower of such loan during periods of economic downturn, (iv) the obligor is often a small or mid-size company representing only local or regional interests, (v) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received and (vi) if subordinated, subordination to the prior claims of other loans or senior lenders. “Middle market loans” are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for “middle market loans” and adversely affect the value of outstanding loans and the ability of the borrowers thereof to repay principal and interest. Moreover, the default history for “middle market loans” is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

Sale of Collateral Upon Default on the Notes. The market value of Collateral will generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular industry, the conditions of financial markets and the financial condition of the obligors of such Collateral. Therefore, if an event of default occurs with respect to the notes, there can be no assurance that the proceeds of any sale by the trustee of

the Collateral and other collateral securing such notes will be sufficient to pay in full any amounts to various parties.

Structured Finance Obligations and Finance Leases. A portion of the Collateral may consist of structured finance obligations and finance leases. Structured finance obligations and finance leases may present risks similar to those of the other types of Collateral in which the Issuers may invest and, in fact, the risks may be of greater significance in the case of structured finance obligations and finance leases. Moreover, investing in structured finance obligations and finance leases may entail a variety of unique risks. Among other risks, structured finance obligations and finance leases may be subject to prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on such obligation changes based on multiples of changes in interest rates or inversely to changes in interest rates). In addition, certain structured finance obligations (particularly subordinated collateralized debt obligations) may provide that non-payment of interest is not an event of default in certain circumstances and the holders of the securities will therefore not have available to them any associated default remedies. During the period of non-payment, unpaid interest will generally be capitalized and added to the outstanding principal balance of the related security. Furthermore, the performance of a structured finance obligation or finance lease will be affected by a variety of factors, including its priority in the capital structure of its issuer, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans, or other assets that are being securitized, bankruptcy remoteness of those assets from the originator or transferor, the adequacy of and ability to realize on any related collateral, and the skill of the manager of such obligation in managing securitized assets. The price of a structured finance obligation or finance lease, if required to be sold, may be subject to certain market and liquidity risks for securities of its type at the time of sale. In addition, structured finance obligations and finance leases may involve initial and ongoing expenses above the costs associated with the related direct investments.

Synthetic Securities. A portion of the Collateral may consist of synthetic securities, the reference obligations of which must satisfy the definition of Collateral in the Offering Circulars ("Synthetic Securities"), and may be non-investment grade loans or interests in non-investment grade loans and high-yield debt securities or similar securities. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral. With respect to each Synthetic Security, the Issuers will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the reference obligor. The Issuers generally will have no right directly to enforce compliance by the Reference Obligor with the terms of the reference obligation nor any rights of set-off against the reference obligor, may be subject to set-off rights exercised by the reference obligor against the counterparty or another person or entity, and generally will not have any voting or other contractual rights of ownership with respect to the reference obligation. The Issuers will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. The counterparty from which the Issuers purchases a Synthetic Security may not own the reference obligation or any other obligation of the reference obligor and thus may not have any rights with respect to the reference obligation or

the reference obligor. In addition, in the event of the insolvency of the counterparty, the Issuers will be treated as a general creditor of such counterparty, and will not have any claim with respect to the reference obligation. Consequently, the Issuers will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the notes to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor. Moody's or S&P may downgrade one or more Classes of Notes if a counterparty to a material portion of the Synthetic Securities held by the Issuers has been downgraded by Moody's or S&P, respectively. Before any Synthetic Security may be purchased, the Issuer must have received rating agency confirmation from S&P with respect thereto and will have delivered notice of such purchase to Moody's and requested Moody's issue a rating and recovery rate with respect to such proposed Synthetic Security, in each case unless the Synthetic Security conforms to a form for which rating agency confirmation with respect to the applicable rating agency was obtained.

International Investing. A portion of the Collateral may consist of obligations of obligors organized or incorporated under the laws of a country other than the United States or a state thereof. Investments in the obligations of non-U.S. obligors involve certain special risks related to regional economic conditions and sovereign risks which are not normally associated with investments in the securities of sovereign and corporate obligors located in the United States. These risks may include risks associated with political and economic uncertainty, fluctuations of currency exchange rates, lower levels of disclosure and regulation in foreign securities markets, confiscatory taxation, taxation of income earned in foreign nations or other taxes or restrictions imposed with respect to investments in foreign nations, foreign exchange controls (which may include suspension of the ability to transfer currency from a given country and repatriation of investments) and uncertainties as to the status, interpretation and application of laws. In addition, there is often less publicly available information about non-U.S. obligors than about sovereign and corporate obligors in the United States. Sovereign and corporate obligors in countries other than the United States may not be subject to uniform accounting, auditing and financial reporting standards, and auditing practices and requirements for both foreign public and private obligors may not be comparable to those applicable to U.S. companies. It also may be difficult to obtain and enforce a judgment relating to Collateral issued by a non-U.S. obligor in a court outside the United States.

Also, the economies of individual non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rates of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Moreover, the economies of certain foreign countries are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. In addition, many of such securities and obligations have lower ratings than comparable U.S. securities and obligations, reflecting a greater possibility that adverse changes in the financial condition of an obligor or in general economic conditions or both may impair the ability of the obligor to make

payments of principal and interest which may, in turn, have an adverse effect on payments on the notes.

Insolvency Considerations with Respect to Issuer of Securities Held as Collateral.

Various laws enacted for the protection of creditors may apply to the Collateral. The information in this and the following paragraph is applicable with respect to U.S. obligors. Insolvency considerations will differ with respect to non-U.S. obligors. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an obligor of a Collateral, such as a trustee in bankruptcy, were to find that the obligor did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such Collateral and, after giving effect to such indebtedness, the obligor (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such obligor constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the obligor or to recover amounts previously paid by the obligor in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an obligor would be considered insolvent at a particular time if the sum of its debts were at such time greater than all of its property at a fair valuation or if the present fair saleable value of its assets were at such time less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the obligor was “insolvent” after giving effect to the incurrence of the indebtedness constituting the Collateral or that, regardless of the method of valuation, a court would not determine that the obligor was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an obligor of Collateral, payments made on such Collateral could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year under federal bankruptcy law or even longer under state laws) before insolvency.

In general, if payments on Collateral are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Issuers) or from subsequent transferees of such payments (such as the holders of the notes). To the extent that any such payments are recaptured from the Issuers, the resulting loss will be borne by the holders of the notes. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a holder of notes only to the extent that such court has jurisdiction over such holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a holder that has given value in exchange for its note, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to a structured transaction such as the notes, there can be no assurance that a holder of notes will be able to avoid recapture on this or any other basis.

Interest Rate Risk. Although the Collateral will generally bear interest at floating rates and the rated notes will bear interest at floating rates, there will be mismatches between the floating rates applicable to the Collateral and the LIBOR rate applicable to the rated notes, as well as timing mismatches based on different reset dates for such floating rates. Moreover, it is

expected that there will be mismatches between the aggregate outstanding amount of the rated notes and the aggregate principal balance of the Collateral. In addition, the interest rates applicable to eligible investments may be fixed or floating and are generally expected to be lower than the interest rates on the Collateral. Accordingly, changes in the level of LIBOR or any other applicable floating rate index could adversely affect the ability of the Issuer to make payments on the notes. The Issuers may, from time to time, enter into one or more hedge agreements to hedge interest rate risk. However, there can be no assurance that the Issuers will enter into any hedge agreement or that, despite any such hedge agreement, the Collateral and the eligible investments will in all circumstances generate sufficient interest proceeds to make timely payments of interest on the rated notes.

ITEM 9
DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Investment Adviser's advisory business or the integrity of the Investment Adviser's management.

ITEM 10

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status

The Investment Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status

The Investment Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Relationships or Arrangements with Industry Participants

The JF Investors (as described in Item 4) are large and complex organizations with many affiliates involved in the financial industry. Jefferies Group, a publicly traded holding company whose securities are traded on the NYSE, provides clients with capital markets and financial advisory services, institutional brokerage, securities research and asset management. Jefferies Group provides trade execution in equity, high-yield and international securities for institutional investors and high net worth investors.

MassMutual and Babson are members of the MassMutual Financial Group, a family of financial service companies providing investment management services and individual protection insurance to clients worldwide. The four primary members of the group are (i) Massachusetts Mutual Life Insurance Company, (ii) OppenheimerFunds Inc., (iii) Baring Asset Management Limited and (iv) Babson Capital Management LLC.

The Investment Adviser has appointed Babson as a subadviser. In such capacity Babson provides certain advice and services to the Investment Adviser, primarily consisting of credit and market research, portfolio management services, and operational assistance in connection with the Investment Adviser's duties. Babson does not have any discretionary authority. The Investment Adviser will pay a portion of the fees it is paid to Babson in accordance with the sub-advisory agreement. The Issuer is a party to the sub-advisory agreement.

The Investment Adviser or its affiliates may act as an adviser, including as a restructuring advisor or financial advisor, to companies whose securities or loans are acquired by the Issuer as Collateral, or to other interested parties, such as bondholders, equityholders, creditors committees and potential purchasers. As a result, officers, directors, employees, representatives, agents or affiliates of the Investment Adviser (including the JF Investors and Babson) may possess information relating to obligors of Collateral that is not known to the individuals at the Investment Adviser responsible for monitoring the Collateral and performing

the other obligations under the Collateral Management Agreement. Additionally, in order to avoid restrictions on the trading capabilities for certain of its funds, the Investment Adviser may actively avoid exposure to certain material, non-public information regarding certain of the Issuer of items of Collateral that Investment Adviser would, as agent of the Issuer, otherwise be entitled to receive.

Additional conflicts of interest with respect to the JF Investors are detailed in the Offering Circular.

D. Material Conflicts of Interest Relating to Other Investment Advisers

As described above, the Investment Adviser has appointed Babson as a subadviser. The subadviser may advise clients other than the Investment Adviser and may offer investment opportunities to clients other than the Investment Adviser and is not obligated to offer all investment opportunities to the Investment Adviser.

ITEM 11
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING**

A. Code of Ethics

The Investment Adviser's employees are subject to the Jefferies Group Code of Ethics. The Investment Adviser's Code of Ethics (the "Code") incorporates and supplements the Jefferies Group Code of Ethics with policies and procedures applicable to the Investment Adviser's employees. The purpose of the Code is to identify the ethical and legal framework in which the Investment Adviser and its personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding the Investment Adviser's standard of business conduct. A complete copy of the Code is provided to clients and prospective clients upon request.

The Code is based on a few basic principles: (i) the interests of clients come before the interests of the Investment Adviser and its personnel; (ii) the professional activities and personal investment activities of the Investment Adviser's personnel must be consistent with the Code and avoid any actual or potential conflicts of interest; (iii) the activities of the Investment Adviser's personnel must be conducted in a way that avoids any abuse of any such person's position of trust with and responsibility to the Investment Adviser and its clients; and (iv) employees may not engage in any act, practice or course of conduct that would violate the provisions of the federal securities laws.

B. Securities That You or a Related Person Has a Material Financial Interest

As further described below, the Investment Adviser may effect client cross-transactions where the Investment Adviser causes a transaction to be effected between an Issuer and another client that issues debt or equity advised by the Investment Adviser or any of its affiliates. The Investment Adviser may engage in a client cross-transaction involving an Issuer any time that the Investment Adviser believes such transaction to be fair to an Issuer and another client. By purchasing a note of an Issuer, a noteholder is deemed to have consented to each such client cross-transactions from time to time between an Issuer and another client of the Investment Adviser or one of its affiliates.

As further described below, the Investment Adviser and/or its affiliates may effect principal transactions where an Issuer may invest in securities or other financial instruments of issuer in which the Investment Adviser and/or its affiliates have a debt, equity or participation interest, in each case in accordance with applicable law (including, without limitation, the Advisers Act), which may include the Investment Adviser obtaining the consent and approval of the Issuer's advisory committee prior to engaging in any such principal transaction between the Issuer and the Investment Adviser or its affiliates. By purchasing a note of an Issuer, a noteholder is deemed to have consented to such procedures relating to principal transactions between the Issuer and the Investment Adviser or its affiliates.

The board of directors of each Issuer has formed an advisory committee (the “Advisory Committee”) with the power (i) to approve the purchase of any asset by the Issuer (A) with respect to which the Investment Adviser and/or an affiliate originated, structured, acted as an underwriter or a placement agent or (B) from the related issuer of which the Investment Adviser and/or an affiliate received any compensation and (ii) to consent to the purchase or sale of any asset by the Issuer in a transaction that requires notice to the Issuer and the consent of the Issuer pursuant to Section 206(3) of the Investment Advisers Act. The members of the Advisory Committee must be sophisticated and experienced investors and may not be affiliated with the Investment Adviser.

The loans and other debt investments to be acquired by the Issuers may include loans or investments that were originated by the Investment Adviser or previously acquired by the Investment Adviser. In that case, the loans or investments will be approved by the Advisory Committee before being purchased by an Issuer.

Jefferies Group is an investor in the Investment Adviser and is also the parent company of Jefferies & Co. The loans and investments originated or acquired by the Investment Adviser, and that may be assigned to an Issuer, may be sourced from Jefferies & Co. or may be made in connection with capital financing being arranged by Jefferies & Co. If required under the terms described above, the purchase by the Issuer will be approved by the applicable Advisory Committee. In addition, the Investment Adviser conducts its own underwriting and approval and has separate management from Jefferies & Co. The officers of the Investment Adviser are employees of Jefferies & Co. but are on formal secondment to the Investment Adviser.

C. Investing in Securities That You or a Related Person Recommends to Clients

The Investment Adviser, its affiliates (including the JF Investors and Babson) and their respective clients may invest in obligations that would be appropriate as Collateral. Such investments may be different from those made on behalf of an Issuer. The Investment Adviser and/or its affiliates may have ongoing relationships with, render services to or engage in transactions with other clients, including other issuers of collateralized loan obligations and collateralized debt obligations, who invest in assets of a similar nature to those of an Issuer, and with companies whose securities or loans are acquired by an Issuer as Collateral and may own equity or debt securities issued by obligors of Collateral.

D. Conflicts of Interest Created by Contemporaneous Trading

The Investment Adviser manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of the Investment Adviser to allocate investment opportunities among all clients on a *pro rata* basis, subject to liquidity, investment concentrations, suitability and in accordance with each client's applicable investment strategies, over a period of time. The Investment Adviser will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because the Investment Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion,

such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

ITEM 12

BROKERAGE PRACTICES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

The Investment Adviser will use commercially reasonable efforts to obtain the best prices and execution for all orders placed with respect to each transaction, considering all relevant circumstances. Subject to the objective of obtaining best prices and execution by taking into account factors including but not limited to available prices, rates of brokerage commissions and size and difficulty of the order, the nature of the market for such security, the time constraints of the transaction, execution capabilities, reliability (based on total trading rather than individual trading), integrity, stability and financial condition of the broker in general, execution and operational capabilities of competing brokers and/or dealers, and the value of the ongoing relationship with such brokers and/or dealers, the Investment Adviser may, in the allocation of business, select brokers and/or dealers with whom to effect trades on behalf of an Issuer and open cash trading accounts with such brokers and dealers (provided that none of the Collateral may be credited to, held in or subject to the lien of the broker or dealer with respect to any such account).

1. Research and Other Soft Dollar Benefits.

The Investment Adviser does not currently utilize soft dollar benefits.

2. Brokerage for Client Referrals.

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party.

3. Directed Brokerage.

The Investment Adviser does not recommend, request or require that a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

B. Order Aggregation.

The Investment Adviser may aggregate sales and purchase orders of securities placed with respect to the Collateral with similar orders being made simultaneously for other accounts managed by the Investment Adviser or with accounts of the affiliates of the Investment Adviser, if in the Investment Adviser's reasonable judgment such aggregation will result in an overall economic benefit to the Issuer, taking into consideration the advantageous selling or purchase price, brokerage commission or other expenses, as well as the availability of such securities on any other basis. When a transaction occurs as part of any aggregate sales or purchase orders, the objective of the Investment Adviser (and any of its affiliates involved in such transactions) will be to allocate the executions among the accounts in an equitable manner.

ITEM 13

REVIEW OF ACCOUNTS

A. Frequency and Nature of Review of Client Accounts or Financial Plans

The Investment Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of the Issuers' portfolios. Such reviews are conducted by employees of the Investment Adviser and Babson.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review

A review of the Issuers' accounts may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients

The Investment Adviser compiles monthly and quarterly reports for the Issuers with the assistance of the Trustee as described in the Indentures. The content of the monthly report includes a statement of the principal balances of the collateral loans and investments of the Issuers, the value of the collateral for purposes of the collateral coverage tests under the Indentures, the proceeds collected since the prior report, certain characteristics of the collateral loans and investments of the Issuers, the collateral loans and investments that were sold since the prior report, or became defaulted or were downgraded, a calculation of certain collateral quality tests, and certain other information set forth in the Indentures or requested by the Trustee.

The quarterly report sets forth all of the amounts that are to be distributed on each payment date pursuant to the "Priority of Payments" under the Indenture. This includes expense payments, the collateral management fees, interest payments to noteholders, principal payments and other payments, as set forth in the Indenture.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

The Investment Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither the Investment Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

ITEM 15

CUSTODY

The Investment Adviser is not deemed to have custody over the Collateral of the Issuers pursuant to rule 206(4)-2 promulgated under the Investment Advisers Act of 1940, as amended (the "Custody Rule"). As such, the Investment Adviser is not subject to the requirements the Custody Rule. The Collateral is held with State Street Bank and Trust Company, an unaffiliated third party custodian.

ITEM 16
INVESTMENT DISCRETION

The Investment Adviser serves as the collateral manager with discretionary trading authority to the Issuers. The Investment Adviser's investment decisions and advice with respect to the Issuers are subject to the applicable Offering Circulars. The Investment Adviser entered into collateral management agreements with the Issuers, pursuant to which the Investment Adviser was granted discretionary trading authority.

ITEM 17
VOTING CLIENT SECURITIES

The Investment Adviser is authorized under the Collateral Management Agreements to give consents and exercise all other voting rights on behalf of the Issuers as to the loans and debt investments owned by the Issuers.

The Collateral Management Agreements provide that all actions taken by the Investment Adviser on behalf of the Issuers must be performed with reasonable care and in good faith and using professional judgment and all commercially reasonable efforts, (i) using a degree of skill and attention no less than that which the collateral manager exercises with respect to comparable assets that it manages for itself and others, and (ii) substantially in accordance with its existing practices and procedures and in a manner comparable to other institutional managers of national standing investing in the assets of the nature and character of the collateral.

ITEM 18
FINANCIAL INFORMATION

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.