

Canyon CLO Advisors LP

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Brochure: Part 2A

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This brochure provides information about the qualifications and business practices of Canyon CLO Advisors LP (“CLO Advisors” or the “Adviser”). If you have any questions about the contents of this brochure, please contact Doug Anderson at (310) 272 1360. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about CLO Advisors is also available on the SEC’s website at www.adviserinfo.sec.gov.

Material Changes

There are no materials changes as part of this update.

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Advisory Business

Canyon CLO Advisors LP (“CLO Advisors” or the “Adviser”) is an asset management firm that acts as collateral manager, sponsor and originator to collateralized loan obligations (“CLOs” and collectively, “Clients”). CLO Advisors was formed by its Managing Partners, Joshua S. Friedman and Mitchell R. Julis. CLO Advisors has been registered with the SEC since July 2015. As of December 31, 2022, CLO Advisors has eighteen (18) Clients and regulatory assets under management of approximately \$8.1 billion, all of which is managed on a discretionary basis.

Messrs. Friedman and Julis, as principals of CLO Advisors, are ultimately responsible for the investment activities of the Clients, as well as for the Adviser’s research strategy and firm management. CLO Advisors is a subsidiary of Canyon Capital Advisors LLC, which is owned by Canyon Partners, LLC (“Canyon Partners”). Canyon Partners is owned by family limited liability companies and/or trusts that are ultimately controlled by Messrs. Friedman and Julis.

The advisory services provided by CLO Advisors are not tailored to the individual investors of the Clients, and investors generally are not permitted to impose restrictions on investing in certain securities or types of securities.

Fees and Compensation

Clients are typically charged senior and subordinated asset-based collateral management fees as well as performance based fees. The senior and subordinated asset-based collateral management fees are generally payable quarterly in arrears and are subject to the provisions set out in the governing documents (e.g., collateral management agreement, indenture) of each respective Client. Prepayment of fees is generally not required and is not expected. Such fees will be used to cover the Adviser’s ordinary operating expenses, including employee compensation.

Clients will also bear direct and indirect costs, fees and expenses incurred by or on behalf of such Clients including, among others, (i) expenses and costs of legal advisers, consultants and other professionals retained by the Client or by the Adviser, on behalf of the Client, in connection with the services provided by the Adviser under the collateral management agreement (including without limitation those expenses and costs relating to advice rendered by such professionals in connection with the disposition, potential disposition, preservation and/or maintenance of any investment), (ii) reasonable travel expenses (airfare, meals, lodging and other transportation) incurred by the Adviser as are reasonably necessary in connection with the initial placement of any of the notes issued by the Client and the default or restructuring, or potential default or restructuring, of any collateral, (iii) all third party out-of-pocket expenses reasonably incurred in connection with actual and potential investments of the Client, including, without limitation, brokerage commissions, research expenses, travel costs, all fees and expenses relating to the registration and qualification for sale of such securities and all transfer taxes, (iv) all reasonable fees and disbursements of counsel employed by the Adviser to perform legal due diligence and documentation in connection with the acquisition, or proposed acquisition, of any investment, (v) reasonable out-of-pocket expenses and costs incurred by the Adviser in connection with obtaining those consents or approvals from any noteholder, the trustee or the rating agencies that are required by the offering circular, the indenture or collateral management agreement, (vi) any and all costs and expenses incurred in connection with the carrying or management of the investments and (vii) fees or expenses of the Client, the Adviser or its affiliates reasonably incurred in connection with the cost of software acquisition from Virtus Partners or a similar software vendor for collateralized loan obligations or collateralized debt obligations, plus maintenance costs of such software. To the extent any such expenses or costs are incurred for the benefit of the Client and

other entities affiliated with or advised by the Adviser, the Adviser will make a good faith allocation of such expenses or costs among all such entities and the Client.

In order to take advantage of diversification and new investment strategies and concepts, the Adviser, from time to time, may place a portion of a Fund's investable assets in accounts managed by or co-managed with other investment advisors (including affiliated and non-affiliated investment advisors), in which case such Fund may be subject to additional fees payable to such other investment advisor as well as its proportionate share of costs and expenses. The Adviser also may place a portion of a Fund's investable assets in other affiliate Funds, in which case such Fund shall not be subject to any additional management or incentive fees but will bear its proportionate share of costs and expenses. The amounts which may be invested into other managed accounts or in affiliated investment funds are not expected to be significant.

Please see Brokerage Practices for more discussion on expenses incurred in connection with brokerage commissions.

Investors should refer to the governing documents (e.g., collateral management agreement, indenture) of the respective Client for additional/supplemental on the fees and expenses.

Performance-Based Fees and Side-by-Side Management

As noted above, CLO Advisors (and certain of its affiliates) earns a performance allocation or fee. Because the actual performance allocation or fee charged to a specific Client may vary in the event that CLO Advisors charges a performance fee to some of its Clients, there may be an incentive for CLO Advisors to make investments that are riskier or more speculative than would be the case in the absence of such a compensation framework or to favor those Clients with higher performance allocations or fees over Clients with lower performance allocations or fees. CLO Advisors seeks to mitigate this risk by, among other things, seeking to allocate investments in a fair and equitable manner over time among its Clients. For more information on CLO Advisors' allocation procedure, please see Brokerage Practices – Allocation of Investment Opportunities.

Types of Clients

CLO Advisors acts as collateral manager, sponsor and originator to CLOs. Investors must meet the investor qualifications associated with each CLO.

Methods of Analysis, Investment Strategies and Risk of Loss

As a general matter, CLO Advisors is not obligated to pursue any particular investment strategy or opportunity with respect to the collateral of each of its Clients and has no obligation to perform any other duties, other than as specified in the applicable collateral management agreement. Such collateral management agreement may, however, place significant restrictions on CLO Advisors' ability to buy and sell collateral obligations. Accordingly, during certain periods or in certain specified circumstances, CLO Advisors may be unable to buy or sell assets or to take other actions which it might otherwise consider in the best interests of the Client and the holders of the notes or other interests issued by the Client.

The collateral obligations are expected to consist primarily of non-investment grade loans or interests in non-investment grade loans which are subject to liquidity, market value, credit, interest rate, reinvestment and other risks. In addition, there can be no assurance that CLO Advisors will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on collateral obligations and

purchase collateral obligations that will not default and will generate high returns for the Clients. It is anticipated that such assets generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the Client portfolio is concentrated in one or more particular types of collateral obligations.

Prices of collateral obligations 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, including the condition of the leveraged loan market, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the collateral obligations. 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 non-investment grade bond market.

A non-investment grade loan or an interest in a non-investment grade loan is generally considered speculative in nature and may become a defaulted obligation for a variety of reasons. A defaulted obligation 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 obligation. 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 obligation. The liquidity for defaulted obligations may be limited, and to the extent that defaulted obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. In addition, the Clients may incur additional expenses to the extent it is required to seek recovery upon a default on a collateral obligation or participate in the restructuring of such collateral obligation. Moreover, there can be no assurance on the timing of any recoveries.

Unsecured loans are unsecured obligations of the applicable obligor, may be subordinated to other obligations of the obligor and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations and secured obligations. Unsecured obligations will generally have lower rates of recovery than secured obligations following a default. Also, in the event of the insolvency of an obligor of an unsecured obligation, the holders of such unsecured obligation will be considered general, unsecured creditors of the obligor, will have fewer rights than secured creditors of the obligor and will be subordinate to the secured creditors with respect to the related collateral.

In certain circumstances, the Clients' respective portfolios may include loans that are not first lien secured loans, including second lien loans. Such loans are subordinate in right of payment with respect to liquidation to one or more senior secured loans of the related borrower and therefore are subject to additional risks that the cash flows of the related borrower and the property securing a second lien loan may be insufficient to make the scheduled payments after giving effect to any senior secured loans of the related obligor. The subordination of second lien loans is also expected to cause second lien loans to be more illiquid investments than senior secured loans.

General Risks of the Fund

Possibility of Losses

An investment in the Fund is speculative. The amounts ultimately realized from an investment in Interests will depend upon the performance of the Subordinated Securities of Underlying Majority-Owned Canyon

CLOs held by CLO Advisors, Direct Investments by the Fund (or any SPVs) and a multitude of related factors, including local, regional, national and global economic conditions. CLO Advisors may not be able to successfully execute an Underlying Canyon CLO's investment strategy or generate returns to Investors commensurate with the risks assumed. Therefore, a purchase of Interests should only be considered by persons who can afford a loss of their entire investment.

No Assurance of Investment Return

The Fund's investments will largely consist of interests in CLO Advisors, and financial results in a specified period will be difficult to predict. There is no assurance that CLO Advisors of the Fund will be able to make investments in Underlying Canyon CLOs that generate returns for the Fund. Even if one or more of the Underlying Canyon CLOs performs according to expectations, there can be no assurance that the Fund will receive distributions in an amount equal to the Fund's capital contributions to CLO Advisors or at all.

No Fund Operating History; Limited CLO Advisors Operating History

While CLO Advisors has been in operation since 2015, the Fund itself has no operating history, and the past performance of the Prior Funds and the other funds managed by the Investment Advisor, CLO Advisors or any of their respective affiliates (including the Existing Canyon CLOs or other Canyon CLOs) may not be representative of the prospects for the Fund or any Underlying Canyon CLO.

CLO Advisors has recently started to manage European CLOs and the past performance of the Prior Funds and the other funds managed by the Investment Advisor, CLO Advisors or any of their respective affiliates (including the existing European Canyon CLOs, other Existing Canyon CLOs or other Canyon CLOs) may not be representative of the prospects for the Fund or any Underlying Canyon CLO that is a European Canyon CLO.

Performance Uncertainty

The performance of the Fund is dependent on future events and is, therefore, inherently uncertain. The markets in which the Underlying Canyon CLOs, the Fund and/or the SPVs will make investments have experienced disruptions in the recent past, so results observed in prior periods may have little relevance to the results observable in the current environment. There can be no assurance as to the Fund's performance in a weaker leveraged loan market or weakened economy or one in which the availability of financing is scarce.

Lack of Limited Partner Liquidity; Distributions to Limited Partners

Limited Partners may not make withdrawals from the Fund. The amount and timing of distributions to Limited Partners will depend, in part, on the Investment Income received by the Fund from CLO Advisors. The availability of such Investment Income will depend on the return on investment of the Underlying Canyon CLOs and any Extraordinary Expenses that the Fund is required to bear as a result of its investment in CLO Advisors, as well as the Investment Advisor's determination of the amounts that the Fund will need to hold in reserve to satisfy expenses and financial commitments or to make permitted investments.

Transfer and Withdrawal Restrictions

An investment in the Fund is illiquid and requires a long-term commitment. The Interests have not been registered under the Securities Act or any other applicable securities laws. Investors may not sell, transfer or pledge their Interests except with the consent of the General Partner, which may be withheld in its discretion. The Interests will not be redeemable, and voluntary withdrawals of capital by Investors will not be permitted, except when necessary to comply with particular laws, statutes and regulations. No public market for the Interests exists and none is expected to develop. Consequently, Investors should not expect to liquidate their Interests before the end of the Fund's term.

Substantial Costs

The Fund is subject to direct and indirect fees (including the Underlying Canyon CLO fees), organizational, operating and investment costs and expenses (including Extraordinary Expenses) irrespective of its performance, which, in the aggregate, may be substantial. If these fees, costs and expenses are not offset by Investment Income from the Underlying Canyon CLOs, then the Fund will lose money.

Investment Through CLO Advisors

The Fund's investment in CLO Advisors will not entitle the Fund to controlling rights with respect to certain events, which will be held by an affiliate of CCA, in its capacity as CLO Advisors' general partner. Therefore, the Fund may not have any ability to influence the operation of CLO Advisors or to prevent CCA or its affiliates from making decisions or taking actions that disadvantage the Fund vis-à-vis CLO Advisors.

Risks Relating to Collateral Obligations

Nature of the Collateral Obligations

The collateral obligations of the Underlying Canyon CLOs are expected to consist primarily of non-investment grade loans or interests in non-investment grade loans, which are subject to liquidity, market value, credit, interest rate, reinvestment and other risks. In addition, there can be no assurance that CLO Advisors will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on collateral obligations and purchase collateral obligations that will not default and will generate high returns for the Underlying Canyon CLOs. It is anticipated that assets of the Underlying Canyon CLOs generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio of an Underlying Canyon CLO is concentrated in one or more particular types of collateral obligations.

Prices of collateral obligations 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, including the condition of the leveraged loan market, domestic and international economic or political events, developments or trends in any particular industry and the financial condition of the obligors of the collateral obligations. 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, the trading volume in the loan market has historically been small relative to the high-yield (i.e., non-investment grade) bond market.

A non-investment grade loan or an interest in a non-investment grade loan is generally considered speculative in nature and may become a defaulted obligation for a variety of reasons. A defaulted obligation 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 obligation. 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 obligation. The liquidity for defaulted obligations may be limited, and to the extent that defaulted obligations 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 obligation will be equal to the minimum recovery rate used in connection with any analysis of the CLO Securities that was prepared for or at the direction of holders of any such CLO Securities. In addition, the Underlying Canyon CLOs may incur additional expenses to the extent it is required to seek recovery upon

a default on a collateral obligation or participate in the restructuring of such collateral obligation. Moreover, there can be no assurance on the timing of any recoveries, which may materially affect returns realized by the holders of the CLO Securities.

Leveraged loans (i.e., non-investment grade loans that will serve as collateral for Underlying Canyon CLOs) 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 or recoveries that may be experienced on an Underlying Canyon CLO's collateral obligations.

In certain circumstances, the Underlying Canyon CLOs' respective portfolios may include loans that are not first lien secured loans. The assets of the Underlying Canyon CLO may include second lien or unsecured loans that are subordinated to other obligations of the obligor and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations and secured obligations. Second lien and unsecured obligations will generally have lower rates of recovery than senior secured obligations following a default. Second lien loans may be subordinated to senior secured debt obligations with respect to specific collateral of the obligor and, in the event that the proceeds or value of such collateral is insufficient to repay the first lien debt obligations, the second lien loans will likely suffer a loss of principal and interest. If an obligor of an unsecured obligation experiences insolvency, the holders of such unsecured obligation will be considered general, unsecured creditors of the obligor, will have fewer rights than secured creditors of the obligor and will be subordinate to the secured creditors with respect to the related collateral. The subordination of second lien loans and unsecured loans is also expected to cause such loans to be more illiquid investments than senior secured loans.

Second lien loans are generally subject to intercreditor agreements, subordination agreements or similar contractual restrictions that limit the ability of second lien lenders to exercise the legal and contractual remedies afforded to secured creditors generally. Such restrictions could reduce and/or delay the recoveries by second lien lenders, including with respect to the collateral pledged to support such second lien loans. Such agreements and restrictions may permit the first lien creditors to control the sale and disposition of collateral shared between first lien and second lien lenders in a way that does not maximize the value of such collateral, resulting in potential losses of value and reduced and/or delayed recoveries by the second lien lenders.

The composition of the collateral pools and the final terms of the transaction documents relating to the Underlying Canyon CLOs may be influenced by discussions that CLO Advisors and/or, prior to the closing date applicable to an Underlying Canyon CLO, a placement agent may have with investors in the Underlying Canyon CLOs. These investors will not take into account interests of other investors when expressing views on the composition of the asset pools, may have interests adverse to those of certain holders of CLO Securities and may take a short position (for example, by buying protection using credit default swaps) relating to any such obligations or securities. There can be no assurance that: (a) any investor would have agreed with any views regarding the initial proposed portfolios or the final terms of the transaction documents relating to the Underlying Canyon CLOs that are expressed by another investor in such discussions, (b) the collateral pools and the terms of the transaction documents relating to the Underlying Canyon CLOs will not be influenced more heavily by the views of certain investors, particularly if that investor's participation in the transaction is necessary for the transaction to occur and without such investor's participation CLO Advisors and/or a placement agent would not receive the economic benefits of its role in the transaction, (c) those views, and any modifications made to the portfolios or the terms of the transaction documents relating to the Underlying Canyon CLOs as a result of those discussions, will not adversely affect the performance of a holder's CLO Securities or (d) the views of any particular investors that are expressed in such discussions will influence the composition of the collateral pools. CLO Advisors is expected to have sole authority to select, and sole responsibility for selecting, the collateral obligations of the Underlying Canyon CLOs; a placement agent will not determine the composition of the collateral pool or the terms of the transaction documents relating to the Underlying Canyon CLOs.

Limited Control of Administration and Amendment of Collateral Obligations

CLO Advisors is expected to exercise or enforce, or refrain from exercising or enforcing, any or all of the Underlying Canyon CLOs' rights in connection with collateral obligations or any related documents. However, as a holder of an interest in a broadly syndicated loan, the Underlying Canyon CLOs will have limited consent and control rights, and such rights may not have utility in light of the expected proportion of such obligations held by the Underlying Canyon CLOs relative to the outstanding obligations.

Similarly, due to the size of the Underlying Canyon CLOs' position in any collateral obligation, an Underlying Canyon CLO, and therefore CLO Advisors acting on its behalf, are expected to have limited influence over any amendment, waiver or modification of the collateral obligation. The CLO Management Agreements and other Underlying Canyon CLO documentation may also contain material restrictions that prohibit or otherwise limit CLO Advisors' ability to consent to or accept any modification, amendment, waiver, or exchange of a collateral obligation. CLO Advisors may, in accordance with its collateral management practices and subject to the applicable terms of the relevant CLO Management Agreements, elect to (a) accept any offer by the issuer of a security or by any other person made to all of the current holders of such security to purchase or otherwise acquire such security or to convert or exchange such security into or for cash, securities or any other type of consideration, (b) accept a solicitation by the issuer of a collateral obligation to extend or defer the maturity, or to adjust the outstanding balance of, such collateral obligation or (c) otherwise amend, modify or waive the terms of any related loan agreement, including the payment terms thereunder. The acceptance of any such offer or solicitation will not be considered an acquisition or purchase of a collateral obligation by the Underlying Canyon CLOs that must comply with the investment criteria applicable to the Underlying Canyon CLOs. Moreover, third-party holders of Subordinated Securities will not have any rights to direct CLO Advisors in exercising the Underlying Canyon CLOs' rights pursuant to any such offer or solicitation, or otherwise under the governing documents of any collateral obligation. Any such offer or amendment, waiver or modification relating to a collateral obligation could reduce the returns or likelihood of returns on the Subordinated Securities.

Participation on Creditors' Committees

The Underlying Canyon CLOs may (through CLO Advisors) participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Underlying Canyon CLOs may seek to negotiate directly with the debtors with respect to restructuring issues. If the Underlying Canyon CLOs 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 Underlying Canyon CLOs and/or the CLO Securities in such proceedings. By participating on such committees, the Underlying Canyon CLOs may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Underlying Canyon CLOs to liability to such other creditors who disagree with the Underlying Canyon CLOs' actions. Furthermore, by participating on such committees, an Underlying Canyon CLO may be contractually obligated to hold the related collateral obligation even if CLO Advisors believes it would be in the best interests of the Underlying Canyon CLO and the holders of the related CLO Securities to sell.

The Underlying Canyon CLOs may also be provided with material non-public information that may restrict the Underlying Canyon CLOs' ability to trade in the company's securities. The Underlying Canyon CLOs will use all efforts to comply with all applicable securities laws. However, such efforts will involve good faith judgments concerning restrictions on trading, and there is a risk that regulators may disagree with such judgments. The Underlying Canyon CLOs may trade in the company's securities while engaged in the company's restructuring activities. This trading creates a risk of litigation and liability that may cause the Underlying Canyon CLOs to incur significant legal fees and potential losses.

Investments in Restricted Securities

The Adviser is prevented from buying or selling certain publicly traded securities if the Adviser or its affiliates (see Other Financial Industry Activities and Affiliations section for information about affiliated entities) acquire material, non-public information with respect to such securities. In addition, if such information is acquired with respect to a publicly traded security that the Adviser already holds, such security will be placed on a “restricted securities list” maintained by the Adviser and will not be traded until the material, non-public information becomes public or is no longer material.

In particular, certain personnel of the Adviser may from time to time hold board seats of companies and may not be “walled off” from others at the Adviser who are responsible for making investment decisions, and any material non-public information that any such personnel obtain may be imputed to the Adviser as a whole. As a result (and in accordance with applicable securities laws and the Adviser’s compliance policies and procedures), there may be substantial periods of time during which the Adviser is restricted from buying or selling securities of companies whose boards include Adviser personnel, or securities of other companies with whom those companies may have business relationships. In addition, various securities laws mandate current public reporting of trading by directors, officers and large shareholders, and in some cases, application of these laws can result in disgorgement of any deemed “profit” resulting from such trading. Limits of those kinds could prevent the Adviser from transacting in securities when it otherwise might. In addition, the Adviser personnel serving as directors on company boards will owe duties to those companies that could, in some cases, interfere with the Adviser’s ability to freely exploit corporate opportunities or engage in other transactions involving the companies (including, potentially, transactions with their other securityholders, or with their competitors) to the Adviser’s detriment.

Participation on Creditors’ Committees

The Underlying Canyon CLOs may (through CLO Advisors) participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Underlying Canyon CLOs may seek to negotiate directly with the debtors with respect to restructuring issues. If the Underlying Canyon CLOs 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 Underlying Canyon CLOs and/or the CLO Securities in such proceedings. By participating on such committees, the Underlying Canyon CLOs may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Underlying Canyon CLOs to liability to such other creditors who disagree with the Underlying Canyon CLOs’ actions. Furthermore, by participating on such committees, an Underlying Canyon CLO may be contractually obligated to hold the related collateral obligation even if CLO Advisors believes it would be in the best interests of the Underlying Canyon CLO and the holders of the related CLO Securities to sell.

The Underlying Canyon CLOs may also be provided with material non-public information that may restrict the Underlying Canyon CLOs’ ability to trade in the company’s securities. The Underlying Canyon CLOs will use all efforts to comply with all applicable securities laws. However, such efforts will involve good faith judgments concerning restrictions on trading, and there is a risk that regulators may disagree with such judgments. The Underlying Canyon CLOs may trade in the company’s securities while engaged in the company’s restructuring activities. This trading creates a risk of litigation and liability that may cause the Underlying Canyon CLOs to incur significant legal fees and potential losses.

Limitations of Portfolio Diversification

The Underlying Canyon CLOs are expected to be portfolios of collateral obligations consisting primarily of loan assignments or participation interests. Although no significant concentration with respect to any particular obligor, industry or country (other than the United States) is expected to exist, the concentration of the portfolios in any one obligor would subject the CLO Securities to a greater degree of risk with respect to defaults by such obligor, and the concentration of the portfolios in any one industry would subject the CLO Securities to a greater degree of risk with respect to economic downturns relating to such industry. In purchasing and selling collateral obligations, the Underlying Canyon CLOs will be required to satisfy certain tests to limit the collateral obligations' concentration in terms of both obligor and industry concentration. Although the resulting diversification of collateral obligations may reduce the risk described above, the diversification requirements applicable to the Underlying Canyon CLOs may cause the Underlying Canyon CLOs to invest in obligors or industries that suffer more defaults than if the Underlying Canyon CLOs were not required to invest in a diversified manner. Notwithstanding the concentration limits applicable to each Underlying Canyon CLO, more than one Underlying Canyon CLO may invest in the collateral obligations related to a single obligor or industry, in which case the Fund may have significant exposure to any such obligor or industry.

Cov-Lite Loans

A significant portion of the collateral obligations of the Underlying Canyon CLOs may be comprised of "Cov-Lite Loans" which contain limited, if any, financial covenants. Generally, Cov-Lite Loans either do not require the borrower to maintain debt service or other financial ratios or do not contain common restrictions on the borrower's ability to significantly change its operations or to enter into other significant transactions that could affect its ability to repay such loans. Ownership of Cov-Lite Loans may expose the Underlying Canyon CLOs to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans that have such requirements and restrictions. The definition of Cov-Lite Loan may (depending on the CLO Management Agreements for a particular Underlying Canyon CLO) not include a loan that, although it has no maintenance or incurrence covenant, contains either a cross-default provision to, or is *pari passu* with, another loan of the underlying obligor forming part of the same loan facility that requires the underlying obligor to comply with one or more financial covenants or maintenance covenants (each, an "excluded loan"). If the application of such covenants is subject to certain conditions (for example, in the case of a revolver, the condition that such revolver has been drawn), and those conditions have not been satisfied, such covenants will afford no protection to the Underlying Canyon CLOs. As a result of the ownership of such excluded loans and Cov-Lite Loans, the Underlying Canyon CLOs' exposure to losses may be increased, which could result in an adverse impact on the Underlying Canyon CLOs' ability to make payments on the CLO Securities. In addition, in certain economic environments, the market prices of Cov-Lite Loans may be depressed relative to non-Cov-Lite Loans.

High-Yield Securities

A portion of the collateral obligations of the Underlying Canyon CLOs will consist of so-called "high-yield" bonds or similar securities, secured or unsecured, that are rated in the lower rating categories of various credit rating agencies. While "high-yield" but lower-rated securities generally have higher nominal interest rates than securities with higher ratings, their higher interest rates reflect the fact that they are subject to significantly greater risk of loss of principal and interest than higher-rated securities and are generally considered to be speculative. The yields and prices of "high-yield" but lower-rated securities also tend to fluctuate more than those of higher-rated instruments, and the market for lower-rated securities is less liquid and less active than for higher-rated securities.

International Investing (International Collateral Obligations)

A portion of the assets of the Underlying Canyon CLOs may consist of collateral obligations that are obligations of non-U.S. obligors. Investing outside the United States may involve greater risks than investing in the United States. These risks include: (a) less publicly available information; (b) varying levels of governmental regulation and supervision; and (c) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, non-U.S. obligors may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies. If the sovereign rating of a country in which an obligor on a collateral obligation is located is downgraded, the ratings applicable to such collateral obligation may be downgraded as well.

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

Non-U.S. markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of the Underlying Canyon CLOs are uninvested and no return is earned thereon. The inability of the Underlying Canyon CLOs to make intended purchases of collateral obligations of non-U.S. issuers due to settlement problems or the risk of intermediary counterparty failures could cause the Underlying Canyon CLOs to forego investment opportunities. The inability to dispose of a collateral obligation due to such settlement problems or failures could result either in losses to the Underlying Canyon CLOs due to subsequent declines in the value of such collateral obligation or, if the Underlying Canyon CLO has entered into a contract to sell the security, could result in possible liability to the purchaser. Transaction costs of buying and selling non-U.S. securities, including brokerage, tax and custody costs, also are generally higher than those involved in domestic transactions. Furthermore, non-U.S. financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many non-U.S. companies are less liquid and their prices more volatile than securities in comparable domestic companies.

In some non-U.S. countries, there is the possibility of expropriation, nationalization or confiscatory taxation, limitations on the convertibility of currency or the removal of securities, property or other assets of the Underlying Canyon CLOs, political, economic or social instability or adverse diplomatic developments, each of which could have an adverse effect on the Underlying Canyon CLOs' investments in such foreign countries (which may make it more difficult to pay U.S. Dollar-denominated obligations such as the collateral obligations). The economies of individual non-U.S. countries also may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

Investments through Irish DACs

The Adviser may invest in certain loans issued outside of the United States through investments in one or more Irish domiciled vehicles organized as designated activity companies which are qualifying companies for the purposes of section 110 of the Irish Taxes Consolidation Act 1997 (each, a "DAC"). Although the Adviser is engaged by each DAC's board of directors (the "DAC Board") as advisers to provide investment recommendations, each DAC Board, in its sole discretion, makes the final investment decisions for the respective DAC. (See "Lack of Fund's Control over Irish DACs.")

Irish Treatment of Certain Investments

Interest or other distributions paid out on investments into CLO Securities and/or Warehouse Participations issued by an Underlying Canyon CLO which is Irish tax resident and which are profit dependent or any part of which exceeds a reasonable commercial return could, under certain anti-avoidance provisions, be recharacterized as non-deductible distributions and be subject to Irish dividend withholding tax in certain circumstances. Such interest or other distributions will be recharacterized as non-deductible distributions where payments are made to a “specified person” (within the meaning of section 110 of the Taxes Consolidation Act 1997 of Ireland) and the Underlying Canyon CLO, at the time such investments in CLO Securities and/or Warehouse Participations were issued, was aware that interest or other distributions paid on such investments would not be subject (without reduction computed by reference to the amount of such interest or other distribution) to a tax in a relevant territory, as further discussed below.

The “specified person” concept has been extended to include persons that have “significant influence” over the relevant company (being, for this purpose, an Underlying Canyon CLO which is Irish tax resident) and hold more than 20% of the shares in the company, 20% by principal value of the debt carrying profit dependent or excessive interest issue by the company (or any securities with no par value) or 20% of the interest on such securities.

These anti-avoidance rules, and the extension of the “specified person” concept could result in payments of interest by Underlying Canyon CLOs which are Irish tax resident being non-deductible for Irish tax purposes and potentially subject to Irish dividend withholding tax in certain circumstances. This would reduce the returns received by CLO Advisors and/or the Fund on investments in the CLO Securities and/or Warehouse Participations.

Lack of Fund’s Control over Irish DACs

The Adviser may invest in certain loans issued outside of the United States through the DACs, with the DACs acquiring the loans. The Adviser has limited control over the DACs, including with respect to the DACs’ investment decisions. The Adviser is engaged by each DAC Board as advisor to provide recommendations for acquisitions and dispositions of loans. Each DAC Board, in its sole discretion, makes the final investment decisions for the respective DACs.

Economic Sanctions

Governmental authorities in the United States, the Cayman Islands and/or in other countries may impose sanctions or other restrictive economic measures (“Sanctions”) on dealings with specified countries and/or individuals. Sanctions may be imposed relatively suddenly in response to geopolitical crises, such as invasions or wars, and may trigger retaliatory action (including the imposition of countervailing Sanctions) that aggravate those crises. As a result of Sanctions, it is possible that the Fund could be prohibited or restricted from acquiring, holding or disposing of particular investments, including investments that were not subject to Sanctions when originally acquired by the Fund (“Sanctioned Investments”). Investors should thus be aware that, depending on the nature of the Sanctions, the Fund may not be able to dispose of previously acquired Sanctioned Investments on acceptable terms (or at all), or the Fund may be forced to sell previously acquired Sanctioned Investments at significant losses. In addition, because Sanctions are intended to restrict economic activities, they can have a material adverse effect on global trade generally (including by disrupting securities exchanges and cross-border payment systems, weakening foreign currencies and triggering defaults) which may also materially and adversely affect the Fund’s overall portfolio of investments (even those that are not Sanctioned Investments). The Fund may also face penalties or other liabilities (including liabilities for indemnification) for any failure to comply with Sanctions (including failures by the Investment Advisor or its affiliates or related persons), and any such penalties or liabilities could also materially and adversely affect the Fund’s performance.

Illiquidity of Collateral Obligations

Some of the collateral obligations purchased by the Underlying Canyon CLOs will have no, or only a limited, trading market. The Underlying Canyon CLOs' investment in illiquid collateral obligations may restrict their ability to dispose of investments in a timely fashion and for a fair price as well as their ability to take advantage of market opportunities. Illiquid collateral obligations may trade at a discount to comparable, more liquid investments. In addition, the Underlying Canyon CLOs may invest in privately placed collateral obligations 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 obligations are transferable, the prices realized from their sale could be less than those originally paid by the Underlying Canyon CLOs or less than what may be considered the fair value of such debt obligations.

In addition, adverse developments in the primary market for leveraged loans may reduce opportunities for the Underlying Canyon CLOs to purchase new issuances of collateral obligations. More particularly, the ability of private equity sponsors and leveraged loan arrangers to effectuate new leveraged buy-outs and the ability of the Underlying Canyon CLOs to purchase such assets may be partially or significantly limited. The impact of a liquidity crisis on the global credit markets may adversely affect the management flexibility of CLO Advisors in relation to the portfolio and, ultimately, the returns on the CLO Securities.

Unfunded Loans

Collateral obligations may be comprised of loan commitments that are unfunded at the time of purchase. A loan commitment is a written agreement in which the lender commits itself to make a loan or loans up to a specified amount within a specified time period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded." A lender typically is obligated to advance the unfunded amount of a loan commitment at the borrower's request, subject to certain conditions regarding the creditworthiness of the borrower. Borrowers with deteriorating creditworthiness may continue to satisfy their contractual conditions and therefore be eligible to borrow at times when the lender might prefer not to lend. In addition, a lender may have assumptions as to when a company in which CLO Advisors or an Underlying Canyon CLO invests may draw on an unfunded loan commitment when the lender enters into the commitment. If the borrower does not draw as expected, the commitment may not prove as attractive an investment as originally anticipated. Further, any failure to advance requested funds to a company in which CLO Advisors or an Underlying Canyon CLO invests could result in possible assertions of offsets against amounts previously lent.

Material Misrepresentations or Omissions

Of paramount concern in purchasing loans is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or other asset, or may adversely affect the ability of the lender of record to perfect or effectuate a lien on the collateral securing the loan or other assets. CLO Advisors will rely upon the accuracy and completeness of representations made by companies in which Underlying Canyon CLOs invest or other counterparties to the extent reasonable, but cannot guarantee that such representations are accurate or complete. Under certain circumstances, payments to Underlying Canyon CLOs may be reclaimed if any such payment or distribution is later determined to have been made with intent to defraud or prefer creditors.

General Market and Credit Risks of Debt Securities

Debt portfolios are subject to credit and interest rate risks. Credit risk refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities and other debt instruments that are rated by rating agencies are often reviewed

and may be subject to downgrade. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) or directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Interest rate risk is related to, and can also increase, credit risk – if interest rates rise (and particularly if they rise steeply), debtors with floating rate liabilities may face difficulty making interest payments. Given that the majority of the Underlying Canyon CLOs' collateral obligations and the liabilities are expected to be based upon spreads over SOFR or EURIBOR, upward movements in SOFR or EURIBOR may reduce portfolio income of the Underlying Canyon CLOs and adversely affect the returns on the CLO Securities to investors (including CLO Advisors, and therefore the Fund).

Inflation

Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets. For example, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on the Fund's returns.

certain Risks Associated with Investments in Consumer Loans

The Adviser may hold interests directly or indirectly (including through trusts or securitization vehicles) in pools of consumer loans, such as personal loans and automobile loans to individual borrowers (which may be unsecured). Federal and state consumer protection laws impose numerous restrictions on creditors in connection with the making and servicing of consumer loans, and any violations of those laws by the Adviser or any other person (including by any platform or bank through or from which the Fund acquires its interests in consumer loans, any loan servicer or any trustee), could impair collections and/or result in regulatory actions or penalties that adversely affect the Adviser. In particular, many states have "usury laws" that impose limits on interest rates that may be charged on personal loans. While state usury laws are generally subject to federal pre-emption where, e.g., the original lender is a national bank, the scope of this federal pre-emption (and whether, e.g., it survives transfers or assignments by banks), has been challenged through both private litigation and enforcement proceedings by regulators. If any person (including any borrower, or a state regulator) were to claim that loans in which the Adviser holds interests violate state usury laws (including claims based on allegations that the "true lender" of the applicable loan(s) was not a national bank entitled to state pre-emption), those loans could be found to be unenforceable or void, and the Adviser could also be subject to liabilities for disgorgement, damages or penalties.

Certain Risks Associated with Investments in Aircraft Securitizations

The Adviser may invest in airline/aircraft assets, which may include aircraft lease receivables ("ALRs"). ALRs are asset-backed securities that are generally structured as pass-through trusts. The aircraft is sold to the trust, which leases it to the airline companies. Unlike receivables backed by loans or interest rates, however, ALRs may entail a higher risk because of the nature of the underlying assets, which are expensive to maintain and operate and are difficult to sell. In addition, the Adviser may invest in enhanced equipment trust certificates ("EETCs") for which U.S. airlines are the primary issuers. An airline EETC is an obligation secured directly by aircraft or aircraft engines of a single sponsoring airline as collateral. EETC issuances are often enhanced by elements such as debt tranching, availability of liquidity facilities and over-collateralization. EETCs tend to be less liquid than corporate bonds offered by the sponsoring airline. Furthermore, the Adviser may invest in aviation-related asset-backed securities that seek to monetize leases

or mortgages. Aircraft mortgage monetization notes and aircraft lease monetization notes are asset-backed securities that represent interests in pools of aircraft mortgages or operating leases, respectively, on various aircraft types of airlines located throughout the world. Holders of aforementioned asset-backed securities bear various risks, including, among other things, lease rates and residual values, increased fuel costs, credit, technological, legal, regulatory, terrorism and geopolitical risks. Uncertainty and instability in certain countries in which airlines are located could have a material adverse effect on such securities as well. Additionally, portfolio management and the remarketing and re-leasing of aircraft upon lease expiration or default is typically the responsibility of a designated servicer. No assurance can be given that the aircraft will be re-leased after the expiration of the initial term, or if re-leased, on the same terms or on more favorable terms. Further, the value of these asset-backed securities are affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the collateral pool, the originator of the financial obligations or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement. Finally, aircraft are subject to many laws in different jurisdictions, and the repossession of aircraft from lessees or borrowers may be difficult and costly.

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 or performance. 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 an issuer's current financial condition may be better or worse than a rating indicates. Investments in non-investment grade and comparable unrated obligations will be more dependent on CLO Advisors' credit analysis than would be the case with investments in investment-grade debt obligations. A failure of the collateral quality tests applicable to the Underlying Canyon CLOs may prevent reinvestment in new collateral obligations, and any failure of the coverage tests or the interest diversion tests applicable to the Underlying Canyon CLOs may result in the redemption of certain classes of securities of the Underlying Canyon CLOs. A change in rating methodology by a rating agency may also have a material adverse effect on the ability of the Underlying Canyon CLOs to reinvest in new collateral obligations or to achieve the target returns on the Subordinated Securities.

Prepayment of Loans

Leveraged loans are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon. Prepayments on loans may be caused by a variety of factors, which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. In addition, principal proceeds received upon such a prepayment are subject to reinvestment risk. Any inability of the Underlying Canyon CLOs to reinvest payments or other proceeds in collateral obligations with comparable interest rates that satisfy the investment criteria of the Underlying Canyon CLOs may adversely affect the returns on the CLO Securities. There is no assurance that the Underlying Canyon CLOs will be able to reinvest proceeds in assets with comparable interest rates that satisfy the investment criteria of the Underlying Canyon CLOs or, if it is able to make such reinvestments, as to the length of any delays before such investments are made.

Loan Repricing

Leveraged loans may experience volatility in the spread that is paid on such loans. Loan spreads will vary based on a variety of factors, including, but not limited to, the level of supply and demand in the leveraged loan market, general economic conditions, levels of relative liquidity for leveraged loans, the actual and perceived level of credit risk in the leveraged loan market, regulatory changes, changes in credit ratings and the methodology used by credit rating agencies in assigning credit ratings, and such other factors that may affect pricing in the leveraged loan market. Since leveraged loans may generally be prepaid at any time without penalty, the loan obligors would be expected to prepay or refinance their loans if alternative

financing were available at a lower cost. For example, if the credit ratings of an obligor were upgraded, the obligor were recapitalized or if credit spreads were declining for leveraged loans, such obligor would likely seek to refinance at a lower credit spread. Declining credit spreads in the leveraged loan market and increasing rates of prepayments and refinancings will likely result in a reduction of portfolio yield and interest collections on the collateral obligations, which would have an adverse effect on the amount available for distributions on the CLO Securities.

Unspecified Use of Proceeds

Investors will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by CLO Advisors and, accordingly, will be dependent upon the judgment and ability of CLO Advisors in investing and managing the proceeds of the Client's assets, and in identifying investments over time and the relevant restrictions in the applicable indentures and collateral management agreements of the Clients. No assurance can be given that CLO Advisors will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Clients will be achieved.

Assignments and Participation Interests

The Underlying Canyon CLOs may acquire interests in loans either directly (by way of assignment from the selling institution) or indirectly (by purchasing a participation interest from the selling institution). The Underlying Canyon CLOs may also buy interests in revolver loans or credit facilities for issuers of asset-backed securities. As described in more detail below, holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan.

Participations by the Underlying Canyon CLOs in a selling institution's portion of a loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, the Underlying Canyon CLOs will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation interest and only upon receipt by such selling institution of such payments from the borrower. By holding a participation interest in a loan, an Underlying Canyon CLO generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Underlying Canyon CLO may not directly benefit from the collateral supporting the loan in which it has purchased the participation interest. As a result, the Underlying Canyon CLO will assume the credit risk of both the borrower and the institution selling the participation interest, which will remain the legal owner of record of the applicable loan. CLO Advisors does not expect to perform independent credit analyses of the selling institutions. If the selling institution experiences insolvency, the Underlying Canyon CLO, by owning a participation interest, may be treated as a general unsecured creditor of the selling institution, and may not benefit from any set off between the selling institution and the borrower. In addition, the Underlying Canyon CLO may purchase a participation interest from a selling institution that does not itself retain any beneficial interest in any portion of the applicable loan and, therefore, may have limited incentive to monitor the terms of the loan agreement and the continuing creditworthiness of the borrower. When the Underlying Canyon CLO holds a participation interest in a loan it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each selling institution will reserve the right to administer the loan sold by it as it sees fit and, subject to the terms of the participation agreement, to amend the documentation evidencing such loan in all respects, even if doing so is adverse to the participation interest holders. Moreover, selling institutions voting in connection with such matters may have interests different from those of the Underlying Canyon CLO and may fail to consider the interests of the Underlying Canyon CLO in connection with their respective votes.

In contrast to a participation interest, the purchaser of an assignment of an interest in a loan typically succeeds to all the rights and obligations of the assigning selling institution and becomes a lender under the loan agreement with respect to that loan. As a purchaser of an assignment, an Underlying Canyon CLO

generally will have the same voting rights as other lenders under the applicable loan agreement, including the right to vote to waive enforcement of breaches of covenants or to enforce compliance by the borrower with the terms of the loan agreement, in addition to the right to set off claims against the borrower and to have recourse to collateral supporting the loan. Assignments are, however, arranged through private negotiations between assignees and assignors, and in certain cases the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning selling institution.

Despite the foregoing differences, assignments and participation interests are similar because both are sold without recourse to the selling institutions, and the selling institutions will generally make minimal or no representations or warranties about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans. In addition, the Underlying Canyon CLO will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower.

Certain of the loans or participation interests may be governed by the law of a jurisdiction other than a United States jurisdiction. An Underlying Canyon CLO will be unable to provide any information with respect to the risks associated with purchasing a participation interest under an agreement governed by the laws of a jurisdiction other than a United States jurisdiction, including characterization under such laws of such participation or sub-participation interest in the event of the insolvency of the institution from which an Underlying Canyon CLO purchases such participation or sub-participation interest, or the insolvency of the institution from whom the grantor of the sub-participation interest purchased its participation interest.

Insolvency Considerations Under U.S. Federal Bankruptcy Law

Various laws enacted for the protection of debtors or creditors may apply to the collateral obligations of the Underlying Canyon CLOs under U.S. federal bankruptcy law. If a court were to find that the obligor of a collateral obligation did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the collateral obligation and, after giving effect to such indebtedness, the obligor (a) was insolvent, (b) was engaged in a business for which its remaining assets constituted unreasonably small capital or (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured, the court could invalidate, in whole or in part, the indebtedness as a fraudulent conveyance, subordinate the indebtedness to existing or future creditors of the obligor or recover amounts previously paid by the obligor in satisfaction of the indebtedness. There can be no assurance as to what standard a court would apply in order to determine whether the obligor was “insolvent.” In addition, if the obligor of a collateral obligation experiences insolvency, payments made on the collateral obligation could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year and one day) before insolvency.

A U.S. bankruptcy court may be able to recapture payments that are determined to be “avoidable” (whether as a preference or otherwise) either from the initial recipient (such as the Underlying Canyon CLOs) or from subsequent transferees of such payments (such as the owners of the Subordinated Securities). To the extent that any such payments are recaptured from the Underlying Canyon CLOs, the resulting loss will be borne by the owners of the Subordinated Securities. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of payments from an owner of Subordinated Securities only to the extent that it has jurisdiction over the owner or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from an owner that has given value in exchange for its Subordinated Securities, 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 that involving the Subordinated Securities, there can be no assurance that an owner of the Subordinated Securities such as CLO Advisors will be able to avoid recapture on this or any other basis.

In addition, there is the possibility that a bankruptcy court may in the exercise of its equitable or other powers determine not to enforce an agreement by the obligor not to petition for bankruptcy or insolvency

on the ground that it violates an essential policy underlying the U.S. federal bankruptcy law or other applicable bankruptcy or insolvency law or on other grounds it may determine in the exercise of its powers.

If an obligor of an unsecured obligation experiences insolvency, the holders of such unsecured obligation will be considered general, unsecured creditors of the obligor, will have fewer rights than secured creditors of the obligor and will be subordinate to the secured creditors with respect to the related collateral. (See “Subordinated Securities are Unsecured and Highly Subordinated Investments” and “Nature of the Collateral Obligations” above.)

Lender Liability Considerations and Equitable Subordination

A number of judicial decisions in the United States and some non-U.S. jurisdictions have upheld the right of borrowers to sue lending institutions and others on the basis of various evolving legal theories. Generally, lender liability is founded upon the premise that a lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower that creates a fiduciary duty owed to the borrower or its other creditors or shareholders.

In some cases, courts have subordinated the claim of a lender against a borrower to claims of other creditors of the borrower when the lending institution is found to have engaged in unfair, inequitable or fraudulent conduct. Because of the nature of certain of the collateral obligations of the Underlying Canyon CLOs, an Underlying Canyon CLO could be subject to claims from creditors of a collateral obligation’s obligor that the Underlying Canyon CLO’s claim under the collateral obligation should be equitably subordinated.

While the preceding description is based upon principles of United States federal and state laws, insofar as collateral obligations that are obligations of non-United States obligors are concerned, the laws of certain foreign jurisdictions may impose liability upon lenders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those under United States federal and state laws.

Insolvency Considerations with Respect to Collateral Obligations of Non-U.S. issuers

Collateral obligations of non-U.S. obligors may be subject to various laws enacted in their home countries for the protection of debtors or creditors, which could adversely affect an Underlying Canyon CLO’s ability to recover amounts owed. These insolvency considerations will differ depending on the country in which each obligor is located and may differ depending on whether the obligor is a non-sovereign or a sovereign entity. These collateral obligations may also be subject to greater risks than collateral obligations of U.S. obligors, such as: (a) less publicly available information; (b) varying levels of governmental regulation and supervision; and (c) the difficulty of enforcing legal rights in the non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. A number of European jurisdictions operate “debtor-friendly” insolvency regimes that would result in delays in payments from obligors subject to such regimes. The different insolvency regimes applicable in European jurisdictions result in a corresponding variability of recovery rates for collateral obligations with obligors in such jurisdictions. No reliable historical data is currently available.

Recent Positive Economic Trends May Not Continue

Positive economic trends nationally as well as in specific geographic areas of the United States have led to low rates of loan defaults and delinquencies. While the levels of defaults and delinquencies have decreased significantly in recent years, there is a material risk that economic activity will slow and/or become volatile (as occurred dramatically, for example, in the 2008 financial crisis). If that were to occur, some obligors that are able to service their loans in the current economic environment will be significantly and negatively impacted. A downturn or reversal of economic growth would likely lead to decreased ability of obligors to obtain refinancing which would likely exacerbate any economic decline and cause a further deterioration in loan performance generally. Some believe that the recovery from the 2008 financial crisis has been fragile, and there is no way to determine whether recent positive economic trends in the credit markets will

continue or reverse in the future.

The Senior Secured Loan Market

Senior secured loans are generally incurred by borrowers thereunder in connection with a highly leveraged transaction, often to finance internal growth, acquisitions, mergers, stock purchases or for other reasons. As a result of the additional debt incurred by the borrower in such a transaction, rating agencies often judge the borrower's creditworthiness to be below investment grade. Senior secured loans may be private corporate loans that are negotiated by one or more commercial banks and broadly syndicated among a group of commercial banks and institutional investors. In order to induce the banks and institutional investors to invest in a borrower's loan facility, and to offer a favorable interest rate, the borrower often provides the banks and institutional investors with extensive information about its business that is not generally available to the public.

Senior loans are typically at the most senior level of the capital structure, and are often secured by specific collateral, including, but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of the obligor and its subsidiaries. Such loans may provide for restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of interest on, and repayment of principal of, the loans. Such covenants may include restrictions on dividend payments, specific mandatory minimum financial ratios, limits on total debt and other financial tests. Senior loans usually have shorter terms than more junior obligations and often require mandatory prepayments from excess cash flow, asset dispositions and offerings of debt and/or equity securities. Because of the provision of confidential information, the unique and customized nature of a loan agreement and the private syndication of the loan, senior loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in this segment of the loan market has been small relative to the non-investment grade bond market.

The majority of senior loans bear interest based on a floating rate index, such as SOFR or EURIBOR, the certificate of deposit rate, a prime or base rate (each as defined in the applicable loan agreement) or other index, which may reset daily (as most prime or base rate indices do), or may offer the borrower a choice of one, two, three, six, nine or twelve month interest periods.

Purchasers of senior loans are predominantly CLOs, investment funds, investment and commercial banks, insurance companies and other financial institutions that have applied their experience in high-yield securities trade groups to the commercial and industrial loan market, acting as both principal and broker. The range of investors for such loans has broadened, with money managers, insurance companies and mutual funds seeking increased potential total returns. As secondary market trading volumes have increased, new loans have more frequently adopted more standardized documentation to facilitate loan trading, which is expected to improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide the degree of liquidity that currently exists in the market.

The nature of the direct relationship that may exist between the borrower under a senior loan and the lender when such loan is assigned gives rise to the risks of lender liability, fraudulent conveyance and avoidable preference, each as described above. The unique nature of the loan documentation also creates a degree of complexity in negotiating a secondary market purchase or sale that is not present, for example, in the non-investment grade bond market.

Discontinuation of LIBOR

"LIBOR" (the London interbank offered rate) has been discontinued as a floating rate benchmark. LIBOR had been the principal floating rate benchmark in the financial markets, and its discontinuation has affected

and will continue to affect the financial markets generally and may also affect the Fund's operations specifically.

In the United States, there have been efforts to identify alternative reference interest rates for U.S. dollar LIBOR. The cash markets have generally coalesced around recommendations from the Alternative Reference Rates Committee (the "ARRC"), which was convened by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York ("FRBNY"). The ARRC has recommended that U.S. dollar LIBOR be replaced by rates based on the Secured Overnight Financing Rate ("SOFR") plus, in the case of existing LIBOR contracts and obligations, a spread adjustment. The derivatives markets are also expected to use SOFR-based rates to replace U.S. dollar LIBOR.

SOFR has a limited history, having been first published in April 2018. The future performance of SOFR, and SOFR-based reference rates, cannot be predicted based on SOFR's history or otherwise. SOFR is intended to be a broad measure of the cost of borrowing funds overnight in transactions that are collateralized by U.S. Treasury securities. SOFR is calculated by the FRBNY based on transaction-level repo data collected from various sources. For each trading day, SOFR is calculated as a volume-weighted median rate derived from such data. Because SOFR is a financing rate based on overnight secured funding transactions, it differs fundamentally from LIBOR. LIBOR is intended to be an unsecured rate that represents interbank funding costs for different short-term tenors. It is a forward-looking rate reflecting expectations regarding interest rates for those tenors. Thus, LIBOR is intended to be sensitive to bank credit risk and to short-term interest rate risk. In contrast, SOFR is a secured overnight rate reflecting the credit of U.S. Treasury securities as collateral. Thus, it is intended to be insensitive to credit risk and to risks related to interest rates other than overnight rates. SOFR has been more volatile than other benchmark or market rates, such as three-month LIBOR, during certain periods. For these reasons, among others, there is no assurance that SOFR, or rates derived from SOFR, will perform in the same or a similar way as LIBOR would have performed at any time, and there is no assurance that SOFR-based rates will be a suitable substitute for LIBOR.

The discontinuation of LIBOR, particularly if the replacement for LIBOR is not well-received, may adversely affect financial markets generally and may also adversely affect the Fund's operations specifically.

Cybersecurity Risk

Canyon and its third-party service providers are subject to risks associated with "cybersecurity" breaches. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from unauthorized access or manipulation by other computer users and the efforts to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Cybersecurity breaches may be the result of intentional actions (such as an attempt by a third party to fraudulently induce employees, customers, third-party service providers or other users of systems to disclose sensitive information in order to gain access to Canyon's data or that of its investors), or unintentional events. Cyberattacks may cause losses to the Fund or the Underlying Canyon CLOs by interfering with the processing of transactions, affecting an administrator's ability to administer the Fund or the Underlying Canyon CLOs or impeding or sabotaging investment activity or otherwise affecting the information systems upon which Canyon and the Fund or the Underlying Canyon CLOs rely. A successful penetration or circumvention of the security protocols of Canyon's systems or the systems of Canyon's service providers could also result in the loss or theft of an Investor's data or funds, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Any such breach could expose the Fund or the Underlying Canyon CLOs to financial loss (including those associated with the forensic analysis of the origin and scope of the breach and costs of increased and upgraded IT systems and/or cybersecurity countermeasures), the disruption of its business, liability to investors or third parties, regulatory intervention, unauthorized use of proprietary information, litigation, the dissemination of confidential and proprietary information or reputational damage. Losses could also arise from cyberattacks affecting issuers of securities in which the Fund and CLO Advisors invest.

While Canyon has established systems designed to mitigate the risks of cyber-attacks, there are inherent limitations in such systems, including the possibility that certain risks have not been identified. Furthermore, Canyon will not control the business continuity plans and systems put in place by its third-party service providers or any other third parties whose operations may affect Canyon. As a result, Canyon, and by effect, the Underlying Canyon CLOs and/or the Fund could be negatively impacted by cyber-attacks against any of its, or any of its third-party service providers', information systems.

The EU General Data Protection Regulation ("GDPR") recently took effect in all EU member states. The GDPR introduces new obligations on controllers and rights for data subjects and introduces fines for serious breaches. The implementation of the GDPR could adversely impact the Fund's business by increasing its operational and compliance costs.

ESG Considerations

The Adviser has sought to infuse ESG-related factors into its investment and due diligence process. As of 2021, where sufficient data can be reasonably identified, the Adviser may perform its own analysis relating to ESG considerations with respect to certain Fund investments. When formulating ESG perspectives and making investment decisions, the Adviser will seek to utilize a wide variety of third-party information sources, incorporate standards set forth by recognized global organizations and leverage its own internal research and ESG scoring system. While ESG factors may not be determinative in deciding to include or exclude any particular investment, investments made with identified material ESG concerns will generally undergo ongoing monitoring to assess and update the nature and status of these issues. Canyon's dedicated Head of ESG works with the Adviser's investment committee to incorporate ESG considerations and analysis in its investment process. The full ESG policy is available to Clients upon request.

Risks Relating to CLO Advisors

Investment Through CLO Advisors, Operational Risks

The Fund expects to invest all of its investable capital in Canyon CLO Advisors L.P. ("CLO Advisors") or in Direct Investments. CLO Advisors will serve as collateral manager (and "retention holder" in some cases) to multiple Canyon CLOs. As a result, an investment in the Fund will be subject to all of the risks inherent in CLO Advisors' business activities.

CLO Advisors is subject to numerous operational risks. CLO Advisors' business is subject to extensive regulation, including periodic examinations, and may be subject to inquiries and investigations by governmental and self-regulatory organizations from time to time. Such inquiries and investigations may relate to CLO Advisors' activities that predate the Fund's inception, including as they relate to the Existing Canyon CLOs or other Canyon CLOs (including Excluded Canyon CLOs).

Many regulators, including U.S. federal and state and foreign government agencies and self-regulatory organizations, are empowered to impose fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses and memberships. Any of the foregoing which may damage CLO Advisors' business, including with respect to its management of the Underlying Canyon CLOs, or may contravene provisions concerning compliance with agreements to which it is or will be a party. Even if a sanction is not imposed or the sanction imposed on CLO Advisors' personnel by a regulator were small in monetary amount, the adverse publicity relating to the regulatory activity or imposition of such sanctions could adversely affect the business of CLO Advisors and the Underlying Canyon CLOs.

CLO Advisors may seek additional sources of capital for its business activities other than the Fund (including successor funds), and/or pursue other lines of business (including the management of CLOs

historically managed by other Canyon entities). The Fund will generally not share in the income from such other activities, but those activities could expose CLO Advisors to other risks and liabilities that could have a material adverse effect on the Fund, even if the Fund is not directly bearing them as Extraordinary Expenses.

Moreover, any changes in the regulatory framework applicable to CLO Advisors, including the Applicable Risk Retention Rules, may impose additional expenses, operational burdens or capital requirements on it, result in limitations in the manner in which its business is conducted, have an adverse impact upon its financial condition, results of operations, reputation or prospects, impair employee retention or recruitment and require substantial attention by senior management. It is impossible to determine the extent of the impact of any new laws, regulations, initiatives or regulatory guidance that may be proposed or may become law on CLO Advisors' business or the markets in which it operates, or judicial decisions interpreting any such laws. Any new regulation or regulatory framework that is enacted, or judicial interpretations of the existing regulatory framework, could materially negatively impact CLO Advisors, the entities managed by CLO Advisors (including the Underlying Canyon CLOs) and the persons invested in CLO Advisors (including the Fund and, therefore, the Investors).

CLO Advisors' business activities, including the investment decisions it makes and the activities of its personnel, may subject it to the risk of litigation by third parties, including investors in the Underlying Canyon CLOs dissatisfied with the performance of CLO Advisors, and a variety of other potential litigants. Separately, if any civil or criminal lawsuits were brought against CLO Advisors and resulted in a finding of substantial legal liability or culpability, the lawsuit could materially adversely affect CLO Advisors' business, financial condition or results of operations or cause significant reputational harm to it, which could seriously impact its business and, therefore, the returns of CLO Advisors' investors, including the Fund.

CLO Market Competition

Substantially all of the Fund's economic return is dependent on the ability of CLO Advisors to source suitable investment opportunities in the leveraged loan markets in order that it can launch the Underlying Canyon CLOs and benefit from investments in the CLO Securities. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable CLO Advisors to invest all of the capital committed by the Fund and CCA. The process of identifying, structuring, implementing and realizing attractive investment opportunities in the leveraged loan market is highly competitive. CLO Advisors will compete with other public and private funds, commercial and investment banks, commercial financing companies, insurance companies, CLO issuers, high yield investors, hedge funds, pension plans and other institutional investors, some of which will have greater resources than CLO Advisors and its affiliates. Some of these competitors have established and may in the future establish investment vehicles that target the same assets that CLO Advisors intends to purchase. Some of these competitors may have access to greater amounts of capital and to capital that may be committed for longer periods of time or may have different return thresholds than CLO Advisors, and thus these competitors may have advantages not shared by CLO Advisors. In addition, some of CLO Advisors' competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more industry relationships than CLO Advisors. More intense competition for investments could result in fewer investment opportunities for CLO Advisors, which may limit CLO Advisors' ability to achieve its target returns. Furthermore, competition for investments may lead to the purchase price of such investments increasing, which may further limit CLO Advisors' ability to achieve its target returns. There can be no assurance that the competitive pressures faced by CLO Advisors will not have a material adverse effect on the Fund's performance.

EU and UK Securitization Rules

Institutional investors in the EU and in the non-EU member states of the European Economic Area (the “EEA”) (to the extent (if at all) the EU Securitization Regulation is implemented or applicable in such non-EU member states of the EEA) are subject to certain restrictions and obligations with regard to securitizations (as defined in the applicable legislation) imposed pursuant to legislation comprising Regulation (EU) 2017/2402 (as amended, the “EU Securitization Regulation”) and certain related regulatory technical standards, implementing technical standards and official guidance (together with the EU Securitization Regulation, the “EU Securitization Rules”).

The EU Securitization Rules impose certain requirements (the “EU Investor Requirements”) with respect to any “institutional investor”, defined under the EU Securitization Rules to include: (a) insurance undertakings and reinsurance undertakings as defined in Directive 2009/138/EC; (b) subject to certain conditions and exceptions, institutions for occupational retirement provision falling within the scope of Directive (EU) 2016/2341, and certain investment managers and authorized entities appointed by such institutions; (c) alternative investment fund managers as defined in Directive 2011/61/EU which manage and/or market alternative investment funds in the EU; (d) certain internally-managed investment companies authorized in accordance with Directive 2009/65/EC, and management companies as defined in that Directive; and (e) credit institutions and investment firms as defined in Regulation (EU) No 575/2013 (the “EU CRR”) (and, in addition, the EU CRR makes provision as to the application of the EU Investor Requirements to consolidated affiliates, wherever established or located, of entities that are subject to the EU CRR). Each such institutional investor and each relevant affiliate is referred to herein as an “EU Institutional Investor.”

In addition, in the UK, legislation comprising Regulation (EU) 2017/2402, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”) and as amended (including by the Securitisation (Amendment) (EU Exit) Regulations 2019) (the “UK Securitization Regulation”) and certain related technical standards and guidance (together with the UK Securitization Regulation, the “UK Securitization Rules”) imposes certain restrictions and obligations with regard to securitizations (as such term is defined for purposes of the UK Securitization Regulation).

The UK Securitization Rules impose certain requirements (the “UK Investor Requirements”) with respect to any “institutional investor,” defined under the UK Securitization Rules to include: (a) insurance undertakings and reinsurance undertakings as defined in the Financial Services and Markets Act 2000 (as amended, the “FSMA”); (b) occupational pension schemes as defined in the Pension Schemes Act 1993 that have their main administration in the UK, and certain fund managers of such schemes; (c) AIFMs as defined in the Alternative Investment Fund Managers Regulations 2013 which market or manage AIFs (as defined in such regulations) in the UK; (d) UCITS as defined in the FSMA, which are authorized open ended investment companies as defined in the FSMA, and management companies as defined in the FSMA; (e) CRR firms as defined in Regulation (EU) No 575/2013, as it forms part of UK domestic law by virtue of the EUWA and as amended (the “UK CRR”); and (f) FCA investment firms as defined in the UK CRR (and, in addition, the UK CRR makes provision as to the application of the UK Investor Requirements to consolidated affiliates, wherever established or located, of entities that are subject to the UK CRR). Each such institutional investor and each relevant affiliate is referred to herein as a “UK Institutional Investor.”

In this Memorandum: (a) the EU Securitization Regulation and the UK Securitization Regulation are referred to together as the “Securitization Regulations” (and references to “each Securitization Regulation” or “either Securitization Regulation” shall be construed accordingly); (b) the EU Securitization Rules and the UK Securitization Rules are referred to together as the “Securitization Rules”; (c) the EU Investor Requirements and the UK Investor Requirements are referred to together as the “SR Investor Requirements”; (d) EU Institutional Investors and UK Institutional Investors are referred to together as “SR

Investors”; and (e) a “third country” is (i) under the EU Securitization Rules, a country other than an EU member state, or (ii) under the UK Securitization Rules, a country other than the UK. A reference to the “applicable” Securitization Regulation, Securitization Rules or SR Investor Requirements means, in relation to any SR Investor, as the case may be, the Securitization Regulation, the Securitization Rules or the SR Investor Requirements to which such SR Investor is subject.

Under the applicable SR Investor Requirements, prior to investing in a securitization, an SR Investor is required to verify certain matters, including that:

(a) where the originator or original lender is established in a third country, the SR Investor has verified that the originator or original lender grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes in order to ensure that credit-granting is based on a thorough assessment of the obligor’s creditworthiness;

(b) where the originator, sponsor or original lender is established in a third country, the SR Investor has verified that the originator, sponsor or original lender commits to retain, on an ongoing basis, a material net economic interest in the relevant securitization of not less than 5% in respect of certain specified credit risk tranches or asset exposures determined in accordance with the applicable Securitization Rules, and discloses the risk retention in accordance with the applicable Securitization Rules;

(c) in the case of an EU Institutional Investor, it has verified that the originator, the sponsor or the securitization special purpose entity (“SSPE”) has, where applicable, made available to holders of a securitization position, the relevant competent authorities and (upon request) potential investors certain information prescribed by Article 7 of the EU Securitization Regulation in accordance with the frequency and modalities provided for therein (the “EU Transparency Requirement”); and

(d) in the case of a UK Institutional Investor, it has verified that either (i) where the originator, the sponsor or the SSPE is established in the UK, the originator, the sponsor or the SSPE has, where applicable, made available the information required by Article 7 of the UK Securitization Regulation in accordance with the frequency and modalities provided for in such Article 7; or (ii) where the originator, the sponsor or the SSPE is established in a third country, the originator, the sponsor or the SSPE has, where applicable, made available information which is substantially the same as that which it would have made available, and has done so with such frequency and modalities as are substantially the same as those with which it would have made information available, in accordance with the UK Securitization Regulation (i.e., in each case, as required by Article 7 thereof) if it had been established in the UK (as applicable, the “UK Transparency Requirements”, and together with the EU Transparency Requirements, the “Transparency Requirements”).

If any SR Investor fails to comply with any applicable requirement of the Securitization Rules, it may be subject (where applicable) to an additional regulatory capital charge with respect to any securitization position acquired by it or on its behalf or other regulatory sanctions.

It remains unclear, in certain respects, what is and will be required for SR Investors to demonstrate compliance with the applicable SR Investor Requirements, in particular, as regards the Transparency Requirements.

The European Commission published a report to the European Parliament and Council on the functioning of the EU Securitization Regulation on 10 October 2022 (the “Commission Report”). In the Commission Report, the European Commission’s assessment was that differentiating the scope of the information to be provided depending on whether the securitization is issued by entities established in the EU or in third countries is not in line with the legislative intent of the EU Securitization Regulation, since it does not

matter for the proper performance of the EU Institutional Investors' due diligence whether a securitization originated inside or outside of the EU. As such, it is the European Commission's view that EU Institutional Investors should ensure that the EU Transparency Requirements are complied with in full before investing in securitizations even if the originator, sponsor and SSPE of such securitization are all established outside of the EU.

The UK Securitization Regulation makes express provision (as noted above) as to the requirement for UK Institutional Investors to verify compliance with the UK Transparency Requirements in cases where the originator, the sponsor and the SSPE is established outside the UK. However, uncertainty remains as to the scope and effect of this requirement, and there is no official guidance as to its nature and extent (and the Commission Report is not directly relevant in relation to the UK Securitization Regulation).

Retention of Material Net Economic Interest

CLO Advisors understands that, as of the date of this Memorandum, neither the EU Securitization Rules nor the UK Securitization Rules are directly applicable to it. Nevertheless, CLO Advisors may determine, in respect of any Underlying Canyon CLO, that it is desirable to take action for purposes of the EU Securitization Rules and/or the UK Securitization Rules in order to facilitate compliance with the applicable SR Investor Requirements by any SR Investor that invests in the relevant Underlying Canyon CLO.

To the extent that CLO Advisors determines to take such action, and seeks to be an eligible holder of the Retained Interest in respect of the relevant Underlying Canyon CLO for purposes of the EU Securitization Rules and/or the UK Securitization Rules, CLO Advisors is expected (a) to act in a manner intended to achieve qualification as an "originator" within the meaning of such rules, as described under "SUMMARY OF CERTAIN FUND TERMS AND CONDITIONS – EU and UK Securitization Rules: "Origination" Activities", and (b) to covenant that (i) it will hold the Retained Interest in such Underlying Canyon CLO at least until it is no longer required to do so thereunder (although it may also continue to hold the Retained Interest after such time, so as to maintain its control position in the Underlying Canyon CLO), and (ii) it will not sell, hedge or otherwise mitigate the credit risk under or associated with the Retained Interest except to the extent not restricted by the EU Securitization Rules and/or the UK Securitization Rules (as in effect as at the relevant time). CLO Advisors may also give covenants as to the provision of information (as described below) and certain other matters.

Transparency Requirements

CLO Advisors understands that, as of the date of this Memorandum, in any case in which the CLO issuer of an Underlying Canyon CLO is established in the EU or in the UK, the EU Securitization Rules or the UK Securitization Rules, respectively, will be directly applicable to the CLO issuer. In any such case, the relevant CLO issuer will be required to provide certain information and reporting in accordance with the EU Transparency Requirements or the UK Transparency Requirements (as applicable) and is expected to give certain covenants with regard thereto and in respect of certain other matters.

The Transparency Requirements require the originator, sponsor and issuer to designate one of those parties (the "reporting entity") to fulfil the applicable Transparency Requirements.

In each case in which the CLO issuer is directly subject to the EU Transparency Requirements or the UK Transparency Requirements, it is intended that the CLO issuer will be designated the reporting entity thereunder, and that it will covenant to make available information in accordance with the applicable Transparency Requirements. If, in any case, CLO Advisors determines that it is desirable to do so in order to facilitate compliance by SR Investors with the applicable SR Investor Requirements, the CLO issuer may covenant to make available information in accordance with both the EU Transparency Requirements and

the UK Transparency Requirements.

In addition, in order to facilitate compliance by SR Investors with the applicable SR Investor Requirements, it is anticipated that, in the case of any Underlying Canyon CLO in respect of which there is no party directly subject to the Transparency Requirements, CLO Advisors and the other transaction parties may agree that the relevant CLO issuer should be designated the reporting entity and covenant to make available information in accordance with the Transparency Requirements as if it were directly subject thereto.

In any case in which the relevant CLO issuer is to make available information in accordance with the Transparency Requirements, CLO Advisors in its capacity as the collateral manager to the relevant Underlying Canyon CLO may agree to provide, subject to appropriate conditions (including as to the protection of confidential information), certain reports, data and other information required in connection with the performance by the relevant CLO issuer of its obligations with regard to the Transparency Requirements. In addition, in any case, the transaction parties may appoint one or more third parties to provide reporting or other services in connection with the performance by the relevant CLO issuer or CLO Advisors of their respective obligations with regard to the Transparency Requirements.

The Transparency Requirements, where applicable, require that certain prescribed information be made available to competent authorities, to holders of positions in the relevant securitization, and, upon request, to potential investors.

The information required to be made available for purposes of the Transparency Requirements includes:

- (a) a transaction summary and certain transaction documents to be made available before pricing;
- (b) quarterly asset-level reports (“Loan Reports”);
- (c) quarterly investor reports (“Investor Reports”);
- (d) any inside information relating to the securitisation that the reporting entity is obliged to make public under the Market Abuse Regulation (Regulation (EU) No 596/2014), or, as applicable, such Regulation as it forms part of UK domestic law (“Inside Information”); and
- (e) information on “significant events” (“Significant Event Information”).

It is not possible to make final documentation available before pricing and so it is expected that draft documentation will be made available in substantially final form by way of a website with final form documents being available on the issue date for the relevant Underlying Canyon CLO.

The content and forms of the Loan Reports, the Investor Reports and, in relation to public transactions only, Inside Information and Significant Event Information, are prescribed by certain templates annexed to technical standards made pursuant to the Securitization Regulations. Such technical standards comprise: (i) in the case of the EU Securitization Regulation, Commission Delegated Regulation (EU) 2020/1224 and Commission Implementing Regulation (EU) 2020/1225; and (ii) in the case of the UK Securitization Regulation, Commission Delegated Regulation (EU) 2020/1224 and Commission Implementing Regulation (EU) 2020/1225, as each such Regulation forms part of UK domestic law. The prescribed templates under the EU Securitization Regulation differ, in certain respects, from those prescribed under the UK Securitization Regulation. As such, sponsors, originators and SSPEs acting in respect of transactions purporting to provide for compliance with both the UK Transparency Requirements and the EU Transparency Requirements will need to produce reports using both the related reporting templates.

The Securitization Regulations require that the Loan Reports and the Investor Reports are to be made available simultaneously on a quarterly basis and at the latest one month after each payment date in relation to an Underlying Canyon CLO. With respect to any period where no payment date occurs quarterly, the

Loan Reports and Investor Reports are required to be made available simultaneously no later than three months after the most recent publication of the Loan Reports and Investor Reports, or within three months of the relevant issue date for such Underlying Canyon CLO. Disclosures relating to any Inside Information and Significant Events are required to be made available without delay.

Whether CLO Advisors will be able to obtain and provide to the relevant CLO issuers and any collateral administrators all of the information required to be reported in accordance with the Transparency Requirements is unclear. Any failure by the relevant CLO issuer, as the reporting entity, or by CLO Advisors (on behalf of the reporting entity), to fulfil the Transparency Requirements applicable to them or covenants relating thereto may cause any SR Investors in the relevant Underlying Canyon CLO to be unable to comply with the applicable Securitization Rules.

In the event that a CLO issuer is directly subject to the EU Transparency Requirements or the UK Transparency Requirements, and fails to comply with its obligations thereunder, it may be subject to enforcement action, including the imposition of pecuniary sanctions, which could be substantial. In this regard, prospective Investors should note that, if the relevant CLO issuer fails to comply with any applicable Transparency Requirements as a result of any act or omission of CLO Advisors in performing its related obligations, the relevant CLO issuer may be entitled to be indemnified by CLO Advisors in respect of any pecuniary sanctions imposed upon it if and to the extent that CLO Advisors' act or omission constitutes a "collateral manager breach" as defined under the relevant Collateral Management Agreement. Any pecuniary sanctions levied on the relevant CLO issuer may materially adversely affect its ability to perform its obligations under the Underlying Canyon CLO and could have a negative impact on the price and liquidity of the Underlying Canyon CLO securities in the secondary market and therefore a negative impact on an Investor's Interest in the Fund.

In addition, Regulation 6 of the Irish Securitization Regulations (S.I. No. 656 of 2018) (the "Irish Securitization Regulations") sets out certain requirements relating to the notification of a securitization transaction to the Central Bank of Ireland and require that a person performing the functions of an originator, sponsor or SSPE must notify the Central Bank of Ireland in respect of the first issue of securities of the securitization (generally not later than 15 working days after such issuance). Furthermore, according to the Central Bank of Ireland, any entity acting as an institutional investor, originator, sponsor, original lender or SSPE should be prepared to evidence the arrangements, processes and mechanisms it has in place to ensure compliance with all relevant requirements of the Securitization Rules. However, at the present time, it is unclear as to what such evidential requirements may entail.

Compliance with EU and UK Securitization Rules

If any Underlying Canyon CLO is not structured in a manner that enables SR Investors to comply with the applicable SR Investor Requirements, it may be an unsuitable investment for SR Investors, which may adversely affect the price and liquidity of the Underlying Canyon CLO Securities in the secondary market. A reduction in the volume and liquidity in the securities comprising an Underlying Canyon CLO could also reduce opportunities to redeem or refinance those securities in an optional redemption or refinancing, which could reduce CLO Advisors' potential returns from that Underlying Canyon CLO.

No assurance can be given that the Securitization Rules, or the interpretation or application thereof, will not change, and, if any such change is effected, whether such change would affect the regulatory position of current or future investors in the Underlying Canyon CLO Securities, CLO issuers or any other parties. To the extent that CLO Advisors serves as retention holder in respect of any Underlying Canyon CLO, it does not have an obligation to change the quantum or nature of its holding of any retention notes due to any future changes in the Securitization Rules or in the interpretation thereof.

It is expected that any costs incurred by a CLO issuer and/or CLO Advisors in connection with satisfying any requirements of the Securitization Rules will be paid by the relevant CLO issuer as administrative expenses which may in turn impact on the return to any Subordinated Securities in relation to such Underlying Canyon CLO.

No assurance can be made that the EU, the UK or any other non-U.S. government or regulatory body will not take new legislative or regulatory action with respect to securitization risk retention or otherwise, and if it were to do so, there can be no assurance that such action would not have a material adverse effect on the Underlying Canyon CLOs or CLO Advisors.

Where CLO Advisors determines, in respect of any Underlying Canyon CLO, that it is desirable to take action to facilitate compliance by relevant investors with the Securitization Rules, the arranger and certain other parties may require CLO Advisors to execute a risk retention letter. Under a risk retention letter CLO Advisors would typically be required to, among other things, make certain representations, warranties and undertakings regarding the activities it intends to undertake in order to qualify as an “originator” for purposes of the Securitization Rules, and in relation to its acquisition and retention of the Retained Interest for the life of the Underlying Canyon CLO. If CLO Advisors sells the Retained Interest prior to the maturity of the Underlying Canyon CLO, or if for any other reason CLO Advisors is not considered to be in compliance with the Securitization Rules, CLO Advisors may be in breach of the terms of the related risk retention letter. In such circumstances, the arranger of the Underlying Canyon CLO and the other parties to the related risk retention letter may have recourse to CLO Advisors for losses incurred as a result of such breach. Such claims may reduce, or entirely diminish any cash or assets of CLO Advisors that may have been available for distribution to the Fund.

Canyon Parties’ Performance History may not be Indicative of Future Results

The past performance of the Canyon Parties in other portfolios or investment vehicles, including the Prior Funds and/or the Existing Canyon CLOs, may not be indicative of the results that Canyon may be able to achieve in connection with managing the Fund and the Underlying Canyon CLOs. In addition, the past performance of the Canyon Parties over a particular period may not necessarily be indicative of the results that may be expected in future periods. The markets in which the Canyon Parties operate have been severely disrupted in recent years (including by the enormous economic and social uncertainty created by the global outbreak of COVID-19), so results observed in earlier periods may have little relevance to the results observable in the current environment. CLO Advisors has only been in operation since 2015. Accordingly, it does not have an extensive CLO management track record on which prospective Investors can evaluate investment performance, and other Canyon Parties’ management experience, while some of it relevant to CLO Advisors on account of involving securitized vehicles, is primarily in the context of managing funds and accounts that are significantly different in terms of structure, investment strategy and guidelines and regulation than will be the case with respect to CLO Advisors’ management of the Underlying Canyon CLOs. Furthermore, the nature of, and risks associated with, the Underlying Canyon CLOs’ investments may differ substantially from those investments and strategies undertaken historically by the Canyon. There can be no assurance that the Underlying Canyon CLOs’ investments will perform as well as past investments managed by Canyon, that the Underlying Canyon CLOs will be able to avoid losses or that the Underlying Canyon CLOs will be able to make investments similar to, or with the level of success as, Canyon’s past investments. In addition, such past investments may have been made utilizing different amounts of leverage (or no leverage), an asset mix and fee arrangements that are different from the anticipated leverage, asset mix and fee arrangements of the Underlying Canyon CLOs. Moreover, because the investment criteria under the CLO Management Agreements that govern investments in the Underlying Canyon CLOs’ portfolio do not govern the Canyon’s investments and investment strategies generally, such investments conducted in accordance with such criteria, and the results they yield, are not directly comparable with, and may differ substantially from other investments undertaken by or managed by

Canyon. Wherever there is the potential for profit, there is also the possibility of loss.

The Underlying Canyon CLOs will Depend on the Managerial Expertise Available to CLO Advisors and its Key Personnel

The composition and performance of the Underlying Canyon CLOs' collateral obligations will depend on the skills of CLO Advisors and certain key personnel of CLO Advisors in analyzing, selecting, managing and effecting acquisitions and sales of the Underlying Canyon CLOs' collateral obligations. As a result, the Underlying Canyon CLOs will be highly dependent on the financial and managerial experience of the investment professionals associated with CLO Advisors who are assigned to manage the investment and reinvestment of the assets of the Underlying Canyon CLOs. Employment or other contractual arrangements between such individuals and CLO Advisors may exist, but the Underlying Canyon CLOs are not a direct beneficiary of such arrangements and there is no assurance that such persons will continue to be associated with CLO Advisors or will continue to be assigned to manage the assets. The loss of any of these individuals could have a material adverse effect on the performance of the Underlying Canyon CLOs. In addition, CLO Advisors may add additional employees to manage the Underlying Canyon CLOs at any time, including individuals not currently associated with CLO Advisors. The additional employees added to manage the Underlying Canyon CLOs may not have the same level of experience in selecting and managing the collateral obligations as the persons they replace. The performance of the Underlying Canyon CLOs will also depend on the skill of the investment professionals assigned to manage the collateral obligations in applying the investment criteria and other requirements that apply to the selection, management and disposition of the assets under the relevant CLO Management Agreement.

The Investment Professionals of CLO Advisors May Attend to Matters Unrelated to the Investment Activities of the Underlying Canyon CLOs

The investment professionals associated with CLO Advisors are and will be actively involved in other investment activities not concerning the Underlying Canyon CLOs, including management of the Existing Canyon CLOs and any Excluded Canyon CLOs, and other business activities and affairs. Although the professional staff of CLO Advisors will devote as much time to the management of the collateral as CLO Advisors deems appropriate and in accordance with commercially reasonable standards in the CLO management industry, these professionals will have conflicts in allocating their time and services among the Underlying Canyon CLOs, other funds and accounts of CLO Advisors and other responsibilities and will not be able to devote all of their time to the Underlying Canyon CLOs' business and affairs. The compensation arrangements with such other funds and accounts may be more lucrative than those with respect to the Underlying Canyon CLOs and may create incentives for CLO Advisors or its investment professionals to favor such other clients. Adverse changes in the performance of an Underlying Canyon CLO could also cause CLO Advisors to shift its resources to other business activities. In particular, Canyon could cause individuals not currently associated with CLO Advisors to become associated with CLO Advisors and to assume responsibility for the Underlying Canyon CLOs, and those persons may not have the same level of financial and managerial experience of the individuals they replace. The Fund will have no direct interest in CLO Advisors' other businesses and those businesses may, over time, grow and expand in ways that detract from, or disadvantage, the Fund. (See "CERTAIN CONFLICTS OF INTEREST – Other Canyon Funds; Allocation of Investment Opportunities.")

Risks Relating to the Underlying Canyon CLOs

Primary CLO Market Conditions

A CLO is a securitization that depends on there being sufficient arbitrage to ensure that returns on the

Subordinated Securities are sufficiently attractive in relation to the risk of such investments. Many factors can affect CLO arbitrage including asset prices or the widening of spreads for more senior classes of CLO debt securities. Market volatility can affect the ability to generate sufficient returns to the Subordinated Securities. This may cause the CLO market to experience periods where primary issuance is not economically feasible. In such cases CLO Advisors may be unable to bring Underlying Canyon CLOs to the market and any Underlying Canyon CLO warehouse facilities may be terminated without execution of a related Underlying Canyon CLO. This will also expose CLO Advisors and the Fund to the market price at which assets forming part of the warehouse collateral can be sold. Any such sale is likely to occur at a time of adverse market conditions, thus increasing the likelihood of losses. The return to investors in CLO Advisors, such as the Fund, may be materially adversely affected if the primary market for CLO investments slows or shuts down or if an Underlying Canyon CLO warehouse is terminated.

Subordinated Securities are Unsecured and Highly Subordinated Investments

Although the terms of the Subordinated Securities issued by the Underlying Canyon CLOs may vary, as a general matter, the Subordinated Securities issued by each Underlying Canyon CLO will be unrated and unsecured, will not bear a stated rate of interest and will only be entitled to receive distributions from the Underlying Canyon CLO if and to the extent that funds are available as of each relevant payment date. In particular, distributions will be made on the Subordinated Securities only after all accrued taxes, fees and expenses of the Underlying Canyon CLO (including all fees to CLO Advisors) have been paid in full, and all other noteholders have received full payment of: (a) all accrued interest (including deferred and defaulted interest, and interest on such interest); and (b) all note principal, unless numerous ongoing financial tests designed to protect the interests of senior noteholders (including overcollateralization and interest coverage tests) have been satisfied. As a result, any economic interest that the Fund may have in the Subordinated Securities held by CLO Advisors (or that the Fund holds directly or through SPVs) will rank behind all of the secured creditors, whether known or unknown, of the Underlying Canyon CLOs, as well as CLO Advisors' right to receive Fee Income. No person or entity other than the Underlying Canyon CLOs, including CLO Advisors, will be required to make any distributions on the Subordinated Securities. There can be no guarantee that the proceeds of any liquidation of the collateral with respect to an Underlying Canyon CLO following an event of default will be sufficient to redeem the Subordinated Securities of that Underlying Canyon CLO in full.

Subordinated Securities Represent Highly Leveraged Investments

The Subordinated Securities represent a highly (e.g., upwards of 10x) leveraged investment in the Underlying Canyon CLOs. The leveraged nature of the Subordinated Securities will increase the cash flow that may be available for distribution in respect of the amount invested as compared with the cash flow that would be available for distribution in respect of a comparable investment in a non-leveraged transaction. However, this leverage will also magnify the adverse impact of changes in the market value or other characteristics of the collateral of the Underlying Canyon CLOs (including those resulting from defaults and recoveries, capital losses, prepayments and changes in interest rates), and accordingly, increases the volatility of returns on the Subordinated Securities. Payments on the Subordinated Securities may be deferred or eliminated depending on the amount of cash flow generated by the related Underlying Canyon CLO's collateral obligations.

Underlying Canyon CLOs Have Not Launched; Blind Collateral Pool

While each Underlying Canyon CLO will be required to acquire collateral obligations that satisfy the applicable Investment Guidelines and other eligibility criteria, because no Underlying Canyon CLO has closed as of the date of this Memorandum, those obligations are not known and therefore, each Underlying Canyon CLO is effectively a "blind pool" as to the Fund. Consequently, prospective Investors will not be able to evaluate for themselves based on relevant economic, financial and other considerations the merits of the Subordinated Securities of Underlying Canyon CLOs prior to subscribing for Interests. Underlying

Canyon CLOs may launch at different times and the leveraged loan market (and broader economy) may change, perhaps significantly, over that time. Therefore, Investors will be dependent upon the judgment and ability of CLO Advisors in selecting collateral obligations for, and managing the investment and reinvestment of, the Underlying Canyon CLOs. No assurance can be given that CLO Advisors will be successful in doing so and that the investment objectives of the Underlying Canyon CLOs will be achieved.

Warehouse Participations; Financing Availability

Investments in Warehouse Participations represent speculative leveraged investments in the collateral being warehoused and are subject to risks similar to the risks of CLO investing, although without certain of the related structural protections. Where CLO Advisors invests in a Warehouse Participation, the Underlying Canyon CLO issuer (or its predecessor) also typically obtains senior secured, short- or medium-term financing from a lender and/or other third party investors, the proceeds of which (together with the proceeds of the Warehouse Participation purchased and held by CLO Advisors) are used to acquire collateral obligations. If the market value of the portfolio assets acquired falls significantly prior to the issuance of the Underlying Canyon CLO debt, and CLO Advisors (as the first loss investor) fails to raise additional capital or sell assets to maintain sufficient assets to satisfy the margin requirements under the warehouse credit agreement, further trading may be restricted and a mandatory amortization of the debt may be triggered. Furthermore, the lender may in some cases liquidate assets, potentially resulting in a partial or complete loss of CLO Advisors' investment. In addition, Warehouse Participations are subject to structural and event risks associated with, among other things, (a) the possibility that the notes of the related Underlying Canyon CLO are not issued or the warehouse debt is not refinanced, resulting in the liquidation of the warehoused collateral on potentially unfavorable terms, (b) the possibility that the lender refuses to extend the maturity of the warehouse facility at the request of the Underlying Canyon CLO forcing the liquidation of the collateral being warehoused at an inopportune time and (c) the ability of senior participants in the facility to require additional collateral or to block sales or purchases of collateral. If any of the foregoing events occur or other risks related to Warehouse Participations materialize, CLO Advisors and the Fund may incur material losses. Based on CLO Advisors' recent experience, the term of a Warehouse Participation is not currently expected to be more than one year, but may, in certain cases, extend up to eighteen months.

In addition to the foregoing, from time to time, the market for CLO transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. There can be no assurance that financing will be available to Underlying CLOs during the Investment Period and that CLO Advisors will be able to participate in any related Warehouse Participations. A dearth of financing may make it more difficult for CLO Advisors to launch the Underlying Canyon CLOs and may reduce the expected returns on the Subordinated Securities.

Risks Related to Mezzanine Securities

The Fund may acquire direct or indirect exposure to Mezzanine Securities issued by Canyon CLOs (i.e., "Canyon CLO Mezzanine Securities") or by CLOs managed and/or sponsored by unrelated third parties (i.e., Third-Party CLO Mezzanine Securities). These Mezzanine Securities will typically be rated, at issuance, "BB" or lower by Standard & Poor's Ratings Services or a comparable rating from another rating agency, bear interest at a floating rate and have a claim on the cash flows of the CLO issuer that is subordinate to that of more senior tranches of the CLO but senior to that of the CLO's subordinated securities. Furthermore, interest payments on the Mezzanine Securities are generally subject to deferral and capitalization. If distributions on the collateral obligations held by a CLO are insufficient to make payments on the CLO's outstanding debt tranches, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the CLO issuer to pay such

deficiency will be extinguished. Mezzanine Securities may also provide that, to the extent funds are not available to pay interest, such interest will be deferred or paid “in kind” and added to the outstanding principal balance of the related security, or foregone. Generally, the failure by a CLO issuer to pay interest in cash does not constitute an event of default as long as a more senior class of securities of such issuer is outstanding and the holders of the securities that have failed to pay interest in cash will not have available to them any associated default remedies.

In addition to the foregoing risks, the Mezzanine Securities of a particular CLO will generally be owned by a relatively small number of investors, and there can be no assurances that a secondary market for the Mezzanine Securities will develop, and even if a secondary market does develop, there can be no assurance that it will provide CLO Advisors or the Fund with sufficient liquidity. In addition, Mezzanine Securities are generally subject to restrictions on sale and transfer (including minimum denomination limits), which may significantly delay and in some cases prevent realization on such securities. As a result (and particularly in the case of Third-Party CLO Mezzanine Securities, where transfers may require third-party consents), CLO Advisors or the Fund may be required to hold Mezzanine Securities for an indefinite period of time or sell Mezzanine Securities at sub-optimal prices.

CLO Interest Rate Risks

While Underlying Canyon CLOs’ assets are typically floating rate, a portion of those assets may be fixed rate assets. On the other hand, the debt securities issued by the Underlying Canyon CLOs are typically floating rate notes that bear interest at rates based on The Secured Overnight Financing Rate or a successor rate (“SOFR”) or the Euro Interbank Offered Rate or a successor rate (“EURIBOR”) for specified periods, most commonly at three (3) month intervals. In addition, a portion of an Underlying Canyon CLO’s assets may have different tenors than the reference rate for that Underlying Canyon CLO (e.g., one month rather than three). As a result, there may be a mismatch between payments owed on an Underlying Canyon CLO’s issued and outstanding debt securities and payments earned by the Underlying Canyon CLO on its underlying fixed rate assets. In addition, there may be a basis or timing mismatch or both between an Underlying Canyon CLOs’ issued and outstanding debt securities and its underlying floating rate assets, as the interest rate on such assets may adjust more frequently or less frequently, on different dates or based on different indices than the interest rates on the Underlying Canyon CLOs’ issued and outstanding debt securities. Furthermore, applicable rates on an Underlying Canyon CLO’s underlying assets may be subject to interest rate floors, caps or other modifications that would result in such rates not changing with, or changing at a different frequency than, corresponding changes in SOFR or EURIBOR levels affecting its obligations on the securities it has issued. SOFR/EURIBOR used in determining the interest rate applicable to the floating rate notes issued by a CLO may contain a floor of zero. In the event that SOFR/EURIBOR would otherwise be less than zero, the interest rate applicable to such notes will not be less than the applicable spread as a result of such floor. In such instances, the interest paid by the related issuer on such notes would be higher than if such floor did not exist. As a result of such mismatches and modifications, an increase in SOFR or EURIBOR levels could adversely affect the cash flows and values of the CLO Securities.

In addition, some collateral obligations forming part of the European Collateral may permit the obligor to re-set the interest period applicable to it from quarterly to semi-annual and vice versa. Interest amounts are due and payable in respect of the CLO Securities on a semi-annual basis following the occurrence of a (which is continuing) and on a quarterly basis prior to the occurrence of a frequency switch event and after the occurrence of a frequency switch event which is no longer continuing. If a significant number of collateral obligations re-set to semi-annual interest payments there may be insufficient interest received to make quarterly interest payments on the CLO Securities. In order to mitigate the effects of any such timing mis-match, it is expected that the CLO issuer in relation to European Canyon CLOs may hold back a portion of the interest received on collateral obligations which pay interest less frequently than quarterly in order to make quarterly payments of interest on the CLO Securities (“Interest Smoothing”). There can be no assurance that interest smoothing and the occurrence of a frequency switch events if included in European

Canyon CLOs will be sufficient to mitigate any timing mismatch.

Currency Risks/Currency Hedging

The Fund's economic exposure to European Canyon CLOs will expose the Fund to currency risk in at least two ways. First, because the Fund's functional currency is USD, investments in the Euro-denominated CLO Securities of European Canyon CLOs and in Euro-denominated Warehouse Participations (as well as any Euro-denominated "origination" activities by CLO Advisors) will expose the Fund to USD/Euro exchange rate risk. Second, although the functional currency of any European Underlying Canyon CLO will be the Euro, a significant percentage (perhaps as much as 30% or more) of the European Collateral in relation to a European Underlying Canyon CLO may consist of obligations denominated in currencies other than the Euro, including US dollars (USD), British Pound Sterling (GBP), Swiss Francs (CHF), Swedish Krona (SEK) and Norwegian Krone (NOK), which will expose the European Canyon CLO, and therefore the Fund, to additional Euro/non-Euro exchange rate risk.

Canyon may seek to mitigate these currency risks through a variety of hedging transactions (either at the level of the Fund, CLO Advisors or an Underlying Canyon CLO), if and for so long as Canyon believes it is practicable to do so. Investors should be aware, however, that Canyon's ability to mitigate currency risks through hedging may be impractical for a number of reasons. For example, there are currently a number of regulatory initiatives which may make it difficult or impossible for CLO issuers (or CLO Advisors, in its capacity as the collateral manager on a CLO issuer's behalf) to enter into currency hedge transactions or interest rate hedge transactions. Limitations on CLO Advisors' ability to engage in currency hedging may also limit the choice of collateral obligations for a European Underlying Canyon CLO due to restrictions in the collateral management agreement with respect thereto.

Even if employed, any currency hedging will generally adjust hedging positions only once in each applicable period (for example, on a monthly or quarterly basis) and thus will leave unhedged the exchange rate risk attributable to intra-period profit and loss. Defaults, prepayments, trading and other events at the Underlying Canyon CLO level may also increase the risk of mismatches between the currency hedges and collateral obligations of the Underlying Canyon CLO. The costs associated with any currency hedging cannot be predicted and will be determined principally by interest rate differentials between the applicable currencies (USD, Euro and non-Euro), as well as the maintenance of cash balances, if any, and financing (including interest) to fund margin calls and the settlement of hedging contracts. These costs, as well as the exchange rate risk that any such hedging transactions leave unhedged (including as a result of defaults by hedging counterparties), could have a material adverse effect on the performance of the Fund.

In particular (and among other things), fluctuations in currency exchange rates (if and to the extent unhedged) may result in the proceeds from any non-Euro denominated European Collateral in relation to a European Underlying Canyon CLO being insufficient to pay all amounts due to the holders of the senior notes of the European Underlying Canyon CLO, which would result in losses on the CLO Securities and thus to the Fund. In addition, fluctuations in exchange rates may result in a decrease in value of a European Underlying Canyon CLO's portfolio for the purposes of sale thereof (including to a non-Euro denominated obligation upon enforcement of the security over it).

The Underlying Canyon CLOs May Not be able to Acquire Collateral Obligations that Satisfy the Investment Criteria

A portion of the initial collateral obligations of an Underlying Canyon CLO may be expected to be purchased after the closing date applicable to an Underlying Canyon CLO. The ability of an Underlying Canyon CLO to acquire an initial portfolio of collateral obligations that satisfies its investment criteria at the projected prices, ratings, interest rates and any other applicable characteristics will be subject to market conditions and availability of such collateral obligations and will be further limited by certain Investment Guidelines that CLO Advisors expects to adhere to in order to ensure that the Underlying Canyon CLOs do not become subject to U.S. federal income tax on a net basis. In addition, as the prevalence and size of

private credit funds has increased, there is increased risk that such private credit funds could adversely affect the broadly syndicated loan market and reduce the volume of syndicated loans available to Underlying Canyon CLOs. Any inability of an Underlying Canyon CLO to acquire collateral obligations that satisfy the applicable investment criteria may adversely affect the timing and amount of returns on the CLO Securities. There is no assurance that the Underlying Canyon CLOs will be able to acquire collateral obligations that satisfy their investment criteria.

Illiquidity in the Leveraged Finance Market

The financial markets have experienced substantial fluctuations in prices for leveraged loans and limited liquidity for such instruments. During periods of limited liquidity and higher price volatility, the Underlying Canyon CLOs' ability to acquire or dispose of collateral obligations at a price and time that CLO Advisors deems advantageous may be severely impaired, which may impair 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. Furthermore, some collateral obligations will have a limited trading market (or none) under any market conditions. Illiquid loans may trade at a significant discount from comparable, more liquid investments. The impact of a liquidity crisis on the global credit markets may adversely affect the management flexibility of CLO Advisors in relation to an Underlying Canyon CLO portfolio and, ultimately, the returns on the CLO Securities.

Impact of Economic Conditions on the CLO Securities

The market value and performance of collateral obligations and the CLO Securities may be adversely impacted by current and future economic conditions, including perceptions of such conditions, market trading imbalances or technical dislocations. To the extent that economic and business conditions deteriorate, the levels of defaults and delinquencies are likely to increase and market values may decline, which may adversely affect the amount of proceeds that could be obtained upon the sale of collateral obligations and could adversely impact the Fund.

Specific economic risks to which the Fund is indirectly exposed through its investment in CLO Advisors and its Direct Investments include (a) the possibility that, on or after the closing date applicable to an Underlying Canyon CLO, the price at which collateral can be sold by the Underlying Canyon CLO deteriorates from the effective purchase price; and (b) the illiquidity of CLO Securities, as there may be limited or no secondary trading in such securities. These risks may affect the returns on the CLO Securities. In addition, the primary market for a number of financial products, including leveraged loans, may be volatile, and new issue volumes may be uncertain and may vary based on a number of factors, including general prevailing economic conditions. In addition to reducing opportunities for the Underlying Canyon CLOs to purchase collateral in the primary market, this may increase reinvestment or refinancing risk with respect to maturing collateral obligations. These additional risks may affect the returns on the CLO Securities. Limitations on the amount of available credit in the market may have an adverse impact on general economic conditions that affect the performance of Underlying Canyon CLO collateral. A slowdown in growth or commencement of a recession would be expected to have an adverse effect on the ability of businesses to repay or refinance their existing debt. Conversely, acceleration in economic growth, if accompanied by sharply higher interest rates, could compromise the ability of debtors to meet coupon payments on their floating rate liabilities. Adverse macroeconomic conditions could adversely affect the rating, performance and the realization value of assets. In light of the foregoing risks, it is possible that the Underlying Canyon CLO collateral obligations will experience higher default rates than anticipated and that performance will suffer.

Economic Conditions in Europe; the Euro and the Euro Zone

Certain of the collateral obligations with respect to the Underlying Canyon CLOs (in particular the collateral obligations with respect to European Underlying Canyon CLOs ("European Collateral")) may be issued by obligors located in the EU or that are otherwise affected by the strength of the Euro and Investors should

therefore carefully consider how changes to and in the Euro zone may affect their investment in the Fund. Since the global economic crisis, the deterioration of the sovereign debt of several Euro zone countries, together with the risk of contagion to other, more stable, countries has continued to pose risks. This situation has also raised uncertainties regarding the stability and overall standing of the European Economic and Monetary Union and may result in changes to the composition of the Euro zone.

Despite measures such as the creation by the European Commission of the European Financial Stability Facility and the European Financial Stability Mechanism (and its successor the European Stability Mechanism) to provide external financial assistance to Euro zone countries, concerns persist regarding the growing risk that other Euro zone countries could be subject to an increase in borrowing costs and could face an economic crisis similar to that of Cyprus, Greece, Italy, Ireland, Spain and Portugal, together with the risk that some countries could leave the Euro zone (either voluntarily or involuntarily including as a result of an electoral decision to leave the European Union), and that the impact of these events on Europe and the global financial system could be severe which could have a negative impact on the European Collateral and could adversely impact the Fund.

Furthermore, concerns that the Euro zone sovereign debt crisis could worsen may lead to the reintroduction of national currencies in one or more Euro zone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. The departure or risk of departure from the Euro by one or more Euro zone countries and/or the abandonment of the Euro as a currency could have major negative effects on European Collateral (including the risks of currency losses arising out of redenomination and related haircuts on any affected assets). Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the European Collateral and could adversely impact the Fund.

Impact of Uninvested Cash Balances; Unpaid Accrued Interest on Assets

To the extent the Underlying Canyon CLOs maintain cash balances invested in short-term investments instead of higher yielding obligations, portfolio income will be reduced, which will result in reduced Investment Income from the Subordinated Securities. On the closing date applicable to an Underlying Canyon CLO, the Underlying Canyon CLO is expected to have significant uninvested proceeds, which will likely reduce the amount of proceeds that would otherwise be available to distribute to the holders of the Subordinated Securities, particularly on the initial interest payment date. If an Underlying Canyon CLO issues additional securities after the closing date applicable to such Underlying Canyon CLO, the Underlying Canyon CLO will likely have significant uninvested proceeds as a result of such offering, pending investment in collateral obligations. The extent to which cash balances remain uninvested is difficult to predict and will be subject to a variety of factors, including future economic and leveraged loan market conditions.

In addition, there will be a mismatch between the interest payment dates of the collateral obligations and the interest payment dates with respect to the Subordinated Securities. Accordingly, interest that has accrued on collateral obligations during a collection period may not be received by the Underlying Canyon CLO during such collection period, which may adversely affect the Underlying Canyon CLOs' ability to make payments and distributions on the Subordinated Securities on any particular interest payment date.

The Underlying Canyon CLOs' Reinvestment Periods May Terminate Earlier than Expected

The reinvestment period applicable to an Underlying Canyon CLO may terminate earlier than originally scheduled. Such early termination of a reinvestment period may shorten the expected lives of, and could adversely affect returns on, the CLO Securities.

The Underlying Canyon CLOs May Be Refinanced or Reset, Which May Extend Their Expected Lives

CLO Advisors may, as the holder of a majority of Subordinated Securities of an Underlying Majority-Owned Canyon CLO (or through its influence over Underlying Minority-Owned Canyon CLOs) and depending on prevailing CLO market conditions and collateral performance, refinance or reset Underlying Canyon CLOs one or more times during the Fund's term. While refinancing or resetting may significantly improve an Underlying Canyon CLO's aggregate cost of funds and therefore the returns on the Subordinated Securities, doing so could have the effect of extending the Underlying Canyon CLO's maturity date and the expected lives of the Subordinated Securities, delaying the ultimate realization by CLO Advisors and the return of capital to CLO Advisors' investors, including the Fund.

Amendments and Modifications

While CLO Advisors intends to acquire and maintain a control position in the Underlying Majority-Owned Canyon CLOs for which it is serving as collateral manager so as to enhance its ability to protect its investment, material amendments and modifications of the terms of the Subordinated Securities issued by the Underlying Majority-Owned Canyon CLOs (and/or their related indentures) may in certain cases require third party consents, including the consents of Investors and/or other third party holders of those Subordinated Securities (i.e., in cases where CLO Advisors is not the sole holder), senior noteholders and/or the indenture trustee. In addition, the Fund will not have control rights over Underlying Minority-Owned Canyon CLOs, and as a result, material amendments and modifications of the terms of the Subordinated Securities issued by the Underlying Minority-Owned Canyon CLOs may be effected by third-party investors in those Subordinated Securities (or other third parties) without the consent of the Fund. Not all noteholders, the indenture trustee or any such third-party investors will have the same economic interests as CLO Advisors or the Fund on account of their position in the CLO capital structure, structural features of the Underlying Canyon CLO, individual investment objectives or risk tolerance and other idiosyncratic considerations. In addition, in some cases the indentures relating to particular Underlying Canyon CLOs may be amended without CLO Advisors' consent even if those amendments have a material adverse effect on the Subordinated Securities. As a result (and particularly in the case of Underlying Minority-Owned Canyon CLOs), CLO Advisors and/or the Fund may not be able to amend or modify the terms of the Subordinated Securities, or prevent modifications of their related indentures, to avoid adverse consequences.

Limited Funds Available to the Underlying Canyon CLOs to Pay their Operating Expenses

The funds available to the Underlying Canyon CLOs to pay certain fees and expenses may be limited. If such funds are not sufficient to pay the expenses incurred by the Underlying Canyon CLOs as they come due, the ability of the Underlying Canyon CLOs to operate effectively may be impaired, and the Underlying Canyon CLOs may not be able to defend or prosecute legal proceedings that may be brought against them, including involuntary bankruptcy petitions, or that they might otherwise bring to protect the interests of the Underlying Canyon CLOs. In addition, service providers who are not paid in full, including the directors to the Underlying Canyon CLOs, may have the right to resign voluntarily. Such vacancies could lead to the Underlying Canyon CLOs being in default under the terms of the related indentures and forced into early dissolution. This would shorten the expected lives of, and could adversely affect returns on, the Subordinated Securities.

Third Party Litigation

The Underlying Canyon CLOs' investment activities may subject them to the normal risks of becoming involved in litigation by third parties. The expense of defending against claims by third parties, including involuntary bankruptcy petitions, and paying any amounts pursuant to settlements or judgments would be borne by the Underlying Canyon CLOs and would reduce the amounts available for distribution and the Underlying Canyon CLOs' net assets.

Disabling Conduct

Any failure by CLO Advisors to adhere to the standard of care required under CLO Management Agreements could give rise to Extraordinary Expenses, a share of which would be borne by the Fund (including through additional Capital Contributions Investors are required to make). Such circumstances would therefore reduce the amount of capital available for investment by the Fund in CLO Advisors and in the CLO Securities. Furthermore, if the actual standard of care applicable to CLO Advisors under any CLO Management Agreement is less favorable to CLO Advisors than the standard described in this Memorandum under “COLLATERAL MANAGEMENT AGREEMENTS,” CLO Advisors could be more likely to incur such Extraordinary Expenses. Similarly, if the indemnification rights afforded to CLO Advisors under CLO Management Agreements are not available because the circumstances in which CLO Advisors is entitled to indemnification are narrowly prescribed, potentially because they align with a less favorable standard of care, the resulting Liabilities of CLO Advisors may also give rise to Extraordinary Expenses that adversely affect the Fund’s returns to Investors.

The foregoing discussion of certain risk factors does not purport to be a complete explanation of the risks involved with investing in CLOs sponsored by CLO Advisors. Investors should read all documents and agreements related to the respective CLO (including the relevant indenture and collateral management agreement, and other relevant documents).

Disciplinary Information

There are no legal or disciplinary events that are material to a Client’s or prospective client’s evaluation of CLO Advisors’ advisory business or the integrity of CLO Advisors’ management.

Other Financial Industry Activities and Affiliations

Broker-Dealer and Registered Representatives

CP Investments LLC (“CP Investments”) is a registered broker-dealer and member of FINRA and is affiliated with CLO Advisors. CLO Advisors’ principals are also principals and registered representatives of CP Investments. Certain CLO Advisors employees are also registered representatives of CP Investments. CP Investments acts as placement agent for certain Clients but does not act as a broker for or an agent of any Client. CLO Advisors and/or Clients will not otherwise use the services of or pay sales commissions to CP Investments.

Related Investment Advisers

Canyon Capital Advisors LLC (“CCA”) is the managing member of CLO Advisors. CCA is a registered investment adviser. The principals of CCA are Messrs. Friedman and Julis. CCA and CLO Advisors share certain employees, including compliance and operations personnel, and utilize the same order management system and business technology; further, trades are executed off of the same trading desk for both investment advisers. Nevertheless, while CLO Advisors may benefit from CCA’s credit-focused investment strategy and its similar approach to investment decisions, CLO Advisors is a separate legal entity primarily focused on CLO investments.

Canyon Partners Real Estate LLC (“CPRE”), an affiliate of CLO Advisors, is a registered investment adviser that is ultimately controlled and managed by the same principals that control and manage CLO Advisors. CPRE focuses on investments related to real estate. While the clients of CPRE have different investment objectives than the clients of CLO Advisors, a conflict of interest in rendering advice to CLO Advisors’ clients may arise because the benefits realized by the principals from managing CPRE’s clients’

accounts in certain circumstances may exceed the benefit from managing CLO Advisors' clients' accounts and, therefore, may provide an incentive to favor such other accounts. The principals of CPRE and CLO Advisors will not enter into transactions in which they knowingly and deliberately favor themselves or another client over the clients of CLO Advisors; however, the principals have considerable discretion to trade for other accounts, and intend to do so to a significant extent.

AECOM-Canyon Partners Real Estate Fund Advisors LLC ("AECOM-Canyon"), an affiliate of CLO Advisors, is a registered investment adviser that is a joint venture between AECOM Capital Real Estate, LLC and CPRE. AECOM-Canyon focuses on capital appreciation primarily by investing in co-general partner equity opportunities in development and value-add commercial real estate projects located in the top ~25 markets across the United States.

River Canyon Fund Management LLC ("River Canyon"), a wholly owned subsidiary of CCA, is a registered investment adviser that is ultimately controlled and managed by the same principals that control and manage CLO Advisors. While River Canyon currently provides discretionary advisory and subadvisory services to registered investment companies, it may also do so for private funds and separately managed accounts.

Canyon Capital Advisors (Europe) Ltd. ("CCA EU") is a wholly owned subsidiary of CCA. CCA EU is registered with the Financial Conduct Authority. CCA EU provides research related services to CLO Advisors.

Other Entities Sponsored by CLO Advisors and its Affiliates

CLO Advisors and its affiliates (including CCA, CPRE, AECOM-Canyon, and River Canyon) currently sponsor a number of private investment vehicles, partnerships, and companies and act as the investment adviser to managed accounts, and trade on behalf of themselves and their affiliates, which may create certain conflicts of interest among CLO Advisors and its Clients. CLO Advisors may also have a conflict of interest in rendering advice to multiple Clients because the benefit from managing one Client account may exceed the benefit of managing another Client account(s) and, therefore, may provide an incentive to favor such other account(s). Moreover, if CLO Advisors makes investment decisions for multiple accounts at or about the same time it makes decisions for other Client accounts, Clients may be competing for the same or similar positions. CLO Advisors also must take into account the varying investment objectives and limitations, tax considerations, available cash, investment horizons and other factors which affect its Clients. There can be no assurance that a single Client will receive as large an allocation in respect of limited investment opportunities as it might otherwise have absent these considerations. Please see Brokerage Practices – Allocation of Investment Opportunities which discusses CLO Advisors' allocation policy.

CLO Advisors is not obligated by contract to buy, sell or recommend for one Client any security or other investment that may be bought, sold or recommended for other Clients or for CLO Advisors' own or related persons' account, but CLO Advisors will endeavor to fairly allocate the investment opportunity or dispose of the investment in the event of an actual conflict.

CLO Advisors will not enter into transactions in which it knowingly and deliberately favors itself or a single Client over another Client; however, the Adviser is given considerable discretion to trade for other accounts, and intends to do so to a significant extent.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CLO Advisors has adopted a Code of Ethics (“Code”) that sets forth standards of conduct expected of employees and addresses potential conflicts that can arise from personal trading by employees. CLO Advisors has designated every employee, with certain very limited exceptions, as an access person for purposes of its Personal Trading Policy. As such, employees of CLO Advisors are covered by the Personal Trading Policy. Under the Personal Trading Policy, employees must periodically report their personal securities transactions and holdings to the Chief Compliance Officer (“CCO”) and CLO Advisors must review these reports. To this end, employees must arrange for CLO Advisors to receive the employee’s investment account statements, which contain information regarding securities transactions in the accounts of the employee. In addition, employees must obtain written or electronic approval before making certain types of investments.

CLO Advisors’ Personal Trading Policy is governed by two overriding principles. First, client trades are always processed first. Second, CLO Advisors and its employees must manage both real conflicts and the appearance of conflicts. If an employee doubts the propriety of any personal trade, such doubt is resolved in favor of not trading. The Code also contains policies involving the safeguarding of proprietary and non-public information by CLO Advisors personnel along with restrictions on the use of material, non-public information and the use of non-public information regarding a client.

Any issues that arise under the Personal Trading Policy must be reported to CLO Advisors’ CCO and senior management immediately. Clients can obtain a copy of our Code of Ethics, which includes the Personal Trading Policy, free of charge, from our CCO upon request (Doug Anderson (310) 272 1360).

Cross Trades

CLO Advisors may be permitted, under its collateral management agreements with Clients, to effect cross trades involving purchases or sales of assets between CLOs or accounts managed by CLO Advisors’ affiliates and the Clients. In such transactions, CLO Advisors or its personnel may have potential conflicts regarding the respective parties to the transaction.

To mitigate such conflicts of interest, CLO Advisors will obtain an independent review of the fairness of the transaction if the investment is private or an independent price (i.e., a pricing service or broker quote) if the investment is public.

Co-Investment with Affiliates

On occasion (and if permitted to do so under the governing documents of the Clients), Clients may acquire interests in projects financed by other entities managed by the CLO Advisors’ affiliates. In addition, the Clients may invest in entities in which other clients of such affiliates are investors or lenders, either in similar investment positions or in different positions in the capital structure with different risk and return parameters. In such event, disputes may arise between the two entities regarding the terms of the investments and the enforcement of the entities’ respective rights therein. While CLO Advisors and its affiliates each have policies and procedures in place to mitigate the inherent conflict of interest such transactions present, these policies and procedures will not altogether eliminate such conflicts.

Trading by the CLO Advisors’ Affiliates

CLO Advisors’ affiliates may trade securities for their own accounts. The records of such trading will not

be made available to Clients. It is possible that CLO Advisors' affiliates (including their principals, officers or employees) may buy or sell securities or other instruments that CLO Advisors has recommended to the Clients, and may engage in transactions for their own accounts in a manner that is inconsistent with CLO Advisors' recommendations. Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a client. CLO Advisors and its affiliates each have adopted policies and procedures designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with their respective duties to their clients and in accordance with applicable law. In compliance with these policies and procedures, transactions in certain securities described therein are required to be pre-cleared to allow for a review for any potential conflict of interest or insider trading. Employees of CLO Advisors and its affiliates are also required to report personal securities transactions either electronically or via a monthly (or as generated, e.g., quarterly) duplicate statement sent directly from the corresponding brokerage firm.

The Investment Adviser as Principal

The Adviser does not act as principal, either buying securities for itself or its affiliates from a Client or selling securities it or its affiliates own to a Client. However, in the event that the Adviser decides to engage in any such principal transaction in the future, it will comply with the requirements of Section 206(3) of the Advisers Act and Section 25235(c) of the California Corporate Code by: (i) disclosing to the Client in writing the material terms of the transaction; and (ii) obtaining the written consent of the Client for such transaction. The Adviser will include in such disclosure: (1) its capacity as principal; (2) the cost to the Adviser of the security, in the case of a sale to a Client, or the price of the security in a resale, in the case of a purchase from a Client; and (3) the best price at which the transaction could be effected by or for the Client elsewhere if such price is more advantageous to the Client than the purchase or sale with the Adviser. Canyon does not anticipate engaging in such transactions when the Adviser may make a trading profit.

Gifts and Business Entertainment

In the normal course of business, CLO Advisors and its officers and employees may provide and/or receive gifts or business entertainment to/from certain individuals and/or entities such as clients, investors, vendors, consultants, and service providers. Any such gift or business entertainment is not premised upon any specific client referral or any expectation of any other type of benefit to CLO Advisors. CLO Advisors has adopted formal policies and procedures requiring preapproval and recordkeeping of certain gifts and business entertainment.

Political Contributions

CLO Advisors and its principals and employees may also make political contributions to persons who may serve or seek to serve in elected capacities with certain public entities. Any such political contributions are permitted only to the extent such contributions are in accordance with CLO Advisors' policies and procedures regarding political contributions and do not violate the SEC's rule prohibiting pay-to-play activities adopted under Rule 206(4)-5.

Brokerage Practices

Execution Quality

In placing purchase and sale orders of securities for Clients, CLO Advisors' policy is to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided. In selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of largely judgmental

factors, including the broker's efficiency in executing and clearing transactions, block trading capability, and the broker's financial strength and experience in the industry. Primary market makers are used for transactions in the over the counter market except in those instances where CLO Advisors believes more favorable execution or price is obtainable elsewhere.

Each Client is responsible for the payment of standard custodian fees for the custody of its assets. Custodian fees are paid at market rates and are not material to the Client. Each Client incurs standard transaction costs associated with acquiring and selling securities and the brokerage commissions are negotiated at arm's length on behalf each Client. CLO Advisors will not receive any rebates in respect of brokerage commissions or custody fees.

In allocating brokerage business for its clients, CLO Advisors also takes into consideration research, analytical, statistical and other information and services provided by the broker. While CLO Advisors believes these services have value, they are considered supplemental to its own efforts in the performance of its duties to its advisory clients.

Trading and Soft Dollar Arrangements

CLO Advisors does not intend to use soft dollars to pay for third-party research or other third-party products. Furthermore, CLO Advisors will not enter into any third-party soft dollar arrangements without the express approval of its Chief Compliance Officer. CLO Advisors' Clients do pay bundled commission rates and CLO Advisors receives proprietary research from many of its executing brokers and prime brokers. As a result, CLO Advisors may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage and research services provided by the broker and used by a Client. In such circumstances, CLO Advisors endeavors to do so in accordance with the criteria of Section 28(e) of the Exchange Act ("Section 28(e)"). CLO Advisors may also occasionally direct transactions effected on a principal basis to brokers in recognition of the research services provided by that broker. CLO Advisors believes that in certain circumstances it may be important to its investment decision-making processes to have access to independent research. Some research services furnished by brokers and dealers with whom CLO Advisors effects securities transactions may be used in servicing all of its Clients and not all such services may be used in connection with all Clients who paid commissions to the brokers providing such services.

Generally, research services provided by brokers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives.

Subject to best execution, CLO Advisors may effect transactions with certain brokers primarily in consideration for providing research services. CLO Advisors may allocate brokerage to such firms; provided that the value of any research and brokerage services is reasonable in relationship to the amount of commission paid. While CLO Advisors tracks internally the amount of commissions paid to various brokers, in no case will CLO Advisors make binding or informal commitments as to the level of brokerage commissions it will allocate to a broker.

If CLO Advisors itself enters into a formal soft dollar arrangement to receive a mixed use product (a product that provides both Section 28(e) eligible research/brokerage functions as well as other functions), it will

make a good faith allocation between the research/brokerage functions and non-research/brokerage functions, and will pay for any non-research/brokerage functions with cash. In making good faith allocations between such functions, a conflict of interest may exist by reason of CLO Advisors' allocation of the costs of such benefits and functions between those that primarily benefit CLO Advisors and those that primarily benefit its clients.

Trade Error Policy

The Adviser attempts to minimize trade errors by taking the utmost care in making and implementing investment decisions on behalf of client accounts. The Adviser has controls and procedures in place designed to detect and correct in a timely manner any trade errors that may occur. Trade errors are documented and reported to the Adviser's supervisory personnel, and trade errors are reviewed to assess whether an error was a result of a weakness in internal procedures and controls. If it is determined that a weakness in internal controls caused or contributed to the error, mitigating controls are established to rectify the identified control weakness.

Unless the Adviser has specifically addressed trade errors in the investment advisory/collateral management agreement or similar agreement with a Client, it is the Adviser's policy generally not to reimburse Clients for any errors or mistakes with respect to the Adviser's placing or executing trades for the Client, as such errors are considered by the Adviser to be a cost of doing business. However, pursuant to the pertinent investment management/collateral management agreement's exculpation of liability and indemnification provisions, the Adviser will be obligated to reimburse the Client for any trade error resulting from the Adviser's gross negligence or willful misconduct. The Adviser, subject to its fiduciary obligations, will determine whether or not any trade error is required to be reimbursed in accordance with this policy. Any positive trade errors will be for the benefit of the Client and not retained by the Adviser.

Allocation of Investment Opportunities

CLO Advisors attempts to act in a fair and reasonable manner in allocating investment and trading opportunities among Clients. CLO Advisors' allocation procedures seek to allocate investment opportunities among the accounts over time on a fair and equitable basis, considering both the best interests and specific restrictions of the accounts. CLO Advisors intends to ensure that each investment is appropriate for each account in light of the characteristics of the specific security and the overall portfolio composition of such account. Although the allocation of investment opportunities among Clients may create potential conflicts of interest because of the interests of CLO Advisors or because CLO Advisors may receive different fees or compensation from its Clients, the allocation decisions will not be based on such interests, fees or compensation.

Within the overall parameters, consideration is given to account investment objectives, strategies and guidelines, account constraints and restrictions, account size, diversification, cash availability (including anticipated contributions and redemptions), liquidity constraints, tax issues, exposure to asset classes, ramp-up or ramp-down status, investment time horizon and other factors, including, where appropriate, the value of having round lots in the portfolio. CLO Advisors will not be obligated to allocate an investment opportunity across all of its Clients and may at times sell a portion (or all) of an investment for one or more of its Clients, while it continues to hold the same investment for other Clients. For example, Allocations of new issues will generally be made among eligible Clients based on a variety of factors that include but are not limited to settlement costs, administrative fees and CLO coverage tests. As a result, CLO Advisors may over allocate certain trades to such accounts including new issue securities that are bought and sold on the initial offering day – with the goal being to allocate trades in a fair and equitable manner over time.

Due to the investment guidelines of CLO Advisors' Clients, such Clients will not participate in equity IPOs.

From time to time, CLO Advisors may recommend securities to one or more accounts and it or its affiliates may purchase securities for their own accounts as well. Conflicts of interest may arise among the accounts, or among CLO Advisors and the accounts, or as a result of some other securities investment activity or business in which one or more accounts may be engaged. In addition, CLO Advisors is not obligated by contract to buy, sell or recommend for an account any security or other investment that may be bought, sold or recommended for any other accounts.

On occasions where a number of accounts and affiliates are attempting to purchase the same securities, CLO Advisors may aggregate orders to purchase or sell securities with those of its other accounts in order to facilitate execution and minimize transaction costs. CLO Advisors receives no additional compensation or remuneration for such aggregation. The manner of aggregation is consistent with CLO Advisors' duty to seek best execution for its accounts and with the terms of its investment advisory/collateral management agreements. Each account participates in aggregated orders at the average share price for each completed transaction in a security with a given broker on a given business day, with transaction costs borne by each account participating in the transaction. If all such orders cannot be fully executed under prevailing market conditions, CLO Advisors allocates on an equitable basis among all of its accounts the purchases or sales which can be made after taking into account the size of the order placed for the various accounts and such other factors as it deems appropriate. In some cases, this procedure may adversely affect the price paid or received by CLO Advisors' accounts or the size of the position obtained by such accounts. In addition, due to certain minimum investment thresholds, certain smaller accounts may not participate in all transactions. This may, over time, result in such accounts holding fewer overall positions than larger accounts.

CLO Advisors and its affiliates will cause the accounts to share on a fair and equitable basis in the legal fees and other expenses incurred from investigating and negotiating potential transactions for the accounts, whether or not such transactions are consummated. In loan transactions sourced by CLO Advisors and its affiliates, CLO Advisors may serve as agent at no additional cost to the accounts.

Review of Accounts

Client accounts are reviewed and monitored on routine basis by senior management. Reviews may be triggered by, among other factors, changing market conditions, news concerning specific holdings, or at the request of a Client.

CLO investors (both note and subordinated note holders) receive a monthly trustee report detailing the portfolio and all related portfolio metrics and guidelines. CLO investors also receive a quarterly trustee report detailing all cash flows.

Client Referrals and Other Compensation

From time to time, CLO Advisors enters into arrangements with third parties whereby CLO Advisors compensates such third parties for referring clients or investors to CLO Advisors. To the extent CLO Advisors does compensate a third-party or client for referrals, CLO Advisors will comply with Rule 206(4)-6 (new Marketing Rule), including ensuring that any referred client/investor receives the required disclosure document.

In addition, CLO Advisors' executing brokers, from time to time, refer to CLO Advisors potential clients/investors or arrange for meetings with potential clients/investors who are also often clients of the

broker. While this may create a potential conflict of interest, capital introduction is not a consideration when executing trades. While the meetings may be arranged by the brokers, there is no guarantee that the clients/investors will invest with CLO Advisors. Other than the standard commission rates paid by CLO Advisors' Clients, the brokers do not receive any compensation, directly or indirectly, for the meetings or the subsequent investments, if any. CLO Advisors does not select or recommend broker-dealers based upon client referrals from a broker-dealer or third party. **Clients do not direct brokerage.**

Investment Discretion

CLO Advisors provides (accepts) advisory services on a fully discretionary basis. Clients (but generally not investors) are permitted to place limits on this discretion or with respect to certain investments and/or investment types. Prior to accepting this authority, CLO Advisors will enter into an advisory agreement and/or a collateral management agreement with the client.

Neither CLO Advisors nor any of its affiliates, principals or employees is required to devote full time to managing any single Client. They may conduct other businesses and provide investment advisory services to other clients, including, without limitation, other affiliated investment funds and managed accounts (such as corporate or governmental benefit plans, institutional investors and high net worth individuals), some of whom may have objectives similar to those of other Clients. They may give advice and make recommendations to such other Clients, which may be the same, similar to or different from those rendered to another Client. The compensation arrangements with other clients may create incentives for CLO Advisors or its principals or employees to favor such other clients. However, CLO Advisors will not knowingly or deliberately favor any Client over another Client as result of different compensation arrangements. Decisions affecting one Client may be made independently from such other Clients.

Class Actions

Unless otherwise specifically prohibited in the investment advisory/collateral management agreement, CLO Advisors may, at its sole discretion, file proofs of claims in relation to class actions. CLO Advisors will generally participate and file the necessary claim forms through the use of an unaffiliated third-party service provider. The service provider receives a contingency fee and is not compensated unless a recovery is obtained. CLO Advisors will periodically review this process to determine if the cost associated with such filings exceeds the benefits.

Voting Client Securities

Generally, CLO Advisors has authority to vote its Client's proxies (unless a Client retains authority pursuant to its advisory or collateral management agreement with CLO Advisors). CLO Advisors has adopted formal written Proxy Voting Policies and Procedures (the "Proxy Policy"). Clients may obtain a copy of CLO Advisors' proxy voting policies and procedures and information on how the Client's securities have been voted upon the Client's request, free of charge from our CCO upon request.

CLO Advisors shall vote proxies in a manner that is in the best interest of the Client. CLO Advisors shall consider only those factors that relate to the Client's investment or dictated by the Client's written instructions, including how the result of the requested vote will economically impact and affect the value of the Client's investment. In voting on each and every issue, CLO Advisors and its employees shall vote in a prudent and timely fashion and only after a careful evaluation of the issue(s) presented on the ballot.

CLO Advisors has hired Institutional Shareholder Services Inc. (“ISS”) to assist in coordinating its voting of proxies and to provide certain record keeping services. ISS does not vote proxies for CLO Advisors, but does inform CLO Advisors about upcoming proxies related to the securities held by its Clients.

Most of the securities held for Clients constitute a small percentage of the ownership of the issuer of such securities, therefore CLO Advisors does not expect such issuers to be impacted by its Clients’ proxy votes related to such securities. Accordingly, CLO Advisors has determined that its Clients’ interests will not be impacted by such proxy votes and that the benefits to its Clients related to any such vote would be small and the costs associated with investigating how best to vote such proxies would exceed such benefits. Consequently, CLO Advisors will not vote or evaluate proxies relating to a security if its Client is a beneficial owner of no more than one percent (1%) of the outstanding securities of such issuer. If, however, CLO Advisors believes that the subject matter of a proxy for any such security may nonetheless be material to a Client’s account and that the vote may impact the outcome of such vote, CLO Advisors will vote the proxy in a manner that is in the best interest of its Client. Notwithstanding anything to the contrary in the forgoing, CLO Advisors will vote a proxy as dictated by any Client’s written instructions. Additionally, certain of its Clients have securities lending agreements with their prime broker/custodian and for purposes of determining whether Clients are a beneficial owner of more than 1% of the outstanding securities of an issuer, CLO Advisors will not include securities that are on loan as CLO Advisors does not have the ability to vote such proxies.

CLO Advisors will evaluate proxies relating to a security if the Client is the beneficial owner of more than one percent (1%) of the outstanding securities of such issuer and has the right to vote securities (which it may not possess if the securities are loaned out). CLO Advisors will vote these proxies in a manner that is in the best interest of the Client. CLO Advisors shall consider only those factors that relate to the Client’s investment or dictated by the Client’s written instructions, including how the result of the requested vote will economically impact and effect the value of the Client’s investment (keeping in mind that, after conducting an appropriate cost-benefit analysis, avoiding further expense and investigation and not voting at all on a presented proposal may be in the best interest of the Client). In voting on each and every issue, CLO Advisors will vote in a prudent and timely fashion and only after a careful evaluation of the issue(s) presented on the ballot.

In exercising its voting discretion, CLO Advisors and its employees will seek to avoid any direct or indirect conflict of interest raised by such voting decision. CLO Advisors will provide adequate disclosure to its Clients if any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential conflict of interest to CLO Advisors or any of its affiliates. After informing a Client of any potential conflict of interest, CLO Advisors will either request such Client’s consent to CLO Advisors’ vote recommendation or request that such Client vote the proxy directly or through another designee. If the Client is unreachable or the Client has not affirmatively responded before the response deadline for the matter being voted upon, CLO Advisors may: (a) engage a non-interested party to independently review its vote recommendation if the vote recommendation would fall in favor of its interest (or the interest of its affiliate), to confirm that the vote recommendation is in the Client’s best interest under the circumstances; (b) cast its vote as recommended if the vote recommendation would fall against its or its affiliate’s interest and such vote recommendation is in the Client’s best interest under the circumstances; or (c) abstain from voting if it determines that such action is in its Client’s best interest under the circumstances.

CLO Advisors may also exercise voting and/or consent rights with respect to fixed income securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures, consent rights that primarily entail decisions to buy or sell investments, such as tender or exchange offers, conversions, put options, redemption and Dutch auctions.

With respect to the exercising of such voting and/or consent rights, CLO Advisors considers each proposal regarding a fixed income security on a case-by-case basis taking into consideration any relevant financial implications, contractual obligations as well as other relevant facts and circumstances at the time of the vote.

Financial Information

CLO Advisors does not require or solicit pre-payment of advisory fees. There are no financial conditions that are reasonably likely to impair CLO Advisors' ability to meet its contractual commitments to Clients.