

**NOTICE OF EFFECTIVE DATE OF APPOINTMENT OF SUCCESSOR  
COLLATERAL MANAGER**

**KLEROS PREFERRED FUNDING, LTD.**

To: The Parties listed on Schedule A hereto.

Reference is made to (i) that certain Amended and Restated Collateral Management Agreement dated as of August 2, 2013 (as amended, modified or supplemented, the “Management Agreement”) between Kleros Preferred Funding, Ltd., as Issuer (the “Issuer”) and Vertical Capital, LLC, as Collateral Manager (the “Collateral Manager”) and (ii) that certain Indenture dated as of June 3, 2005 (as amended, modified or supplemented, the “Indenture”) among the Issuer, Kleros Preferred Funding, LLC, as Co-Issuer, and Wells Fargo Bank, National Association, as Trustee (the “Trustee”). Capitalized terms used herein without definition shall have the meaning given to such terms in the Management Agreement or the Indenture.

**I. Notice to Nominees and Custodians.**

If you act as or hold Notes or Preference Shares as a nominee or custodian for or on behalf of other persons, please transmit this notice immediately to the beneficial owner of such Notes or Preference Shares or such other representative who is authorized to take actions. Your failure to act promptly in compliance with this paragraph may impair the chance of the beneficial owners on whose behalf you act to take any appropriate actions concerning the matters described in this notice.

**II. Notice of Effective Date of Appointment of Successor Collateral Manager.**

Reference is further made to (i) that certain Notice of Resignation of Collateral Manager dated June 11, 2015 in which the Trustee provided notice that the Collateral Manager notified the Trustee of its resignation pursuant to Section 12(b) of the Management Agreement and (ii) that certain Notice of Proposed Replacement Manager and Proposed Second Amended and Restated Collateral Management Agreement dated as of August 10, 2015, in which the Trustee provided notice of the designation by the Issuer of Dock Street Capital Management LLC (“Dock Street”) as the successor Collateral Manager.

At the direction of the Issuer, attached hereto as Exhibit A please find the Issuer’s Notice of Effective Date of Appointment of Replacement Manager and Execution of Second Amended and Restated Collateral Management Agreement, which provides notice that as of September 9, 2015, the appointment of Dock Street as Collateral Manager is effective.

The successor Collateral Manager's contact information is as follows:

Dock Street Capital Management LLC  
575-B Riverside Avenue  
Westport, CT 06880  
Phone: (212) 457-8258  
Fax: (212) 457-8629  
Attn: David Crowle

Any questions may be directed to the attention of Cheryl Bohn by telephone at 410-884-2097, by e-mail at [cheryl.bohn@wellsfargo.com](mailto:cheryl.bohn@wellsfargo.com), by facsimile at 866-373-0261 or by mail addressed to Wells Fargo Bank, National Association, Corporate Trust Department, Attn.: Cheryl Bohn, 9062 Old Annapolis Road, Columbia, MD 21045. The Trustee may conclude that a specific response to particular inquiries from individual Holders is not consistent with equal and full dissemination of material information to all Holders. Holders of Notes or Preference Shares should not rely on the Trustee as their sole source of information. The Trustee makes no recommendations and gives no investment advice herein or as to the Notes or Preference Shares generally.

Dated: September 10, 2015

**WELLS FARGO BANK,  
NATIONAL ASSOCIATION,**  
as Trustee and Preference Share Paying  
Agent

## **SCHEDULE A**

### **Holders of Notes and Preference Shares:**\*

498587AA2, 498587AC8, 498587AD6,  
498587AE4, 498587AF1, G52954107,  
G5295RAF3, 498585207

### **Issuer:**

Kleros Preferred Funding, Ltd.  
c/o Fund Fiduciary Partners Limited  
2nd Floor, Harbour Centre  
42 North Church Street  
George Town, Grand Cayman  
Cayman Islands  
Attention: Andrew Childe

With a copy to:

10 Market Street #769  
Camana Bay, Grand Cayman KY1-9006  
Cayman Islands  
Attention: Andrew Childe

### **Co-Issuer:**

Kleros Preferred Funding, LLC  
c/o Puglisi & Associates  
850 Library Avenue, Suite 204  
Newark, Delaware 19711  
Attention: Donald Puglisi, Esq.

### **Rating Agencies**

Moody's Investors Service  
99 Church Street  
New York, NY 10007  
Fax: 212-553-0355  
Attention: CBO/CLO Monitoring  
E-mail: cdomonitoring@moodys.com

### **Outgoing Collateral Manager:**

Vertical Capital, LLC  
437 Madison Avenue, 39th Floor  
New York, New York 10022  
Fax: (212) 786-5301  
Attention: Kem Blacker

### **Successor Collateral Manager:**

Dock Street Capital Management LLC  
575-B Riverside Avenue  
Westport, CT 06880  
Fax: (212) 457-8629  
Attn: David Crowle

### **Irish Stock Exchange:**

28 Anglesea Street  
Dublin 2 Ireland

### **Paying Agent in Ireland:**

Custom House Administration and Corporate  
Services Limited  
25 Eden Quay  
Dublin 1 Ireland

### **Channel Islands Stock Exchange:**

PO Box 623  
One Lefebvre Street  
St Peter Port  
Guernsey, GY1 4PJ  
Channel Islands

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\* The Trustee shall not be responsible for the use of the CUSIP, CINS, ISIN or Common Code numbers selected, nor is any representation made as to their correctness indicated in the notice or as printed on any Note. The numbers are included solely for the convenience of the Holders.

**EXHIBIT A**  
**ISSUER NOTICE**

Kleros Preferred Funding, Ltd.  
c/o Fund Fiduciary Partners Limited  
2nd Floor, Harbour Centre  
42 North Church Street  
George Town  
Grand Cayman, Cayman Islands

Notice of Effective Date of Appointment of Replacement Manager and Execution of Second  
Amended and Restated Collateral Management Agreement

September 9, 2015

To: Wells Fargo Bank, National Association, as Trustee  
9062 Old Annapolis Road  
Columbia, Maryland 21045  
ATTN: Cheryl Bohn  
Fax: 1-866-373-0261  
Email: Cheryl.Bohn@wellsfargo.com  
Re: Kleros Preferred Funding, Ltd.

Ladies and Gentlemen:

Reference is made to the (i) that certain Amended and Restated Collateral Management Agreement dated as of August 2, 2013 (as amended, modified or supplemented, the “Collateral Management Agreement”) between Kleros Preferred Funding, Ltd., as Issuer (the “Issuer”) and Vertical Capital, LLC, as Collateral Manager (the “Outgoing Collateral Manager”) and (ii) that certain Indenture dated as of June 3, 2005 (as amended, modified or supplemented, the “Indenture”) among the Issuer, Kleros Preferred Funding, LLC, as Co-Issuer, and Wells Fargo Bank, National Association, as Trustee (the “Trustee”). Capitalized terms used herein without definition are used as defined in the Collateral Management Agreement or the Indenture, as applicable.


This notice is delivered to the Trustee by an Officer of the Issuer in connection with the removal of the Outgoing Collateral Manager, the proposed appointment of Dock Street Capital Management LLC (the “Replacement Manager”) as the successor Collateral Manager (the “Appointment”) and the execution of a Second Amended and Restated Collateral Management Agreement between the Issuer and the Replacement Manager dated as of September 9, 2015 in connection with the Appointment (the “Second A&R Collateral Management Agreement”).

The Issuer hereby notifies the Trustee that the Appointment and the execution of the Second A&R Collateral Management Agreement is complete and effective as of September 9, 2015 (the “Effective Date”) and hereby directs the Trustee to provide to all Noteholders and Preference Shareholders a copy of this notice.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Notice is delivered by the Issuer this 9th day of September, 2015.

Kleros Preferred Funding, Ltd., as Issuer

By:   
\_\_\_\_\_  
Name: Andrew Childe  
Title: Director