

Risk Factors¹



CONFIDENTIAL FOR DISCUSSION PURPOSES ONLY

GENERAL RISKS

Risks of General Economic Conditions

The extreme downturn in the credit markets and other financial markets that began in 2007 resulted in dramatic deterioration in the financial condition of many companies and businesses. Although adverse economic data continue to be generated, there are indications that credit markets and other financial markets are continuing to emerge from such downturn. There is no assurance that any recovery will continue and any worsening of economic conditions may adversely impact the financial condition and operations of infrastructure debt obligors and their ability to make payments on investments owned by the Issuer, which could adversely affect the ability of the Issuer to make distributions on the Preferred Shares.

Legislative and Regulatory Changes; Bank Holding Company Act and Volcker Rule

Recent changes in legislation, together with uncertainty about the nature and timing of regulations to be promulgated to implement such legislation, have created uncertainties in the financial markets and may create unknown risks.

RISKS RELATING TO THE Preferred Shares

Limited Liquidity and Restrictions on Transfer

There is no established secondary market for the Preferred Shares, and it is not expected that any secondary market for any of the Preferred Shares will develop, or if a secondary market does develop, that it will provide the holders of the Preferred Shares with liquidity of investment or will continue for the life of the Preferred Shares.

Limited Recourse

There can be no assurance that the distributions on the Issuer's assets will be sufficient to make distributions to holders of the Preferred Shares after making payments on the Senior Notes and on other obligations that rank senior to the Preferred Shares. If distributions on the Issuer's assets are insufficient to make distributions on the Preferred Shares, no other assets will be available to the Issuer to make such distributions.

Subordination of Preferred Shares

The Preferred Shares will be subordinate and junior to the Senior Notes. To the extent that any losses are suffered by the Issuer, such losses will be borne in the first instance by holders of the Preferred Shares, then by the holders of the Senior Notes.

Leveraged Investment

The Preferred Shares will be subject to greater volatility and will be significantly affected by the performance of the Issuer's assets, including any non-payment or other defaults, recoveries and gains and losses on asset sales, as well as by prepayments and the availability, prices and interest rates on the Issuer's assets.

Uncertain Redemption Timing of Preferred Shares

The average life of the Preferred Shares is expected to be shorter than the number of years until the scheduled redemption date of the Preferred Shares.

Auction Call Redemption and Clean-Up Call Redemption Risk

After a certain specified date, the Issuer will be obligated to conduct, on a periodic basis, procedures that, subject to certain conditions, are designed to redeem the Senior Notes in full and return all invested capital, and an aggregate return equal to the Target Equity IRR, on the Preferred Shares. The timing of an auction call redemption or a clean-up call redemption could materially affect returns to the holders of the Preferred Shares.

Refinancing Risks

The Issuer may redeem the Senior Notes in full in connection with an optional redemption or a Refinancing. There can be no assurance that, upon any such redemption, the sale proceeds realized and other available funds would permit any distribution on the Preferred Shares after all required payments are made on the Senior Notes.

Additional Senior Indebtedness

At any time during the Issuer's reinvestment period, subject to certain conditions, including an increase in the funded amount of Preferred Shares, the Issuer may issue (i) additional Senior Notes on terms identical to existing Senior Notes or (ii) with the consent of a majority of the Senior Notes, additional other senior indebtedness, provided that, in each case, the Issuer issues Preferred Shares in a proportionate amount. Depending upon the price of issuance at the time, an issuance of additional Preferred Shares could have a dilutive effect upon the existing Preferred Shares.

(1) A more detailed description of risk factors will be contained in a definitive Private Placement Memorandum of the Issuer with respect to the Preferred Shares.