



Risk Factors¹ (continued)

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Step-Up Interest Rate on the Senior Notes

The Interest Rate on the Senior Notes will increase on the earlier of (i) the date that is twelve months following the Issuance Date and (ii) the date a Non-Refinancing Event occurs (the "Initial Step-Up Date"). Following the Initial Step-Up Date, and again if later a Non-Refinancing Event occurs, higher amounts of interest payments will be made on the Senior Notes and amounts that would otherwise be available to make distributions on the Preferred Shares will be reduced, which would adversely affect returns on the Preferred Shares.

Uncertainties Concerning LIBOR

The Interest Rate on the Senior Notes is based upon LIBOR and therefore may fluctuate from one Interest Accrual Period to another due to changes in LIBOR. Changes in LIBOR will affect the amount of interest payable on the Senior Notes, and will have corresponding effects on amounts available for distributions on the Preferred Shares.

Interest Rate Risks

There may be a timing or basis mismatch between the Senior Notes and the assets of the Issuer that are floating rate obligations. As a result of such mismatches, changes in the level of LIBOR or any other applicable floating rate index could adversely affect the ability of the Co-Issuers to make payments on the Senior Notes and the Preferred Shares.

Hedge Counterparty Risks

The Issuer is authorized to enter into hedge agreements at any time or from time to time in order to manage interest rate mismatches, timing mismatches and other risks. In the event of an insolvency or other default by a hedge counterparty, the Issuer will be exposed to the credit risk of each related hedge counterparty.

Risks of Hedge Agreements

The Issuer's obligations to make payments pursuant to any hedge agreement will rank senior to the Issuer's obligations to make payments on the Preferred Shares.

Issuer Expenses

Through their investment in the Preferred Shares, investors bear the cost of the Issuer's advisory fees and other ongoing expenses of the Issuer, which, in the aggregate, may be greater than if an investor were to directly make investments in the Issuer's assets.

Risks of Amendments

The consent of holders of Preferred Shares is generally not required or is only required from less than 100% of the Preferred Shares that would be materially and adversely affected by any amendment to the Issuer's transaction documents.

U.S. Federal Income Tax Treatment as Equity

The Issuer intends to treat the Senior Notes as debt, and the Preferred Shares as equity, for U.S. federal income tax purposes. However, no ruling has been sought as to the proper classification of the Senior Notes and the Preferred Shares for U.S. federal income tax purposes.

Risks of Withholding Tax or Changes in Tax Law

There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, payments on the Issuer's assets that were not subject to withholding tax when purchased might not in the future become subject to withholding tax or that the amount or rate of withholding tax to which a payment on an asset is subject might not increase.

Risk of U.S. Entity-Level Taxation

The Issuer will have in effect an election to be treated as a partnership for U.S. federal income tax purposes and U.S. Holders of Preferred Shares in the Issuer will be treated as holding equity for U.S. federal income tax purposes. The Issuer may be engaged in a trade or business within the United States for U.S. federal income tax purposes.

U.S. Withholding Tax and Compliance Risks under FATCA

The Issuer may be subject to a 30% U.S. withholding tax pursuant to FATCA on certain U.S.-source payments received by the Issuer beginning July 1, 2014 and the proceeds of certain sales received by the Issuer beginning January 1, 2017 with respect to an obligation that is issued or materially modified on or after July 1, 2014 unless it has in effect an agreement with the IRS or otherwise complies with the provisions of an intergovernmental agreement, if any, between the United States and the Cayman Islands.

Risks to Issuer of Non-Permitted Holder of Preferred Shares

If the Issuer were to be engaged in a trade or business within the United States for U.S. federal income tax purposes, it would be required to pay over to the Internal Revenue Service amounts approximating the U.S. federal income tax owed by any non-U.S. holder of a Preferred Shares as a result of income earned from such activities.

(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.