



Term A/B Financing

Overview of Risks and Considerations

Muni Bond Price Risks

Risk	Explanation	Consideration
Risk-Free Rates (LIBOR)	Broad, risk-free rates such as LIBOR increase	Possible to partially / fully hedge LIBOR to offset rate risk
Muni Market Spreads	Muni market spreads, measured as the difference between MMD and LIBOR, may increase	Investor must be comfortable that MMD cannot be directly hedged through interest rate swaps
Idiosyncratic Credit Spread	Specific credit quality of the issuer deteriorates, increasing the single-name spread	Muni Bonds have historically experienced a very low default rate; Investors can select names across ratings and sectors that fits specific risk / return appetite
Liquidity Spread Risk	Specific bonds may contain nonstandard or complex features, leading to a wider single-name spread, especially in times of market stress	Investors must be comfortable with the inherent higher risks associated with less liquid bonds, as perceived by the general market that determines the price over time
Optionality / Callability	Callable Muni Bonds are generally called when economically advantageous to the issuer, not the investor	Investors must be comfortable that the duration of callable bonds can change quickly, depending on the market's view of the likelihood of being called, taking into account the costs of issuing refinancing bonds

A/B Financing Structure Risks

Risk	Explanation	Consideration
Bond Price Risk	Proceeds of bond sales are distributed first to DB then to client	Investor should carefully evaluate Bond Price Risks mentioned here and only execute when comfortable with the risk / return tradeoff
Tenor Mismatch Risk	Financing tenor is shorter than underlying bond maturity	Upon Trust Termination, any market losses of underlying bond are first applied to B Certificate
Trigger Price Risk	DB has right to terminate transaction either if Muni Bond price drops below unwind trigger	Investor should be aware that if either event occurs, DB will have the optional right to immediately collapse the Trust
Early Termination Risk	Trust may unwind early due to events outside of Investor's control	Investor must be comfortable with early unwind events, including but not limited to price decline past trigger, bond failure to pay, bankruptcy of bond obligor, and taxability
Collateral Risk	Client may have the ability to post collateral to avoid an price-based unwind trigger, subject to DB credit approval	Investor must maintain sufficient liquidity to post if Investor elects to remain in the trade without having to terminate / lock-in any losses
Taxability Risk	The Trust collapses upon taxability of the Muni Bonds	Most Muni Bonds carry a tax-exempt opinion from bond counsel

Deutsche Bank

All transactions subject to final credit, legal, tax, and other internal DB approvals. DB is not a financial, accounting, or tax advisor to Investor and Investor should consider carefully with their advisors prior to executing any transaction. Further information can be provided upon request.

12