

timing of an Optional Principal Prepayment could materially affect returns to the Preferred Shareholders. No assurance can be made that any particular return on the Preferred Shares will occur in the event of an Optional Principal Prepayment.

### **Refinancing Risks**

The Issuer, acting upon the direction of the Majority Preferred Shareholders, may redeem the Initial Facility in full in connection with an Optional Principal Prepayment 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 Initial Facility and in respect of the Issuer's expenses. In addition, unless a replacement Refinancing is occurring, an Optional Principal Prepayment could require the Portfolio Advisor to liquidate certain positions more rapidly than would otherwise be desirable, which could adversely affect the amount of proceeds received by the Issuer from sales of such positions.

A Refinancing may occur only at the sole discretion of the Majority Preferred Shareholders pursuant to terms negotiated by the Portfolio Advisor on behalf of the Issuer and agreed to by the Majority Preferred Shareholders, and such terms may not be beneficial for the Preferred Shareholders not constituting the Majority Preferred Shareholders. In addition, the Issuer Organizational Expenses permitted to be collected from Preferred Share Purchasers is significantly limited with respect to the funding of the costs of any Refinancing and could limit the ability of the Issuer to complete a Refinancing. A Refinancing will only be effective if the conditions set forth in the PS Issuing and Paying Agency Agreement are satisfied, including that the terms of such Refinancing shall include RREEF or a successor thereto (in each case at its option) acting in the capacity of portfolio advisor, investment manager or similar capacity thereunder, to the extent (in each case) that it shall not have been previously removed as Portfolio Advisor for "cause" (A) pursuant to clause (i) of the definition of "cause" as described in Section 11, "Summary of Principal Terms—Portfolio Advisor—Removal" or (B) otherwise pursuant to the definition of "cause" as described in Section 11, "Summary of Principal Terms—Portfolio Advisor—Removal" where the event or circumstance constituting the basis for such removal continues to be in effect as of the date of such Refinancing or where any damage arising to the Issuer therefrom remains uncured (it being understood that, in the case of any person or persons committing or having direct oversight responsibility for the act or omission constituting the basis for such removal, such person's ceasing to remain an officer, director, manager, trustee, employee or agent of RREEF or a successor thereto shall not, in and of itself, imply that such event or circumstance has ceased to be in effect or that such damage arising therefrom is cured). The Preferred Shareholders other than the Majority Preferred Shareholders have no right to approve or disapprove any Refinancing or the terms thereof. The PS Issuing and Paying Agency Agreement provides that the Preferred Shareholders will not have any rights against any of the Co-Issuers, the Portfolio Advisor, the Portfolio Administrator or the Security Party for any failure to obtain a Refinancing. If a Refinancing is obtained, the Issuer and the Security Party will enter into a Refinancing indenture, with the consent of the Majority Preferred Shareholders and the Portfolio Advisor, and amendments to the other Transaction Agreements to the extent necessary to reflect the terms of the Refinancing and no consent for any such amendment shall be required from any other Preferred Shareholder. No assurance can be given that any such Refinancing indenture or the terms of any Refinancing will not adversely affect Preferred Shareholders.

### **Additional Facility**

The Co-Issuers may enter into additional facilities and issue Additional Preferred Shares subject to the terms of the Transaction Agreements. The net proceeds of such an issuance would be used to purchase additional Collateral Obligations or for other purposes permitted under the Transaction Agreements. 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.

### **Uncertainties Concerning LIBOR**

The Interest Rate on the Facility and the interest rate on most of the Collateral Obligations will be based upon LIBOR and therefore may fluctuate from one interest accrual period to another due to changes in LIBOR. During certain periods, LIBOR has experienced high volatility. Changes in LIBOR will affect the amount of interest payable on the Facility, and will have