

corresponding effects on amounts available for distributions on the Preferred Shares. In addition, any uncertainty in the value of LIBOR, the development of a widespread market view that LIBOR has been manipulated, or any uncertainty in the prominence of LIBOR as a benchmark interest rate due to the recent regulatory reform may adversely affect the value of Collateral Obligations in the secondary market.

Under the terms and conditions set forth in the applicable Facility documentation, a Facility may bear interest at rate other than LIBOR, which could create a divergence between the interest rates borne by the Collateral Obligations and the applicable Facility and could adversely impact distributions on the Preferred Shares.

Interest Rate Risks

The aggregate outstanding principal amount of a Facility may be different from the aggregate Principal Balance of the Floating Rate Obligations. In addition, any payments of principal of, or interest on, Collateral Obligations received during a Collection Period (and, not reinvested during the RIN II Reinvestment Period) will be reinvested in Eligible Investments. There is no requirement that such Eligible Investments bear interest at a floating rate, and the interest rates available for such Eligible Investments are inherently uncertain which may affect the proceeds receive by the Issuer on such Eligible Investments. In addition, there may be a timing or basis mismatch between a Facility and the Collateral Obligations that are Floating Rate Obligations as the interest rate on such Floating Rate Obligations may adjust more frequently or less frequently, and on different dates and based on different indices, than the interest rates on the Facility. 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 a Facility. While the Issuer will be permitted, subject to certain conditions and limitations, to enter into Hedge Agreements to mitigate such risks, there can be no assurance that the Issuer will enter into any Hedge Agreements or that, if entered into, such Hedge Agreements will significantly reduce the effects of any interest rate or timing mismatch described above. Accordingly, there can be no assurance that the Issuer's Assets will be able to generate sufficient Interest Proceeds to make payments on the Facility and distributions on the Preferred Shares, or ensure any particular return on the Preferred Shares. If the Issuer enters into a Hedge Agreement, Deutsche Bank AG, Cayman Branch or an affiliate of thereof may act as the Hedge Counterparty, which may create conflicts of interest. See Section 13, "Conflicts of Interest—General Activities of Deutsche Bank and its Affiliates" and "—Hedge Counterparty Risks" below.

Hedge Counterparty Risks

The Issuer will be 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 connection with the Issuer's Facility and ownership and disposition of the Collateral Obligations, with such hedge counterparties as are directed by the Portfolio Advisor, subject to criteria, limitations and conditions set forth in the applicable Facility documentation. In the event of an insolvency or other default by a Hedge Counterparty, the Issuer will be treated as a general creditor thereof. Consequently, in being a party to any Hedge Agreements, 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. Hedge Agreements also pose risks upon their termination. A Hedge Counterparty may terminate the applicable Hedge Agreements upon the occurrence of certain events of default or termination events thereunder with respect to the Issuer and, in the case of such early termination of any Hedge Agreement, the Issuer may be required to make a payment to the related Hedge Counterparty. The Issuer may also be required to make a payment to the related Hedge Counterparty if the Issuer itself terminates the Hedge Agreement. Any amount that would be required to be paid by the Issuer to enter into, if necessary, a replacement Hedge Agreement will reduce amounts available for payments to holders of the Securities.