

Preferred Shares—Purchase Restrictions". In the event that a Preferred Share Purchaser fails to fund a Contribution, the Issuer will have the right to exercise certain remedies with respect to such Preferred Shareholder. See "—Risks Relating to the Issuer—Uncertainty of Asset Accumulation."

### U.S. Risk Retention Regulations

Section 941 of the Dodd-Frank Act amended the Exchange Act to require the "securitizer" of asset-backed securities to retain at least 5% of the credit risk to the assets collateralizing the asset-backed securities. The U.S. Risk Retention Regulations, effective December 24, 2016 with respect to asset-backed securities collateralized by assets other than residential mortgages, require that the "sponsor" (or a majority-owned affiliate) of asset-backed securities (and the U.S. Risk Retention Regulations and related commentary clarify that the collateral manager of a collateralized loan obligation transaction (such as the Portfolio Advisor) is the "sponsor" of a credit securitization transaction for the purposes of the U.S. Risk Retention Regulations) retain the required 5% of credit risk. It is possible that the rule may reduce the number of collateral managers active in the market, which may result in fewer new issue credit securitization transactions and reduce the liquidity provided by credit securitization transactions to the leveraged loan market and high-yield bond market generally. A contraction or reduced liquidity in the loan or bond market could reduce opportunities for the Portfolio Advisor to sell Collateral Obligations or to invest in Collateral Obligations when it believes it is in the interest of the Issuer to do so, which in turn could negatively impact the return on the Assets. Any reduction in the volume and liquidity provided by credit securitization transactions in the leveraged loan market or high-yield bond market could also reduce opportunities to redeem or refinance the Refinancing Securities. In addition, the U.S. Risk Retention Regulations will impose retention requirements in the event of a Refinancing or re-pricing or additional issuance of Refinancing Securities, which may impair or limit the ability of the Issuer to effect a Refinancing, re-pricing or additional issuance and the Portfolio Advisor may withhold its consent to a Refinancing, re-pricing or additional issuance.

RREEF has informed the Issuer that it intends to satisfy the U.S. Risk Retention Regulations with respect to the Refinancing (if the U.S. Risk Retention Regulations are applicable to the Issuer) by the Retention Holder by (i)(A) purchasing the U.S. Retention Interest with respect to the Preferred Shares on each Preferred Share Issuance Date and (B) purchasing the U.S. Retention Interest with respect to the Refinancing on the Refinancing Closing Date and (ii) holding the U.S. Retention Interest in the manner and for so long as required under the U.S. Risk Retention Regulations. The Retention Holder will also 5% of the Initial Facility commencing on the Initial Facility Closing Date.

While the Portfolio Advisor has determined that its actions and the actions of the Retention Holder will comply with the U.S. Risk Retention Regulations, a regulatory agency with jurisdiction over the Portfolio Advisor may nevertheless, if it examined the actions of the Portfolio Advisor and the Retention Holder in connection with this transaction, determine that such actions, or the disclosures contained herein, do not comply with the U.S. Risk Retention Regulations. If an applicable regulator were to determine that the Portfolio Advisor or the Retention Holder had not satisfied the requirements of the U.S. Risk Retention Regulations in connection with this transaction, it may result in regulatory actions and other proceedings, and any such action may have a material and adverse effect on the business or financial condition, reputation or operations of the Portfolio Advisor, the Retention Holder or their affiliates and thus may have a material and adverse effect on the market value and/or liquidity of the Refinancing Securities.

Subject to the approval of the Portfolio Advisor, the Retention Holder will be permitted to transfer the U.S. Retention Interest if the Portfolio Advisor determines in its sole discretion that such transfer is permitted or required with respect to the Portfolio Manager under the U.S. Risk Retention Regulations and the EU Risk Retention Rules.

On February 9, 2018, the U.S. Court of Appeals for the District of Columbia Circuit ruled in favor of The Loan Syndications and Trading Association in the case of *The Loan Syndications and Trading Association v. Securities and Exchange Commission and Board of Governors of the Federal Reserve System*. The court decided that the credit risk retention rules