

**NAIC/SVO
Credit Tenant Loan Evaluation Form for
Bond Lease Based CTL Submission**

File this form and the required documents to the SVO as an Initial Filing through VISION or with the Regulatory Transaction Advisory Service (“RTAS”) application.

Applicant: (Must be an insurance company lender.) _____

Issue Description: _____

Issuer: _____

Name of Lessee: _____

Lessee’s Senior Unsecured Debt Rating (If available): _____

Rating Source: _____

Name of Guarantor (If applicable): _____

Guarantor’s Senior Unsecured Rating (If available): _____

Rating Source: _____

Contact Person: _____

(Print name and title of Officer who may be called to discuss this transaction.)

Phone Number and email address: _____

The undersigned understands and intends that the SVO will rely on the information contained in this form and the attachments to assign, publish and disseminate an NAIC Designation which will be used by NAIC members to make regulatory decisions.

Applicant: _____

(Name of Insurance Company Lender)

By: _____

(Signature of Contact Person)

Date: _____

Instructions: Your response to these questions should focus on disclosing aspects of the transaction which would tend to deprive the insurance company lender of the benefit of the assigned lease payments.

1. General. In order to induce SVO to evaluate the transaction, the Applicant represents and warrants as follows:

- The attached Lease is a Bond Lease as defined in Part Three of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (the *Purposes and Procedures Manual*).
- The attached Mortgage, Deed of Trust or similar document is valid and binding and creates a first lien on the real property described therein in favor of the Lender/Trustee.
- The attached Assignment of Rents is valid and binding, is irrevocable and perfected and creates a first lien on the Bond Lease and the lease payments thereunder in favor of the Lender/Trustee. The Lender/Trustee is directly collecting such lease payments.

Attach the following documents: (RTAS Applicants submit final or near-final drafts.)

- The Promissory Note, Note Purchase Agreement, Mortgage/Deed of Trust, Bond Lease or other governing document.
 - Lessee's most recent audited financial statements and evidence of rating if available. If the lessee has not previously been rated, attach audited financial statements for the three most recent fiscal years.
 - Executed active and binding Assignment of Rents.
 - A copy of the Lessor's letter to Lessee or other document detailing lease payment instructions.
 - Written evidence from the Lessee certifying that Lessee's obligation to pay rent is in effect, that the Lessee has no defense to payment of rent, and confirmation of the Lessee's obligation to pay rent.
 - If there is a **balloon payment with corresponding refinance risk and/or property exposure**, a copy of the full property appraisal done in accordance with MAI Standards.
- 2. Describe any variation from the definition of Bond Lease, as defined in the *Purposes and Procedures Manual*, and explain.**
- 3. Provide a Diagram of the Transaction. (The diagram should show all parties to the transaction, and associated disbursement and repayment flows.)**
- 4. Provide a Step By Step Description of the Diagram. (Describe legal relationships, cash flows, the sequence of events expected to evolve under the structure, etc.)**

5. Describe the Lessor’s legal and business structure. (Attach additional pages as needed.)
6. To the best of Lender’s knowledge, has this transaction been previously reported on Schedule B of the Statutory Annual Statement?
7. If the transaction involves a leasehold interest created by a ground lease or estate for years, describe the arrangement between the owner of the fee interest, the ground lessee, the ground lessor and the remainderman, if any (specifically whether or not the ground lease or estate for years is terminated pursuant to a foreclosure of the Note (s) or whether all of the ground lease obligations materially match all of the lessee’s obligations under the Lease.

Please provide the following:

- (a) Name and address of Ground Lessor;
- (b) Term of Ground Lease;
- (c) Maximum annual/monthly rent payable to Ground Lessor during loan term;
- (d) All other amounts payable to ground Lessor that are not passed directly to the Lessee; and
- (e) Executed copy of Attornment or other Agreement.

8. Please provide the following document reference information and applicable explanations.

Legal Characteristics of Bond Leases A Bond Lease reflects the following legal characteristics:		
<i>Purposes and Procedure Manual Guidance</i>	<i>Document Section Reference(s)</i>	<i>Explanation, if applicable (e.g. deviation from the guidance)</i>
The lessee is responsible for every obligation related to the leased premises, such as payment of all taxes and utilities, the performance of maintenance, environmental and ground lease obligations (if any) and the obligation that the lessee must indemnify the lessor against losses and claims relating to the leased premises. The lessor’s only obligation may be to provide quiet enjoyment of the premises by the lessee.		
The lessor makes no representations or warranties regarding the condition of the leased premises and the lessee accepts the premises “as is.”		
The lessee has no right to offset or abate rent or to terminate the Bond Lease upon the occurrence of obsolescence, condemnation, casualty or for any other reasons, except that the lessee may terminate the Bond Lease (a) at any time, if the termination coincides with the lessee’s purchase of the leased premises, for an amount at least sufficient to pay the outstanding principal balance and accrued interest; or (b) during a period no longer than the last three years of the lease term without such purchase, in the event of a condemnation and casualty, if the insurance proceeds		

(or self-insurance proceeds) and condemnation awards are payable to the lender/trustee and are in amounts sufficient to pay the loan in full.		
The lessee is not required to occupy the leased premises if the occupant is a subsidiary or affiliate of the credit tenant. In these cases, the SVO may require additional information regarding the strategic importance of the leased premises.		
The lessee may assign and sublease if the lessee remains unconditionally liable for the performance of all lessee obligations.		
The Bond Lease cannot be amended without the lender’s consent.		
The Bond Lease or other relevant document(s) must specifically prohibit a merger of estates.		
Structural Characteristics of Bond Lease Based Transactions A Bond Lease and related documentation reflect the following structural characteristics:		
<i>Purposes and Procedure Manual Guidance</i>	<i>Document Section Reference(s)</i>	<i>Explanation, if applicable (e.g. deviation from the guidance)</i>
Payments under the note, including a balloon payment, correspond to a lease payment due from the lessee pursuant to the Bond Lease that is equal or greater than the note payment. The term “balloon” in the definition is intended to imply only a payment larger than previous payments and does not contemplate permitting transactions with refinance risk.		
Neither the lease payments nor the debt payments need to be level.		
The lessee is required to pay for all expense items.		
The lessee leases 100% of the real property securing the note.		
There is a valid first lien on the real property or the leasehold estate in favor of the lender/trustee.		
There must be in effect a fully executed irrevocable and perfected assignment of lease payments in favor of the lender/trustee and the lender/trustee must be directly collecting lease payments sufficient to fully pay each and every installment of debt service.		
To the extent the credit to be relied upon is that of a guarantor, the guarantee of the lessee’s obligations must be irrevocable and unconditional, and must guarantee performance of all obligations of the lessee under the Bond Lease. The term “guarantor” excludes third-party guarantees for purposes of credit enhancement but is intended to include support arrangements, which in the opinion of the SVO, are entered into as a regular part of the business of the lessee or the group of entities of which the lessee is a part.		
Loan to value is not relevant and therefore not limited. <i>(This guideline does not apply if there is a balloon payment with corresponding refinance risk and/or property exposure.)</i>		

9. Explain each Acceptable CTL Variant (as defined in the *Purposes and Procedures Manual*), if applicable, and include relevant legal document section references:

10. Does the CTL contain any variant to the Bond Lease guidelines other than an Acceptable CTL Variant? (Y/N) If yes, explain:

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