

**NAIC/SVO
Ground Lease Financing (GLF) Transaction Evaluation Form**

**Submit this form & first page of Loan Document to S&P CUSIP for PPN numbers.
Submit this form & the required documents to SVO with RTAS or VISION submission.**

SECTION I – GENERAL INFORMATION

Applicant: (Must be an insurance company lender) _____

**Issue
Description:** _____

Issuer: _____

Ground Lessor

Name of Ground Lessor: _____

Ground Lessee (Space Lessor/Business Operator): _____

Has an RTAS been completed for the Issue?: (Y/N)

Is there a preliminary NAIC Designation for this Issue?: (Y/N)

Preliminary NAIC Designation, if applicable: _____
(Attach Evidence of NAIC Designation, if applicable)

Is there an Eligible CRP Rating for this Issue?: (Y/N)

Each Eligible CRP Rating, if applicable: _____
(Attach Rating Letter(s), if applicable)

The Notes

Is the note funded by the Issue part of senior/subordinated finance structure? (Y/N)

If yes,

- **Is the note a subordinated tranche? (Y/N)**
- **Size of the senior tranche: \$** _____
- **Size of the subordinated tranche(s): \$** _____

Leasehold Mortgage

Is there a leasehold mortgage? (Y/N)

If yes,

- **Is the leasehold mortgage document available for SVO review? (Y/N)**
- **Size of the leasehold mortgage: \$** _____

The Space Tenants

1. Do 3 or fewer space tenants pay, in aggregate, 90% or more of the space lease payment obligations (the “90% Space Tenant(s)”? (Y/N)
2. If yes, do the each of the 90% Space Tenant(s) have an Eligible NAIC CRP rating or can sufficient data be provided to enable the SVO to assign a designation to such space tenant(s)? (Y/N)
3. Do the space leases of each of the 90% Space Tenant(s) each meet the criteria for a Credit Tenant Loan lease in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*? (Y/N)
4. If yes to 1., 2. and 3., provide the following for each of the 90% Space Tenant(s) and answer questions 1 to 4 in “Section III - Space Leases/Business Operations” below. If no, mark N/A

N/A ____

Space tenant 1:

Name: _____
Percent of total space lease payment obligations: _____
Senior Unsecured Debt Rating (or to be given an NAIC Designation): _____
Rating Source: _____
Guarantor (If applicable): _____
Guarantor’s Senior Unsecured Rating (If applicable): _____
Rating Source (If applicable) : _____

Space tenant 2:

Name: _____
Percent of total space lease payment obligations: _____
Senior Unsecured Debt Rating (or to be given an NAIC Designation): _____
Rating Source: _____
Guarantor (If applicable): _____
Guarantor’s Senior Unsecured Rating (If applicable): _____
Rating Source (If applicable): _____

Space tenant 3:

Name: _____
Percent of total space lease payment obligations: _____
Senior Unsecured Debt Rating (or to be given an NAIC Designation): _____
Rating Source: _____
Guarantor (If applicable): _____
Guarantor’s Senior Unsecured Rating (If applicable): _____
Rating Source (If applicable): _____

Contact Person: _____
(Print name and title of officer who may be called to discuss this transaction.)

Phone Number: _____

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 ground lease payments.

SECTION II – GROUND LEASE

1. Is the attached ground lease a Bond Lease (Y/N) or Credit Lease (Y/N) as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P)*, except that the Ground Lessee is not a rated entity, the lessee is not required to occupy the leased premises and except as described and explained in Section II (4), (7) and (8) below.

Bond Lease based Ground Lease

| 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 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. | | |
| 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 [or subordinate lien, in the case of subordinate notes] 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. | | |

Credit Lease based Ground Lease

| Legal Characteristics of Credit Leases A Credit 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 most of the obligations related to the leased premises, such as the payment of taxes and utilities, the performance of maintenance, environmental matters caused by its occupancy and ground lease obligations (if any) and must indemnify the lessor against most losses and claims relating to the leased premises. Any exceptions or other obligations must be addressed through insurance, adjusted debt service coverage ratios or other acceptable mitigants. | | |
| The lessee accepts the leased premises, as evidenced by an estoppel certificate. | | |
| The lessee has limited rights to offset or abate rent | | |

| | | |
|--|--------------------------------------|--|
| related to casualty or condemnation or the failure to perform roof, structural or parking obligations. | | |
| The lessee may assign and sublease if the lessee remains unconditionally liable for the performance of all lessee obligations. | | |
| The Credit Lease cannot be amended without the lender's consent. | | |
| The Credit Lease or other relevant document(s) must specifically prohibit a merger of estates. | | |
| Structural Characteristics of Credit Lease Based Transactions | | |
| A Credit 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 credit lease, except that the loan term may exceed the lease term by not more than six months, and the outstanding principal balance at the end of the lease term shall not exceed 5% of the original loan balance. | | |
| The lessee is required to either directly pay or to reimburse the lessor for primary expense items (e.g., taxes, utilities, maintenance and other operating expenses). | | |
| The lessee leases 100% of the real property securing the note. | | |
| There is a valid first lien [or subordinate lien, in the case of subordinate notes] 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 pay the debt service fully. | | |
| 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 Credit Lease. The term guarantor excludes third-party guarantees for purposes of credit enhancement, but is intended to include support arrangements that 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 balance shall not exceed initial appraised value of the property. An appraisal must be done in accordance with Member of the Appraisal Institute (MAI) standards. The value reported in the appraisal report must proceed from a comparison of each of the (a) cost, (b) comparative and (c) income approaches. | | |

2. General. In order to induce SVO to evaluate the transaction, the Applicant represents and warrants as follows (and where the Applicant cannot represent and warrant due to the existence of an Acceptable CTL Variant, the Applicant shall explain such Acceptable CTL Variant(s) in clause (o) below):

- a. The attached mortgage, deed of trust or similar document is valid and binding and creates a first lien [or subordinate lien, in the case of subordinate notes] on the real property described therein in favor of the lender/trustee.
- b. The attached assignment of leases and rents is valid and binding, is irrevocable and creates a first lien [or subordinate lien, in the case of subordinate notes] on the ground lease and the ground lease payments thereunder in favor of the lender/trustee. The lender/trustee is directly collecting such rents.
- c. Repayments of the note(s) will be made in such a manner that each and every debt payment, including balloon payment(s) (if any), under the note(s) corresponds to a payment under the ground lease that is either equal to or greater than the note payment.
- d. Repayment of the note(s) is tied to the rental payments of the ground lessee which leases 100% of the real property that secures payments of the note(s).
- e. The ground lessee is responsible for each and every obligation related to the leased premises including, but not limited to, the payment of all taxes and utilities, the performance of all maintenance, environmental and ground lease obligations (if any) related to the leased premises, except for landlord obligations which are defined and explained in Section II (3), (6) and (7) below.
- f. The ground lessee has accepted the leased premises as evidenced by an estoppel certificate.
- g. The initial ground lease term will not expire more than 6 months before the maturity of the note(s).
- h. The principal balance remaining unpaid at the end of the ground lease term is 5% of the original loan amount or less.
- i. The ground lessee has no right to abate or offset rent or terminate the ground lease except as set out and explained in Section II (3), (6) and (7) below.
- j. The ground lessee must continue to have unconditional liability to the ground lessor during the term of any sub-tenancy or assignment.
- k. The ground lease or relevant documents prohibit merger of estates.
- l. The ground lease may not be amended or modified without lender's consent.

- m. The following insurance policies have each been purchased from, and Ground Lessee is obligated to maintain such insurance with, a carrier with a rating equivalent of an NAIC Designation of 1.G or higher:
 - i. Casualty insurance in an amount of coverage equal to 100% of the replacement value of the improvements with the fee lender named, along with leasehold lender and others, as the loss payee.
 - ii. If the lessor has the right to abate rent during restoration, rent loss insurance in an amount of coverage equal to at least 12 months of ground rent with the fee lender, along with leasehold lender and others, named as loss payee.
 - iii. General liability insurance in an amount of coverage consistent with industry standards.
 - iv. Special risk condemnation insurance in an amount of coverage equal to the principal amount of the GLF. This policy shall be prepaid for the entire term of the GLF and secured by the fee mortgage.

If any of the insurance or the amount of coverage described above is not included in this transaction, explain how the risk is otherwise mitigated in Section 3. i. below.

- n. Explain each Acceptable CTL Variant (as defined in the P&P), if applicable, and include relevant legal document section references:

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

- a. The note; note purchase agreement; fee mortgage; ground lease; non-disturbance and attornment agreement and other governing documents, each, as applicable.
- b. Written evidence from the ground lessee certifying that the ground lessee has no defense to payment of rent and confirmation of ground lessee’s obligation to pay rent.
- c. Executed, active and binding assignments of leases and rents.
- d. Leasehold mortgage, if applicable and available.
- e. A copy of the ground lessor’s letter to ground lessee or other document detailing lease payment instructions.
- f. Ground Lessee estoppel certificate or other written evidence from the ground lessee certifying (i) that the ground lease is in full force and effect, (ii) whether any amendments

have been entered into, (iii) whether any defaults exist, (iv) that rent has commenced, and (v) the amount of rent.

- g. Copy of appraisal summary page indicating the appraisal value of the property and containing appraiser’s name and certifications done in accordance with MAI Standards. The value reported in the appraisal report must proceed from a comparison of each of the (i) cost, (ii) comparative and (iii) income approach.
- h. Environmental Site Assessment Phase I showing no environmental problems and, if the Phase I report shows a problem or the nature and prior use of the land indicates a substantial likelihood of preexisting environmental contamination, an Environmental Site Assessment Phase II.
- i. Evidence of (i) casualty (ii) if ground lessee has right to abate rent during casualty restoration, rent loss (iii) general liability and (iv) special risk condemnation insurance, including carrier name and premium, deductible, coverage amount and limits.

| Insurance Type: | Document Section Reference(s) | If not include, explain how the risk is otherwise mitigated: |
|---|--------------------------------------|---|
| Casualty insurance in an amount of coverage equal to 100% of the replacement value of the improvements with the fee lender named, along with leasehold lender and others, as the loss payee. | | |
| If the lessor has the right to abate rent during restoration, rent loss insurance in an amount of coverage equal to at least 12 months of ground rent with the fee lender, along with leasehold lender and others, named as loss payee. | | |
| General liability insurance in an amount of coverage consistent with industry standards. | | |
| Special risk condemnation insurance in an amount of coverage equal to the principal amount of the GLF. This policy shall be prepaid for the entire term of the GLF and secured by the fee mortgage. | | |

- j. Evidence of waterfall and flow of funds.

| Waterfall | Is governing document available to SVO? (Y/N) | If yes, document section reference(s) | Explanation, if necessary |
|------------------|--|--|----------------------------------|
| | | | |

| | | | |
|---------------------------------|--|--|--|
| Payments to Ground Lessor | | | |
| Payments to Noteholders | | | |
| Payments to Certificate Holders | | | |

4. Answer the following questions (attach additional pages, as needed):

a. Appraised value of loan security (i.e. land subject to ground lease)
\$ _____

b. Does the ground lessor have any obligations to repair or maintain the premises (roof, structural or parking lot?) Yes__ No__ Explain:

c. Does the ground lease allow for any termination before the expiration of the loan term? Yes__ No__ Explain:

d. Will the condemnation award be used to restore leased premises or to repay the loan? Yes__ No__ Explain:

e. Do the ground lease payments cover the loan payments? Yes__ No__ If any items are not covered, explain:

f. Does the ground lessee pay insurance, utilities, taxes, maintenance and major expenses separately? Yes__ No__ Explain:

g. Is the loan security (land) designated as a separate tax parcel? Yes__ No__

5. Provide a diagram of the transaction. (The diagram should show all parties to the transaction and associated disbursement and repayment flows.)

6. **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.)

7. Describe the legal and business structures for each of the (i) ground lessor and (ii) the ground lessee. Include an explanation of the operational duties of the ground lessee (e.g. borrowing for purposes of improvement, building construction, managing space tenants, etc.) and which duties the ground lessee subcontracts to a third party.

8. Explain additional unique features of the transaction, the risks they present and their mitigants. For example:

- (i) If the ground lessor is also a tenant pursuant to a preceding ground lease for the same land, describe the arrangement and provide: (a) the name and address of the lessor on the preceding ground lease, (b) the term of the preceding ground lease, (c) the maximum annual/monthly rent payable on the preceding ground lease during the loan term, (d) all other amounts payable on the preceding ground lease, (e) an explanation of landlord and tenant responsibilities under the preceding lease and (f) executed copies of the preceding lease and attornment or other agreement, as applicable.
- (ii) If the ground lessor is also receiving financing for its fee interest in the land from a source other than the insurance company lender, describe the arrangement and provide: (a) the name and address of the additional lender, (b) the amount, interest rate, and terms of the loan, (c) the note; note purchase agreement; ground lease; non-disturbance and attornment agreement, the inter-creditor agreement, and other governing documents, each, as applicable, and (d) an explanation of priority of liens.

This list is not exhaustive and the SVO may request additional explanation, information and documentation depending on transaction details. All unique transaction features should be captured in the diagram and description requested in questions 5. and 6. in “Section II- Ground Lease” above.

Miscellaneous

9. To the best of Lender’s knowledge, has this transaction been previously reported on Schedule B of the NAIC Annual Statement? Yes ___ No ___

SECTION III – SPACE LEASES/BUSINESS OPERATIONS

(If you answered “Yes” to each of questions 1., 2., and 3. in “Section I – General Information” above:

- (i) answer questions 1. to 4. below, and*
- (ii) for each of the listed space tenants, attach a separate NAIC/SVO Credit Tenant Loan Evaluation Form for Bond Lease Based CTL or Credit Lease Based CTL submission, as applicable.*

Otherwise, skip to question 5 below.)

1. Appraised value of improvements

\$ _____

2. Loan to value ratio (i.e. loan / value of improvements)
% _____

3. Debt service coverage ratio (i.e. combined space lease rents or business operation cashflows / loan) _____ to _____
Explain: _____

4. Monthly deposit required for lessor maintenance and other items.
\$ _____
Explain _____

5. Is the improvement designated as a separate tax parcel?
a. Yes ___ No ___

6. *Financial Modeling* - If you answered “No” to one of questions 1., 2., and 3. in “Section I – General Information” above, attach the following documents and data, if available, for purposes of determining whether the space leases can be financially modeled by the NAIC Structured Securities Group in partnership with the SVO. Otherwise mark “Unavailable” in b. and move to “Section IV – NAIC CRP Analysis” below:
 - a. Attach the following documents and data on each piece of collateral in the issue, including:
 - i. Statements of income and cash flow, including historical, current operating, and pro forma stabilized and projection;
 - ii. Rent roll information, including tenant, term and renewal options, leased space, rental rate and reimbursements and overages, additional income, etc.; analysis of concentration of tenant in multiple assets;
 - iii. Applicable guarantees of performance, if any, by owner/sponsor, and financial capacity;
 - iv. Appraisals, both formal and “desk top”;
 - v. Engineering reports (Property Condition Assessment);
 - vi. Documentation as to seismic, flood and windstorm risks;
 - vii. Evidence of insurance as to vi. (above) and property, casualty and liability;
 - viii. Franchise agreements, if applicable;
 - ix. Management agreements;
 - x. Electronic loan files (tape, disk, etc.)

 - b. ___ **Financial modeling data is unavailable.**

SECTION IV – NAIC CRP ANALYSIS

1. To assist the SVO in its analysis, attach detailed reports (e.g. pre-sale reports) and other available analytic explanations from each NAIC CRP which has assigned a rating to the GLF transaction, providing the following information, as available:
 - i. Rating rationale
 - ii. Analytic conclusions
 - iii. Overview of transaction structure and analysis
 - iv. Documents reviewed
 - v. Methodology used and explanation of how applied
 - vi. Models used
 - vii. Model assumptions applied and how derived
 - viii. Stress tests results (e.g. cash flow decline, value decline, default timing, and refinance risks) including scenario and sensitivity analysis
 - ix. Summary of data reviewed
 - x. Explanation of legal risks and mitigants