

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

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 responses 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 rental payments.

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

- The attached Lease is a Credit 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 creates a first lien on the Credit Lease and the Lease payments thereunder in favor of the Lender/Trustee. The Lender/Trustee is directly collecting such rents.
- Repayments of the Note(s) will be made in such a manner that each and every debt payment, including balloon payment(s), under the Note(s) corresponds to a payment under the Credit Lease that is either equal to or greater than the note payment.
- Repayment of the Note(s) is tied to the rental payments of the Lessee which leases 100% of the real property that secures payments of the Note(s).
- The Lessee is responsible of 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 below.
- The Lessee has accepted the leased premises as evidenced by an Estoppel Certificate.
- The initial Lease term will not expire more than 6 months before the term of the Note. The principal balance remaining unpaid at the end of the lease term is 5% of the original loan amount or less.
- The Lessee has no right to abate or offset rent or terminate the Credit Lease except as set out and explained below.
- The Lessee must continue to have unconditional liability to the Lender/Trustee during the term of any sub-tenancy or assignment.
- The Credit Lease or relevant documents prohibit merger of estates.
- The Credit Lease may not be amended or modified without Lender's consent.

- There is in place casualty insurance for full replacement value from an insurer having a claims paying ability rating at least equivalent to **NAIC 2** or if the lessee shall be rated at least the equivalent of an **NAIC 2** at the time of origination, self-insurance; provided that if lessee's credit rating shall fall to a category below an **NAIC 2** equivalent, then and in that event, the lessee shall obtain adequate casualty insurance from an insurer having a claims paying ability rating at least equivalent to an **NAIC 2**. Within **90** days of a rating downgrade, insurer shall provide evidence to the SVO that the insurance coverage required hereunder has been obtained.

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

- The Promissory Note, Note Purchase Agreement, Mortgage/Deed of Trust, Credit Lease or other governing document.
 - If the lessee is not assigned a designation of NAIC 2 or better, additional information regarding the strategic importance of the leased premises to the lessee.
 - 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 Assignments 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 Lessee's obligation to pay rent.
 - 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. 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.
 - Lessee Estoppel Certificate.
 - Phase I - Environmental Assessment.
2. **Answer the following questions** (attach additional pages, as needed):

- Does the Lessor have any obligations to repair or maintain the premises (roof, structural or parking lot?) Yes_____No_____Explain:

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- Does the Lease allow for any termination before the expiration of the Loanterm?
Yes____No____Explain:

- If the Lease allows abatement or withholding of rent for any reason, explain. Is there rent loss or rent abatement insurance in place to cover these periods? Yes _____
No____Explain:

- Describe what may happen in the event of condemnation or other governmental taking of all or part of the loan security:

- Will the condemnation award be used to restore leased premises or to repay the Loan?
Yes____No____Explain:

- Do the Lease payments cover the loan payments, insurance, taxes and major expenses? Yes____No____If any items are not covered, explain:

3. General Loan Information:

- Appraised value of loan security

\$ _____

- Loan to value ratio

% _____

- Debt service coverage ratio _____ to _____ Explain:

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

- Is the loan security designated as a separate tax parcel?
Yes _____ No _____

- Has an Environmental Assessment been completed, and if so what type of report (Phase I or II)? Yes _____ No _____

4. **Provide a Diagram of the Transaction.** (The diagram should show all parties to the transaction and associated disbursement and repayment flows.)
5. **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.)
6. **Please Answer the Following Questions:** (Attach additional pages as needed.)

Describe the Lessor's legal and business structure.

If the Lessee or Guarantor does not currently have an NAIC Designation or a rating from an NRSRO (Nationally Recognized Statistical Rating Organization), please attach all materials necessary to assign an NAIC Designation.

Miscellaneous

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

B. 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 Notes(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 long term;
- (d) All other amounts payable to ground Lessor that are not passed directly to the Lessee; and
- (e) Executed copy of Attainment or other Agreement.

Purposes and Procedures Manual Guidance

Please provide the following document reference information and applicable explanations.

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 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 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.		
Neither the rent payments nor the debt payments need be level.		
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 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.		

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

b. Does the CTL contain any variant to the Credit Lease guidelines other than an

Acceptable CTL Variant? (Y/N) If yes, explain:

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