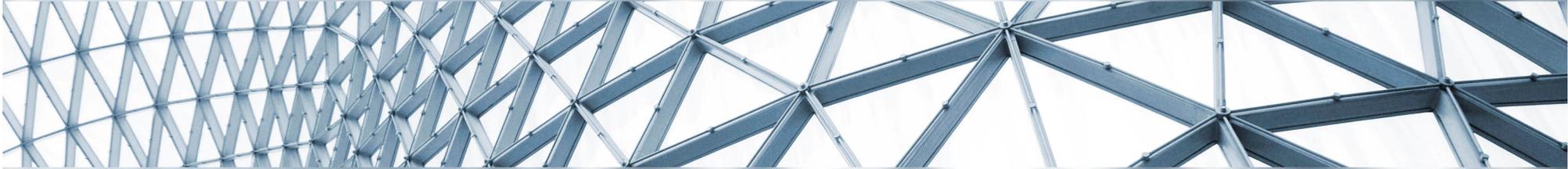


C L I F F O R D
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NET LEASE ASSET BACKED SECURITIZATION: STRUCTURE AND BENEFITS

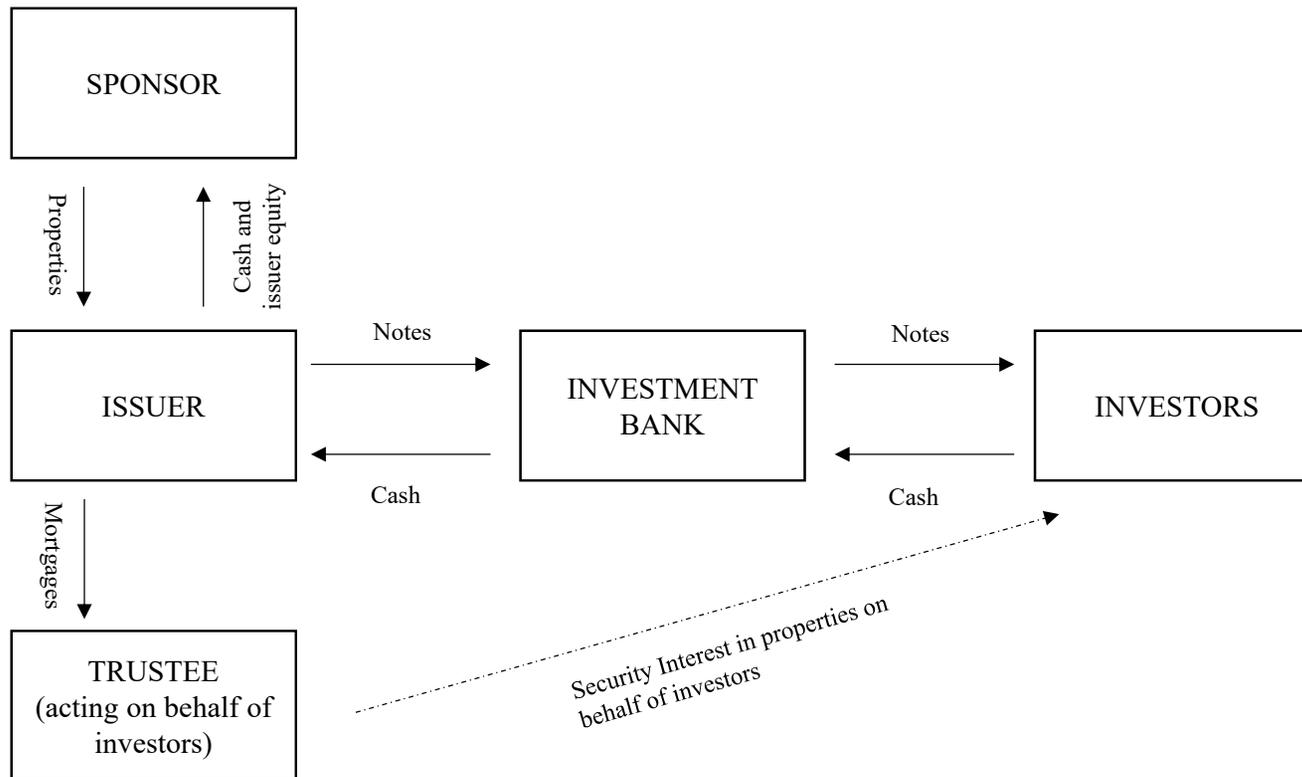
NET LEASE ABS OVERVIEW

A net lease asset-backed securitization, or net lease ABS, provides *long-term, fixed rate, non-mark to market* financing utilizing the following structure:

- A pool of net leased properties are transferred by the securitization sponsor to a newly formed company (the issuer), which is a "special purpose entity" that has no other assets or business activities.
- The issuer creates debt securities (the notes) that represent an entitlement to receive principal and interest payments over time and that are secured by mortgages on the properties and the lease payments made by the tenants.
- The notes are rated by one or more rating agencies (usually "AAA" to "A").
- The notes are sold to investors identified by an investment bank in exchange for cash, and the cash is transferred by the issuer to the sponsor as payment for the properties.
- The sponsor retains ownership of the equity of the issuer, and hence the right to receive all lease payments and proceeds of sales of the properties after the notes have been paid.

STRUCTURE OVERVIEW

Master Trust Structure



STRUCTURE OVERVIEW

(CONTINUED)

Key Structural Features

Master Trust/Direct Debt Structure

- Multiple series of notes may be issued, each cross collateralized with all prior series of notes
- The notes are secured directly by the properties and leases owned by the issuer, and there are no intervening loans as in a typical securitization transaction
- Mortgages are placed on each property and title insurance is obtained

Anticipated Repayment Date (“ARD”)

- “Soft-balloon” payment due on each series’ ARD (typically 7-10 years from closing)
- If the outstanding balance of a class is not repaid in full on its ARD, an early amortization of all outstanding series will occur

Credit Enhancement

- Subordination (senior notes only)
- Overcollateralization
- Debt service coverage ratio (“DSCR”) tests will determine if a DSCR sweep period or early amortization period is in effect

Leverage

- Leverage ratio of “A” rated notes is typically approximately 70%

Fixed Rate Notes

- Notes are traditionally fixed rate to match the underlying leases

Scheduled Amortization

- Minimal to no scheduled amortization required. Amortization can be optimized based on initial leverage and cash flow needs

Voluntary Prepayment

- Subject to certain exceptions, a “make whole” premium generally must be paid in connection with voluntary prepayments of the notes made less than 12-36 months before the ARD

Priority of Payments

- Prior to an early amortization period, available amounts (after payment of expenses) will pay interest on the notes, and then scheduled principal on the notes
- During an early amortization period, all available amounts remaining after paying note interest will be used to repay principal in full on the notes
- A subordinate class of notes that receives payments after the senior class may be issued

MASTER TRUST BENEFITS

Key Benefits of Net Lease ABS Transactions

Form of Financing	Long term non-mark to market financing
Soft Balloon at ARD	Failure to repay outstanding principal on an ARD (typically 7-10 years from closing) results in an early amortization period, but not an event of default; post-ARD interest will accrue
Interest Rate Management	Fixed rate financing; no fixed/floating rate mismatch between underlying leases and notes
Multiple Series of Notes	<p>Additional series of notes may be issued:</p> <ul style="list-style-type: none">• by transferring additional properties to the issuer• to take advantage of appreciation on the existing properties• to refinance an existing series <p>Different series may have different ARDs and hard maturity dates Additional series have significantly lower transaction costs, title fees and mortgage recording taxes than a brand new transaction</p>
Refinancing Flexibility	Prepayment without penalty generally permitted during 12-36 month windows prior to ARD; longer periods may be permissible
Free Call Prepayment Options	Ability to prepay without “make whole” premium up to 35% of the Notes upon the occurrence of certain corporate level deleveraging events that occur not less than 2 years after closing
Collateral Substitution	Ability to release properties and substitute other properties (up to 35% of the collateral pool)
Delayed Tranches	Potential to include a retained class that can be sold to investors at a later date (with a reset rate); benefits include greater issues flexibility in relation to transaction sizing, leverage and timing
Corporate Flexibility	Debt is assumable; change of control flexibilities

YOUR TEAM

NET LEASE ABS

LEAD PARTNERS



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- **The Clifford Chance net lease ABS team has been actively engaged in these transactions since their inception over twenty years ago.**
- **We have a broad range of experience representing both issuers and underwriters.**
- **Our large and well-respected REIT, Funds and Real Estate practices provide the necessary support to our securitization team to enable a full understanding of our clients' broader business needs as well as the nature of the real estate and leases being securitized.**

YOUR TEAM

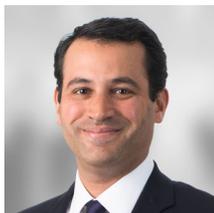
NET LEASE ABS

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