

Article Title: Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria Data: (EDITOR'S NOTE: —On April 1, 2022, we republished this criteria article to make nonmaterial changes. See the "Revisions And Updates" section for details.)

OVERVIEW AND SCOPE 1. These criteria describe S&P; Global Ratings' methodology and assumptions for assessing the isolation of assets from bankruptcy risk, the bankruptcy remoteness of special-purpose entities (SPEs), and additional legal issues relevant to U.S. structured finance transactions, broadly or in relation to transactions backed by certain types of collateral. 2. These criteria apply to all U.S. structured finance transactions and are further complemented by the asset-specific criteria set forth in the appendix of this article. Further, S&P; Global Ratings applies these criteria with respect to the bankruptcy remoteness of SPEs in its analysis of U.S. SPEs in non-U.S. structured finance transactions. 3. In conjunction with these criteria, S&P; Global Ratings generally applies its "Structured Finance: Asset Isolation And Special-Purpose Entity Methodology," published March 29, 2017, and "Structured Finance Criteria Introduced For Cayman Islands Special-Purpose Entities," published July 18, 2002, when legal issues governed by applicable foreign law are relevant to U.S. structured finance transactions. 4. These criteria are not prescriptive. Rather, they are a general approach to our analysis of the legal issues we consider relevant to U.S. structured finance transactions. 5. These criteria fully supersede the criteria articles listed in the Criteria To Be Superseded section at the end of this article. METHODOLOGY AND ASSUMPTIONS Asset Isolation 6. S&P; Global Ratings assesses the extent to which structured finance transactions isolate securitized assets from the transaction parties' bankruptcy risks. Typically, our analysis of a transaction concerns the isolation of the assets from the entity or entities that (i) originate or aggregate the assets and transfer them to an intermediate entity or issuer of securities (issuer) or (ii) serve as an intermediate transferor. We generally categorize these transferor entities as: Code transferors, i.e., non-bankruptcy remote entities that are eligible to be debtors in voluntary or involuntary proceedings under Title 11 of the United States Code, as amended (the Bankruptcy Code); Non-Code transferors, i.e., non-bankruptcy remote entities that are ineligible to be debtors under the Bankruptcy Code, such as banks or insurance companies; or Bankruptcy remote transferors, i.e., entities that we view as bankruptcy remote even though they are eligible to be debtors under the Bankruptcy Code, such as municipalities, public-purpose entities (as defined below), or SPEs. Transfers of assets by Code transferors 7. In structured finance transactions involving Code transferors, S&P; Global Ratings generally considers whether each transfer of assets from a Code transferor is a true sale. 8. To obtain legal comfort that a transfer in a structured finance transaction is a true sale, we typically request a true sale opinion—an opinion to the effect that, in the event of the transferor's bankruptcy, a court of competent jurisdiction would finally determine that the transfer is a true sale such that the assets being transferred and the proceeds thereof are not property of the transferor's bankruptcy estate under section 541 of the Bankruptcy Code and not subject to the automatic stay of section 362(a) of the Bankruptcy Code. 9. S&P; Global Ratings generally does not request true sale opinions regarding open market transfers. We review transfers on a case-by-case basis to determine whether they are open market, and in making this determination we generally consider whether: The transfer is an arm's length, nonrecourse transfer between unaffiliated entities; The transferor receives payment in full at the time of the transfer; The transferee is purchasing assets from multiple transferors; The transferor does not receive securities issued in the rated transaction as payment; The transferee purchases the assets in question in the ordinary course of its business; The transferor functions as a broker/dealer intermediary such that the transferor never had legal or beneficial title to the assets; and The transfer occurs within a reasonable period of time before the securitization. Depending on the type of transaction under review or other circumstances, we may consider additional factors when determining whether a transfer is open market. Transfers of assets by non-Code transferors 10. While entities such as banks and insurance companies are ineligible to become debtors under the Bankruptcy Code, they may be subject to other forms of insolvency or insolvency-like proceedings. Accordingly, S&P; Global Ratings does not consider these entities to be bankruptcy remote. 11. In structured finance transactions in which Federal Deposit Insurance Corporation (FDIC)-insured banks are transferors, S&P; Global Ratings generally considers whether the FDIC's safe harbor regulation (the Safe Harbor Rule) covers each transfer from such a bank and generally requests an opinion to the effect that: The transaction is

grandfathered under the Safe Harbor Rule, and the FDIC will not reclaim, recover, or recharacterize as property of the receivership estate the financial assets transferred by the FDIC-insured bank; If the transfer is a sale for accounting purposes, the conditions listed under the Safe Harbor Rule have been satisfied, and the FDIC will not reclaim, recover, or recharacterize as property of the receivership estate the financial assets transferred by the FDIC-insured bank; or If the transfer is not a sale for accounting purposes, the conditions listed under the Safe Harbor Rule have been satisfied, and the financial assets transferred by the FDIC-insured bank and the transaction's investors would be entitled to the Safe Harbor Rule's protections for security interests granted in connection with structured finance transactions. 12. With respect to a transfer of assets by an FDIC-insured bank that the Safe Harbor Rule does not cover, S&P; Global Ratings generally considers whether the transferred assets would not be subject to any receivership or conservatorship commenced with respect to the bank. To obtain legal comfort on this issue, we generally request an opinion to the effect that a court of competent jurisdiction would finally determine that the transfer is a true sale such that the assets being transferred and the proceeds thereof are not property of the bank or otherwise subject to the bank's receivership or conservatorship. 13. In structured finance transactions in which non-FDIC-insured banks, insurance companies, or other entities not subject to the Bankruptcy Code are transferors, S&P; Global Ratings considers whether the securitized assets are sufficiently isolated from each transferor such that, as a legal matter, the assets will be available for payment on the rated securities in the event the transferor becomes subject to insolvency proceedings. We may request additional legal comfort, including in the form of legal opinions, on this issue. Transfers of assets by bankruptcy remote transferors 14. In transactions involving bankruptcy remote transferors, including municipalities, public-purpose entities (as defined below), or SPEs that we view as bankruptcy remote (for further guidance on our analysis of bankruptcy remote SPEs, see our discussion of bankruptcy remoteness below), we generally consider whether each transfer by these entities is a (i) true sale or (ii) grant of a first-priority perfected security interest in the assets and the proceeds thereof to the transferee in exchange for a loan. 15. To obtain legal comfort that a first-priority perfected security interest has been granted in a structured finance transaction, we typically request a security interest opinion--an opinion to the effect that the security interest has been granted and perfected under applicable law--and consider whether the applicable transaction parties have made representations and warranties in the transaction documents regarding security interest issues not covered by such an opinion. In circumstances where we determine that only one form of comfort is necessary, however, we typically either request a security interest opinion or consider the presence of representations and warranties regarding security interest issues. 16. Pursuant to Section 303(a) of the Bankruptcy Code, involuntary bankruptcy cases may not be commenced against municipalities, as defined by the Bankruptcy Code, or corporations that are not "moneyed, business[,] or commercial corporation[s]" (public-purpose entities). Both municipalities (upon satisfaction of the additional requirements set forth in Section 109(c) of the Bankruptcy Code) and public-purpose entities may, however, voluntarily file for bankruptcy under the Bankruptcy Code. In order for S&P; Global Ratings to view a municipality or public-purpose entity as bankruptcy remote, we generally request a legal opinion to the effect that the entity would be deemed a municipality or public-purpose entity under the Bankruptcy Code that is ineligible for involuntary bankruptcy. In addition, we generally evaluate the likelihood that such an entity would voluntarily file for bankruptcy. In performing this evaluation, we take into account various analytical considerations, including the entity's need to have access to the financial markets on reasonable terms, the nature of its business, and its ability to control spending or to raise revenues, and, in the case of a municipality, whether it is specifically authorized to file for bankruptcy under state law (and in certain circumstances we may request additional legal comfort, including in the form of a legal opinion, on this issue), the necessity of the services provided to its citizenry, and the purpose of the transaction. Subsequent transfers 17. S&P; Global Ratings applies the asset isolation criteria set forth above to transfers of additional assets to support rated securities following a transaction's closing date. If a true sale opinion delivered at a transaction's closing also addresses subsequent transfers, we generally do not request separate true sale opinions regarding those subsequent transfers when they are made. If, however, a true sale opinion delivered at closing does not address subsequent transfers, and we do not determine that those transfers will be open market or made by entities that we consider to be bankruptcy remote, then

we generally request that an appropriate transaction party provide us prior written notice of any subsequent transfers so that we may review those transfers under our asset isolation criteria set forth herein. Substantive consolidation 18. S&P; Global Ratings generally considers whether each issuer or intermediate SPE, as applicable, may in our view be exposed to the risk of being substantively consolidated with certain transaction parties or other entities upon the bankruptcy of such parties or entities. To obtain legal comfort that substantive consolidation is a reasonably remote risk, we typically request a nonconsolidation opinion--an opinion to the effect that in the event of an entity's bankruptcy, a court of competent jurisdiction would not order the substantive consolidation of the applicable SPE's assets and liabilities with those of the bankrupt entity. 19. S&P; Global Ratings generally requests nonconsolidation opinions with respect to SPEs and those affiliated entities that, as a result of the applicable corporate structure, have decision-making authority over, or a majority economic interest in, the SPEs. Depending on the circumstances, we may also request nonconsolidation opinions between SPEs and certain indirect affiliates (such as affiliates that provide services for SPEs). We generally do not request nonconsolidation opinions with respect to SPEs and entities that we view as bankruptcy remote. 20. If an issuer is a trust, S&P; Global Ratings generally does not request a nonconsolidation opinion with respect to the trust if: The trust's equity is so dispersed that no single equityholder can maintain a controlling position; The trust's controlling equityholder is a bankruptcy remote SPE; or The trust's equity interests are held by third parties unrelated to the transaction participants. 21. We generally do not request nonconsolidation opinions between FDIC-insured banks and their bankruptcy remote SPE subsidiaries. When transactions involve orphan SPEs or entities that are not otherwise subject to the Bankruptcy Code, such as insurance companies, we address the need for nonconsolidation opinions on a case-by-case basis. Bankruptcy Remoteness Of SPEs 22. SPEs are typically used in structured finance transactions to issue securities and to house or pass through the assets backing the securities. The market often refers to these entities as bankruptcy remote because they are structured to minimize the risk that they will voluntarily or involuntarily file for bankruptcy. Bankruptcy remoteness is not a legal term--lawyers generally do not opine as to whether an SPE is bankruptcy remote. Bankruptcy remoteness is also not synonymous with bankruptcy proof because bankruptcy risk can never be completely excluded. The bankruptcy remoteness of an SPE is, in the context of a rating analysis, a matter that S&P; Global Ratings assesses based on our evaluation of the facts and circumstances we consider relevant to a particular transaction. 23. To assess whether an SPE is bankruptcy remote, S&P; Global Ratings generally considers whether the following characteristics are present: Restrictions on objects and powers; Debt limitations; Independent director; Restrictions on mergers or reorganizations; Limitations on amendments to organizational documents; Separateness covenants; and Security interest over assets. S&P; Global Ratings believes that each of these characteristics supports the overall concept of bankruptcy remoteness. Regardless of an SPE's specific organizational structure, our analytic approach considers how, and the extent to which, where relevant, the applicable organizational or transaction documents address these elements. We explain each characteristic in further detail below. 24. Given that bankruptcy remoteness is a matter of opinion and not fact, the presence or absence of any of the above characteristics is not, on its own, determinative of a specific analytic view by S&P; Global Ratings. For example, our analysis as to whether an orphan SPE is bankruptcy remote may differ significantly from our bankruptcy remoteness assessment of an SPE whose shares are held by an operating parent as part of a complex group of companies. 25. In addition, S&P; Global Ratings generally requests a nonconsolidation opinion regarding the SPE and its parent and other applicable entities, if we do not view the parent or such entities as bankruptcy remote, depending on the organizational structure of the SPE and its affiliates (for further information on the circumstances where we generally request a nonconsolidation opinion, see our discussion of substantive consolidation above). Restrictions on objects and powers 26. S&P; Global Ratings generally considers whether an SPE's organizational documents or the applicable transaction documents provide that the entity will not engage in any businesses or activities other than those necessary for, or incidental to, its role in the transaction. Debt limitations 27. Except in the case of multi-use SPEs or master trusts (each discussed below), S&P; Global Ratings generally considers whether an SPE is restricted from incurring additional debt, other than the rated securities or fees, expenses, indemnities, and other performance obligations incurred directly in connection with the

underlying assets or the rated securities, unless the debt is fully subordinated to the existing rated securities or has the same S&P; Global Ratings' rating as the rated securities (unless the additional debt is expressly subordinated) at issuance and at all times thereafter. In either case, we also consider whether the debt is nonrecourse to the SPE or its assets (other than cash flow in excess of amounts necessary to pay the rated securities) and does not constitute a claim against the SPE or its assets in excess of the cash flow pledged for such additional debt. 28. In addition, S&P; Global Ratings generally considers whether, where relevant: The SPE's creditors agree not to initiate bankruptcy proceedings against the SPE and not to join any such proceedings prior to the end of the period that is one year and one day after all the rated securities are paid in full; and Fees, expenses, indemnities, and other performance obligations of the SPE incurred directly in connection with the underlying assets or the rated securities are adequately covered or subordinated to the rated securities. Independent director 29. S&P; Global Ratings generally considers whether an SPE has an independent director or its functional equivalent. In connection with this characteristic, we generally consider whether the SPE's organizational documents or the applicable transaction documents provide that an independent director was not, at the time of its appointment or at any time in the preceding five years: A direct or indirect legal or beneficial owner of the SPE or any of its affiliates, excluding de minimis ownership interests; A creditor, supplier, employee, officer, director, family member, manager, or contractor of the SPE or its affiliates; or A person who controls, whether directly, indirectly, or otherwise, the SPE or its affiliates or any creditor, supplier, employee, officer, director, manager, or contractor of the SPE or its affiliates. 30. S&P; Global Ratings also generally considers whether an SPE's organizational documents or the applicable transaction documents provide that the consent of an independent director or its functional equivalent is required in order for the SPE to: File, consent to the filing of, or join in any filing of a bankruptcy or insolvency petition or otherwise institute insolvency proceedings; Dissolve, liquidate, consolidate, merge, or sell all or substantially all of its assets; Engage in any other business activity; and Amend its organizational documents. In each case, we review whether the independent director or its functional equivalent is required to take into account the interests of the holders of the rated securities when voting on or consenting to the above matters. Restrictions on mergers or reorganizations 31. S&P; Global Ratings generally considers whether an SPE is restricted from engaging in any dissolution, liquidation, consolidation, merger, or asset sale (other than as provided in the relevant transaction documents) for so long as the rated securities are outstanding. Limitations on amendments to organizational documents 32. S&P; Global Ratings generally considers whether an SPE is restricted from amending its organizational documents for so long as the rated securities are outstanding. Separateness covenants 33. S&P; Global Ratings generally considers the extent to which an SPE's organizational documents or applicable transaction documents include separateness covenants designed to provide legal comfort that the SPE will operate as an independent entity and mitigate the risk that a court may order the substantive consolidation of the SPE or apply a similar remedy. Separateness covenants that we typically observe include obligations of the SPE to: Maintain books and records separate from any other person or entity; Maintain its accounts separate from those of any other person or entity; Not to commingle assets with those of any other entity; Conduct its own business in its own name; Maintain separate financial statements; Pay its own liabilities out of its own funds; Observe all corporate, partnership, limited liability company (LLC), or trust formalities and other formalities required by its organizational documents; Maintain an arm's length relationship with its affiliates; Pay the salaries of its own employees and maintain a sufficient number of employees in light of its contemplated business operations; Not guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of others; Not acquire obligations or securities of its partners, members, or shareholders; Allocate fairly and reasonably any overhead for shared office space; Use separate stationery, invoices, and checks; Not pledge its assets for the benefit of any other entity or make any loans or advances to any entity (except as provided in the transaction documents); Hold itself out as a separate entity; Correct any known misunderstanding regarding its separate identity; and Maintain adequate capital in light of its contemplated business operations. 34. If an issuer is a trust, S&P; Global Ratings generally does not consider whether the trust's organizational documents include separateness covenants if the trust's (i) equity is so dispersed that no single equityholder can maintain a controlling position or (ii) controlling equityholder is a bankruptcy remote

SPE. Security interest over assets 35. S&P; Global Ratings generally considers whether an SPE has granted a first-priority perfected security interest in all of its assets and the proceeds thereof to the applicable securities holders or other relevant parties. Entity-specific considerations 36. When reviewing an SPE organized as a limited partnership, S&P; Global Ratings generally considers whether at least one general partner of the limited partnership is also a bankruptcy remote SPE. 37. When reviewing an SPE organized as a LLC, S&P; Global Ratings generally considers whether: The LLC has an independent manager that is (i) a member or non-member SPE or (ii) a natural person. In addition to being restricted from engaging in any dissolution, liquidation, consolidation, merger, or asset sale (other than as provided in the relevant transaction documents) for so long as the rated securities are outstanding, the LLC is also restricted from engaging in any division under applicable law. Upon dissolution of the LLC, or upon other events of default, holders of the LLC's rated securities have the independent ability to retain the collateral and continue to pay scheduled debt service, or to liquidate the collateral in the event the proceeds would be insufficient to repay all amounts due; and To the extent permitted by applicable tax law, the LLC's organizational documents provide that (i) the LLC shall not be dissolved and its affairs shall not be wound up solely upon the withdrawal or termination of a member (other than the last remaining member), and (ii) if the LLC is dissolved, to the extent permitted by law, (a) the LLC's assets shall not be liquidated (except as permitted under the transaction documents) without the consent of 100% of the holders of the rated securities, and (b) the securities holders may continue to exercise all of their rights under the existing security agreements or mortgages and may retain the collateral until the debt has been paid in full or otherwise completely discharged. 38. When reviewing an SPE organized as a trust, S&P; Global Ratings generally considers whether: If the trust is a statutory trust and not a common law trust, the trust's trust agreement restricts the trust from engaging in any dissolution, liquidation, consolidation, merger, or asset sale (other than as provided in the relevant transaction documents) for so long as the rated securities are outstanding; If the trust equity is concentrated in a single holder, the trust documents contain provisions restricting the ability of the equityholder to file the trust into bankruptcy or terminate the trust; and If the trust is issuing debt securities, as opposed to equity or equity-like securities representing undivided ownership interests in the trust where a security interest in favor of the certificate holders is generally not relevant, the trust has granted a first-priority, perfected security interest in the trust assets in favor of its debt holders.

Bankruptcy Remoteness Of Municipalities And Public-Purpose Entities 39. As explained above in our discussion of bankruptcy remote transferors, S&P; Global Ratings may also view municipalities and public-purpose entities as bankruptcy remote. Although these entities are not strictly speaking SPEs, we have observed that they may function as issuers or other intermediate entities in structured finance transactions. When assessing the bankruptcy remoteness of these entities, we generally apply our analysis of bankruptcy remote transferors set forth in paragraph 16 above rather than the bankruptcy remoteness analysis otherwise completed for SPEs.

Bankruptcy Remoteness Of Pre-Existing Entities 40. In order for S&P; Global Ratings to view as bankruptcy remote any pre-existing entity that (i) was not originally formed as an SPE but has been recycled into an SPE or (ii) was formed and has existed for some time as an SPE prior to our consideration of whether it is bankruptcy remote, we generally consider whether the entity, in addition to satisfying our bankruptcy remoteness criteria set forth herein, has no, or has removed or mitigated, prior liabilities as of the transaction's closing date. We generally obtain legal comfort that an entity's prior liabilities, if any, have been removed or mitigated through certification by an officer or other person with sufficient knowledge of the entity's activities or a legal opinion to that effect. Representations we typically observe in certificates regarding prior conduct include: The entity is and always has been duly formed, validly existing, and in good standing in the state of its incorporation and in all other jurisdictions where it is qualified to do business; The entity has no judgments or liens of any nature against it; The entity is in compliance with all laws, regulations, and orders applicable to it and has received all permits necessary for it to operate; The entity is not aware of any pending or threatened litigation; and The entity has paid all taxes and is not involved in any dispute with any taxing authority. 41. In connection with S&P; Global Ratings' assessment of the bankruptcy remoteness of a pre-existing entity, we also generally consider the nature of the entity's activities prior to its use in the transaction we are reviewing. Depending on the nature of those activities, we may seek legal comfort more specifically tailored to such activities (for example, with respect to entities that

previously held real property, we may consider the presence of environmental liabilities). Further, when assessing the bankruptcy remoteness of a pre-existing entity originally formed as an SPE, we generally seek legal comfort that the entity has operated as a bankruptcy remote SPE such that it is not, in our view, exposed to substantive consolidation risk in the form of a nonconsolidation opinion with respect to that entity or a bring-down of such an opinion if previously issued. Bankruptcy Remoteness Of Multiple-Use SPEs And Master Issuers 42. As discussed herein, when assessing the bankruptcy remoteness of an SPE, S&P; Global Ratings generally considers whether an SPE is restricted from incurring additional indebtedness. We may, however, view certain types of additional debt as not affecting an SPE's bankruptcy remoteness, including debt issued by a multiple-use SPE as a series that we view as adequately segregated from existing rated securities. 43. When reviewing transactions utilizing multiple-use SPEs, i.e., an SPE that issues several series of securities backed by separate pools of assets, S&P; Global Ratings generally considers whether: The issuer is structured as a bankruptcy remote SPE; Assets relating to any particular series, including any related proceeds, will be held separate and apart from assets relating to any other series; The issuer's securities, including fees, expenses, and any enforcement expenses, are structured to be incurred and paid on a series-by-series basis; Any swap transaction entered into by the issuer for a series is structured to be separate from any other swap transaction for any other series; The securities holders benefit from a security interest over, or undivided beneficial interests in, the assets specific to each series; The series are not cross-collateralized or cross-defaulted; Each series includes limited-recourse provisions specifying that each series has recourse only to the assets backing that series and is nonrecourse to the other assets of the issuer, and that amounts owed on such series do not constitute a claim against the issuer if the cash flow from the assets backing that series are insufficient to repay the applicable securities in full; To the extent that series securities holders are deemed to have any interest in any assets of the multiple-use SPE dedicated to other series, such holders agree that their interest in those assets is subordinate to claims or rights of the holders of such other series to those other assets and that such agreement constitutes a subordination agreement for purposes of Section 510(a) of the Bankruptcy Code; and The securities holders have agreed not to file, or join in any filing of, or cooperate with or encourage others to file, a bankruptcy petition against the issuer prior to the end of the period that is one year and one day after all of the issuer's obligations are paid in full. 44. When reviewing transactions utilizing master issuers, i.e., an SPE that issues several series of rated securities backed by the same assets, S&P; Global Ratings generally considers whether: The master issuer is structured as a bankruptcy remote SPE; The master issuer's assets are allocated among its series according to a predetermined formula; Each series is payable only from collected amounts allocated to the particular series; and The holders of rated securities issued by the master issuer, (i) in the case of the debt securities, benefit from a security interest granted to the indenture trustee or collateral agent, or (ii) in the case of equity securities, hold undivided beneficial interests in the assets of the trust, in each case subject to the allocation provisions set forth in the transaction documents. 45. S&P; Global Ratings generally considers whether a multi-use SPE's or master issuer's applicable transaction documents provide that the transaction parties will provide us with sufficient prior notice of each issuance by a multiple-use SPE or a master issuer of a new series of securities, regardless of whether we will rate such securities, and the relevant transaction documents and other pertinent information related to that series, so that we may consider whether the terms of the new series alter the transaction structure in a manner that could adversely affect our outstanding ratings on the previously issued securities. Related Legal Issues Tax risk 46. To obtain legal comfort that an issuer in a structured finance transaction would not be subject to any tax liability that may deplete funds available to make payments on the applicable rated securities, S&P; Global Ratings typically requests an entity-level tax opinion to the effect that the issuer would not be subject to federal tax or, in certain circumstances, to state or local tax in applicable jurisdictions. Further, depending on the circumstances, we generally consider whether other tax liabilities may exist in a structured finance transaction, such as withholding tax liability, and we generally request legal comfort that such tax risks do not exist or are otherwise mitigated, including in the form of legal opinions. Third-party lending structures 47. S&P; Global Ratings generally considers whether any relevant legal risks arise from the use of third-party lending arrangements in structured finance transactions, including the risks that an originator under such an arrangement may be found to

not be a true originator or that any loans originated under such an arrangement may be partially or wholly unenforceable. Depending on the circumstances, we generally request legal comfort that such risks do not exist or are otherwise mitigated, including in the form of legal opinions. Additional considerations 48. S&P; Global Ratings generally considers whether the facts and circumstances of each structured finance transaction pose additional legal risks. For instance, if we believe that a transaction has exposure to assignability, recourse, set-off, preference, contract rejection or avoidance, or fraudulent transfer risks, or other risks arising from the bankruptcy or insolvency of a transaction party, we may request additional legal comfort, including in the form of legal opinions, with respect to such issues. Further, we may address particular legal issues relevant to certain types of structured finance transactions in other relevant criteria. Challenges To Structured Finance Transactions 49. It is not possible to fully exclude the risk that a structured finance transaction may face legal challenge. This is not a comment on the quality or type of structuring involved in structured finance transactions, but rather recognition that in certain circumstances a party in interest may seek to challenge the efficacy of a structured finance transaction structure--as could occur with any other financial transaction. Accordingly, a rating assigned by S&P; Global Ratings to a security does not assess the risk that a party may challenge a structured finance transaction structure in court or the effects of such a challenge. Comfort On Legal Issues 50. An S&P; Global Ratings structured finance rating is a forward-looking credit opinion that is based on, among other things, the information and documentation provided by the transaction participants, their legal counsel, and other advisors. In applying our criteria concerning legal risks in U.S. structured finance transactions, we assess the various legal risks that we believe are relevant to our analysis of creditworthiness, asset isolation, and bankruptcy remoteness based on factors including, but not limited to, our review of information, documentation, or legal opinions that we view as relevant to a particular rating. Our general understanding of the relevant legal issues in a given jurisdiction may inform our assessment of the legal issues we consider relevant. We note that legal opinions supporting structured finance transactions are views expressed by lawyers or law firms and are not statements of a conclusive outcome. Legal opinions typically rely on factual assumptions and are limited by qualifications. With legal issues, there always remains the risk that courts or other governmental authorities may interpret or apply the relevant law in a manner inconsistent with our assessment of the legal risks through the application of our legal criteria. A rating we assign to a security does not address the risks that could arise should courts or other governmental authorities seek to interpret or apply the relevant law in a manner inconsistent with our assessment of the legal risks. APPENDIX: ASSET-SPECIFIC CRITERIA SUPPLEMENTS 51. The following criteria describe S&P; Global Ratings' approach to the analysis of unique legal issues that arise in structured finance transactions involving certain types of assets. These criteria apply in addition to our general legal criteria set forth above. Asset-Backed Securities Automobile, recreational vehicle, and marine loans 52. In connection with S&P; Global Ratings' consideration of the grant and perfection of security interests in automobile, recreational vehicle, or marine loan contracts, we typically consider whether each originator has agreed not to transfer possession of the contracts to a third party (other than a securitization trustee, other SPE, or appropriate agent or custodian). In addition, when an originator purchases such contracts from third-party dealers, S&P; Global Ratings typically considers whether the originator has perfected its security interest in the contracts by possession under the Uniform Commercial Code (UCC). 53. If loan contracts purchased from third-party dealers are in electronic form and constitute electronic chattel paper under the applicable state UCC statute, S&P; Global Ratings generally considers whether an originator has perfected its security interest in electronic contracts by control under the UCC. To obtain such legal comfort, we will typically: Review the relevant representations and warranties in the transaction documents regarding the perfection of an originator's security interest in the electronic contracts by control under the UCC; or As we consider appropriate in certain circumstances (such as when a transaction involves an e-vault vendor the procedures of which we have not previously reviewed in connection with a transaction we have rated), request a security interest opinion regarding the perfection of an originator's security interest in the electronic contracts by control under the UCC when 10% or more of the securitized pool consists of electronic contracts purchased from third-party dealers. 54. S&P; Global Ratings also reviews whether the originator represents in the transaction documents that it has obtained a first-priority perfected security interest in

the certificate-of-title collateral underlying the contracts. We generally do not, however, request an amendment of the certificates of title of the underlying assets to reflect the lien of any subsequent secured party. If a collateral pool has significant concentrations of certificate-of-title collateral from a particular state (generally, 10% or more of the total pool of assets for a speculative-grade originator and 20% or more of the total pool for an investment-grade originator), we generally, and on a periodic basis with respect to a particular transaction sponsor or issuer, request an opinion to the effect that, notwithstanding the fact that the certificate of title has not been amended to reflect the lien of any subsequent secured party, the assignment of the originator's security interest in the underlying certificate-of-title collateral has been perfected under state law (or, alternatively, in states where an amendment of the certificate of title is required for perfection, that the certificate was amended) and that the issuer, indenture trustee, or custodian, as applicable, has a first-priority perfected security interest in the certificate-of-title collateral. In addition, if recovery value is given to underlying assets governed by statutes other than state UCC or certificate-of-title laws, S&P; Global Ratings generally requests a security interest opinion with respect to the issuer's or indenture trustee's security interest in the underlying collateral. Trade receivables 55. In connection with S&P; Global Ratings' review of trade receivables transactions, we view set-off as a more particular risk when the applicable receivables arise under long-term contracts. If we determine that the transferor does not have complex and numerous performance obligations under the form of contract or actual contracts included in a collateral pool, then we generally view set-off risk to be sufficiently remote. If, however, we determine that the transferor does have complex and numerous performance obligations under the form of contract or actual contracts, then we will generally consider set-off risk to be mitigated if the applicable obligors have affirmatively waived their set-off rights. 56. Further, in connection with S&P; Global Ratings' review of transactions backed by U.S. government receivables, we generally consider whether the transfer of the receivables was made in accordance with the Federal Assignment of Claims Act, and we may request additional legal comfort, including in the form of legal opinions, on this issue. Equipment leases 57. With respect to the first transaction by an issuer of an equipment lease structured finance transaction, S&P; Global Ratings generally reviews forms of the leases being securitized and the representations and warranties made by the transferor in the transaction documents to determine whether the leases are true leases or finance leases. To the extent the leases are in electronic form, we apply our criteria concerning electronic chattel paper set forth in our discussion of automobile, recreational vehicle, and marine loans transactions herein. 58. If the leases are intended to be finance leases, but it is not readily apparent to S&P; Global Ratings that the leases are finance leases, we generally consider whether the transferor or an applicable transaction party has represented in the transaction documents that the leases are noncancelable and have one or more of the following characteristics: The original term of the lease is equal to or greater than the remaining economic life of the goods; The lessee is bound to renew the lease for the remaining economic life of the goods or is bound to become the owner of the goods; The lessee has an option to renew the lease for the remaining economic life of the goods for no additional consideration or nominal additional consideration upon compliance with the lease agreement; or The lessee has an option to become the owner of the goods for no additional consideration or nominal additional consideration upon compliance with the lease agreement. If the foregoing representations cannot be made, but the issuer nonetheless believes the contracts should be viewed as finance leases, we generally request a legal opinion to the effect that the leases are finance leases. If the issuer cannot provide the foregoing representations or legal opinion, we generally assume that the leases are true leases. If the leases in the transaction are true leases, S&P; Global Ratings generally considers whether the equipment subject to the lease is sold, at the same time as the lease, by the transferor, thereby removing all interest the transferor may have had in the lease. 59. With respect to the equipment underlying the leases, S&P; Global Ratings generally considers whether the transferor has (i) either ownership interests or first-priority perfected security interests in the equipment and (ii) in the case of finance leases, first-priority perfected security interests against the lessees in the appropriate jurisdictions. We also generally consider whether the issuer or indenture trustee has a perfected security interest in the equipment. 60. In addition, if underlying equipment is governed by state certificate-of-title statutes and subject to a true lease, S&P; Global Ratings generally applies its automobile lease legal criteria set forth below. If the leased equipment is governed by state

certificate-of-title statutes but subject to a finance lease, as a general matter, S&P; Global Ratings applies its automobile loan legal criteria set forth above. 61. If recovery value is being given to underlying equipment governed by statutes other than state certificate-of-title laws (for example, computer software subject to copyright under the U.S. copyright law), S&P; Global Ratings reviews whether the appropriate filings have been made (for example, with the U.S. Copyright Office) or other appropriate action has been taken in order for the issuer, indenture trustee, or custodian to obtain a first-priority perfected security interest in the underlying collateral, and, in specific instances, we may request a security interest opinion in connection with such underlying collateral. 62. Further, if underlying equipment secures other liabilities that are not included in an applicable transaction's asset pool, S&P; Global Ratings generally, where relevant to our ratings analysis, requests comfort that the claims arising from such other receivables are subordinate to the claims arising from the receivables included in the applicable asset pool. 63. S&P; Global Ratings also generally reviews a transaction's like-kind exchange (LKE) program procedures to determine if they would, in our view, have any impact on the rated securities, such as by causing the undue release or reduction of the securitized collateral if escrowed funds held under the LKE program are not pledged to the holders of the rated securities. In addition, we may review whether the qualified intermediary set up under a LKE program is bankruptcy remote or, if the qualified intermediary is not bankruptcy remote, request an opinion to the effect that the escrowed funds held by the qualified intermediary would not be found to be part of that entity's bankruptcy estate. Automobile leases 64. In connection with S&P; Global Ratings' analysis of structured finance transactions backed by automobile leases, we review whether the titling trust is a bankruptcy remote entity and whether the leased vehicles are titled in the name of the titling trust. Rental fleets 65. In connection with S&P; Global Ratings' analysis of rental fleet transactions, we generally request legal comfort, including in the form of legal opinions, with respect to whether the lease entered into between each lessor issuer and applicable rental car company or any other lessee is a true lease. To the extent an underlying lease is a true lease, we generally request a memorandum from issuer or underwriter counsel indicating counsel's view as to the expected length of time for the indenture trustee or custodian, as applicable, to obtain possession of the vehicles in the event of the bankruptcy of the rental car company and the rejection to the underlying lease. In addition, we generally request legal comfort, including in the form of a legal opinion, to the effect that the applicable lease payments would not constitute preferential transfers under the Bankruptcy Code. Further, to the extent rental fleet transactions incorporate LKE programs, S&P; Global Ratings generally applies the same legal criteria in reviewing those programs as we do in connection with our review of LKE programs in equipment lease transactions set forth above. Stranded costs 66. In connection with S&P; Global Ratings' analysis of structured finance transactions backed by utility stranded costs, we generally request legal comfort, including in the form of legal opinions, with respect to the following: That the rated securities qualify as securities authorized to be issued under the applicable state statute; That there is no judicial or statutory authority for voter initiatives or that any referenda to overturn the authorizing legislation or the permissible period for such initiatives or referenda has expired; That the state could not repeal or amend the authorizing legislation or take any other action that would substantially impair the rights of the holders of the rated securities unless just compensation is paid to such holders as a result of such impairment; That the applicable qualified rate order (QRO) issued by the applicable regulator (i) has been duly authorized and adopted by the regulatory body, (ii) authorizes the issuance of the rated securities, the transfer of the collected tariff to the issuer, and the imposition of the tariff (and, as applicable, periodic adjustments thereto), and (iii) provides for the irrevocability of the preceding matters; and That under the authorizing legislation, the applicable state regulator is prohibited from reducing, postponing, impairing, or terminating the QRO or the imposition and collection of the tariff. Tobacco settlement revenues 67. In connection with S&P; Global Ratings' review of structured finance transactions backed by tobacco Master Settlement Agreement (MSA) revenues, we generally request legal comfort, including in the form of legal opinions, with respect to the following: That the applicable MSA is a valid, binding, and enforceable obligation of the signatories thereto; That the statute in the relevant state enacted in connection with the MSA constitutes a qualifying statute under the MSA, and is valid, enforceable, and constitutional in all material respects; and That a court would treat the MSA as an executory contract. Trademark license royalties 68. In connection with S&P;

Global Ratings' review of structured finance transactions backed by trademark license royalties, we generally request legal comfort, including in the form of legal opinions, with respect to whether the appropriate intellectual property security agreements regarding the security interests granted with respect to applicable trademarks have been made with the U.S. Patent and Trademark Office.

Structured settlements 69. In connection with S&P; Global Ratings' review of structured finance transactions backed by structured settlements that were not assigned in accordance with the applicable state structured settlement assignment procedures, we generally request legal comfort, including in the form of legal opinions, with respect to the validity of the applicable claimants' assignments of their rights to the periodic payments made under the applicable settlement agreements.

Collateralized Loan Obligations 70. In connection with S&P; Global Ratings' review of transfers made as of the closing date or subsequent to the closing date in collateralized loan obligation transactions that are structured as participations, we generally assess whether the potential risks arising from a seller's continued legal ownership of participated loans have been mitigated. To obtain comfort on this issue, we typically consider whether the applicable master participation agreement or other transaction documents contain certain terms, including agreements by a seller: To hold legal title to the participated loans for the benefit of the issuer; To promptly remit to the purchaser any collections received on the loans after the participation sale date; To exercise the same care in the administration of the loans as it would exercise if it held the loans for its own account; Not to transfer, grant a security interest in, or otherwise encumber any part of the loans; Not to take or refrain from taking, with limited exceptions, any action with respect to the loans other than as previously instructed by the issuer; and To maintain its corporate existence until the participation interests are elevated to assignments.

71. Depending on the applicable transaction structure or other circumstances, S&P; Global Ratings may consider additional factors when analyzing the mitigation of risks arising from a seller's continued legal ownership of participated loans.

Asset-Backed Commercial Paper Programs 72. In connection with S&P; Global Ratings' analysis of asset-backed commercial paper (ABCP) programs, whether each transfer of assets is a true sale or a pledge of assets in exchange for a loan is generally irrelevant in our view because the liquidity facilities supporting these transactions generally cover the automatic stay risk associated with any transferor's bankruptcy. In certain circumstances, however, the nature of an asset transfer is relevant to our legal analysis, such as when the collateral consists of true leases and the risk that those leases may be rejected in a bankruptcy case is not covered by the applicable liquidity facility. When the nature of an asset transfer is relevant to our analysis, we will generally consider whether each transfer in the transaction is a true sale and request true sale opinions with respect to those transfers. In addition, we consider the extent to which an ABCP issuer's ownership of a particular type of asset may expose the issuer to potential liability.

73. To the extent we determine that we require legal comfort that the risk of a preference claim being asserted against an ABCP issuer in the event of a transferor's bankruptcy has been mitigated, we may request one of the following: A certificate from an officer of the ABCP issuer (or its administrator) to the effect that the ABCP issuer has received satisfactory true sale or security interest opinions or that there are satisfactory security interest representations and warranties with respect the applicable transfer (see paragraph 75 below for an example of a form of certificate that we typically observe); A representation as to the satisfaction of the ordinary course of business defense from the transferor and transferee of the applicable transfer (other than the ABCP issuer) in the transaction in the following general form: each of the transferor and transferee represents and warrants as to itself that each remittance of collections by the transferor to the transferee under this transfer agreement will have been (i) in payment of a debt incurred by the transferor in the ordinary course of business or financial affairs of the transferor and the transferee and (ii) made in the ordinary course of business or financial affairs of the transferor and the transferee; A security interest opinion and representations and warranties in the transaction documents regarding security interest issues not covered by such an opinion concerning the creation of a first-priority perfected security interest for the applicable transfer, or as we consider appropriate in certain circumstances, either a security interest opinion or representations and warranties regarding security interest issues; or A true sale opinion with respect to the applicable transfer.

74. S&P; Global Ratings generally does not request legal comfort regarding preference risk where the transferor is an FDIC-insured or state bank. In addition, unless we conclude that an intermediate entity's bankruptcy could affect the holders of the rated commercial

paper, we generally do not consider whether an intermediate entity in an ABCP transaction is bankruptcy remote. Further, we also generally review the documents and contracts under which the assets arise and evaluate whether any legal issues may affect the cash flow available to pay the rated commercial paper. 75. The following is a form of ABCP issuer officer's certificate that we typically observe. [NAME OF CONDUIT] The undersigned, _____, a [title] of [name of conduit administrator], the Administrative Agent for [name of conduit] (the "Issuer"), hereby certifies that to the best of [his] [her] knowledge after due inquiry: (1.)The Issuer has retained the law firm of [name of law firm] ("Counsel") as its legal counsel in connection with [describe transaction] (the "Transaction"). (2.)In connection with the Transaction, Issuer has been advised by Counsel that with respect to each transfer of assets in the Transaction, either: a. Issuer has received a satisfactory legal opinion to the effect that the related transferor has transferred such assets in a "true sale" such that the assets would not be included in the bankruptcy estate of such transferor in the event such transferor became a debtor under the United States Bankruptcy Code, or b. Issuer has received a satisfactory legal opinion or there are satisfactory representations and warranties in the applicable transaction documents to the effect that the related transferee has a first-priority perfected security interest in such assets. Capitalized terms used herein and not otherwise defined have the meanings set forth in the [Agreement]. Date: _____ Name: _____ Title: _____ 76. This paragraph has been deleted. REVISIONS AND UPDATES This article was originally published on May 15, 2019. Changes introduced after original publication: On July 2, 2020, we republished this criteria article to make nonmaterial changes. We updated the contact information and removed text related to the original publication of these criteria. On April 1, 2022, we republished this criteria article to make nonmaterial changes to update contact references. RELATED CRITERIA AND RESEARCH Criteria to be superseded Legal Criteria For U.S. Structured Finance Transactions: Securitizations By Code Transferors, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Securitizations By SPE Transferors And Non-Code Transferors, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Special-Purpose Entities, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Select Issues Criteria, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Criteria Related To Asset-Backed Securities, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Criteria Related To Securities Backed By Residential Mortgage, Home Equity, And Manufactured Housing Loans, Oct. 1, 2006 Legal Criteria for U.S. Structured Finance Transactions: Criteria Related to Commercial Paper Conduits, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Criteria Related To Collateralized Debt Obligations, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Criteria Related To New Asset-Backed Securities, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Criteria Related To Hybrid Asset-Backed Securities, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Appendix III: Revised UCC Article 9 Criteria, Oct. 1, 2006 Legal Criteria: Legal Criteria For U.S. Structured Finance Transactions: Appendix IV: ABCP Officer's Certificate, Oct. 1, 2006 Legal Criteria For U.S. Structured Finance Transactions: Glossary, Oct. 1, 2006 U.S. Trade Receivable Securitization: Offset Risk Under Long-Term Contracts, Jan. 15, 2004 U.S. Legal Criteria for "Recycled" Special-Purpose Entities, Sept. 19, 2002 Related criteria Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017 Principles Of Credit Ratings, Feb. 16, 2011 Structured Finance Criteria Introduced For Cayman Islands Special-Purpose Entities, July 18, 2002