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## Introduction

This is a risk and legal assessment of the proposed upsize of New Silver's RWA-002, a vault initially deployed in 2021 with a debt ceiling of 20mm Dai. The proposed restructuring and upsize was initially [presented to the community](#) by New Silver in November 2022 and leverages a similar [trust indenture](#) setup to that implemented in the November 2022 [BlockTower Credit](#) transaction.

The proposed transaction is presented as a Legacy Legal Resource Asset in accordance with [MIP101: Maker Atlas Immutable Alignment Artifact](#) and [MIP104: Stability Scope Bounded Mutable Alignment Artifact](#).

## Key Transaction Terms

Debt Ceiling

50,000,000 Dai

A 30mm Dai increase to the existing 20mm vault

Stability Fee

7%

Up from 3.5% on the current Drop token. To accrue on a second by second basis consistent with the standard Maker stability fee mechanism

Minimum Structure Subordination

20%

Facilitated by Centrifuge's platform and the Drop/Tin tokens

Eligible Collateral

Residential Mortgages

First-lien Business Purpose Mortgage Loans for non-owner occupied residential properties, secured by Mortgaged Properties

Defaulted Pledged Assets

100% haircut

Immediately if unpaid upon maturity or if interest 60 days delinquent

Termination Date

October 11, 2032

MakerDAO may request redemption through the Tinline protocol at any time

## Executive Summary

New Silver is an online real estate lender with a primary focus on “fix-and-flip” real estate. The company specializes in short term mortgages for non-owner occupied residential properties. New Silver’s customers borrow from the company in order to purchase a residential property, renovate the existing home and sell it in a short time frame for a profit. As with regular mortgage lending, the loans are backed by the property and the borrower must invest their own capital alongside the lender.

For this transaction, New Silver’s special purpose vehicle, NS Pool LLC, will issue Drop (senior) and Tin (junior) tokens through the Centrifuge platform and use the proceeds to purchase a pool of mortgage loans, which will form the Trust Estate. For a more thorough description on the nature of New Silver’s business, please see the background, industry analysis, and asset originator analysis sections of the [original risk assessment](#).

The proposed transaction involves a restructuring of [New Silver’s existing vault](#) (RWA-002) which was initially launched in April 2021. This vault issues Dai against Drop Tokens, which are secured by all money, instruments and other property and rights subject to the lien and security interest of the Indenture (the “Trust Estate”).

The proposed transaction seeks to formalize the existing arrangement with New Silver via a similar [trust indenture](#) setup to that implemented in the November 2022 [BlockTower Credit](#) transaction, and will be implemented by means of NS Drop Ltd, a proposed new subsidiary of the RWA Foundation. For more details, see RWA Foundation

below.

The proposed transaction represents a material improvement over the existing New Silver implementation. Some notable new features include:

- Third-party verification of underlying mortgage loan documents for each asset.
- Legally enforceable covenants.
- Third-party verification of each covenant for asset purchase eligibility.
- Additional covenants and concentration limitations.
- Third-party approval for all activity in the Exchange Agent account.
- Account Control Agreements over the Collateral Accounts.
- Defined underlying asset default criteria and Tinline haircuts.
- Defined asset eligibility criteria.
- Additional Events of Default and remedies for Tokenholders.
- Reduced ambiguity via the use of NS Drop Ltd in the Cayman Islands.
- Online access to loan servicing information for NS Drop Ltd.

Ankura Trust Company will play two roles in connection with the Transactions: (i) Indenture Trustee, pursuant to the Indenture and (ii) Verification Agent, pursuant to the Verification Agent agreement. FCI Lender Services will play the role of Servicer and will be responsible for the collection of payments and the enforcement of specific lenders’ rights.

The Transactions present a number of risks including risks relating to the DROP Tokens, the underlying assets, NS Pool

LLC and the Asset Manager. For more see Risks

below.

## Key Definitions

Asset Manager

New Silver Lending LLC, a Delaware limited liability company.

Blockchain Servicer

Centrifuge Protocol.

Collection Account

The account of NS Pool LLC where collections made by Servicer pursuant to the Indenture are deposited.

DROP Tokens

The senior tokens.

Events of Default

A specific set of circumstances that allow the Tokenholders to demand immediate payment of the principal amount of the Tokens and any unpaid interest. See Events of Default and Remedies

below.

Exchange Agent

New Silver Lending LLC, a Delaware limited liability company

Exchange Agent Account

The account of NS Pool LLC with the Exchange Agent for the conversion of DAI into U.S. Dollars and U.S. Dollars into DAI.

Indenture Trustee

Ankura Trust Company, a New Hampshire limited liability company and chartered non-depository trust company.

Issuer

NS Pool LLC, a limited liability company under the laws of the State of Delaware.

NS Drop Ltd

An exempted company with limited liability under the laws of the Cayman Islands and a wholly owned subsidiary of RWAF.

NS Pool LLC

Issuer of the Tokens.

Pledged Assets

The mortgage loans owned by NS Pool LLC and any additional eligible mortgage loans acquired by NS Pool LLC pursuant to the Mortgage Loan Purchase Agreement.

RWAF

RWA Foundation, an exempted limited guarantee foundation company incorporated in the Cayman Islands with limited liability.

Secured Parties

The Indenture Trustee and Tokenholders.

Servicer

FCI Lender Services, Inc., a California corporation

TIN Tokens

Tokens that are subordinated in priority of redemption and right of payment to the DROP Tokens. Will be subject to reductions in payments of interest and principal resulting from nonpayment of the underlying assets to the full extent of their value before the DROP Tokens may be subject to any such reduction in payments of interest and principal thereon.

Tokens

Collectively, the DROP Tokens and the TIN Tokens.

Tokenholders

Holders of DROP and/or TIN tokens.

Tokenholder Representative

NS Drop Ltd.

Transactions

Capital deployment and return of capital as defined in The Transactions and Flow of Funds below.

Trust Estate

All money, instruments and other property and rights subject to (or intended to be subject to) the lien and security interest of the Indenture for the benefit of the Secured Parties, including, without limitation, the Pledged Assets, the Collateral Accounts and all other property and interests granted to the Indenture Trustee, including all proceeds thereof.

Verification Agent

Ankura Trust Company, a New Hampshire limited liability company and chartered non-depository trust company.

## Documents

Public Documents

- [Asset Management Agreement](#)
- [Exchange Agent Agreement](#)
- [DROP Subscription Agreement](#)
- [Indenture](#)
- [Mortgage Loan Purchase Agreement](#)
- [NS Drop Ltd - Articles of Association](#)
- [Pledge and Collateral Assignment](#)
- [Tokenholder Representative Appointment Letter](#)
- [UCC Financing Statements](#)
- [Verification Agent Agreement](#)

Confidential Documents

- Deposit Account Control Agreements
- Servicing Agreement
- Servicer Direction Letter

Instruction Sets

- [Ratification of Revised Setup](#)

## Transaction Parties

NS Drop Ltd

If Maker Governance approves this proposal, NS Drop Ltd will be formed as part of the implementation of the Transactions. It is anticipated that the RWA Foundation will form NS Drop Ltd as a wholly owned subsidiary of the RWA Foundation. NS Drop Ltd will be incorporated as an exempted company with limited liability under the laws of the Cayman Islands and will be governed pursuant to its memorandum and articles of association.

RWAF is a Cayman Islands Foundation Company limited by guarantee that was formed in September 2021. The entity's first major transaction was the [Huntingdon Valley Bank \(HVB\)](#) transaction, where RWAF sponsored the creation of the RWA Master Participation Trust which is responsible for purchasing loan participations from HVB. Similar to James Asset (PTC) Limited and TACO Foundation, RWAF serves as an entity through which Maker Governance can conduct activity in the "real world."

The RWAF Supervisor votes at general meetings of the foundation. The director functions as any corporate director and its powers and authorities may be limited by the Memorandum and Articles of Association. The Secretary serves as the corporate secretary for RWA Foundation.

Substantive decisions regarding the assets and the overall structure will be, to the extent not delegated to an independent third party in the agreements, made by the director at the direction of DAO resolutions.

#### Tokenholder Representative

In addition to being the signatory on relevant documents, NS Drop Ltd will also serve as the Tokenholder Representative under the Indenture. As the Tokenholder Representative, NS Drop Ltd will have the authority to instruct the Indenture Trustee on specific matters as directed by Maker Governance via DAO resolutions.

#### New Silver

##### About the Asset Manager

Founded in 2018, [New Silver Lending LLC](#) is a technology enabled non-bank lender primarily focused on providing commercial purpose, real estate-backed financing for the United States "fix and flip" sector with a concentration on single-family residential assets. New Silver's proprietary technology speeds up loan origination and underwriting, while using data science to reduce risk. Fix and flip loans allow real estate investors to finance both the purchase and the construction, or in some cases, refinance an existing investment property with sufficient equity. At the time of issuance, New Silver operates in 41 states, with the top 3 states being Florida, Connecticut and Massachusetts. New Silver is licensed as a CFL Lender with the California Department of Financial Protection and Innovation.

New Silver was the first, and is one of the largest real world (RWA) vaults on Maker DAO, having securitized over 50mm DAI in aggregate volume with senior backing from MakerDAO. New Silver has over 2 years of history with MakerDAO with no defaults.

To date, the company originated over \$175mm loans. The company currently manages ~\$70mm in its active loan portfolio. As of the date of issuance, the management team is confident in the continued growth on the single family residential market in the United States, which is continuing to face a historical shortage of over 2mm units. Millions of real estate investors are contributing to closing this gap. Their core business is buying, renovating, and reselling or renting property, and New Silver enables efficient and scalable operations for these small businesses.

##### About the Issuer

NS Pool LLC is a limited liability company under the laws of the State of Delaware and a subsidiary of New Silver Lending LLC. NS Pool LLC was formed specifically for holding the Trust Estate and functioning as the Issuer with respect to the Tokens.

#### Key Team Members

Kirill Bensonoff - Co-founder and CEO. Kirill is a technologist and a serial entrepreneur, having built and sold successful companies in the enterprise IT space prior to New Silver. Kirill is responsible for overseeing the business direction and technology development.

Alex Shvayetsky - Co-founder and Chief Risk Officer. Alex's career spans over 25 years in commercial real estate management and operations. Alex is responsible for overseeing risk and lending practices.

Alexey Shevchenko - CTO. Alexey holds a master's degree in computer science and has been building software for over a decade. Alexey oversees the company's software engineering efforts.

Landon Mizuguchi – CFO. Landon advises the team on planning, analysis, and related matters. Landon's career has encompassed experience with firms such as PayPal (Strategic Finance), Goldman Sachs (Investment Banking) & EY (Transaction Advisory).

James Keegan - Loan Advisor Team Lead. James is an experienced banker, having previously been a commercial lender at DR Bank and at People's United Bank. James oversees the loan advisory team.

John Coury - Head of Capital Markets. John has a wealth of experience in real estate capital markets, having spent his career in private equity houses such as Axiom Capital. John is responsible for helping the company raise capital.

## Fix and Flip Loans

Proceeds of this offering will be used to finance commercial purpose, fix and flip loans (also referred to as bridge or ground up loans, collectively, the "Underlying Assets"). Fix and flip loans allow real estate investors to finance both the purchase and the construction, or in some cases, refinance an existing investment property with sufficient equity.

When a borrower submits a loan request via New Silver's online platform, New Silver makes use of its proprietary technology and data to underwrite the loan in real time, and offers the borrower conditional approval, terms and rates on its web platform. Upon acceptance by the borrower, New Silver orders a third-party appraisal of the property, or performs an in-house valuation using third-party analytics software. The valuation confirms both as-is and after-rehab values. Furthermore, New Silver collects and reviews due diligence information on the borrower and borrowing entity. Upon final approval, a real estate closing with a partner attorney or settlement agent is initiated. The closing company reviews the title and puts together the closing package as required by state regulations.

The loan is always in a first priority position, senior to all other lenders. In most cases, the total loan amount is split into an upfront purchase and a construction reserve. The purchase amount is used to finance the purchase of the property and is advanced at the closing. The construction reserve is held in escrow by the Asset Manager, and is used to reimburse the construction costs.

Underlying Assets are managed by the Asset Manager, and serviced by Servicer. Asset Manager is responsible for management of the construction loan draw process, collections of past due payments, loan workouts, default proceedings, extensions, and other items as specified in the asset management agreement. Loan servicing includes payment collections, payoff requests and calculations, and other items as described in the servicing agreement. An important part of asset management is the management of construction reserves. When a borrower completes a certain amount of construction work, they submit a draw request to the Asset Manager. Asset Manager verifies that the work has been completed using a third-party inspection service. Upon verification, the Asset Manager reimburses the borrower directly for part of the construction that was completed. This process is repeated until all of the construction funds have been disbursed.

At loan maturity or loan refinance, the loan is paid off in full (principal and any outstanding interest).

## Ankura Trust Company

Ankura will play two roles in connection with the Transactions: (i) Indenture Trustee, pursuant to the Indenture and (ii) Verification Agent, pursuant to the Verification Agent agreement.

As Indenture Trustee, Ankura has certain duties, rights and powers under the Indenture that it must exercise when certain events occur. For example, if Ankura becomes aware of an Event of Default (see Events of Default and Remedies

below), it must promptly notify the Tokenholders and follow the courses of action outlined in the Indenture to protect their interests.

As Verification Agent, Ankura will be responsible for performing pre-funding diligence for each new mortgage loan that New Silver originates and seeks to add to the Trust Estate.

As outlined in the procedures listed in Schedule 1 of the Verification Agent agreement, Ankura will review a Loan File containing electronic copies of certain documents provided by NS Pool LLC or Asset Manager for each new mortgage loan. Following review of the Loan File, Ankura will deliver the Verification Agent Confirmation Report to NS Pool LLC and Tokenholder Representative no later than 1 business day prior to the funding.

Finally, Ankura shall possess approval power with respect to withdrawals made by NS Pool LLC from the Exchange Agent Account.

## FCI Lender Services

### Servicing Agreement

Pursuant to the Servicing Agreement and Servicer Direction Letter, FCI Lender Services will act as Servicer in connection with the Transactions. In this role, FCI is responsible for the collection of scheduled payments on all loans. FCI is also responsible for the enforcement of specific lenders' rights of processing demands, supporting foreclosures, and preparing, executing and recording reconveyances or releases.

In the Servicing Agreement, the FCI represents and warrants that it holds all required and applicable federal, state and/or local licenses, certificates and other permits as may be necessary to conduct the activities required by its engagement and that its performance of such services will not conflict with or violate any applicable agreement, law or regulation applicable to it.

### Servicer Direction Letter

Under the Servicer Direction Letter:

- FCI acknowledges that NS Pool LLC has pledged its interests in the mortgage loans serviced under the Servicing Agreement to the Indenture Trustee. As a result, FCI also grants a first priority security interest to the Indenture Trustee in the mortgage loan payments it receives and holds in its segregated trust account. Once such funds have cleared, they are deposited daily per the Servicing Agreement into the Collection Account.
- The Indenture Trustee has the right to perform due diligence with respect to FCI at any time for the purpose of verifying compliance with the Servicer Direction Letter and to confirm FCI's ability to service the mortgage loans.
- FCI will provide NS Pool LLC and Indenture Trustee with loan servicing information via its online portal.
- Upon receipt of a notice of Event of Default under the Indenture from the Indenture Trustee, FCI will follow the instructions of the Indenture Trustee with respect to the mortgage loans, including but not limited to instructions regarding to what account collections should be delivered to.
- The Indenture Trustee has the power to replace the FCI if there is an Event of Default under the Indenture or FCI is found to have breached the Servicing Agreement.

#### Asset Manager Agreement

Pursuant to the Asset Management Agreement, the Asset Manager will be responsible for assisting the Servicer with the performance of certain loan monitoring and administration activities.

According to Section 1 of the Asset Management Agreement, the Asset Manager will assist the Servicer with:

- Facilitating extensions or other modifications of payment terms upon the Servicer's request.
- Assisting Servicer with payoff requests upon Servicer's written request.
- Administering construction holdback amounts relating to each mortgage loan with Construction Holdback Amounts (the "Construction Holdback Loan") in accordance with the Loan Purchase Agreement.
- Tracking and reporting on defaults and cross-defaults applicable to any of the mortgage loans.

The Asset Manager is required to assist with these actions because the Servicer acts as a contractor, wherein the Servicer requires direction from a third party for certain actions.

Section 2 of the Asset Management Agreement provides a list of services that the Asset Manager cannot perform without consent from NS Pool LLC. These include:

- Holding itself out as servicer of the mortgage loans.
- Receiving or otherwise handling collections and/or proceeds on the mortgage loans;
- Making any disbursement of funds to any mortgagor;
- Instituting any enforcement or collection action against any mortgagor; or
- Responding to any legal notice or regulatory inquiry concerning the mortgage loans (except as required by law).

#### Centrifuge Protocol

In order to facilitate the Transactions, NS Pool LLC will partner with Centrifuge Protocol. Centrifuge provides infrastructure that facilitates the decentralized financing of real-world assets natively on-chain, creating a transparent market which allows borrowers and lenders to transact without intermediaries.

Asset pools on Centrifuge are fully collateralized and liquidity providers have legal recourse. Pools for assets on the protocol include mortgages, invoices, microlending and consumer finance. Centrifuge describes its mission as lowering the cost of borrowing for businesses around the world while providing DeFi users with a stable source of collateralized yield that is uncorrelated to volatile crypto markets.

Centrifuge Protocol utilizes smart contracts, [epochs](#) and various systems and software in order to manage the investment and redemption process. For more information and technical details about Centrifuge, see their [website](#).

## The Transactions and Flow of Funds

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For more detail surrounding the technical implementation of the transaction, see the [original technical assessment](#) and any updates provided by Dewiz.

### Capital Deployment

The process for pulling Dai from the vault is as follows:

1. New Silver Lending LLC originates a mortgage loan on balance sheet and sends a package of loan documents to Ankura, including an assignment of mortgage to NS Pool LLC
2. Per Schedule 1 of the Verification Agent Agreement, Ankura verifies the required documents and confirms that the proposed loan meets the covenants as defined in the "Portfolio Criteria" of the indenture
3. New Silver mints an NFT on the Tinline platform representing the loan to be acquired by NS Pool LLC
4. New Silver draws funds from the Maker vault (and/or other Drop/Tin token subscriptions) to the Exchange Agent and provides a Drop token to the designated address
5. Upon approval by Ankura, the Dai is converted to USD by the Exchange Agent and sent to New Silver Lending LLC, completing the sale of the mortgage loan to NS Pool LLC

### Return of Capital

The process for returning Dai to the vault is as follows:

1. When NS Pool LLC receives interest or principal from a mortgage loan, it is deposited into the Collection Account by the Servicer
2. If the deposited proceeds represent a full principal payment of a mortgage loan, NS Pool LLC will send those proceeds to the Exchange Agent within 5 business days, unless there is an Event of Default under the Indenture.
3. For all other proceeds, on the 11th calendar day of January, April, July, and October, NS Pool LLC will send all available funds in the Collection Account to the Exchange Agent, unless there is an Event of Default under the Indenture.
4. Upon approval by Ankura, the USD in the Exchange Agent account is converted into Dai and distributed first to Drop holders who have requested redemption and second to Tin holders who have requested redemption, provided that the required Minimum Tin Percentage is met
5. Any remaining Dai balance is then used to pay down Maker's Drop position

The steps described in Capital Deployment and Return of Capital above collectively constitute the "Transactions."

### Liquidation

In the event of normal operation, when no Event of Default has occurred, Drop tokens in the vault will be redeemed as Dai is received from the Centrifuge protocol as described above under the "Return of Capital" section.

In the event MakerDAO confirms via Governance poll its desire to liquidate all or a portion of its Drop token collateral, the vault will submit an order to redeem the designated Drop tokens with the Centrifuge protocol. When this occurs, all proceeds from interest and principal payments of the pool assets (after the payment of certain fees as described in the indenture) will be used to redeem the Drop tokens. After the redemption request is submitted and until the Drop tokens are fully redeemed, the issuance of new loans from the pool and any distributions to Tin token holders are prohibited.

If an Event of Default (as defined in the Indenture) occurs, the NS Drop Ltd will exercise certain rights and remedies under the Indenture as directed by Maker Governance. For more information, see Events of Default and Remedies

below.

## Portfolio Eligibility Criteria and Covenants

The Indenture and Verification Agent Agreement requires that the Verification Agent confirm compliance with the Portfolio Criteria prior to NS Pool LLC accepting a given asset as collateral. An Event of Default is triggered if any of the portfolio criteria are violated.

The below criteria must be satisfied both prior to and immediately after giving effect to an acquisition of a mortgage loan. In the event any of the below criteria with respect to the mortgage loan portfolio is not in compliance prior to such an acquisition (which situation could occur upon the prepayment or maturity of existing mortgage loans), the degree of



compliance with such criteria shall be maintained or improved after giving effect to such acquisition.

#### Criteria

##### Proposed Threshold

##### 2021 Threshold

##### Maximum Single Loan Exposure

Lesser of 10% of the Portfolio or \$1,000,000

10% of the Portfolio

##### Maximum Single Loan Exceptions

3 Loans > 2.5mm, 11 Loans > 1.0mm

N/A

##### Maximum Single Borrower Exposure

10% of Portfolio if FICO < 650, otherwise 25%

10% of Portfolio if FICO < 650, otherwise 25%

##### Minimum Borrower FICO Score

625

N/A

##### Maximum Single State Exposure

30% of Portfolio

30% of Portfolio

##### Maximum Weighted Average Loan-to-Cost Ratio

87.5%

N/A

##### Maximum Single Loan-to-Cost Ratio

90%

90%

##### Maximum Weighted Average Loan-to-After-Rehab-Value Ratio

75%

N/A\*

##### Maximum Single Loan-to-After-Rehab-Value Ratio

80%

N/A

##### Maximum High Loan-to-After-Rehab-Value Exposure

15% of Portfolio >75% LARV

N/A\*\*

##### Maximum Delinquent Loans at Time of Purchase

0%

N/A

Maximum Extended Loans at Time of Purchase

0%

N/A

Maximum Loan Term

24 months

24 months

Minimum Co-Investor Ratio

N/A

25%

- The 2021 transaction had a maximum weighted average loan-to-value ratio (not loan-to-after-rehab-value) of 85%

\*\* The 2021 transaction had a maximum high loan-to-value ratio (not loan-to-after-rehab-value) soft covenant of 15% of Portfolio > 85% LTV

## Events of Default and Remedies

### Events of Default

Article V of the Indenture contains a list of what qualifies as Events of Default with respect to the Transactions. Such Events of Default are a specific set of circumstances that allow the Tokenholders to demand immediate payment of the principal amount of the Tokens and any unpaid interest. When triggered, Events of Default give Tokenholders the right to take certain actions, such as accelerating the debt or taking legal action.

Section 5.01 of the Indenture contains a list of 18 Events Default, which broadly fall into the following categories:

1. Non-payment: NS Pool LLC fails to make a payment of principal, interest or fees and expenses when they become due.
2. Breach of other obligations: NS Pool LLC or Asset Manager fails to comply with covenants (e.g. Portfolio Criteria) or other agreements signed in connection with the Transactions.
3. Collateral: the Indenture Trustee does not have a first priority perfected security interest in any of the collateral;
4. Bankruptcy: NS Pool LLC files for bankruptcy, or bankruptcy proceedings are initiated against it.
5. Insolvency: NS Pool LLC becomes insolvent or is unable to pay its debts as they come due.
6. Regulatory: NS Pool LLC or the Trust Estate being required to be registered as an "investment company" under the Investment Company Act.
7. Technical: a failure of Centrifuge or the loss of the DAI peg.
8. Merger or consolidation: NS Pool LLC merges or consolidates with another entity without meeting certain conditions set forth in the indenture.

### Acceleration, Rescission and Annulment

As mentioned above, if an Event of Default occurs and is ongoing, the Indenture Trustee can declare the principal of the Tokens to be due and payable, meaning the total amount of such Tokens, along with any accrued and unpaid interest, will become due immediately ("Acceleration").

Under Section 5.02(b) of the Indenture, the Tokenholder Representative can rescind or annul the declaration of Acceleration and its consequences at any time after it has been made, so long as this occurs before a judgment or decree for payment has been obtained by the Indenture Trustee.

Rescission or annulment can only occur under certain conditions, and these conditions are met when NS Pool LLC has paid or deposited with the Indenture Trustee an amount sufficient to pay:

- The total outstanding principal of such Tokens, any accrued and unpaid interest, and all other amounts due if the Event of Default causing such acceleration had not occurred.
- Lawful interest on delinquent interest on the principal amount of the DROP Tokens at the DROP Token rate.

- All unpaid fees and expenses.

In addition to the foregoing, the Tokenholder Representative must determine that all Events of Default, other than the nonpayment of the principal amount of the Tokens that has become due solely due to such Acceleration, have either been cured or waived.

## Remedies

Section 5.04 of the Indenture outlines the potential remedies and the priority of payments if an Event of Default occurs and continues. If an Event of Default has occurred and is ongoing, the Indenture Trustee, upon written direction by the Tokenholder Representative, can take one or more of the following actions:

- Begin legal proceedings for the collection of all amounts currently payable on the Tokens or under the Indenture, enforce any obtained judgment, and collect due monies from NS Pool LLC.
- Initiate proceedings periodically for the complete or partial foreclosure of the Indenture concerning the Trust Estate.
- Utilize any remedies of a secured party under the relevant UCC and take any other appropriate measures to protect and enforce the rights and remedies of the Indenture Trustee and the Tokenholders.

At the direction of the Tokenholder Representative, the Indenture Trustee can liquidate the Trust Estate following an Event of Default. Without such instruction, the Indenture Trustee is required to maintain possession of the Trust Estate and apply the proceeds in accordance with 5.04(b) of the Indenture as if there had been no declaration of Acceleration.

Such preservation of the Trust Estate is the default position, given that an orderly unwinding of the Trust Estate will maximize recovery for Tokenholders. However, the ultimate decision will depend on the particular facts and circumstances which is why the Tokenholder Representative has the authority to order the liquidation of the Trust estate under the Indenture.

## Real Estate Market Update

Beginning in Q1 2020, residential real estate prices in the United States began a sharp and sustained move higher. This was driven by a variety of factors, including low interest rates, stimulative policy from the Federal Reserve and Federal Government, limited supply of new construction, and rapidly changing consumer preference. When the New Silver transaction was launched in April of 2021, the housing market was still experiencing tailwinds from these factors and home prices continued to rise an additional 23% before peaking in June 2022, marking a total increase of 45% since December 2019, according to the S&P/Case-Shiller U.S. National Home Price Index.

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Source: S&P Dow Jones Indices, Federal Reserve Bank of St. Louis

More recently, the housing market has cooled off and is starting to feel the effects of the Federal Reserve's aggressive rate hikes that began early last year: As of July 2023:

- Mortgage rates have now reached nearly 7%, up from less than 3% in 2021.
- As a result, housing affordability (measured as a ratio of median income to median mortgage payment) is at its lowest since 2006/07
- Poor affordability creates poor demand for homes, as evidenced by the MBA Purchase Index (a measure of mortgage applications)
- This poor demand is balanced by poor supply. Existing inventory, already near a 40-year low, has shown weak growth as existing homeowners hesitate to prepay their low interest rate mortgages

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Source: Freddie Mac, S&P Dow Jones Indices, U.S. Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Mortgage Bankers Association of America, National Association of Realtors, [TradingEconomics.com](https://www.tradingeconomics.com)

These market dynamics have led many of the large investment banks to predict that home prices will end the year roughly flat to December 2022 prices. Given that prices have risen modestly since January (which followed 7 months of declines), this implies a shallow retracement through the second half of 2023.

It is important to note that home prices may vary significantly based on specific county, state, and regional trends. Over the past year, the most significant price drops have occurred along the west coast of the United States. California, Oregon, Washington, Nevada, and Idaho have all experienced widespread downward pressure on prices. Conversely, during the same period, the east coast and Midwest have seen steady improvements, with the southeastern region demonstrating the most robust price increases. However, the latest quarterly data indicates a slight reversal of this trend in specific counties of Florida and the northeast. Meanwhile, Texas and the Midwest have helped bolster the national average.

## Risks

The following does not purport to be a comprehensive summary of all of the risks associated with the DROP Tokens. For an extended discussion of risks, see Annex B of the Subscription Agreement. Capitalized terms not defined herein shall have meanings assigned thereto in the Subscription Agreement.

The DROP Tokens are risky and speculative

The DROP Tokens are risky and speculative. As there is no guarantee that an investment will be profitable, buyers should not purchase the DROP Tokens if they cannot afford to lose the entire purchase amount.

Tokenholders will be prohibited from selling or otherwise transferring the Tokens in certain circumstances

No public or private market presently exists or is ever intended to exist for the DROP Tokens. Transfers of the DROP Tokens are subject to restrictions set forth in the Subscription Agreement. As a result of these restrictions on transfer, it may be difficult or impossible to transfer the DROP Tokens to any transferees. Accordingly, a purchase of DROP Tokens should be made only if purchasers can assume the risks of an illiquid investment and purchasers should be prepared to hold the DROP Tokens until they mature. In addition, transfer of the DROP Tokens is subject to obtaining the consent of NS Pool LLC, which may be withheld in NS Pool LLC's sole discretion.

The DROP Tokens are only secured by the Underlying Assets

While NS Pool LLC may hold or acquire an interest securing or guaranteeing any payment obligations owing to Issuer in respect of the Underlying Assets, the DROP Tokens will only be secured by the underlying assets that make up the Trust Estate. If a Payment Obligor defaults, Investors will have no remedy and Issuer will not be obligated to make payments to Investors in respect of the DROP Tokens beyond the payments received by Issuer in respect of the Underlying Assets. Investors will not be able to pursue collection against any Payment Obligor and are prohibited from contacting such persons.

The DROP Tokens are payment dependent on the Underlying Assets

Payments to purchasers in respect of the DROP Tokens depend entirely on payments NS Pool LLC receives in respect of the Underlying Assets. If one or more Payment Obligors fails to make payments on an Underlying Asset in an amount greater than the aggregate value of the TIN Tokens described herein, payments on a purchaser's DROP Tokens may be correspondingly reduced. Similarly, prepayment by NS Pool LLC may result in the DROP Tokens' target maturity and target interest rates not being attained. Upon the occurrence of an event of default with respect to the Underlying Assets, purchasers will have limited or no recourse against NS Pool LLC or the Payment Obligors. In the event of a default on an Underlying Asset where NS Pool LLC exercises any available remedy against the applicable Payment Obligor, there is no assurance that NS Pool LLC will recover sufficient value from the Payment Obligor to transfer amounts to NS Pool LLC necessary to make all payments anticipated in respect of the DROP Tokens, in which case, a purchaser of a DROP Token may receive little, if any, of the unpaid interest and principal payable under the DROP Token.

The DROP Tokens are non-recourse to NS Pool LLC

The DROP Tokens are non-recourse to the funds and accounts of NS Pool LLC and any affiliates and subsidiaries thereof, except to the extent of payments actually received by NS Pool LLC in respect of the Underlying Assets.

Prepayment of Underlying Assets

In certain instances, a Payment Obligor may have the right to prepay all or a portion of the amount due in respect of one or more Underlying Assets at any time. If such Payment Obligor prepays such amounts due, payments on Investor's DROP Tokens may be made earlier than anticipated and Token Purchasers may receive a lower return than if the payment obligation had not been prepaid.

Uncertain Regulatory Guidance

NS Pool LLC operates novel programs that must comply with applicable regulatory regimes. Certain state laws generally regulate interest rates and other charges. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of NS Pool LLC's Underlying Assets. A Payment Obligors' challenge of such laws, or NS Pool LLC's

non-compliance with such laws, may result in losses for NS Pool LLC and the Tokenholders.

#### Exposure to Macroeconomics Events

Defaults on the Underlying Assets may increase as a result of economic conditions beyond the control of NS Pool LLC, including prevailing interest rates, the rate of unemployment, the level of consumer confidence, residential real estate values, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. Interest rates, in particular, will affect the rates at which Payment Obligors may gain access to capital and will directly affect the operating results of, and risks of an investment in, NS Pool LLC.

The Underlying Assets may provide for limited remedies in the event of non-payment

NS Pool LLC, or an affiliate thereof, may employ staff to locate and monitor the status of payments on the Underlying Assets and the receipt of payments on the Underlying Assets, and remedies may be limited in the event of non-payment. To the extent that NS Pool LLC seeks to preserve good will and manage business relationships, it may waive minor breaches by the Payment Obligors, which could adversely impact the amount available to NS Pool LLC to pay amounts due to Tokenholders.

In the event of non-payment with respect to an Underlying Asset, NS Pool LLC could attempt to exercise available remedies to collect amounts due and payable in respect of such Underlying Asset. There is no assurance that NS Pool LLC would recoup the entire amount in default, and NS Pool LLC's ability to collect on Underlying Assets would be subject to, and potentially limited by, applicable law.

The purchase by NS Pool LLC of Underlying Assets, if any, may be recharacterized as loans to Payment Obligors by a court of competent jurisdiction

Under the terms of any purchase agreements or other transfer agreements entered into between NS Pool LLC and the Payment Obligors in respect of the Underlying Assets, the purchase by NS Pool LLC of any Underlying Assets is intended to be a "true sale" and not a loan from NS Pool LLC to the applicable seller, with such seller agreeing to sell and assign, in consideration of their receipt of the applicable purchase price, and NS Pool LLC agreeing to purchase, the specified portion of such seller's future receivables. There is a risk that, in the event that NS Pool LLC becomes subject to proceedings in which the purchase of Underlying Assets is subject to a legal challenge for violating any law of the applicable jurisdiction, a court of competent jurisdiction may recharacterize any purchase of the Underlying Assets as loans from NS Pool LLC to the applicable seller. In such an event, it is likely that the court would declare such loans to be unenforceable, and potentially require NS Pool LLC to repay amounts paid in respect of such loans, which would materially impair NS Pool LLC's ability to make payments in respect of the DROP Tokens.

#### Payment Obligor May Provide Limited Data

The Payment Obligor may be a business with a limited operational history or a person with a limited credit profile. NS Pool LLC may receive limited information from the Payment Obligor to assess the expected performance and repayment. As such, it may not be possible to estimate the expected long-term performance of NS Pool LLC. There is a risk that Payment Obligors will fail to repay NS Pool LLC, which may result in losses for NS Pool LLC and the Tokenholders.

NS Pool LLC will hold the proceeds of the Underlying Assets in one or more accounts under its control

All amounts collected on the Underlying Assets will be held in the applicable accounts called for under the Indenture and will be under the control of NS Pool LLC but subject to the rights and powers of the Indenture Trustee and Tokenholder Representative. In the event of bankruptcy or insolvency of NS Pool LLC, such amounts may be subject to disposition in accordance with court orders or other directives which may impact the amount available for payment to Investors in respect of the DROP Tokens.

A portion of the Underlying Assets corresponding to the DROP Tokens may not have been generated or acquired by NS Pool LLC as of the issuance of the DROP Tokens

Proceeds of the Underlying Assets in existence as of the date of issuance of the DROP Tokens that are fully paid and satisfied may be reinvested to fund the generation of additional Underlying Assets during the term of this Agreement. As a result, payment on the DROP Tokens may depend in part on collection by NS Pool LLC of payments on Underlying Assets that have not yet been generated when the DROP Tokens are initially issued.

NS Pool LLC could be subject to governmental action to enforce rules and regulations governing the DROP Tokens

While NS Pool LLC will use all commercially reasonable efforts to comply with all laws, including federal, state and local laws and regulations, there is a possibility of governmental action to enforce any alleged violations of laws governing the operation of NS Pool LLC, which may result in legal fees and damage awards that would adversely affect such entities.

#### General operational and technology risks

NS Pool LLC is exposed to the risk that external parties on whom NS Pool LLC relies will be unable to fulfill their contractual obligation(s) to NS Pool LLC. For example, NS Pool LLC relies on the Tink protocol to process numerous aspects of the

Transactions. In the event that the Tinline Protocol ceases to function as expected or is subject to cyber-attacks, NS Pool LLC's ability to perform some or all of the transactions contemplated in connection with the Offering may be delayed or impaired. NS Pool LLC may also be subject to risk of fraud or operational errors by its respective employees and agents.

#### Asset Selection Risk

NS Pool LLC may use proprietary pricing and asset selection algorithms in order to select Underlying Assets for investment. Such algorithms may rely primarily on technical, systematic strategies that do not take into account factors external to characteristics of the Underlying Assets and Payment Obligors. As a result, there is a risk that poor asset selection may result in losses for NS Pool LLC and the Tokenholders.

#### Bankruptcy Risk

Although NS Pool LLC will be investing through bankruptcy-remote vehicles established by NS Pool LLC Parent, there remains a risk that the bankruptcy of an NS Pool LLC Parent or NS Pool LLC could negatively impact the performance of the Underlying Assets.

#### Third Party Asset Originator Risk

NS Pool LLC may invest in Underlying Assets that are originated by a third party Asset Originator. NS Pool LLC could be subject to additional fees and expenses. As a result, NS Pool LLC, and indirectly the Investors, may bear multiple layers of fees, which, in the aggregate, may exceed the fees and allocations that would typically be incurred by a direct investment with such Asset Originator. In addition, it is possible that NS Pool LLC, and indirectly the Investors, may pay fees to Asset Originators during periods when NS Pool LLC and the Investors incur losses. DROP Tokens will also be responsible for their pro rata share of any expenses associated with such investments.

#### Reliance on Asset Origination and Servicing

Tokenholders may be dependent on NS Pool LLC's ability to provide origination of and servicing for the Payment Obligors. If NS Pool LLC fails to provide adequate origination & services, Tokenholders could be subject to losses. In the event of a system outage, including the failure of NS Pool LLC's API, Tokenholders could be subject to losses. In the event of a bankruptcy by NS Pool LLC, Tokenholders may be reliant on a bankruptcy-remote vehicle to continue to service the Underlying Assets. There is a risk that the bankruptcy-remote vehicle will not have a backup servicer in place or the backup servicer will fail to adequately service those Underlying Assets.

#### Net Asset Valuation Risk

Since the Underlying Assets held by NS Pool LLC may not be market priced instruments and may not be tradeable, such valuation may not represent the aggregate amount of proceeds to which Tokenholders are entitled. Rather, NS Pool LLC (and thus the Tokenholders) is entitled only to distributions of payments of interest of the Underlying Assets, as actually paid, less expenses charged to the Tokenholders by NS Pool LLC. If a Tokenholder is permitted to transfer its Interests, any such valuation of the Underlying Assets may or may not be applicable for the purposes of selling such Interests.

Undetected errors or failures in our software could result in a complete loss or theft of capital; Tinline has not completed a financial audit of its code

Because our software solution is complex, it may contain errors that have not been detected. While we continually test our products for errors and we have bug bounty programs to reward external developers for their help in finding errors, there can be no assurance that our software is error free. Errors in our software may be found in the future. Detection of any significant error may result in, among other things, a complete loss or theft of the total amount of capital locked in Tinline. In addition, while the Tinline protocol has successfully completed multiple third-party security audits of its code base, it has not completed a financial audit of its code base. There is a risk that the coded formulas contain mistakes or errors that could result in the loss of capital for Investors.

#### Asset Originator has indemnification obligations under the Mortgage Loan Purchase Agreement

Under the mortgage loan purchase agreement, Asset Originator has made certain representations and warranties with respect to each Underlying Asset it sells to NS Pool LLC. If any of these representations or warranties are breached then Asset Originator will be responsible for any claims, losses, damages, penalties, fines, forfeitures, reasonable legal fees and judgments and related court costs, and any other reasonable costs, fees and expenses incurred by NS Pool LLC in connection with such breach. In the event that Asset Originator cannot meet its indemnification responsibilities under the mortgage loan purchase agreement, then NS Pool LLC may face additional expenses that could materially impact its ability to meet its economic obligations.