



Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

11-30-2009

Form of Certification as to TALF Eligibility for Newly Issued CMBS

Federal Reserve System: Federal Reserve Bank of New York

<https://elischolar.library.yale.edu/ypfs-documents/8453>

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ypfs@yale.edu.

**Disclosure to be included in any offering document in order for securities
to be TALF-eligible¹**

**Certification as to TALF Eligibility
for Newly Issued CMBS**

The issuer² and the sponsor³ (collectively, “we”) hereby certify that:

1. We have reviewed the terms and conditions of the Term Asset-Backed Loan Facility (“TALF”) provided by the Federal Reserve Bank of New York (“FRBNY”). Terms used below that are defined or explained in such terms and conditions, or in FAQs or other interpretative material issued by the FRBNY, shall have the meanings provided in such terms and conditions, FAQs or other interpretative material (such terms and conditions, FAQs or other interpretative material, the “TALF Rules”).

2. After due inquiry by our appropriate officers, agents and representatives, we have determined that the securities offered hereby [designated as Class []], CUSIP #: []] constitute eligible collateral under TALF. In particular:

- The securities are U.S. dollar-denominated, cash (that is, not synthetic) commercial mortgage-backed pass-through securities (each a “CMBS”) issued on or after January 1, 2009 that have (or have been provided on a preliminary basis, expected to be confirmed no later than the closing date) a credit rating in the highest long-term investment-grade rating category from at least two TALF CMBS-Eligible Rating Agencies and must not have a credit rating below the highest investment-grade rating category from any TALF CMBS-Eligible Rating Agency. Such ratings were obtained without the benefit of any third-party guarantee and no TALF CMBS-Eligible Rating Agency has placed the CMBS on review or watch for downgrade.
- The CMBS entitles its holders to payments of principal and interest (that is, the CMBS is not an interest-only or principal-only security).
- The CMBS bears interest at a pass-through rate that is fixed or based on the weighted average of the underlying fixed mortgage rates.
- The CMBS is not junior to other securities with claims on the same pool of loans.
- The issuer of the CMBS is not an agency or instrumentality of the United States or a government-sponsored enterprise.

¹ [Form should be included in preliminary offering document but unsigned; signed version should be included in final offering document.]

² The term “issuer” refers to the depositor.

³ The term “sponsor” refers to the sponsor that is affiliated with the depositor.

- The CMBS is cleared through The Depository Trust Company.
- The CMBS evidences an interest in a trust fund consisting of [a] fully-funded, first-priority mortgage loan[s] that [is][are] current in payment at the time of securitization, and not other CMBS, other securities or interest rate swap or cap instruments or other hedging instruments. If the trust fund contains a participation or other ownership interest in such a loan, then, following a loan default, the ownership interest is senior to or pari passu with all other interests in the same loan in right of payment of principal and interest. [The][Each] mortgage loan is a fixed-rate loan. [The][Each] mortgage loan does not provide for interest-only payments during any part of its remaining term.
- The security for [the][each] mortgage loan includes a mortgage or similar instrument on a fee or leasehold interest in one or more income-generating commercial properties. Each property is located in the United States or one of its territories.
- All or substantially all (defined as at least 95% of the dollar amount) of the credit exposures underlying the CMBS are exposures that were originated by U.S.-organized entities or institutions or U.S. branches or agencies of foreign banks.
- [The][Each] mortgage loan was originated on or after July 1, 2008.
- [The][Each] mortgage loan was underwritten or re-underwritten recently prior to the issuance of the CMBS, generally on the basis of then-current in-place, stabilized and recurring net operating income and then-current property appraisals.
- The [pooling][trust] and servicing agreement and other agreements governing the issuance of the CMBS and the servicing of its assets contain provisions to the following effects:
 - (a) if the class of the CMBS is one of two or more time-tranched classes of the same distribution priority, distributions of principal must be made on a pro rata basis to all such classes once the credit support is reduced to zero as a result of both actual realized losses and “appraisal reduction amounts”;
 - (b) control over the servicing of the assets, whether through approval, consultation or servicer appointment rights, may not be held by investors in a class subordinate to the CMBS once the principal balance of that class is reduced to less than 25% of its initial principal balance as a result of both actual realized losses and “appraisal reduction amounts”;
 - (c) a post-securitization property appraisal may not be recognized for any purpose under such agreements if the appraisal was obtained at the demand or request of any person other than the servicer for the related mortgage loan or the trustee; and

(d) the mortgage loan seller has represented that, upon the origination of each mortgage loan, the improvements at each related property were in material compliance with applicable law.

- The securities are not subject to an optional redemption other than a customary clean-up call (as defined in the TALF Rules).

3. Pursuant to the TALF Rules, the independent accounting firm that is performing certain procedures for the benefit of the FRBNY in connection with this offering is required, in certain circumstances where fraud or illegal acts are suspected to have occurred, to make reports to the TALF Compliance fraud hotline. We hereby provide our consent to such accounting firm to make such reports and waive any client confidentiality provisions we would otherwise be entitled to under applicable law, rules of accountant professional responsibility or contract.

4. We understand that purchasers of the CMBS that are affiliates of either the originators of assets that are securitized in this offering or the issuer or sponsor of this offering will not be able to use these securities as TALF collateral.

5. We hereby undertake that, until the CMBS is retired, we will issue a press release and notify the FRBNY and all registered holders of the CMBS if we determine that the statements set forth in Item 2 above were not correct when made or have ceased to be correct. We will issue such press release and make such notification no later than 9:00 a.m. on the fourth business day after we make such determination; provided that we undertake to provide same business-day notice of any change in credit rating issued by any TALF CMBS-Eligible Rating Agency (including any change in the final rating compared to a preliminary rating) that occurs after pricing of this offering and on or prior to the closing date.

6. We hereby undertake that, until the maturity of the securities offered hereby, we will provide, as promptly as practicable, upon the request of the FRBNY, copies of (i) the Governing Documents for the securities and (ii) the servicer and/or trustee reports or any other similar reports provided or made available to investors in connection with the securities issued. Governing Documents include the instruments and agreements (including any indenture, pooling and servicing agreement, trust agreement, servicing agreement, other similar agreement and other operative document), however denominated, pursuant to which the securities were issued, the assets backing such securities are serviced and collections on such assets are applied, remitted and distributed.

7. We hereby represent and warrant to the FRBNY and TALF LLC that (i) this [prospectus][offering memorandum][offering circular] and (ii) this [prospectus][offering memorandum][offering circular], when taken as whole together with all information provided by us or on our behalf to any nationally recognized statistical rating organization in connection with this offering, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

8. We acknowledge that the FRBNY and TALF LLC (in accepting the CMBS as collateral), will rely upon this certification and will suffer damages if such certification is incorrect. The sponsor⁴ (and, if required by the terms of the form referred to below, the sponsor's direct or indirect ultimate parent) has executed and delivered to the FRBNY an undertaking, in the form prescribed by the FRBNY, under which the sponsor (and, if applicable, its direct or indirect ultimate parent) has agreed to indemnify FRBNY and TALF LLC and their respective affiliates against losses incurred or suffered by them arising out of any misrepresentation or breach of warranty made or to be performed by us in this certification.

9. We hereby jointly and severally agree that, should the CMBS be pledged to the FRBNY under the Master Loan and Security Agreement established under TALF or purchased by TALF LLC and at any time fail to constitute eligible collateral under TALF (provided that, solely for purposes of the foregoing, the only failure to satisfy the ratings eligibility criteria that shall be considered shall be a failure that arises as a result of the final rating on the CMBS, upon issuance, being lower than the required ratings for TALF eligibility, not any subsequent downgrades) under the TALF Rules as in effect at the time the CMBS are issued (a "Warranty Breach"), we shall permit (i) the United States Department of the Treasury ("Treasury") and its agents, consultants, contractors and advisors, (ii) the Special Inspector General of the Troubled Asset Relief Program, and (iii) the Comptroller General of the United States access to personnel and any books, papers, records or other data in our possession, custody or control to the extent relevant to ascertaining the cause and nature of the Warranty Breach, during normal business hours and upon reasonable notice to the Issuer or the Sponsor, as the case may be; provided that prior to disclosing any information pursuant to clause (i), (ii) or (iii), the Treasury, the Special Inspector General of the Troubled Asset Relief Program and the Comptroller General of the United States shall have agreed, with respect to documents obtained under this agreement in furtherance of their respective functions, to follow applicable law and regulation (and the applicable customary policies and procedures, including those for inspectors general) regarding the dissemination of confidential materials, including redacting confidential information from the public version of its reports, as appropriate, and soliciting input from the Sponsor or the Issuer, as applicable, as to information that should be afforded confidentiality. In making this agreement, we understand that Treasury has represented that it has been informed by the Special Inspector General of the Troubled Asset Relief Program and the Comptroller General of the United States that they, before making any request for access or information pursuant to their oversight and audit functions, will establish a protocol to avoid, to the extent reasonably possible, duplicative requests. Nothing in this paragraph shall be construed to limit the authority that the Special Inspector General of the Troubled Asset Relief Program or the Comptroller General of the United States have under law.

[Name of Sponsor]

[Name of Issuer]

By: _____
Name:
Title:

By: _____
Name:
Title:

⁴ The term "sponsor" refers to the sponsor that is affiliated with the depositor.

**FORM OF INDEMNITY UNDERTAKING
FOR NEWLY ISSUED CMBS⁵**

[Do not include this undertaking in the offering document. A copy of signed certification (with the name of the relevant security and CUSIP # included on each page) should be attached to this undertaking and the original undertaking shall be delivered to the FRBNY at the following addresses: FRBNY, TALF Compliance, 33 Liberty Street, New York, NY 10045 and, electronically, to talf.compliance@ny.frb.org.]

The undersigned ([collectively] “**we**”) hereby [jointly and severally] indemnify TALF LLC, the Federal Reserve Bank of New York (“**FRBNY**”), their affiliates and their respective successors and assignees, against, and agree to hold each of them harmless from any and all damage, loss, liability and expense (including reasonable expenses of investigation and reasonable attorneys’ fees and expenses in connection with any action, suit or proceeding whether involving a third-party claim or a claim solely between any of the undersigned and any of them and including any incidental, indirect or consequential damages, losses, liabilities or expenses, and any lost profits or diminution in value) (“**Damages**”) incurred or suffered by TALF LLC, FRBNY, any of their affiliates or any of their respective successors and assignees arising out of any misrepresentation or breach of warranty (each such misrepresentation and breach of warranty a “**Warranty Breach**”) or breach of undertaking made by the undersigned in the “Certification as to TALF Eligibility” (including the description of a redemption option, if any) attached hereto.

The party seeking indemnification hereunder (the “**Indemnified Party**”) agrees to give prompt notice in writing to the party against whom indemnity is to be sought (the “**Indemnifying Party**”) of the assertion of any claim or the commencement of any suit, action or proceeding by any third party (“**Third Party Claim**”) in respect of which indemnity may be sought hereunder. Such notice shall set forth in reasonable detail such Third Party Claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have materially and adversely prejudiced the Indemnifying Party. The Indemnifying Party shall be entitled to participate in the defense of any Third Party Claim and, subject to the limitations set forth below, shall be entitled to control and appoint lead counsel for such defense, in each case at its own expense; provided that prior to assuming control of such defense, the Indemnifying Party must (i) acknowledge that it would have an indemnity obligation for the Damages resulting from such Third Party Claim as provided above and (ii) furnish the Indemnified Party with evidence that the Indemnifying Party has adequate resources to defend the Third Party Claim and fulfill its indemnity obligations hereunder. The Indemnifying Party shall not be entitled to assume or maintain control of the

⁵ [The sponsor that is affiliated with the depositor must sign this Indemnity Undertaking. If such sponsor is a special purpose vehicle, such sponsor’s direct or indirect ultimate parent must also execute this Indemnity Undertaking. In such case, the bracketed phrases shall be included in the Undertaking.]

Name of Class of Security to which the Undertaking relates: _____
CUSIP #: _____

defense of any Third Party Claim and shall pay the fees and expenses of counsel retained by the Indemnified Party if (a) the Indemnifying Party does not deliver the acknowledgment referred to in clause (i) of the preceding sentence within 30 days of receipt of notice of the Third Party Claim, (b) the Third Party Claim seeks an injunction or equitable relief against the Indemnified Party or any of its affiliates or (c) the Indemnifying Party has failed or is failing to prosecute or defend vigorously the Third Party Claim.

If the Indemnifying Party shall assume the control of the defense of any Third Party Claim in accordance with the provisions hereof, the Indemnifying Party shall obtain the prior written consent of the Indemnified Party before entering into any settlement of such Third Party Claim, if the settlement does not expressly unconditionally release the Indemnified Party and its affiliates from all liabilities and obligations with respect to such Third Party Claim or the settlement imposes injunctive or other equitable relief against the Indemnified Party or any of its affiliates. In circumstances where the Indemnifying Party is controlling the defense of a Third Party Claim in accordance with the provisions above, the Indemnified Party shall be entitled to participate in the defense of any Third Party Claim and to employ separate counsel of its choice for such purpose, in which case the fees and expenses of such separate counsel shall be borne by the Indemnified Party; provided that in such event the Indemnifying Party shall pay the fees and expenses of such separate counsel (x) incurred by the Indemnified Party prior to the date the Indemnifying Party assumes control of the defense of the Third Party Claim or (y) if representation of both the Indemnifying Party and the Indemnified Party by the same counsel would create a conflict of interest. Each party shall cooperate, and cause their respective affiliates to cooperate, in the defense or prosecution of any Third Party Claim and shall furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith.

In the event an Indemnified Party has a claim for indemnity hereunder that does not involve a Third Party Claim, the Indemnified Party agrees to give prompt notice in writing of such claim to the Indemnifying Party. Such notice shall set forth in reasonable detail such claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have materially and adversely prejudiced the Indemnifying Party. If the Indemnifying Party does not notify the Indemnified Party within 30 days following the receipt of a notice with respect to any such claim that the Indemnifying Party disputes its indemnity obligation to the Indemnified Party for any Damages with respect to such claim, such Damages shall be conclusively deemed a liability of the Indemnifying Party and the Indemnifying Party shall promptly pay to the Indemnified Party any and all Damages arising out of such claim. If the Indemnifying Party has timely disputed its indemnity obligation for any Damages with respect to such claim, the parties shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved by litigation and each party hereby unconditionally and irrevocably submits itself to the exclusive jurisdiction of the courts of the United States for the Southern District of New York, and appellate courts thereof; provided that, notwithstanding

Name of Class of Security to which the Undertaking relates: _____
CUSIP #: _____

the foregoing, if there is no basis for federal jurisdiction in respect of any such legal action or proceeding or recognition and enforcement action, then each party submits for itself and its property in any such legal action or proceeding or recognition and enforcement action to the exclusive jurisdiction of the courts of the State of New York located in the Borough of Manhattan in New York City, and appellate courts thereof.

EACH PARTY HERETO HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, COUNTERCLAIM, OR CROSS CLAIM ARISING IN CONNECTION WITH, OUT OF, OR OTHERWISE RELATING TO THIS AGREEMENT, THE COLLATERAL, OR ANY OTHER TRANSACTION DOCUMENT, OR ANY TRANSACTION OR AGREEMENT ARISING THEREFROM OR RELATED THERETO.

The respective representations, warranties and indemnities set forth or referred to herein will remain in full force and effect regardless of any investigation made by or on behalf of the FRBNY and its affiliates or any of their respective officers, directors or controlling persons. This undertaking is entered into as of the date of the "Certification as to TALF Eligibility" attached hereto and shall be governed by and construed in accordance with the internal laws of the State of New York.

[Name of Sponsor]

By: _____
Name:
Title:

if applicable: **[Name of Other Applicable Entity Required to Sign]**

By: _____
Name:
Title:

Name of Class of Security to which the Undertaking relates: _____
CUSIP #: _____