1. TRANSACTION SUMMARY

This memorandum evaluates a proposed financing structure for Autonomous Neighborhood Electric Vehicles (ANEVs) intended for first/last mile mobility service supporting rail and other public transportation access. The financing is structured to materially reduce lender exposure by placing payment administration through a utility On-Bill Repayment (OBR) program and requiring the borrower to provide a utility guarantee surety bond covering default risk.

Requested Facility

- Portfolio: $100,000,000 to $500,000,000 - Transfer to ABS Market once fully subscribed
- Loan Amount: $35,000 per ANEV
- Asset Value: $50,000 per ANEV
- Implied Borrower Equity: $15,000 (40% of market asset value, attributable to ITC/economic value)
- Loan-to-Value (LTV): 70%
- Repayment Channel: Utility-administered On-Bill Repayment
- Default Credit Protection: Borrower-funded utility guarantee bond
- Lender Servicing Responsibility: None
- Lender Default Risk: Structurally transferred away from lender through utility administration and bond support

2. CREDIT REQUEST

Approve a senior secured loan facility of $35,000 per unit to finance ANEV assets with the following core characteristics:

- The lender provides capital only
- Payments are collected through a utility bill
- The borrower posts a guarantee surety bond sufficient to cover payment default risk
- The lender does not service the loan, pursue collections, or administer default resolution
- The financed asset serves as secondary collateral support in addition to the bond and utility payment mechanism

3. BUSINESS PURPOSE

The financed asset is an Autonomous Neighborhood Electric Vehicle (ANEV), intended to be used as a small-format, electrically powered, ride-share-enabled mobility asset operating in station-centered zones, generally within approximately two miles of rail or transit hubs.

The economic proposition is that:

1. The vehicle functions as an income-producing transportation asset
2. Revenue is generated from on-demand rides, employer-sponsored transportation, and related mobility service arrangements
3. The asset also has underlying battery/infrastructure value
4. Utility-administered repayment increases payment reliability

4. COLLATERAL AND CAPITAL STRUCTURE

Asset Value

- Gross market asset value: $50,000

Debt Amount

- Proposed loan principal: $35,000

Borrower Equity

- Economic equity at origination: $15,000
- Represents 40% of market asset value
- Creates immediate lender collateral buffer

Collateral Position

- Senior secured interest in vehicle/equipment asset
- Supporting payment performance backed by borrower-funded guarantee bond
- Utility-administered payment channel reduces collection uncertainty

Initial LTV

- 70% LTV
- This is materially stronger than many consumer or rideshare vehicle loans originated near or above 90% LTV

5. STRUCTURAL CREDIT ENHANCEMENTS

The credit profile is strengthened by multiple protective layers:

A. On-Bill Repayment (OBR)

Loan repayment is embedded in the borrower's utility bill. The utility is responsible for:

- billing
- collection
- remittance of debt service to lender or designated payment agent

Credit Implication

This converts loan repayment behavior into utility payment behavior, which is generally more reliable than unsecured consumer-style repayment.

B. Utility Guarantee Surety Bond

Borrower provides a Utility Payment Surety bond or similar payment support instrument sized to absorb default or payment interruption risk.

Purpose of Bond

- cover missed debt service
- protect lender against borrower default
- remove direct collection burden from lender

Credit Implication
Lender’s direct borrower credit exposure is significantly reduced; primary performance risk is shifted to:

1. utility billing/collection function, and
2. bond coverage mechanism

C. Equity Cushion
The borrower begins with a meaningful equity position:

- asset value = $50,000
- debt = $35,000

This provides:

- recovery protection in liquidation
- reduced severity of loss in adverse scenarios

6. PAYMENT WATERFALL
Step 1
ANEV operator earns revenue through rider fares, employer-paid transportation, or platform-based service activity.

Step 2
Borrower pays utility bill, which includes the debt repayment component.

Step 3
Utility remits the loan repayment amount to lender or servicing agent.

Step 4
If borrower defaults:

- utility default process is triggered
- bond mechanism covers payment shortfall
- asset collateral becomes secondary recovery source if required

7. UNDERWRITING ASSUMPTIONS
The following assumptions are used for cash flow analysis:
Financing Terms

- Principal: $35,000
- Interest rate: 7.0% (modeled assumption)
- Term: 60 months
- Monthly payment: approximately $695
- Annual debt service: approximately $8,340

Operating Assumptions

- Average fare per ride: $3
- Utilization target: 24 rides/day for target case
- Operating costs (energy + maintenance): $5,000 annually
- Insurance: $2,000 annually
- Platform fee: approximately 25% of revenue

These are modeled assumptions for underwriting purposes and should be validated through operating data, pilot performance, and platform contracts before final approval.

8. CASH FLOW ANALYSIS

Base Case Revenue

- 24 rides/day × $3 average fare × 365 days
- Annual gross revenue: $26,280

Estimated Cash Flow

- Revenue: $26,280
- Less platform fees (25%): ~$6,570
- Net before operating expenses: ~$19,710
- Less operating expenses ($5,000) and insurance ($2,000): ~$12,710 NOI
- Debt service: ~$8,340

Debt Service Coverage Ratio (DSCR)

$$DSCR \approx \frac{12{,}710}{8{,}340} \approx 1.52$$

Interpretation

- DSCR above 1.20 is typically acceptable
- DSCR above 1.50 is generally strong for a small asset-based cash flow structure

9. EMPLOYER-STABILIZED CASE

A key risk mitigant is employer-sponsored transportation demand.
If employers subsidize transportation to jobs not directly located on transit routes, a portion of rides becomes predictable. Under a hybrid demand model (employer trips + public trips), annual revenue may increase and volatility may decline.

Illustrative Stabilized Case

- annual gross revenue: ~$27,000 to $30,000
- NOI: approximately $13,000 to $15,000
- debt service: ~$8,340

Illustrative DSCR

- 1.6x to 1.9x

Credit Implication

Employer-backed volume materially improves repayability and reduces utilization volatility.

10. DOWNSIDE ANALYSIS

Lower Utilization Scenario

If rides/day fall below target, DSCR compresses quickly.

Example:

- 18 rides/day at $3 average fare
- Gross revenue approximately $19,710
- Estimated DSCR approximately 1.1x

Implication

Without structural enhancements, lower utilization would weaken the credit.

Mitigants in This Structure

- OBR collection
- guarantee bond
- 40% starting equity
- collateral recovery value

11. COLLATERAL STRESS ANALYSIS

Scenario	Asset Value	Loan Balance (Initial)	Coverage
Origination	$50,000	$35,000	Strong
20% value decline	$40,000	$35,000	Covered
30% value decline	$35,000	$35,000	Fully covered
Greater decline	Below $35,000	$35,000	Bond support becomes critical

Credit Conclusion

Even under moderate asset depreciation, lender remains substantially protected.

12. RISK ASSESSMENT

Primary Risks

1. Utilization variability
2. Performance of utility billing/remittance process
3. New asset class / limited performance history
4. Platform dependency for dispatch and fare collection

Mitigants

1. On-Bill Repayment reduces missed-payment risk
2. Guarantee bond covers default exposure
3. 40% starting equity protects collateral position
4. Low LTV improves severity-of-loss profile
5. Employer transportation contracts can stabilize demand
6. Asset retains secondary resale or redeployment value

13. LENDER EXPOSURE SUMMARY
What the lender does - provides capital

What the lender does not do

- administer billing
- service payments
- pursue collections
- directly absorb borrower default risk, assuming utility and bond are fully effective

Net Credit Position
The lender's primary exposure is no longer traditional borrower repayment risk. Instead, exposure shifts toward:

- utility collection/remittance execution
- bond provider performance
- residual collateral value

This makes the structure more comparable to utility-enhanced asset finance than to unsecured consumer or rideshare lending.

14. CREDIT RECOMMENDATION
Recommendation
Approve, subject to the following conditions precedent:

Required Conditions

1. Verified utility On-Bill Repayment agreement
2. Guarantee bond issued by acceptable counterparty
3. Perfected senior security interest in financed asset
4. Confirmation of asset value and residual market
5. Platform/payment integration documentation
6. Evidence of employer-backed demand where applicable

15. CREDIT CONCLUSION
This structure is creditworthy because it combines:

- 70% LTV
- 40% effective starting equity
- utility-administered repayment
- borrower-funded guarantee bond
- asset collateral support
- optional employer-supported demand stabilization

Final Credit View
The proposed structure presents a low-servicing, low-default-risk, collateral-enhanced portfolio lending opportunity that secures a higher ROI when sold to the Asset Backed Securities market than traditional portfolios that require loan services and bear the risk of default.