**Section 350.50 Characteristics of ADC Lending Transactions Implying Loans**

Factors which are relevant, if applicable, in determining whether the risks and rewards to the state bank as a result of an ADC lending transaction are similar to those associated with a loan include the following:

a) The borrower has a substantial equity investment in the acquisition, development or construction project that is not funded by the state bank;

b) The borrower has provided an irrevocable letter of credit to the state bank from a creditworthy third party for the full amount of the loan and the entire term of the loan;

c) A take-out commitment for the full amount of the loan has been obtained from a creditworthy third party;

d) Non-cancellable sales contracts or lease commitments from creditworthy third parties are currently in effect and will provide sufficient net cash flow upon completion of the project to service principal and interest; and

e) Upon default, the state bank has a legal right to liquidate substantial assets of the borrower in satisfaction of the debt.