



# VENDOR SURVEILLANCE

In structured finance transactions, the strength of an originator's operation is critical to collateral stability and cash-flow integrity. However, investors typically have limited visibility into the originator's vendor level transactions and payment status, potentially masking early signs of operational stress.

**Vervent Vendor Surveillance** provides independent third-party verification of the originator's critical vendors. This additional monitoring helps investors detect early indicators of operational disruption, covenant breaches, or payment defaults.

## Early Warning Signs

Vendor-level deterioration typically appears weeks or months before covenant breaches, borrowing-base issues, or payment defaults. Early warning signals often include:

- ✓ Increasing payment delays
- ✓ Requests for payment plans
- ✓ Insurance premium lapses
- ✓ Utility past-due notices
- ✓ Vendor communication complaints

Vendor Surveillance provides independent monitoring of operational continuity between the originator and its critical vendors.

## Where Vendor Surveillance Adds the Most Value

Vendor Surveillance provides meaningful transparency to stakeholders across a range of structures, including:

- ✓ Warehouse/Credit Facilities
- ✓ Private-equity-backed borrowers
- ✓ Distressed or turnaround situations
- ✓ Specialty finance platforms
- ✓ Securitizations
- ✓ Cross-border structures with remote operations

# HOW VENDOR SURVEILLANCE DELIVERS INVESTOR VISIBILITY

## 1 Structured Authorization

The originator authorizes Vervent Vendor Surveillance to work directly with their vendors, copying the originator on invoices whenever possible.

## 2 Monthly Vendor Verification

- ✓ Invoices are issued and paid
- ✓ Accounts remain current
- ✓ Any delinquencies or payment plans
- ✓ No pending service interruption notices exist

## 3 Verifiable Documentation

To support credit committees, risk rating analysis, investor reporting, and regulatory examinations, Vendor Surveillance maintains:

- ✓ Monthly verification logs
- ✓ Written vendor confirmations
- ✓ Escalation records
- ✓ Exception tracking

## 4 Vendor Status Reporting

- ✓ Current
- ✓ Past Due (1–30 days)
- ✓ Delinquent (30+ days)
- ✓ At Risk of Service Interruption

## 5 Escalation to Stakeholders & Strategic Benefits

- ✓ Administrative Agents & Lenders
  - Protect collateral value
  - Detect early operational stress
  - Strengthen covenant monitoring
- ✓ Trustees & Servicers
  - Enhance compliance and documentation
  - Improve defensible monitoring
  - Transparency to noteholder reporting
- ✓ Private Credit & Direct Lenders
  - Layer of proactive risk intelligence
  - Improve readiness and reduce operational blind spots
  - Identify stress signals before EBITDA erosion



## VERVENT VENDOR SURVEILLANCE

### Independent Vendor-Level Verification for Structured Finance

Originator delinquency patterns frequently precede financial deterioration. Vendor Surveillance converts vendor-level data into documented risk visibility, reducing operational default risk and supporting transaction integrity.