

# GC Pastor Hipotecario 5 Fondo de Titulización de Activos

MBS / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 29 May 2007. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **provisional** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

## Estimated Closing Date

June 2007

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## DEFINITIVE RATINGS

Class	Rating	Amount (million)	% of Notes (*)	Legal Final Maturity	Coupon
A1	<b>Aaa</b>	€175.00	25.00	Jun. 46	3mE + [·]%
A2	<b>Aaa</b>	€492.80	70.40	Jun. 46	3mE + [·]%
B	<b>A1</b>	€24.90	3.56	Jun. 46	3mE + [·]%
C	<b>Baa2</b>	€7.30	1.04	Jun. 46	3mE + [·]%
D	<b>Ca</b>	€10.50	1.50	Jun. 46	3mE + [·]%
Total		€710.50	100.00		

*The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion the structure allows for timely payment of interest and ultimate payment of principal at par on or before the final legal maturity date for Classes A1, A2, B and C and for ultimate payment of interest and principal at par on or before the rated final legal maturity date for Class D. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.*

*(\*) Figures for Classes A1 to D calculated as a percentage of the aggregate outstanding balances of Classes A1 to C*

## OPINION

### Strengths of the Transaction

- All the loans are first-lien mortgages
- 100% of the loans are paid via direct debit to Banco Pastor, 98.38% of the pool pays on a monthly basis
- No flexible products being securitised
- Reserve fund fully funded up-front to cover potential shortfall in interest and principal
- Interest Rate Swap provided by Banco Pastor (**A1/P-1**) hedging interest rate risk in the transaction and securing 60 bps excess spread + servicing fees in case of servicer replacement
- Excess spread trapping through an 18-month “artificial write-off” mechanism
- Historical information was provided

### Weaknesses and Mitigants

- A small percentage of the portfolio (9.67%) consists of loans with LTV equal to or above 80%, which leads to a higher expected default frequency and more severe losses.
- 84.59% of the pool is subject to the risk derived from a limitation on the maximum interest rate applicable. However, the risk is eliminated by the swap.
- Debtors can have an automatic reduction in their margin in cases where they have been cross-sold other products with the originator. However, the swap covers for this possible margin reduction.



- At closing, arrears up to 45 days past due will be included. However, the percentage of loans 30 to 45 days past due has been fixed to 1% the outstanding portfolio balance at closing.
- Pro-rata amortisation of Series B and C leads to reduced credit enhancement for the senior series in absolute terms. This is mitigated by strict triggers which terminate the pro-rata amortisation of the notes should the performance of the transaction deteriorate.
- The deferral of interest payments on Series B and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B and C themselves.

## STRUCTURE SUMMARY

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Issuer:	GC PASTOR HIPOTECARIO 5 Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated/Reserve Fund
Seller/Originator:	Banco Pastor <b>(A1/P-1)</b>
Servicer:	Banco Pastor <b>(A1/P-1)</b>
Back-up Servicer:	N/A
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	21st of March, June, September and December. First payment date: 21 of September 2007.
Credit enhancement / Reserves:	Excess spread per annum Reserve Fund Subordination
Liquidity Facility:	N/A
Hedging:	Interest Rate Swap to cover interest rate risk securing 60 bps excess spread + servicing fees in case of servicer replacement
Paying Agent:	Banco Pastor <b>(A1/P-1)</b>
Note Trustee (Management Company):	GESTICAIXA, S.G.F.T., S.A
Arranger:	Banco Pastor, S.A. ABN AMRO Bank, N.V Spanish Branch GESTICAIXA, S.G.F.T., S.A
Lead Managers:	Banco Pastor, S.A. ABN AMRO Bank, N.V. Spanish Branch Natixis Corporate and Investment Bank

## COLLATERAL SUMMARY

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Receivables:	Loans granted to individuals and small and medium enterprises (SMEs) secured by a first-lien mortgage guarantee
Loan Amount:	€939,445,036,86
Loans Count:	5,958
Pool Cut-off Date:	29 May 2007
WA Original LTV:	67.70%
WA Current LTV:	64.81%
WA Seasoning:	1.08 yr
WA Remaining Term:	25.23 yr
Interest Rate Type:	4.33%
Geographic Diversity:	Catalonia 23.66%, Madrid 18.04%, Galicia 14.11%, Andalusia 12.84%
Loan Purpose:	The loans have been granted to finance the acquisition or refurbishment of primary residential homes located in Spain but also for the acquisition of premises, machinery, autos, parking space.
Average Loan Size:	€157,677.92

## TRANSACTION SUMMARY

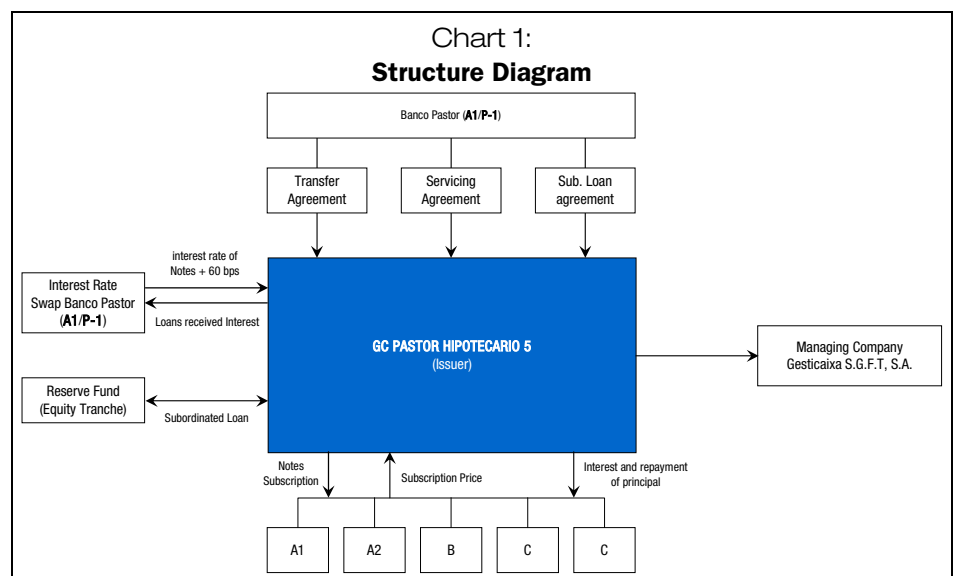
### **Securitisation of loans granted to individuals and SMEs and secured by a first-lien mortgage guarantee**

GC Pastor Hipotecario 5, FTA (“the *Fondo*”) is a securitisation fund created with the aim of purchasing a pool of mortgage loans granted to individuals and SMEs, with different types of mortgage properties and loan purposes. A large proportion of the pool (87.37%) meets the necessary conditions to be considered as an RMBS pool, given that the mortgaged properties are “residential” in nature and the loans are granted for the purpose of acquiring, refurbishing or constructing a property.

The *Fondo* will issue four series of notes to finance the purchase of the loans (at par):

- A subordinated Series C, rated provisional (P)**Baa2**.
- A mezzanine Series B, rated provisional (P)**A1**.
- A senior tranche composed of two series rated provisional (P)**Aaa**: a subordinated Series A2 and a senior Series A1.

In addition the *Fondo* will issue a **Ca**-rated provisional Series D to fund a cash reserve that will be used to cover any potential shortfall on interest or principal payments to the other series.



## STRUCTURAL AND LEGAL ASPECTS

### **Borrower payments made during a calendar month are swept into the treasury account on the first five calendar days of the following month**

The proceeds from the loans are collected by Banco Pastor under a direct debit scheme and transferred to the Guaranteed Interest Contract (GIC) Account held by Banco Pastor (**A1/P-1**) on a monthly basis.

Moody’s has set up some triggers in order to protect the treasury account from a downgrade of Banco Pastor’s short-term rating. Should Banco Pastor’s short-term rating fall below **P-1**, the sweep will be performed weekly instead of monthly and Banco Pastor will have to perform one of the following actions, in the indicated order of priority, within 30 days:

- Find a suitably rated guarantor or substitute.
- Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
- Invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

Banco Pastor guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes.

**Interest rate swap paying 3-month Euribor on the notes plus 60 bpps plus servicer fee in case of replacement**

According to the swap agreement entered into between the *Fondo* and Banco Pastor, on each payment date:

- The *Fondo* will pay the interest actually received from the loans in the three calendar months prior to the liquidation date; and
- Banco Pastor will pay the sum of the weighted average index reference rate on the A to C notes and 60 bps over a notional calculated as the daily average outstanding amount of performing loans. Servicer fees will be included in case of servicer replacement.

The excess spread thus provided through the swap agreement constitutes the first layer of protection for investors.

In the event of Banco Pastor's long-term ratings being downgraded below **A2** or short-term ratings being downgraded below **P-1**, it will have 30 days to (i) collateralise its obligation under the swap for an amount sufficient to maintain the then current rating of the notes; or (ii) find a suitably rated guarantor or substitute.

**Reserve fully funded upfront**

The second layer of protection against losses is a reserve fund initially funded through the issuance of Class D notes. This reserve fund will be used to protect Classes A1, A2, B and C notes against interest and principal shortfall on an ongoing basis.

At every point in time, the amount requested under the reserve fund will be the lesser of the following amounts:

- 1.50% of the initial balance of the Classes A1, A2, B and C notes.

The higher of the following amounts:

- 3.00% of the outstanding balance of the Classes A1, A2, B and C notes.
- 0.75% of the initial balance of the Classes A1, A2, B and C notes.

The amount requested under the reserve fund will not be reduced on any payment date on which either of the following scenarios occurs:

- The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1.00%. "Written-off loans" being defined as those loans with any amount due but unpaid for more than 18 months, or earlier if the loan is in a foreclosure procedure.
- The reserve fund was not funded at its required level on the previous payment date.

Additionally, the reserve fund will not amortise during the first 24 months of the life of the transaction.

The equity tranche (Class D) will amortise by an amount equal to the difference between the Class D outstanding balance at the determination date and the reserve fund required amount following the current payment date.

**Class A amortisation**

Until the payment date on which the initial amount of Series B and C exceed 7.11% and 2.09%, respectively, of the outstanding amount under all series, the amount retained as principal due will be used for the repayment of the following items in the indicated order of priority:

- 1) Amortisation of Series A1
- 2) Amortisation of Series A2

Nevertheless, the amount retained as principal due will be allocated pro rata between Series A1 and Series A2, if the aggregated outstanding amount of Series A1 and A2 is equal to or greater than the outstanding amount of performing loans and loans up to 90 days in arrears plus principal collections in the period previous to the current Interest Payment Date.

**Class B and C amortisation**

- The Class B notes will start amortising pro rata with the Class A notes when they represent 7.11% of the outstanding balance under Classes A, B and C.
- The Class C notes will start amortising pro rata with the Class A and Class B notes when they represent 2.09% of the outstanding balance under Classes A, B and C.

Pro-rata amortisation entails greater risk than fully sequential transactions, given that the credit enhancement decreases in absolute terms. The risks introduced by pro-rata amortisation are mitigated by the following triggers:

Table 1:

<b>Delinquency Trigger definition:</b> non-written-off loans more than 90 days in arrears as a percentage of non-written-off loans.
<b>Class B:</b> delinquency trigger exceeds 1.25%.
<b>Class C:</b> delinquency trigger exceeds 1.00%.
The reserve fund is not funded at the required level
The loan balance is less than 10% of the initial loan balance

**The Pre-enforcement Waterfall**

On each quarterly payment date, the *Fondo*'s available funds (principal received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

- 1) Costs and fees excluding the servicing fee (except in the case of Banco Pastor being replaced as servicer of the loans).
- 2) Any amount due under the swap agreement. Swap termination payments if the *Fondo* is the defaulting or the sole affected party.
- 3) Interest payment to Series A1 and A2 notes
- 4) Interest payment to Series B notes (if not deferred)
- 5) Interest payment to Series C notes (if not deferred)
- 6) Retention of an amount equal to the principal due under the notes
- 7) Interest payment to Series B notes (if deferred)
- 8) Interest payment to Series C notes (if deferred)
- 9) Replenishment of the Reserve Fund
- 10) Interest payments to Series D notes
- 11) Principal due under Series D notes
- 12) Termination payments under the swap agreement upon default of Banco Pastor
- 13) Junior expenses

In the event of liquidation of the *Fondo*, the payment structure is modified with the sole aim of ensuring that any amount due to a series is repaid before any payment is made to a subordinated series.

**Principal due to the notes incorporates an 18-month "artificial write-off"**

The transaction structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the notes and (2) the outstanding amount of the non-written-off loans.

The "artificial write-off" speeds up the off-balance sheet of a non-performing loan; thus the amount of notes collateralised by non-performing loans is minimised, and consequently, the negative carry diminishes. However, the most important benefit for the transaction is that the amount of excess spread trapped in the transaction is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost).

**Interest Deferral trigger based on default**

The payment of interest on Class B and C notes will be brought to a more junior position if, on any payment date, the following criteria are met:

Table 2:

Class B:	The accumulated amount of written-off loans is higher than 10.00% of the initial amount of the assets pool. Series A1 and A2 are not fully redeemed.
Class C:	The accumulated amount of written-off loans is higher than 6.70% of the initial amount of the assets pool. Series A1, A2 and B are not fully redeemed.

**Limitations on the renegotiation of the loan**

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. In exceptional circumstances, the management company authorises originators to renegotiate the interest rate or maturity of the loans without requiring its approval. They will be able to extend the maturity of up to 10% of the original pool, but not beyond the 30 June 2043. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

- 1) The frequency of payments cannot be decreased
- 2) The amortisation profile cannot be modified
- 3) The loan has not been past due for more than 90 days in the previous 6 months

Additionally, originators are not allowed to renegotiate any interest rate of a loan if the weighted average margin of the pool is lower than 60 bps.

## COLLATERAL

**Pool of loans granted to Spanish individuals and SMEs and secured by a first-lien mortgage over different types of properties**

As of May 2007, the portfolio comprised 5,958 loans, representing a provisional portfolio of €939,45,036.86. The loans are first-lien mortgage loans granted to individuals (83.63%) and SMEs (16.37%) by Banco Pastor in its normal course of business, in compliance with the following criteria:

- All the loans have been formalised under public deed.
- 100% of the portfolio is repaid by direct debit, through monthly (98.52%) and quarterly (1.34%) instalments, and have accrued at least two interest instalments. The remaining 0.28% corresponds to bullet loans.
- All the properties on which the mortgage security has been granted are covered by a damage insurance policy.

The loans have been originated between 2000 and December 2006, with a weighted average seasoning of 1.08 years and a weighted average remaining term of 25.23 years. The longest loan matures in June 2043.

The interest rate is floating for 100% of the portfolio.

All the loans are secured by a first-lien mortgage guarantee, mainly based on residential properties. All properties are fully developed. A large proportion of the pool (87.37%) meets the necessary conditions to be considered as an RMBS pool, given that the mortgaged properties are "residential" in nature and the loans are granted with the purpose of acquiring, refurbishing or constructing a property. The total weighted average LTV is 64.81%.

Table 3:

**Type of Property**

Residential	87.63%
Commercial	7.84%
Industrial	2.94%
Others	1.59%

In terms of debtor concentration, the pool is more concentrated than the standard RMBS deal: the highest exposure and the top 20 debtors represent 0.19% and 2.75% of the backing portfolio, respectively.

5.12% of the portfolio currently enjoys a principal grace period, which ends in 2007 and 2008 in most of the cases. Only 0.24% of the pool has a grace period limited to 2009 and 2010.

At closing, arrears up to 45 days past due will be included. The percentage of loans 30 to 45 days past due has been fixed to 1% the outstanding portfolio balance at closing.

Chart 2:  
**Portfolio Breakdown by LTV  
Ltmv for total portfolio**

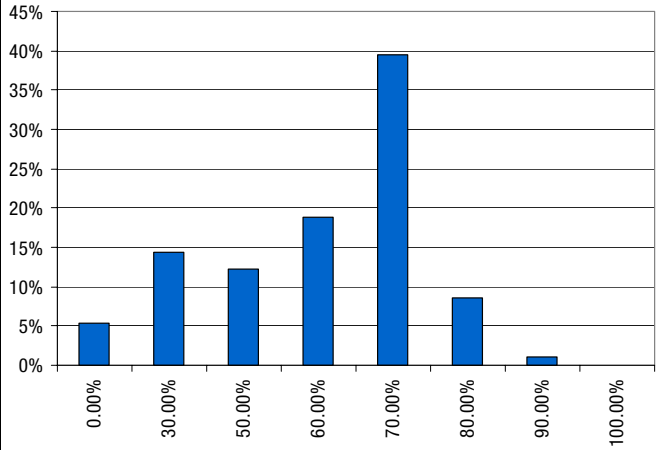


Chart 3:  
**Portfolio Breakdown  
by Region**

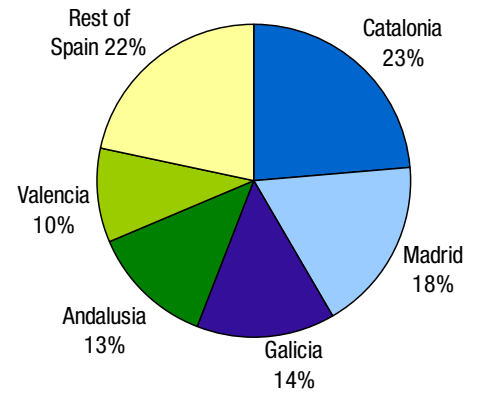


Chart 4:  
**Portfolio Breakdown by Occupancy Type**

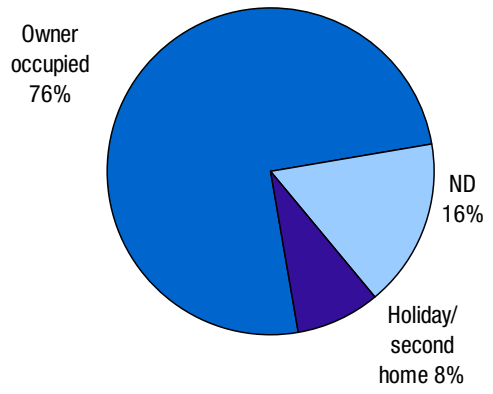


Chart 5:  
**Portfolio Breakdown by Employment Data**

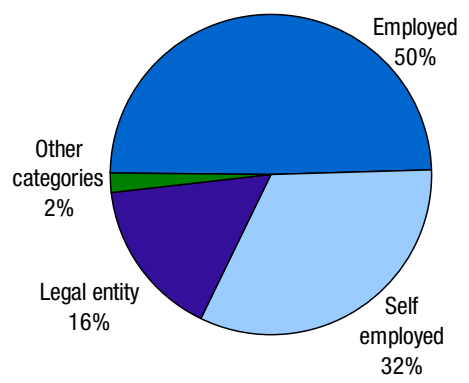
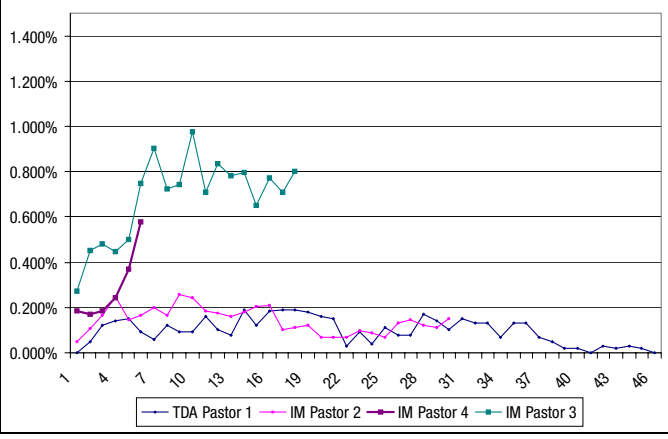


Chart 6:  
**Pastor Deals performance: 90+ arrears  
by months since closing**





## ORIGINATOR, SERVICER AND OPERATIONS REVIEW

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***Banco Pastor (A1/P-1), Spain's 16<sup>th</sup> largest banking group, with a leading position in its home region of Galicia, is the originator and servicer of the asset pool***

With total assets of over €25 million as at the end of March 2007, Banco Pastor – headquartered in La Coruña – is the 16th largest financial institution in Spain and a leading player in its home region of Galicia, where the bank had a combined market share of more than 9.28% in loans and deposits as at year-end 2006.

However, Pastor is increasingly growing its network outside its home region. Although its national market share remains modest, as of March 2007, 58.03% of the bank's branches were located outside its home territory (up from 40% in September 2003). The bank now has 603 branches and 4,373 employees in Spain, but is focusing its commercial efforts on Madrid and the regions along the Mediterranean coast (Catalonia, Valencia, Murcia and Andalusia).

As at the end of December 2006, Galicia contributed for just 16.4% of Banco Pastor's year-on-year growth in lending, whereas the remaining 83.6% related to other regions. Only 18.9% of the loan portfolio as at the end of September, related to the bank's home region of Galicia, with the remainder being well distributed across Spain and in particular in the target expansion areas of Madrid and the Mediterranean coast. The increased geographical diversification has been achieved without compromising the bank's position in Galicia where the bank has been able to increase its market share.

The bank has also reorganised its branch network in its home region, focusing on urban areas and closing branches in rural areas, although it is maintaining a rural presence through agents. It is also relying on agents for its growth outside Galicia, although to a lesser extent than its reliance on branch openings.

In terms of the Spanish securitisation market, Banco Pastor has been traditionally an active player, with a total of six RMBS transactions to date (two of them multi-originator), six SME transactions (two of them multi-originator) and one Consumer loans transaction launched.

### ***Duties as servicer and originator***

Banco Pastor will act as servicer of the loans. Borrower payments made during a calendar month will be "swept" into the treasury account within the first five business days of the following month. Nevertheless, if Banco Pastor's short-term rating falls below **P-1**, it will have to transfer the borrower payments within a maximum period of seven days, with the purpose of minimising the amount of the pool proceeds that fall into the servicer's bankruptcy estate.

In the event of Banco Pastor being declared bankrupt, failing to perform its obligations as servicer or being affected by a deterioration in its financial situation, or because the management company considers it appropriate, the management company is empowered to substitute it in its role as servicer by a suitable institution. Moody's considers Banco Pastor to be capable of fulfilling its servicing obligations in the transaction.

Likewise, the management company may require Banco Pastor, upon an insolvency process or because the management company considers it appropriate, to notify the transfer of the loans to the Fondo to the relevant debtors. Should Pastor fail to comply with this obligation within five business days, the notification would then be carried out by the management company.

### ***Paying Agent***

Banco Pastor will act as paying agent of the *Fondo*. In the event of Banco Pastor's short-term rating falling below **P-1**, it will within 30 days have to be replaced or guaranteed in its role of paying agent by a suitably rated institution.

### ***Management Company***

Gesticaixa is a company with substantial experience in the Spanish securitisation market. Its obligations within the structure are guaranteed by its shareholders, with respect to their proportion of the holding. Currently, Gesticaixa carries out the management of 23 securitisation funds.

## MOODY'S ANALYSIS

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### ***Moody's used a lognormal approach***

The first step in the analysis is to determine a loss distribution for the pool of mortgages to be securitised. Due to the high volume of loans and supporting historical data, Moody's uses a continuous distribution model to approximate the loss distribution: lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility associated with this expected loss. These parameters are derived from the Moody's Individual Loan Analysis ("MILAN") model.

In order to extrapolate expected losses for the loan pool, Moody's has compared the underwriting criteria of the originators with those of other mortgage originators in Spain.

Moody's thus determines a number representing the enhancement that would be required for a pool of mortgages to obtain a 'Aaa' rating under highly stressed conditions. This credit enhancement number (the "Aaa CE" number) is obtained by means of a loan-by-loan model.

### ***The Aaa CE number is determined by using MILAN, Moody's loan-by-loan model for rating RMBS transactions***

The "MILAN" model looks at each loan in the pool individually and, based on its individual characteristics such as LTV or other identified drivers of risk, computes a benchmark CE number. This number assumes stressed recovery rates (through house price decline), interest rates and costs of foreclosure, as well as a stressed recovery time. The weighted average benchmark CE number is then adjusted according to the positive and negative characteristics of each loan and to those of the pool as a whole, in order to produce the "Aaa CE" number.

The "Aaa CE" number and the Expected Loss Number form the basis of Rating Committee discussions and are used to derive the lognormal distribution of the pool losses.

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss that is consistent with the Idealised Expected Loss target of the "Aaa CE" number.

### ***MARCO, Moody's cash-flow model, is used to assess the impact of the structural features of RMBS transactions***

Once the loss distribution of the pool under consideration has been computed, a cash flow model, Moody's Analyser of Residential Cash-Flows ("MARCO"), is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal, and the related triggers, swap features and excess margins, liquidity mechanisms and the value of excess spread.

The sum of the loss experienced per note class in each scenario, weighted by the probability of such loss scenarios, will then determine the expected loss on each tranche and hence the rating, in line with Moody's target losses for each rating category.

## RATING SENSITIVITIES AND MONITORING

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Gesticaixa will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

Moody's will monitor the transaction on an ongoing basis to ensure that its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

## RELATED RESEARCH

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### **Special Reports**

- Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)
- Moody's Spanish RMBS Arrears Index: Delinquency Levels Remained Persistently Low in 2002 But Are Likely To Rise Given Weakening Global Economy And Factors Affecting Homeowners' Indebtedness, May 2003 (SF21607)

### **Performance Review**

- Spanish RMBS Q3 2006 Performance Review, February 2007 (SF91595)

### **Rating Methodologies**

- Moody's Approach to Rating Spanish RMBS: The "MILAN" model, March 2005 (SF49068)

### **Pre-Sale Reports**

- IM Pastor 4, Fondo de Titulización Hipotecario, May 2006 (SF74628)
- IM Pastor 3, Fondo de Titulización Hipotecario, June 2005 (SF56666)
- IM Pastor 2, Fondo de Titulización Hipotecario, June 2004 (SF39404)
- TDA Pastor 1, Fondo de Titulización de Activos, February 2003

### **Performance Overviews**

- IM Pastor 4.
- IM Pastor 3.
- IM Pastor 2.
- TDA Pastor 1.

*To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.*

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