MOODY'S
PUBLIC SECTOR EUROPE

CREDIT OPINION
2 November 2020

RATINGS

LiveWest Homes Limited	
Domicile	United Kingdom
Long Term Rating	A2
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Jeanne Harrison +44.20.7772.1751
VP-Senior Analyst
jeanne.harrison@moodys.com

Sam McDonald +44.20.7772.1401
Associate Analyst
sam.mcdonald@moodys.com

Sebastien Hay +34.91.768.8222
Senior Vice President/Manager
sebastien.hay@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

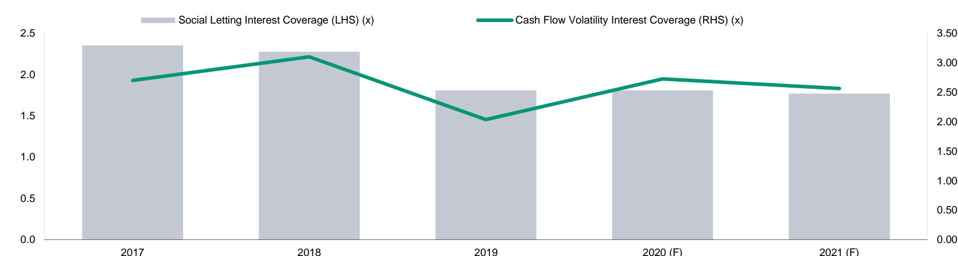
LiveWest Homes Limited (United Kingdom)

Update following affirmation of A2 stable

Summary

The credit profile of LiveWest Homes Limited (LiveWest, A2 stable) is supported by the housing association's stable operating performance, ample interest coverage, moderate debt metrics compared to peers and a strong likelihood that the government of the United Kingdom (Aa3 stable) would intervene in the event that the association faced acute liquidity stress. LiveWest's A2 rating also incorporates credit challenges represented by a growing exposure to sales, high levels of capital expenditure, as well as integration and implementation risk from the merger of housing associations formerly known as Devon and Cornwall and Knightstone.

Exhibit 1
LiveWest's ample interest coverage metrics support its credit profile
Social housing letting interest coverage (x), Cash flow volatility interest coverage (x), Fiscal 2017-2021(F)



2017 - 2019 are audited financial statements, 2018 is the first full year of merged entity
Source: LiveWest, Moody's

Credit strengths

» Strong interest coverage expected to continue

» Low level of debt, set to rise moderately to A2-peer median

» Supportive institutional framework in England

Credit challenges

» Higher net capex, growing proportion of revenues from market sales transactions

» Implementation and strategic risks from merger, but strong financial management

Rating outlook

The stable outlook on LiveWest reflects our expectation that the housing association's credit metrics will remain in line with A2 peers, as well as the currently stable operating environment for housing associations in England.

Factors that could lead to an upgrade

We would consider upgrading LiveWest's rating if there was a strengthening in operating performance. Maintenance of current strong levels of interest coverage, in contrast to the expected weakening, would also support an upgrade. A reduction of market sales activity to levels sustained below 15% of turnover would also be credit positive.

Factors that could lead to a downgrade

We would consider downgrading LiveWest's rating in the event of a material scaling up of market sale development above currently proposed levels, together with a deterioration in the strong liquidity and unencumbered asset position. Negative pressure would also be exerted on the rating by an increase in debt-to-assets above 50%, or a failure to successfully integrate as part of the merger process. In addition, a weaker regulatory framework or a dilution of the overall level of support from the UK government could also negatively affect the rating.

Key indicators

Exhibit 2

LiveWest Homes Limited

	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20 (F)	31-Mar-21 (F)
Units under management (no.)	34,537	35,503	36,308	37,336	38,479
Operating margin, before interest (%)	29.8	26.7	28.4	28.0	29.1
Net capital expenditure as % turnover	36.8	18.2	39.6	33.8	40.3
Social housing letting interest coverage (x times)	2.4	2.3	2.1	1.9	1.8
Cash flow volatility interest coverage (x times)	2.7	3.3	2.3	2.2	2.4
Debt to revenues (x times)	3.3	3.2	3.4	3.6	3.7
Debt to assets at cost (%)	39.6	39.3	40.9	41.8	43.3

Forecasts are based on LiveWest's 2019 business plan
Source: LiveWest, Moody's Investors Service

Detailed credit considerations

On 21 October 2020, Moody's affirmed LiveWest's A2 rating and stable outlook. The affirmation followed Moody's downgrade of the Government of the United Kingdom's rating to Aa3 from Aa2 and the change in outlook to stable from negative on 16 October 2020.

The credit profile of LiveWest, as represented in an A2 stable issuer rating, combines a baseline credit assessment (BCA) of a3 and a strong likelihood of extraordinary support coming from the national government in the event that the entity faced acute liquidity stress.

Baseline credit assessment

Strong interest coverage expected to continue

LiveWest's forecast interest cover metrics are expected to stabilise but remain strong relative to rated peers. LiveWest's strong interest cover metrics are upheld by a profitable core business, strong operating cash flows and a moderate debt burden relative to peers.

The social housing letting interest cover (SHLIC) for fiscal 2019 was stonger than rated peers at 1.8x, compared to an A2-rated peer median of 1.6x. Going forward, the interest cover will remain stable despite increased interest expenses as a result of rising debt. We expect the SHLIC to average 1.8x over the next three years.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Cash Flow Volatility Interest Coverage (CVIC), which measures net cash interest expense against operating cash flow adjusted for historical volatility, also remained at 2.0x for fiscal 2019, in-line with an A2-rated peer median of 2.0x. The CVIC is also expected to strengthen over the next three years as operating cash flows rise, increasing above the peer median and averaging 2.4x.

Low level of debt, set to rise moderately to A2 peer median

LiveWest's credit profile is further supported by the housing association's relatively low debt level and strong balance sheet. The group is planning on additional borrowing to fund development, with debt increasing from £811 million in fiscal 2019 to £989 million by fiscal 2021, but the increase will be gradual and the group will maintain strong debt metrics aligned to its A2-rated peers.

Gearing (debt to assets at cost) for the group was 41% for fiscal 2019, compared to an A2-rated peer median of 47%. Gearing is expected to weaken over the next few years as borrowing increases, rising to 43% by fiscal 2021. Debt to revenues will also weaken from 3.3x in fiscal 2019 to 3.7x by fiscal 2022.

LiveWest's treasury policy with regards to debt is relatively flexible, allowing for between 60%-90% fixed rate (including floating rate debt swapped to fixed), 0-40% variable and index linked at 0-25%. As of March 2019, LiveWest had approximately 80% of debt held at fixed rates.

A significant proportion of this debt is fixed with standalone swaps; the total portfolio has a notional value of £406 million. Mitigating the high standalone swap exposure is LiveWest's ample unencumbered asset position, which can be used to post as collateral in the event of an adverse interest rate movement, and the excess security posted. At March 2019, LiveWest had a negative mark-to-market value net of thresholds of £87 million, which was easily met with allocated security of £129 million, £42 million above the requirement. Additionally, LiveWest's policy for managing mark-to-market risk requires the organisation to ensure sufficient available security (either property or cash) to cover a 50 basis point shift in the interest rate swap curve.

Supportive institutional framework in England

The sector's credit quality will continue to benefit from the strong regulatory framework governing English HAs. The regulator maintains strong oversight through quarterly returns, long-term business plans, annual reviews, and by undertaking biennial In-Depth Assessments (IDAs) for large and complex HAs. In response to the pandemic, the regulator adapted some aspects of its oversight temporarily, for example, extending its liquidity monitoring, briefly pausing the programme of IDAs and delaying regulatory submissions to reduce the operational burden on HAs. The regulator has a strong track record of intervention in cases of mismanagement or financial stress with powers to provide financial assistance and/or make manager appointments where there has been a breach of regulatory standards.

The operating environment for English HAs has improved under more supportive policies for social rent increases and capital grant. Following four years of social rent reductions, HAs now benefit from a return to inflation-linked rent increases from April 2020 for five years. In addition, the government has committed to increased capital grant on more flexible terms for new social housing.

Counterbalancing the improvements, we expect policy to drive increased borrowing and development risk in the sector as it responds to the government's objective to deliver a significant increase in the construction of new homes.

Higher net capex, growing proportion of revenues from market sales transactions

LiveWest's capital expenditure (capex) is set to rise as the group increases its development. Net capex to revenues was in line with rated peers at 18% in fiscal 2018, but this increased to 53% in fiscal 2019 and is expected to remain between 40% and 50% for the subsequent two years as the housing association develops social rented units, homes for outright sales and shared ownership properties. The capex to revenues going forward will be higher than that of its A2-rated peers who reported a median capex to revenues of 29% in fiscal 2019.

LiveWest's development pipeline targets a total of 6700 units over the next five years. The majority of the development programme is focused on social rent and shared ownership units, but the group is also building homes for outright sales. Revenue from market sales (outright sales and first tranche shared ownership) as a percentage of turnover are projected to increase gradually from 22% in fiscal 2019 to 29% by fiscal 2022. The market sales exposure is partially mitigated by the group's policy to maintain turnover from market

sales below 30% of turnover, a credit positive. Compared to the previous year's business plan, the current business plan no longer includes build of market rent units and includes a higher number of shared ownership properties.

We expect profitability to remain strong for market sales given the group's track record and market characteristics in the South West of England. In fiscal 2019, LiveWest achieved a 22% margin for both its first tranche of shared ownership products (FTSO) and on properties developed for outright sale (OS). Looking forward, the business plan assumes achievable sales margins continuing near fiscal 2019 levels of around 17-20% for both OS and FTSO. While LiveWest does have experience in these tenures, and has achieved solid margins on these products in the recent past, increasing exposure to pro-cyclical market sales adds risk to the housing association's credit profile.

A strengthening liquidity position partially mitigates the increased risks taken on by LiveWest, as measured by Moody's liquidity coverage metric, which compares the two-year net-capex requirement with funds available for drawdown within 48 hours. LiveWest's liquidity coverage was aligned with peers at 1.1x as of fiscal year end 2019, and expected to average 1.4x over the next three years.

Furthermore, a sophisticated liquidity policy somewhat mitigates the sales risk associated with the growing development programme. LiveWest's liquidity policy sets out a requirement to maintain sufficient liquidity to cover 24 months of expenditure, plus all committed development spend beyond 24 months, in addition to a further liquidity provision which accounts for sales risk. The additional liquidity buffer is calculated as the cash effect of a six month delay in sales, accompanied by a 15% drop in sales values.

Implementation and strategic risks from merger, but strong financial management

As with any merger, there are implementation risks which could eclipse the benefits of combining two organisations. Company cultures, data, and IT systems may clash and lead to delays and overspend in the integration process. The newly composed Board may decide to pursue a more aggressive development programme.

We feel, in the case of Devon and Cornwall and Knightstone, that these risks are manageable. LiveWest's management has created a realistic timeline for integration, with current performance ahead of the original plan of £12 million of savings to be realised over the next three years. Due to performance being ahead of schedule, management have accelerated the timetable for efficiencies by 12 months and added an additional £5 million of savings to the merger base case, for total savings of £17 million.

The group forecasts a reduction in its management costs per unit as merger efficiencies are realised, an area of focus for management which is monitored as part of KPI reporting. Management cost per unit will decrease from £1,023 in fiscal 2020 to £940 by fiscal 2022.

LiveWest's management team demonstrate strong financial management, which is captured in their 'a' score for financial management. This assessment is based on a number of factors, including its strong decision-making framework (the Internal Financial Framework) which outlines minimum requirements for interest cover, cash, immediate and long-term liquidity, and maximum limits for debt to revenues and market sales exposure. The group also has strong stress testing with quantified mitigating actions. The high financial management score also reflects strong delivery against merger plans to date.

Extraordinary support considerations

The strong level of extraordinary support factored into the rating reflects the wide-ranging powers of redress available to the regulator in cases of financial distress, with the possibility of a facilitated merger or a transfer of engagements. Recent history has shown that the UK government (Aa3 stable) is willing to support the sector, as housing remains a politically and economically sensitive issue. The strong support assumption also factors increasing exposure to non-core social housing activities in the sector, that add complexity to HA operations, and the weakening of the sovereign's financial resilience, making an extraordinary intervention slightly more challenging. In addition, our assessment that there is a very high default dependence between LiveWest and the UK government reflects their strong financial and operational linkages.

ESG Considerations

How environmental, social and governance risks inform our credit analysis of LiveWest

Moody's takes account of the impact of environmental (E), social (S) and governance (G) factors when assessing sub-sovereign issuers' economic and financial strength. In the case of LiveWest, the materiality of ESG to its credit profile is as follows:

Environmental considerations are not material to LiveWest's credit profile. In line with the rest of the UK, the sector's main environmental risk exposures relate to water shortage and flood risk. Flood risk is managed by country and national authorities, and therefore the financial burden of adapting to increased flood risk will not fall on individual housing associations.

Social risks are material to LiveWest's credit profile. In particular, the sector is exposed to risks stemming from socially-driven policy agendas affecting social rents, benefits and capital grants in addition to the impact of demographic trends on demand which are captured in our assessment of the operating environment. We view the coronavirus outbreak as a social risk under our ESG framework given its impact on health and safety. Overall, we expect the outbreak to cause ongoing operational disruption for HAs but do not expect a material credit impact as higher arrears and lower market sales receipts will be offset by cash savings from reduced capital spending on development and repairs. HAs are also impacted by customer relations and product quality. The Grenfell fire tragedy in June 2017 has encouraged higher health and safety standards with many HAs planning on increasing spending on the quality of their existing stock.

Governance considerations are also material to LiveWest's credit profile and are captured in our assessment of governance and management. In general, housing association governance is strong with multi-year strategies supported by detailed forecasts, conservative liquidity policies, and robust risk management including stress testing.

Further details are provided in the “Detailed credit considerations” section above. Our approach to ESG is explained in our cross-sector methodology General Principles for Assessing ESG Risks.

Rating methodology and scorecard factors

Output of the baseline credit assessment scorecard

The assigned BCA of a3 is the same as the scorecard suggested BCA.

Exhibit 3

LiveWest's 2019 Scorecard

LiveWest Homes Limited			
Baseline Credit Assessment	**Sub-factor Weighting**	**Value**	**Score**
Factor 1: Institutional Framework			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
Factor 2: Market Position			
Units Under Management	10%	36,308	a
Factor 3: Financial Performance			
Operating Margin	5%	26.6%	a
Social Housing Letting Interest Coverage	10%	1.8x	a
Cash-Flow Volatility Interest Coverage	10%	2.0x	a
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	3.3x	baa
Debt to Assets	10%	40.7%	ba
Liquidity Coverage	10%	1.1x	a
Factor 5: Management and Governance			
Financial Management	10%	a	a
Investment and Debt Management	10%	baa	baa
Suggested BCA			**a3**

Source: LiveWest's FY2019 statemtents, Moody's Investors Service

European Social Housing Providers, April 2018 (1113602)

Government Related Issuers, February 2020 (1186207)

Ratings

Exhibit 4

Category	Moody's Rating
LIVEWEST HOMES LIMITED	
Outlook	Stable
Issuer Rating -Dom Curr	A2
LIVEWEST TREASURY PLC	
Outlook	Stable
Bkd Senior Secured -Dom Curr	A2

Source: Moody's Investors Service

© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from $1,000 to approximately $2,700,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1250035

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454