

Investec Property Fund Limited R376m Senior Secured Notes - Surveillance Report

South Africa Secured Bond Analysis - Surveillance Report

31 May 2016

Security class	Amount	Rating scale	Rating	Outlook	Next review
Senior Secured Notes - IPF12	R100m	National	AA _(ZA)	Stable	31 May 2017
Senior Secured Notes - IPF03	R50m	National	AA _(ZA)	Stable	31 May 2017
Senior Secured Notes - IPF06	R226m	National	AA _(ZA)	Stable	31 May 2017

Key counterparties:

Issuer: Investec Property Fund Ltd (“IPF”)

Security SPV:

Investec Property Fund Security SPV (Pty) Ltd (RF)

Trustee of Security SPV Owner Trust:

TMF Corporate Services (South Africa) (Pty) Ltd

Property Manager: Investec Property (Pty) Ltd

Settlement Agent: Nedbank Ltd (“Nedbank”)

Paying Agent/Transfer Agent/Arranger

Investec Bank Ltd (“Investec”)

Account Banks: Investec and Nedbank

Summary of Transaction:

Asset class	Secured Notes
Senior Secured Notes aggregate issuance amount	R376m
LT senior unsecured rating of the Issuer	‘A _(ZA) ’/‘Stable’ Outlook
Status	Senior secured by real estate assets
OMV of properties	R1.03bn at 1 Apr’16
Interest payment frequency	Quarterly for IPF12, IPF03, semi-annual for IPF06
Principal payment frequency	Bullet
Negative pledge applicable	Yes
Cross default applicable	Yes
Early redemption possible	Yes, tax related
Listing	Yes, JSE Ltd
Closing date	13 April 2012

Rating history:

Stock Code	Initial Rating	LT rating	ST rating	Rating outlook
IPF12	15 April’15	AA _(ZA)	n.a.	Stable
IPF03	13 April’12	A _(ZA)	n.a.	Stable
IPF06	13 April’12	A _(ZA)	n.a.	Stable
Stock Code	Last Rating	LT rating	ST rating	Rating outlook
IPF12	15 April’15	AA _(ZA)	n.a.	Stable
IPF03	15 April’15	AA _(ZA)	n.a.	Stable
IPF06	15 April’15	AA _(ZA)	n.a.	Stable

GCR contacts:

Primary Analyst

Mark Vrdoljak
Credit Analyst
markvrd@globalratings.net

Secondary Analyst

Tinasha Mujuru
Junior Analyst
tinashem@globalratings.net

Committee Chairperson

Omega Collocott
Sector Head : Financial Institutions
omegac@globalratings.net

Tel: +27 11 784-1771

Analyst location: Johannesburg, ZA

Website: www.globalratings.net

Transaction Summary

Global Credit Ratings (“GCR”) has upgraded the *final, public* long term ratings accorded to the IPF12 (issued 15 April 2015), IPF03 and IPF06 (issued 13 April 2012) notes issued by IPF to ‘AA_(ZA)’ with a ‘Stable’ Outlook. Collectively the IPF12, IPF03 and IPF06 notes amounting to R376m, issued under IPF’s DMTN programme (the “Transaction”) are referred to as the ‘Senior Secured Notes’.

In April 2016, IPF redeemed the R40m in IPF02 Senior Secured Notes upon their maturity.

The *final, public* ratings accorded to the Senior Secured Notes relates to ultimate payment of interest and principal (as opposed to timely, akin to an expected loss rating, which is a function of probability of default and loss severity).

Rating Rationale

- The high quality pool of real estate assets owned by IPF evidences long term leases and low vacancy levels. This has ensured strong cash flows, underpinned by sound escalations and reversions. As such, margins remain robust and should support comfortable medium term debt serviceability.
- Acquisition of the R7.1bn Zenprop portfolio and the R826m Griffin transaction raised the value of investments to c.R17.0bn, versus R8.7bn at FYE15, and just R1.7bn at listing. This comfortably places the REIT on the upper end of middle tier domestic REITs in terms of scale. Albeit initially income dilutive for shareholders, the Zenprop deal adds quality, defensiveness and income predictability to an already robust portfolio, enhancing (inter alia) the Weighted Average Lease Expiry (“WALE”) and tenant quality.
- With respect to IPF’s entire portfolio, the top 10 properties accounted for 34.6% of the property portfolio’s carrying value at end FYE16 (FYE15: 41%), from 75% at FYE12. Vacancies continued to improve to 1.1% of gross lettable area (“GLA”), with leases averaging 3.7 years as at FYE16, reflecting the quality of assets acquired.
- As per the Irrevocable Letter of Undertaking to the Noteholders of the Senior Secured Notes, IPF have replaced the Montague Gardens property that was released from the Security Portfolio with two other properties (Unitrans Polokwane and Intercare Fourways). The properties are rated B and A respectively and bring further geographical and sectoral diversification to the portfolio. Resultantly, the Security Portfolio equated to R1.0bn after the inclusion and the April 2016 Valuations.
- From an Issuer and the Security Special Purpose Vehicle (“SPV”) standpoint both have continued to meet the Transaction covenants relating to the Senior Secured Notes, being that of the maximum 50% LTV ratio covenant, an interest cover ratio covenant of no less than 2x, which both apply to the Issuer and, in respect of the Security SPV, a 60% maximum LTV ratio.
- GCR reviewed the applicable insurance cover policies on the buildings (as well as the two new substation buildings) held as security for the transaction and took comfort in regards to the adequate insurance cover taken.
- The ratings of the Senior Secured Notes are derived by applying a notching up approach, starting from the long term senior unsecured corporate credit rating of the Issuer. Based on fundamentals and prospects of IPF, GCR accorded a long term national scale corporate credit rating of ‘A_(ZA)’ with a ‘Stable’ Outlook to the Issuer in August 2015. A rating uplift of 3 national scale notches was deemed appropriate for this particular Transaction, given the “*Excellent Recovery Prospects*,” equating to a rating of ‘AA_(ZA)’ on the Notes.
- **GCR analysed the Transaction by applying its:** Criteria for Rating Property Funds (May’16); Criteria for Rating Corporate Entities (Feb’16); Global Structurally Enhanced Corporate Bonds Rating Criteria (Oct’15); and with reference to its Investec Property Fund Limited R450m Senior Secured Floating Rate Notes – New Issuance Report (Apr’12); Investec Property Fund Limited’s Corporate Rating Report (Aug’15); its Investec Property Fund Limited R416m Senior Secured Notes – New Issuance Report (Apr’15) and it’s IPF Press Release relating to the Montague Gardens Property Release (Jun’15).

Introduction

IPF initially issued R450m in Senior Secured Notes on 13 April 2012, with the listing taking place on the Interest Rate Market of the JSE Limited, Johannesburg. The proceeds of the issuance were used by the Issuer to fund the acquisition of investment properties, as well as for general corporate purposes.

Following the initial issuance, the IPF01 notes (R134m) matured on 13 April 2015. Post IPF01's maturity, IPF issued IPF12 (R100m) on the 15 April 2015. More recently, the IPF02 notes (R40m) were redeemed upon their 13 April 2016 maturity.

Words in capitals are defined in the transaction documents, unless indicated otherwise.

The DMTN Programme

The Programme will allow the Issuer to issue a wide variety of securities with different maturities and risk profiles. Securities issued may be listed on the JSE or another exchange or may be unlisted. The aggregate Programme limit is R5bn.

Securities will be issued in series' and each series may comprise one or more tranches. Each tranche will be accompanied by an applicable pricing supplement detailing the specific features applicable to the tranche (e.g. the interest and repayment profile). The Issuer may issue either senior notes or subordinated notes. *Unless* specified differently in the applicable pricing supplement, the senior notes will rank *pari passu* among themselves and with all other secured or unsecured and unsubordinated obligations of the Issuer. In respect of subordinated notes, such notes will rank *pari passu* among themselves and with all other unsecured and subordinated obligations of the Issuer, save for preferential rights required by law as well as for any debentures which will rank below the subordinated notes.

The Issuer has the right to early settlement of the securities due to an adverse change in tax laws resulting in the Issuer having to pay gross-up amounts to noteholders. The applicable pricing supplement will state whether i) the Issuer has an option to redeem the notes early; and ii) the Senior Noteholders have an option to request early settlement of the notes. Moreover, the applicable pricing supplement may stipulate additional optional redemption possibilities for the benefit of the Issuer and/or the noteholders.

Events of Defaults

If an Event of Default occurs in relation to the Senior Secured Notes, any Senior Noteholder may provide written notice to the Issuer and/or Security SPV, declaring that all amounts due and payable relating to the Notes held by that specific noteholder, are due and payable. Upon notice of an Event of Default, the Security SPV will provide written notice declaring that all amounts owing under the Senior Secured Notes become due and payable. In the event that the Issuer fails to pay all amounts due and payable under the Senior Notes, the Security SPV will enforce the rights of the Senior Noteholders under the Security Documents. The following **Events of Default** apply, amongst others:

- Failure to pay amounts due under the Senior Secured Notes;

- Failure to perform or observe other material obligations under the terms and conditions of the Senior Secured Notes;
- Any business rescue proceedings are brought against, or a resolution is passed to commence business rescue proceedings against the Issuer;
- The Issuer becomes subject to any liquidation or judicial management order;

Customary negative pledge and negative undertakings apply to the Senior Secured Notes.

GCR expects to be notified sufficiently in advance if further notes are intended to be issued in order to re-assess the transaction on its merits.

The Issuer

IPF's corporate credit rating is currently 'A_(ZA)/'A1_(ZA)' on the long term and short term national scale, respectively with a 'Stable' Outlook. For more information on IPF, please refer to GCR's rating report on IPF published in August 2015.

As per the applicable pricing supplements relating to the Senior Secured Notes, the following covenants will apply to the Issuer on the aggregate corporate level:

- An Issuer interest cover ratio of 2 times, calculated by dividing EBITDA over interest expense for that period;
- An Issuer Loan to Value ('LTV') ratio of 50%, calculated as total interest bearing financial indebtedness of the Issuer divided by the most recent independent external market valuation or Director's valuation of all the immovable properties and other investments owned by the Issuer as stipulated in the most recent audited financial year-end and interim results.

And on the SPV level:

- The SPV LTV ratio of 60%, calculated as the aggregate Principal Amount of Notes of all Tranches of Secured Notes (IPF12, IPF03 and IPF06) divided by the amount of the most recent independent external market valuation or Director's valuation of all immovable properties over which the Mortgage Bonds have been registered as set out in the Issuer's latest audited financial year-end and interim results.

The Security SPV

The Security SPV is a ring-fenced insolvency remote special purpose vehicle incorporated in South Africa as a private company with limited liability. The Security SPV is required to act in the best interests of and on the instruction of the Noteholders. Nolands Inc. have been appointed as the auditors of the Security SPV and will conduct an audit on an annual basis.

All the ordinary shares in the Security SPV will be held by the Security SPV Owner Trust, a trust established in South Africa. The initial capital beneficiaries of this trust will be the secured creditors (which includes the Senior Noteholders). The trustee will be TMF Corporate Services (South Africa) (Pty) Ltd. The Security SPV will have 1 independent director who is an employee of the Trustee. Any shareholder who holds more than 10% of the issued ordinary shares of the Security SPV, namely the Security SPV Owner Trust, shall be entitled to appoint the directors.

In order to secure the claims of the Senior Noteholders against the Issuer, the Security SPV has executed a limited recourse irrevocable and unconditional guarantee for the benefit of the Senior Noteholders. This guarantee is backed by a counter-indemnity and a security cession mechanism. The Issuer agrees to indemnify the Security SPV in respect of payments to be made under the guarantee. The collateral backing this indemnification is the Issuer's rights, title and interest in and to:

- First-ranking continuing coverage mortgage bonds registered/to be registered in the name of the Security SPV in relation to selected freehold and leasehold properties held by the Issuer that will serve as security in the Transaction.
- A security cession agreement entered into between the Issuer and the Security SPV pursuant to which the first cedes to the latter the Issuer's rights, title and interest in and to a) the tenants' lease agreements; b) the 'Management Agreement' entered into between the Issuer and the Manager; c) any insurance policies held in the name of the Issuer and insurance proceeds thereof and any interests of the Issuer noted on any insurance policy not held in the name of the Issuer; d) any related security and; e) all amounts received and accruing to the Issuer in relation to the rights owing under a) to d). Such cession is only in respect of selected freehold and leasehold properties designated by the Issuer, following which first ranking mortgage bonds have been/will be registered in the name of the Security SPV.
- A security cession of the bank account (the 'Proceeds Bank Account') established in the name of the Issuer (discussed below).

Following an Event of Default, the Security SPV will enforce its security for the benefit of the Senior Noteholders.

As per the applicable pricing supplements relating to the Senior Secured Notes, a LTV ratio covenant of 60% will apply to the Security SPV in respect of the principal amount outstanding under the Senior Secured Notes issued under stock codes IPF12, IPF03 and IPF06.

Covenant Compliance

Covenant requirements as at 14 April 2016	Actual ratio
Issuer LTV ratio $\leq 50\%$	34.2% ¹
Issuer Interest Cover ratio $\geq 2.0x$	3.6x ¹
SPV LTV ratio $\leq 60\%$	36.4% ²
SPV Interest Cover ratio	4.6x ³

¹ Source: Investec Property Fund.

² As at 14 April 2016, market valuations as at beginning April 2016 (valuation exercise concluded in March 2016).

³ Not a covenant, however, provided for performance reporting reasons.

Note: None of the covenants were breached over the review period.

Rental Collections

Although Investec Property is the appointed Manager for the Issuer, the day-to-day building management and maintenance is outsourced to Broll Property Group (the 'Property Manager'). In this regard, the Property Manager is responsible for the monthly collection of rental income from the tenants.

Monies paid by tenants are directly deposited into a trust bank account established by the Property Manager. On a daily basis, the Issuer's fund accountant reviews the

Property Manager's trust bank account. The accountant ensures that there are adequate funds available in the trust bank account to pay for property expenses, with the remaining funds swept into a bank account held by the Issuer on a weekly basis.

Account Bank

The trust bank account established by the Property Manager is held with Nedbank. The Proceeds Bank Account is held with Investec. The current credit ratings of Nedbank and Investec are 'AA_(ZA)/A1_{+(ZA)}' and 'AA_{-(ZA)}/A1_{+(ZA)}' on the national scale in the long and short term respectively.

As per the 'Account Bank Agreement', the incorporation of downgrade language provides for a replacement of the Account Banks should their respective ratings drop to below 'A1' in the short term ZAR currency national scale.

Proceeds Bank Account

For the Transaction, the Issuer has established in its name the Proceeds Bank Account that holds the rental proceeds relating to the properties that serve as security in the Transaction. Once rental payments are deposited into the Property Manager's trust bank account, the Issuer's accountant utilises the disbursement statements for the properties (that will serve as security in the Transaction) to identify the respective cash received. Such cash (less funds provisioned for expenses specific to the particular secured properties) will then be swept to the Proceeds Bank Account.

As mentioned above, the Issuer has ceded the Proceeds Bank Account in *securitatem debiti* to the Security SPV. Upon enforcement by the Security SPV, all monies standing to the credit of the Proceeds Bank Account will be for the benefit of the Security SPV. The Property Manager and Investec have confirmed in writing that they acknowledge the cession of the Proceeds Bank Account.

Rating Methodology of the Senior Secured Notes

The rating of the Senior Secured Notes is derived by applying a notching approach, starting from the long term senior unsecured corporate credit rating of IPF. In determining the appropriate number of rating notches to be applied, GCR compares the estimated overall recovery rate after a potential default of the Senior Secured Notes with an assumed average corporate senior unsecured debt obligation recovery rate. If overall estimated recoveries on the Senior Secured Notes are higher than the assumed average recovery rate, a notching uplift may be applicable.

Recovery rate calculations*	Rands
Principal amount outstanding upon default	376,000,000
Assumed missed interest upon default	13,490,250
Assumed missed interest to give time to realise recoveries	51,109,500
Aggregate exposure Senior Noteholders	440,599,750
Assumed recoveries on sale of properties	(484,255,000)
Assumed recoveries on rentals	(83,180,229)
Assumed sales and legal costs	28,047,300
Unsecured claim on Issuer	0
Assumed recovery on unsecured claim	0
Remaining claim	0
<i>Overall estimated recovery rate</i>	<i>100%</i>

* For more details, please see Appendix A.

Based on GCR's Global Structurally Enhanced Corporate Bonds Rating Criteria, the calculated overall recovery rate of 100% carries the qualification "Excellent Recovery Prospects". A 3 notch rating uplift on the national scale is deemed to be appropriate for the Transaction. Accordingly, GCR has upgraded the *final, public* long term ratings accorded to the IPF12 (issued 15 April 2015), IPF03 and IPF06 (issued 13 April 2012) notes (collectively R376m in value) issued by Investec Property Fund to 'AA_(ZA)' with a 'Stable' Outlook.

Legal Opinion

GCR received a signed executed copy of the legal opinion prepared by South African transaction legal counsel (Werksmans) in April 2015, and which was reviewed by Norton Rose Fulbright.

GCR understands, amongst others, from the legal opinion that:

- The Security SPV has the features of a bankruptcy remote vehicle.
- The Transaction complies with applicable regulations.
- The transaction documents are legal, valid, binding and enforceable.
- The mortgage bonds that have been registered in the name of the Security SPV, in relation to the freehold and leasehold properties serving as collateral under the Transaction, are first ranking.
- The tenants do not have the right to cancel their rental agreements upon insolvency of the Issuer.
- The trust bank account is protected from insolvency of the Property Manager.
- The tenants relating to the properties that have been secured, have been notified of the cession of the Issuer's rights in terms of the underlying lease agreements to the Security SPV.
- Investec and the Property Manager have confirmed in writing that they have been notified of the cession of the Proceeds Bank Account.
- The insurance companies have acknowledged, in writing, the cession of the insurance policies and the noting of the Issuer's rights under an insurance policy where relevant.

As a matter of South African law, in the event of an insolvency of a transaction party, the liquidator of such party has an election right whether or not to abide by a transaction agreement. This election right is only applicable to agreements that can be qualified as 'executory' agreements. Such election right will be in respect of the entire transaction agreement and not only a part of such transaction agreement as the liquidator may not elect to abide only by the favourable terms of an agreement. As an example, a liquidator may not elect to only not abide by the subordination undertaking aspect in a transaction agreement.

In the Transaction, executory agreements are likely to be the Account Bank Agreement, the Security SPV Guarantee, and the Investec Guarantee where potentially material performance could be expected from the Account Banks and/or the Security SPV. The security cessions provided by the Issuer to the Security SPV would not be regarded as an executory agreement. It is unclear as to whether the Counter-Indemnity would be regarded as an executory agreement. If it would be regarded as an executory

agreement, the indebtedness secured by the security cessions include any claim for damages for breach or cancellation of the Counter-Indemnity.

The Account Bank Agreement includes sufficient downgrade language, which ensures that the Account Banks should in principle be replaced sufficiently in advance of insolvency.

It is theoretically possible that the Security SPV would become subject to business rescue procedures as per the new Companies Act in the event it would qualify as being financially distressed. The Security SPV has been set-up such that the likelihood of insolvency proceedings being brought against them is remote. The Issuer is a normal operating company and there is a risk that it may become subject to business rescue proceedings.

GCR has been advised by the Arranger that:

- In relation to the mortgage bonds that have been registered in the name of the Security SPV, the registered transfer deed value for each freehold and leasehold property will equal the amount registered over each respective property. In total, the aggregate mortgage bond value of the properties that will serve as security amount to R855m. In GCR's stress scenario, the expected recovery value of the properties is substantially lower than R855m (post the deduction of Montague Gardens and the addition of the Unitrans and Intercare properties), i.e. the mortgage bond values do not negatively influence the outcome of the calculations.

Tax Opinion

GCR received a signed executed copy of the tax opinion prepared by South African transaction legal counsel (Werksmans) in April 2012, and which was reviewed by Norton Rose Fulbright.

GCR understands from the tax opinion that there should be no taxes materially impacting the security structure. Please note that the Issuer is an operating entity subject to all applicable taxes.

The Issuer bears the risk relating to potential future withholding tax on interest payments as per condition 10 of the terms and conditions of the Senior Notes, excluding circumstances, inter alia, where noteholders are entitled to claim a tax credit.

GCR has not requested a new legal opinion as the Transaction Structure has not changed.

Rating Considerations

Meaning of the Rating of the Senior Secured Notes

The ratings accorded to the Senior Secured Notes are *final, public* long term national scale ratings.

The *final, public* ratings accorded to the Senior Secured Notes relate to ultimate payment of interest and principal (as opposed to timely, akin to an expected loss rating, which is a function of probability of default and loss severity). The rating excludes an assessment of the ability of the Issuer to pay any (early repayment) penalties.

The ratings of the Senior Secured Notes incorporate recoveries potentially arising from the sale of the underlying collateral and can therefore not be compared with, for example, a traditional corporate credit rating (the latter, which is also an expression of expected loss, but

refers to probability of default and an average historical loss given default for generalised senior unsecured debt).

If the ratings of the Issuer change, the ratings of the Senior Secured Notes may also change, but not necessarily in the same quantum. The ratings of the Senior Secured Notes may also change if the estimated stressed value of the underlying collateral materially changes.

The ratings mentioned above are a national scale credit rating (as opposed to an international scale rating). National scale credit ratings are an assessment of credit quality relative to the rating of the lowest credit risk in a country. This lowest risk will normally, although not always, be accorded to financial commitments issued or guaranteed by the relevant sovereign state. National scale ratings are not intended to be internationally comparable. The suffix code identifies to which country the rating relates; 'ZA' means Republic of South Africa. A Rating Outlook indicates the potential direction of a rating over the medium term, typically a one or two year period.

The ratings of the Senior Secured Notes will be reviewed at a minimum on an annual basis or as events warrant. GCR will perform regular surveillance on the Transaction. Surveillance reports will be made available to subscribers to GCR's information services

Rating Criteria Application

GCR analysed the Transaction by applying its Criteria for Rating Property Funds (May'16); Criteria for Rating Corporate Entities (Feb'16); Global Structurally Enhanced Corporate Bonds Rating Criteria (Oct'15); and with reference to its Investec Property Fund Limited R450m Senior Secured Floating Rate Notes – New Issuance Report (Apr'12); Investec Property Fund Limited's Corporate Rating Report (Aug'15); its Investec Property Fund Limited R416m Senior Secured Notes – New Issuance Report (Apr'15) and its IPF Press Release relating to the Montague Gardens Property Release (Jun'15). Aforementioned Criteria are freely available on www.globalratings.net.

Other

Data Received from Arranger as at 26 May 2016

- Independent property valuations on all six properties (as at 31 March 2016).
- Reviewed Preliminary Condensed Consolidated financial statements relating to the Issuer per 31 March 2016.
- Audited Annual Financial Statements for the financial years ended March 2012 - 2015.
- A signed final Legal opinion prepared in April 2015.
- Tenant lease schedules for the properties secured.
- Tenant gradings relating to the properties secured.
- Building gradings relating to the properties secured.
- Insurance policies relating to the properties secured.
- Letter confirming no properties (securing the noteholder obligations) have been dual ceded.

Transaction Documents

GCR has received satisfactory copies of all executed signed transaction documents.

Audit Opinion

GCR received the Reviewed Preliminary Condensed Consolidated financial statements relating to the Issuer per 31 March 2016. Auditors Ernst & Young issued an unqualified report on IPF's financial statements for the year ended 31 March 2015. The open market value relating to the properties before applying the recovery assumptions have been sourced from the Arranger, which have been sourced from the Issuer in terms of the latest available valuations as at 1 April 2016. GCR also received valuation reports for the period spanning 2011-2015. The property valuations were subject to estimations provided by an independent third party property valuer, namely Mills Fitchet Magnus Penny (Proprietary) Limited. In an instance where a property is valued by two property valuers, GCR will utilise the lower open market value of the relevant property in estimating recovery rate calculations.

Disclaimer

Note that GCR is not a legal, tax or financial adviser, and only provides a credit opinion of the rated securities. For example, a rating does not cover a potential change in laws nor can it be regarded as an audit. The recovery rate calculations made, are based on information presented, numerous input variables and modelling assumptions which may prove (very) different in a positive or negative way in real life. Moreover, GCR is not a party to the transaction documents. Users of our credit ratings should familiarise themselves with the Transaction (including the legal and tax opinion), and should form their own views in this respect. They should not rely on GCR for legal, tax or financial advice, and are encouraged to contact the relevant advisers.

Appendix A: Recovery Rate Calculations Relating to the Security for the Senior Secured Notes

1. Principal Amount Outstanding upon Default

This is the aggregate issuance amount of the Senior Secured Notes. Given the differing legal maturity dates on the respective tranches of the Senior Secured Notes, the principal amount outstanding during the life of the Senior Secured Notes may change. It is assumed the Issuer defaults prior to the legal maturity date of the first tranche of Senior Secured Notes. Given the bullet nature of the Senior Secured Notes, the principal amount at default is equivalent to the initial issuance amount of the Senior Secured Notes.

Capital Structure of Senior Secured Notes

Stock code	Amount (Rands)	Coupon	Maturity date	Length of period till maturity	Interest payment frequency
IPF12	100,000,000	3M JIBAR + 1.50%	13 April 2018	2 years	Quarterly
IPF03	50,000,000	3M JIBAR + 1.65%	13 April 2017	1 years	Quarterly
IPF06	226,000,000	8.80%	13 April 2017	1 years	Semi-annual
Subtotal	376,000,000				

Note: The IPF02 Senior Secured Note was redeemed upon maturity on 13 April 2016.

2. Assumed Missed Interest Payments upon Default

GCR assumes that upon default the last quarterly coupon is not paid (in respect of the Senior Secured Notes issued under stock code IPF06, it is assumed the last semi-annual coupon is not paid). In addition, interest payments during the assumed recovery period (18 months) are sized. This equates to 6 quarterly coupon payments (3 semi-annual coupon payments in respect of the Senior Secured Notes issued under stock code IPF06). GCR assumes an 18-month recovery period due to the concentrated nature of the secured property portfolio towards single tenants and its concentration towards the office sector. As such, GCR assumes that such properties will take longer to dispose of compared to a well-diversified portfolio. For the Senior Secured Notes issued under stock code IPF12, GCR used a 2-year swap rate (8.02% as at 27 May 2016) plus the interest margin (1.50%) as the combined assumed interest rate (9.52% per annum). The 2-year swap rate instead of 3M JIBAR is used because the weighted average life of the Senior Secured Notes is assumed to be 2 years, given the bullet nature. Similarly, for IPF06, GCR used the 1 year swap rate (7.68% as at 27 May 2016) plus the interest margin (1.55%) as the combined interest rate (9.23% per annum). For IPF06, the interest rate as at closing date (8.80% per annum) is utilised as this interest rate is fixed until the legal maturity date. GCR understands that no default interest is applicable after an Event of Default.

3. Assumed Recoveries on Sale of Properties

GCR assumes that 18 months after default of the Senior Secured Notes, all properties are eventually sold in a single circumstance. GCR used the independent market valuations of the properties (per end March 2016) as the starting point for the analysis to derive the stressed sales value for the portfolio of secured properties. In deriving the relevant haircut to be applied to each property, GCR looked at 3 components, namely i) the length of each tenant's lease; ii) the underlying credit quality of each tenant and iii) the grading of each building as provided by the Issuer. In the event a property met all 3 criteria (i.e. the lease is longer than the maturity date of the Senior Secured Notes, the tenant has an underlying credit quality at least commensurate with a rating higher than BBB^{-(ZA)} and if the building has been accorded an 'A' grade by the Issuer), a 45% haircut was applied to the market valuation of the respective property. In the event a property meets only 1 or 2 of the 3 criteria, a 65% haircut was applied. A 100% haircut will be applied to an untenanted property (i.e. 100% vacant). Please refer to the table below for an overview:

Property	Haircut Applied	Lease Maturity	Tenant Credit Quality	Building Grade
Investec Offices Durban	45%	Long	Rated	A
Woolworths House	45%	Long	Rated	A
Innovation Group	65%	Long	Unrated	B
4 Protea Place	65%	Medium	Unrated	A
Apostolo Pavlo Trading		Medium	Unrated	
Group I Tenants Association		Medium	Unrated	
Maisels Group		Medium	Unrated	
Stansher Developments (Pty) Ltd		Medium	Unrated	
Unitrans – Polokwane ¹	65%	Long	Rated holding company	B
Intercare – Fourways ¹	65%	Long	Unrated	A

Please refer to *Appendix B* for an overview of values.

¹ As discussed above and in previous reports, Investec replaced the Montague Gardens property that previously formed part of the Security Portfolio with the Unitrans and Intercare as agreed with Noteholders.

4. Assumed Recoveries on Rentals (Net Property Cash Flows during the 18-Month Enforcement Period)

From a legal perspective, the Security SPV can continue to collect rentals from the tenants upon enforcement. Once the properties are sold, the tenants' lease agreements will follow the sale of the properties and the new owner can start collecting the rentals.

GCR was provided with per property income and expense information for FY 2015. This information was used as a basis for estimating rental cash flows during the 18 month enforcement period.

Conservatively, no rental income is assumed to be generated over the enforcement period from the Innovation Group, 4 Protea Place and the Intercare buildings. This is because the underlying credit quality of the tenants is unknown (unrated entities) and the number of tenants is concentrated. For the remaining tenants comprising the other 3 properties, GCR assumes that 2% of rental

amounts owing by these tenants over the enforcement period will remain in arrears. GCR will review the rating in 12 months to gauge the impact of any changes to the tenant profile or rental agreements.

5. Assumed Sales and Legal Costs

GCR applied 6% costs to the stressed value of the properties, and 3% to the stressed recoveries on rentals.

6. Remaining Claim

Please note that the assumptions, haircuts and stresses applied by GCR (discussed above) relating to the secured properties (and thus the calculation of the potential recoveries and the remaining claim) in a stressed situation are conservative in nature, and are deemed to be appropriate in the context of the relevant rating scenario.

It is noted that an increase in the Security SPV LTV ratio to 60% will likely have a material adverse impact on estimated recovery rate calculations. As such, the rating of the Senior Secured Notes may change.

Appendix B: Overview of Properties that Serve as Security for the Senior Secured Notes

Property	Sector	Building Grading ²	Market valuations as at 1 April 2013 (Rands)	Market valuations as at 1 April 2016 (Rands)
Investec Offices Durban	Office	A	232,000,000	245,000,000
Woolworths House ¹	Office	A	319,000,000	368,000,000
Innovation Group	Office	A	190,000,000	195,000,000
4 Protea Place	Office	B	142,800,000	148,000,000
Unitrans - Polokwane	Retail (Specialised)	B	N/a.	29,300,000
Intercare - Fourways	Office (Medical)	A	N/a.	48,000,000
Total			966,800,000	1,033,300,000

¹ This is a leasehold property.

² As graded per the Issuer's grading scale.

Property	Tenant	Tenant Grading ¹	Expiry date of current lease	Stressed Value of Properties
Investec Offices Durban	Investec Bank	A	2020/04/30	134,750,000
Woolworths House ¹	Woolworths	A	2022/01/31	202,400,000
Innovation Group	Innovation SA	A	2021/08/31	68,250,000
4 Protea Place	Apostolo Pavlo Trading	C	2018/06/30	51,800,000
	Group I Tenants Association	B	2018/02/28	
	Maisels Group	B	2018/02/28	
	Stansher Developments (Pty) Ltd	B	2018/02/28	
Unitrans – Polokwane	Unitras a subsidiary of KAP Industrial Holdings Limited	B	2020/10/31	10,255,000
Intercare - Fourways	New Clicks South Africa	A	2020/10/31	16,800,000
Total				484,255,000

¹As graded per the Issuer's grading scale.

This page is intentionally left blank

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S STRUCTURED FINANCE GLOSSARY

Account Bank	A bank where the transaction account is held.
Advance	A lending term, to transfer funds from the creditor to the debtor.
Agent	An agreement where one party (agent) concludes a juristic act on behalf of the other (principal). The agent undertakes to perform a task or mandate on behalf of the principal.
Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties.
Applicable Pricing Supplement	A transaction document that describes the particulars of notes issued.
Arranger	Usually an Investment bank that advises and constructs a transaction and acts as a conduit between the transaction parties: Client, Issuer, Credit Rating Agency, Investors, Legal Counsel and Servicers.
Arrears	General term for non-performing obligations, i.e. obligations that are overdue.
Asset	An item with economic value that an entity owns or controls.
Average Life	The average lifetime of an asset or obligation. Typically measured from origination to cancellation or termination date.
Bankruptcy	Court proceedings at which an individual or a company is declared unable to pay its creditors. The liability of a bankrupt company typically exceeds its assets.
Bankruptcy Remote	A feature, through real security and guarantees that reduces the enforceability of a creditor against a Special Purpose Vehicle. Typically a Security Special Purpose Vehicle should be bankruptcy remote.
Bond	A long term debt instrument issued by either: a company, institution or the government to raise funds.
Business Rescue	A term under the Companies Act 71 of 2008 (South Africa) Chapter 6 to remedy an entity that is likely to become insolvent. Entities that are likely to become insolvent (where liabilities exceed assets) or unlikely to be able to pay their debts as they fall due and payable in the coming six months.
Capital	The sum of money that is used to generate proceeds.
Cash Flow	A financial term for monetary changes in operations, investing and financing activities.
Claim	A formal request or demand.
Collateral	An asset pledged as security in event of default.
Corporate Credit Rating	A credit rating accorded to a corporate entity.
Coupon	Interest payment on a security.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit Rating Agency	An entity that provides credit rating services.
Credit Risk	The probability or likelihood that a borrower or issuer will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
Creditor	A credit provider that is owed debt obligations by a debtor.
Debenture	A long term debt instrument issued by either: a company, institution or the government to raise funds.
Debt	An obligation to repay a sum of money.
Deed	A legal document that is signed and delivered, especially one regarding the ownership of property or legal rights.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than X days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Downgrade	The assignment of a lower credit rating to a corporate, sovereign or debt instrument by a credit rating agency. Opposite of upgrade.
Early Redemption	The repurchase of a bond by the issuer before it matures.
Enforceable	To make sure people do what is required by a law or rule et cetera.
Enforcement	To make sure people do what is required by a law or rule et cetera.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding.
Floating Rate Notes	Debt securities that have a periodic interest rate reset in relation to the reference rate, i.e. JIBAR.
Gross Lettable Area	Used in commercial property to indicate the amount of floor space rented or available for rental.
Guarantee	An undertaking for performance of another's obligations in event of default.
Haircut	The percentage by which the market value of a security used as collateral for a loan is reduced. The size of the haircut reflects the expected ease of selling the security and the likely reduction necessary to the realised value relative to the fair value.
Income	Money received, especially on a regular basis, for work or through investments.
Indemnity	A security or protection against a loss or other financial burden.
Insolvency	When an entity's liabilities exceed its assets.
Insolvency Remote	A feature, through real security and guarantees that reduces the enforceability of a creditor against a Special

	Purpose Vehicle. Typically, a Security Special Purpose Vehicle should be bankruptcy remote.
Insurance	Provides protection against a possible eventuality.
International Scale Rating LC	International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make transfers between sovereign jurisdictions.
Irrevocable	Not able to be changed, reversed, recovered and final.
Issuer	The party indebted or the person making repayments for its borrowings.
Lease	Agreement or temporary use and enjoyment of a corporeal thing (movable or immovable property) the whole or part thereof for rent. The essential elements of a contract of lease are: 1.) Undertaking of lessor to give the lessee the use and enjoyment of something; 2.) Agreement between the lessor and lessee that the lessee's right to use and enjoyment is temporary; and 3.) Lessee's undertaking to pay a sum or rent.
Legal Opinion	An opinion regarding the validity and enforceable of a transaction's legal documents.
Liability	All financial claims, debts or potential losses incurred by an individual or an organisation.
Liquidation	The process by which a company is wound-up and its assets distributed to creditors. Liquidation proceedings are initiated either compulsorily or voluntarily by the company.
Liquidator	A person appointed to wind up the affairs of a company or firm.
Liquidity	The ability to repay short-term obligations or short-term availability of liquid assets to a market or entity.
Liquidity Risk	The risk that a company may not be able to meet its financial obligations or other operational cash requirements due to an inability to timeously realise cash from its assets. Regarding securities, the risk that a financial instrument cannot be traded at its market price due to the size, structure or efficiency of the market.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Long-Term Rating	A long term rating reflects an issuer's ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Loss	A tangible or intangible, financial or non-financial loss of economic value.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
National Scale Rating	The national scale provides a relative measure of creditworthiness for rated entities only within the country concerned. Under this rating scale, a 'AAA' long term national scale rating will typically be assigned to the lowest relative risk within that country, which in most cases will be the sovereign state.
Negative Pledge	A pledge made by a creditor that it will not incur any debt or event that may negatively impact the transaction or entity or material subsidiary.
Notching	A movement in ratings.
Noteholder	Investor of capital market securities.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Option	Either a call or a put option. A call option gives the holder the right to buy assets at an agreed price on or before a particular date. A put option gives the holder the right to sell assets at an agreed price on or before a particular date.
Owner Trust	Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Paying Agent	An appointed transaction party that is responsible for the payment of Noteholders scheduled interest and principal, as well as other transactional obligations.
Pledge	Constituted by an agreement between the pledgor, who undertakes to deliver the article, and the pledgee, and subsequent delivery of the property in question as security for debt. A pledge is only applicable to movable property.
Pricing	A process of determining the price of a debt security.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Private	An issuance of securities without market participation, however, with a select few investors. Placed on a private basis and not in the open market.
Proceeds	Funds from issuance of debt securities or sale of assets.
Property	Movable or immovable asset.
Provision	An amount set aside for expected losses to be incurred by a creditor.
Ranking	A priority applied to obligations in order of seniority.
Rated Securities	Debt securities that have been accorded a credit rating.
Rating Outlook	A Rating outlook indicates the potential direction of a rated entity's rating over the medium term, typically one to two years. An outlook may be defined as: 'Stable' (nothing to suggest that the rating will change), 'Positive' (the rating symbol may be raised), 'Negative' (the rating symbol may be lowered) or 'Evolving' (the rating symbol may be raised or lowered).
Real Estate	Property that consists of land and / or buildings.
Recourse	A source of help in a difficult situation.

Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Redemption	The repurchase of a bond at maturity by the issuer.
Release	An agreement between the creditor and debtor, in terms of which the creditor release the debtor from its obligations.
Rent	Payment from a lessee to the lessor for the temporary use of an asset.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Secured Creditor	A creditor that has specific assets pledged as collateral that will receive the proceeds in the event of default.
Securities	Various instruments used in the capital market to raise funds.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be forfeited in case of default.
Security Special Purpose Vehicle	A Special Purpose Vehicle that has been created to realise and hold the security of the performance of the obligations of the Issuer that sold its assets to the Security SPV.
Senior	A security that has a higher repayment priority than junior securities.
Senior Unsecured Debt	Securities that have priority ahead of all other unsecured or subordinated debt for the payment in the event of default.
Settlement	Full repayment of an obligation.
Settlement Agent	The person that acts on behalf of the debtor for repayment or settlement of obligations.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Short-Term Rating	A short term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Special Purpose Vehicle	An entity that is created to fulfill specific objectives. Normally insolvency remote and created to isolate financial risk.
Stock Code	A unique code allocated to a publicly listed security.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whilst reducing risk.
Subordination	The prioritising of the payment of interest and principal payments to tranches (senior, junior etc. Senior tranches are paid before junior tranches.
Surveillance	Process of monitoring a transaction according to triggers, covenants and key performance indicators.
Swap	An agreement between two parties for the exchange of a series of future cash flows. The exchange of one security for another. Normally an investment bank, which provides a swap.
Tranche	In a structured finance, a slice or portion of debt securities offered that is structured or grouped to resemble the same degree of risk associated with the underlying asset or with a similar degree of risk. A junior tranche has a higher degree of default risk than a senior tranche.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.
Unconditional	Not subject to any conditions.
Unsecured Claim	Debt securities that have no collateral.
Vacancy	In commercial property, usually expressed as a percentage of unoccupied floor space in relation to the GLA.
Valuation	An assessment of the property value, with the value being compared to similar properties in the area.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the ratings is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

The Issuer and the Arranger participated in the rating process via face-to-face meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The ratings above were solicited by the Issuer of the Transaction; GCR has been compensated for the provision of the ratings.

The credit ratings have been disclosed to the Issuer and the Arranger with no contestation of the ratings.

The information received from the Arranger and other reliable third parties to accord the credit rating included:

- Independent property valuations on all six properties (as at 31 March 2016).
- Reviewed Preliminary Condensed Consolidated financial statements relating to the Issuer per 31 March 2016.
- Audited Annual Financial Statements for the financial years ended March 2012 - 2015.
- A signed final Legal opinion prepared in April 2015.
- Tenant lease schedules for the properties secured.
- Tenant gradings relating to the properties secured.
- Building gradings relating to the properties secured.
- Insurance policies relating to the properties secured.
- Letter confirming no properties (securing the Noteholder obligations) have been dual ceded.

ALL GCR CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS, TERMS OF USE OF SUCH RATINGS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS, TERMS OF USE AND DISCLAIMERS BY FOLLOWING THIS LINK:[HTTP://GLOBALRATINGS.NET/UNDERSTANDING-RATINGS](http://GLOBALRATINGS.NET/UNDERSTANDING-RATINGS). IN ADDITION, RATING SCALES AND DEFINITIONS ARE AVAILABLE ON GCR'S PUBLIC WEB SITE AT WWW.GLOBALRATINGS.NET/RATINGS-INFO. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE UNDERSTANDING RATINGS SECTION OF THIS SITE.

CREDIT RATINGS ISSUED AND RESEARCH PUBLICATIONS PUBLISHED BY GCR, ARE GCR'S OPINIONS, AS AT THE DATE OF ISSUE OR PUBLICATION THEREOF, OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. GCR DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL AND/OR FINANCIAL OBLIGATIONS AS THEY BECOME DUE. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: FRAUD, MARKET LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND GCR'S OPINIONS INCLUDED IN GCR'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND GCR'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND GCR'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL OR HOLD PARTICULAR SECURITIES. NEITHER GCR'S CREDIT RATINGS, NOR ITS PUBLICATIONS, COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. GCR ISSUES ITS CREDIT RATINGS AND PUBLISHES GCR'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING OR SALE.

Copyright © 2013 Global Credit Rating Co (Pty) Ltd. INFORMATION PUBLISHED BY GCR MAY NOT BE COPIED OR OTHERWISE REPRODUCED OR DISCLOSED, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT GCR'S PRIOR WRITTEN CONSENT. Credit ratings are solicited by, or on behalf of, the issuer of the instrument in respect of which the rating is issued, and GCR is compensated for the provision of these ratings. Information sources used to prepare the ratings are set out in each credit rating report and/or rating notification and include the following: parties involved in the ratings and public information. All information used to prepare the ratings is obtained by GCR from sources reasonably believed by it to be accurate and reliable. Although GCR will at all times use its best efforts and practices to ensure that the information it relies on is accurate at the time, GCR does not provide any warranty in respect of, nor is it otherwise responsible for, the accurateness of such information. GCR adopts all reasonable measures to ensure that the information it uses in assigning a credit rating is of sufficient quality and that such information is obtained from sources that GCR, acting reasonably, considers to be reliable, including, when appropriate, independent third-party sources. However, GCR cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall GCR have any liability to any person or entity for (a) any loss or damage suffered by such person or entity caused by, resulting from, or relating to, any error made by GCR, whether negligently (including gross negligence) or otherwise, or other circumstance or contingency outside the control of GCR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits) suffered by such person or entity, as a result of the use of or inability to use any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained in each credit rating report and/or rating notification are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained in each credit rating report and/or rating notification must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY GCR IN ANY FORM OR MANNER WHATSOEVER.