

# Golden Bar II (Securitisation) S.r.l. €2.5 Billion Medium Term Asset-Backed Notes Programme

Consumer Loans / Italy

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 22 February 2008. 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

March 2008

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## PROVISIONAL (P) RATINGS

| Class | Rating          | Amount<br>(million) | % of<br>Notes | Legal Final<br>Maturity | Coupon      |
|-------|-----------------|---------------------|---------------|-------------------------|-------------|
| A     | (P) <b>Aaa</b>  | €[631.75]           | 90.25         | Oct/2024                | 3mE + 0.60% |
| B     | (P) <b>Aa3</b>  | €[49.00]            | 7             | Oct/2024                | 3mE + 1.75% |
| C     | (P) <b>Baa2</b> | €[15.75]            | 2.25          | Oct/2024                | 3mE + 3.00% |
| D     | NR              | €[3.50]             | 0.5           |                         |             |
| Total |                 | €[700]              | 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 rated final legal maturity date. 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.*

## OPINION

### Strengths of the Transaction

- Transaction is sponsored by rated (**A1/P-1**) consumer loan originator, Santander Consumer Bank S.p.A. – part of the Banco Santander, S.A (**Aa1/P-1**) group -, which holds a 5.9% market share in the Italian consumer loan market and ranks 5th in its relevant sector of activity.
- Default and delinquency data available show satisfactory, although slightly worsening, performance of past transactions.
- Good level of excess spread level available to the structure.
- Structural features allow for trapping of excess spread to offset deteriorating performance of underlying portfolio.
- Portfolio servicer is a rated (**A1/P-1**) entity, however deal documentation include - upon loss of the **Baa3** rating - the obligation for the servicer to identify a back-up servicer, which will be ready to step in, in case of servicer insolvency.

### Weaknesses and Mitigants

- A long (3.5 years) revolving period may result in some volatility in deal performance. However, this negative feature is compensated by the eligibility criteria for additional portfolio purchases. Nonetheless, this has been factored in Moody's quantitative analysis.
- Swap agreement may leave the structure slightly un-hedged on its interest rate exposure on delinquent loans, and may ultimately result in some margin erosion, a feature which is not uncommon to other Italian SFG transactions. Moody's has taken this risk into consideration in its modeling of the transaction and has applied a haircut on the available margin.
- The historical performance data provided by the originator show some credit quality deterioration in the most recent vintages mirroring recent economic environment. Moody's has taken this into account in its analysis by assuming a higher default probability of default as opposed to previous transaction by same originator.



## STRUCTURE SUMMARY *(see page 3 and subsequent pages for more details)*

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|                                 |   |
|---------------------------------|---|
| Issuer:                         | Golden Bar (Securitisation) S.r.l. ("Golden Bar")         |
| Structure Type:                 | True sale / revolving                                     |
| Seller/Originator:              | Santander Consumer Bank S.p.A. <b>(A1/P-1)</b>            |
| Servicer:                       | Santander Consumer Bank S.p.A. <b>(A1/P-1)</b>            |
| Interest Payments:              | Quarterly   |
| Principal Payments:             | Quarterly   |
| Credit Enhancement/Reserves:    | Cash Reserve Account initially set at 3% of the portfolio |
| Hedging:                        | Banco Santander, S.A. <b>(Aa1/P-1)</b>                    |
| Principal Paying Agent:         | Deutsche Bank AG, London branch                           |
| Representative of Note-holders: | Deutsche Trustee Company Limited                          |
| Arranger/Lead Manager:          | Banco Santander, S.A. <b>(Aa1/P-1)</b>                    |

## COLLATERAL SUMMARY *(see page 5 and subsequent pages for more)*

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|                             |  |
|-----------------------------|--|
| Receivables:                | €700,001,950   |
| Number of Contracts:        | 65,160   |
| Number of Borrowers:        | 65,160   |
| Geographic Diversity:       | 41.54% Northern Italy, 26.43% Central Italy, 32.02% Southern Italy                                       |
| Remaining Term:             | 5.1 years  |
| Seasoning:                  | 0.7 years  |
| Delinquency Status:         | All current  |
| Historical Loss Experience: | 7 years of historical data (from 2000 to 2006) of static defaults, static delinquencies, static payments |

## NOTES

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| <b>Class</b> | <b>Subordination</b> | <b>Reserve Fund</b> | <b>Total</b> |
|--------------|----------------------|---------------------|--------------|
| A            | 9.75%                | 3%                  | 12.75%       |
| B            | 2.75%                | 3%                  | 5.75%        |
| C            | 0.5%                 | 3%                  | 3.5%         |

*The Cash Reserve Account will amortise – according to a pre defined set of criteria – but must maintain a floor of 0.5% of the total initial notes.*

*Excess spread at closing is approximately [3]%, having detracted from the portfolio internal rate of return the swap rate, deal senior costs and margin on the notes.*

## TRANSACTION SUMMARY

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**Second securitisation MT  
programme sponsored by  
Santander Consumer Bank S.p.A.**

Golden Bar II is the second asset back notes MT programme set up by Santander Consumer Bank SpA (previously Finconsumo Banca SpA). The present programme is in fact almost identical to the previous one, which was set up in the first quarter of 2004 and under which 4 series of notes for a total of €2.04 billion were issued. The initial issuance of the new programme will be approximately €700 million.

Santander Consumer Bank has also acted as Originator in two funded securitisation transactions launched in 2000 and 2001 (Golden Bar (Securitisation) S.r.l. Series 1 and Series 2 respectively) and the synthetic transaction Finconsumo Banca - Golden Bar (Synthetic) Synthetic Consumer Loan Securitisation, closed in 2002. Golden Bar (Securitisation) S.r.l. Series 1 2000 and Golden Bar (Securitisation) S.r.l. Series 2 2001 rated notes have been fully repaid.

The special purpose vehicle (SPV), Golden Bar (Securitisation) S.r.l., used in the previously mentioned cash deals is the same as the one used for this programme.

Under the current MT programme, ABS can be issued in series of notes. Each series may comprise four classes of notes:

- Class A notes
- Class B notes
- Class C notes
- Class D notes – unrated.

Per the structure of the programme, all series are initially kept separated from each other and funds are allocated pro rata among the existing series. However, programme wide triggers are in place, hence entailing that investors are ultimately exposed to risks and benefits of not only their series portfolio (i.e. portfolio bought with relevant series issuance proceeds), but all series portfolios purchased during programme life. Please refer to Section “Structural and Legal Aspects” for further details.

For the first issuance under the current MT programme - to which rating are currently assigned -, a €700 million consumer loan portfolio has been sold to the SPV, which will finance this purchase through issuance of €700 million Asset-Backed Notes. Additional portfolios may be purchased as part of this issuance revolving period, on a quarterly basis, for a period of up to 3.5 years.

## STRUCTURAL AND LEGAL ASPECTS

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**Credit enhancement is  
represented by notes  
subordination, cash reserve and  
excess spread**

In addition to Notes subordination, credit enhancement is represented by cash reserve and available excess spread.

As per the former, Santander Consumer will lend, on a subordinated basis, € 21 million to the SPV, which will be immediately credited into the cash reserve account. The cash reserve amount will form part of the interest available funds, which will be also available for the purpose of filling the relevant series principal deficiency ledgers (PDL) if needed. PDL amounts will in turn form part of next period principal available funds and be used either to buy additional portfolios or pay down outstanding notes.

Upon certain conditions, this Programme cash reserve may amortise down to €3.5 million 0.5% of the initial outstanding portfolio, with such conditions including the amortisation of 50% of all Series rated notes. Please note that contrary to previous programme where the cash reserve remained at its original amount throughout the revolving period, in the current MT programme, during the revolving period and provided the excess spread available to the structure is equal or higher than 4.35% the cash reserve may be eventually reduced to 2.4% of the initial portfolio amount.

An additional protection for note-holders is represented by the level of excess spread present in the deal. At deal inception, excess spread is estimated at approx. [3]%, computed as the Internal Rate of Return on the portfolio, minus the swap rate payable on the Series (approx. 3%), cost of funding and transaction fees. Such spread may decrease over the life of the transaction due mainly to defaults, delinquencies and prepayments. However, at least during the revolving period, defaults and prepayments may not significantly reduce excess spread as Santander Consumer Bank, pursuant to the additional portfolio eligibility criteria, will need to ensure a minimum level of excess spread set at 3.7% on the aggregate portfolio.

Excess spread is trapped into the structure upon deterioration of the underlying portfolio, i.e. the structure includes a PDL mechanism which tracks defaulted claims (six unpaid monthly instalments).

### ***The availability of funds for allocation***

The deal is structured around two waterfalls, for interest and principal payments respectively, whereas the programme interest and principal available funds must be previously allocated among the different series, as detailed below.

Programme Interest Available Funds include interest payment on the loans; cash reserve amount, recoveries and revenues on eligible investments. Each series of notes will be allocated a portion of the total amount on a pro-rata basis. However, it should be noted that the single series interest available amount will be accrued by payments received by the relevant swap counterparty.

The single series interest available funds will then be allocated as follows (simplified waterfall):

- 1) senior transaction costs
- 2) swap payments
- 3) Interest A
- 4) PDL A
- 5) Interest B
- 6) PDL B
- 7) Interest C
- 8) PDL C
- 9) PDL D
- 10) Credit-to-cash reserve to reach target amount
- 11) Return Excess to Originator

Moody's also highlights two notable points:

- Senior transaction costs (e.g. taxes due by the Issuer, transaction party's fees) will be allocated among all outstanding series on a pro-rata basis.
- There is a sort of cross-collateralisation among the interest available funds of the all series; i.e. should any single series interest available funds be insufficient to meet the payments as listed above, such shortfall could eventually be made up by an excess on another series. Hence, there is cross-collateralisation of both excess spread and reserve fund proceeds.

Programme Principal Available Funds will be composed of principal payments on the loans and PDLs. They will be allocated among the different series by a mechanism that allows for an earlier amortisation of the oldest series of notes (should the performance of the collateral portfolio be in line with expectations). This will be accomplished by allocating such funds among the various series as follows:

The oldest series of notes, for an amount which is the lower level of:

- a) the greater of:
  - i) Single series ratio of programme principal available funds,
  - ii) The difference between the outstanding amount of the relevant series of notes and a target outstanding amount for such series.
- b) The difference between the outstanding amount of such series of notes and the unpaid PDL.

The balance will be allocated to the other series of notes, by applying the same mechanism. For the last series, if the above formula result should be greater than the theoretical available funds, then the available principal funds will be used.

The single series ratio is the ratio between the outstanding amount of the notes under one single series and the outstanding amount of the notes under the programme. The target outstanding amount of the loans is an anticipated scheduled amortisation of the relevant Series Notes using the Single Series initial portfolio amortisation as the proxy with a [5]% prepayment rate. During the 3.5 years revolving period, the target outstanding amount is equal to the outstanding amount of the relevant series notes amount.

The single series principal available funds will then be used either to purchase additional portfolios, during the revolving period, or pay down the notes on a sequential basis.

### ***Protection from portfolio quality deterioration: the Purchase Termination Events***

Should the performance of the underlying portfolio deteriorate beyond a certain level (i.e. should any of the triggers mentioned below be activated), no additional portfolios will be purchased for all series and the principal available funds will be allocated across same-class notes from different series (i.e. Series 1, Series 2, Series 3 and Series 4 Class A notes will be combined and so on), on a pro-rata basis.

Purchase Termination events include

- 1) The default ratio rolling average > 1.3%
- 2) The arrears ratio rolling average > 4%
- 3) Uncured PDL (excess spread which is insufficient to cover the PDL)
- 4) The cash reserve amount short of its target amount for all Series.

If the above is hit, it could imply a lengthening of the average life of the older Series of Notes and quicken that of the younger Series of Notes. The deal is satisfactorily protected by the reserve fund trigger and the uncured PDL trigger, which will basically mean that the collateral portfolio after swap does not generate enough excess spread to cover defaulted positions.

The second type of triggers and the Programme Acceleration Events includes triggers such as non-payment on the notes and breach of obligations/insolvency on the part of the Issuer. Should any of the Programme Acceleration Events be activated, then the deal will enter into post-enforcement, in which case all available funds will be allocated, first to all Series Class A Notes (interest and principal), then to Class B notes and thereafter, through the remaining Class notes.

### ***Hedging Mechanism***

As per this series issuance, the SPV will enter into a swap agreement with Banco Santander, S.A. (rated **Aa1/P-1**). The swap will reset at each portfolio addition. It will recognise a fixed rate (3%) on this transaction performing portfolio (including delinquencies, excluding default) while receiving Euribor calculated on the same notional principal amount. The SPV is protected from deterioration in the swap counterparty's credit quality by a set of rating triggers which may eventually lead to the replacement of the swap counterparty.

This swap leaves the SPV exposed to a certain interest rate risk, i.e. on the amount of portfolio represented by default claims. Such risk was factored in Moody's quantitative analysis of the transaction by applying a discount on the minimum portfolio yield.

## **COLLATERAL**

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***New auto loans represent the majority of the initial portfolio, the balance being composed of used auto loans, personal and purpose loans.***

The programme securitised portfolio is composed of four sub-pools: new and used vehicle loans (which also include new and used boats loans), personal loans and purpose loans.

The portfolio has been selected according to a defined set of eligibility criteria, main of which are:

- loans must be current;
- loans must have been granted to individuals;
- loans must be paid on a monthly basis;
- loans must at least have one installment become due and paid.

The same criteria will need to be met by all the additional portfolios transferred, during the whole programme revolving period. Santander Consumer Bank needs to ensure a minimum level of excess spread (3.7%) at each portfolio transfer for all Series, which clearly benefits the transaction.

The credit quality of the portfolio is slightly worst than the quality of the previous programme portfolio as at last Series 4 issuance date (please Table below), recording a higher percentage of personal loans and a lower percentage of new cars loans, used auto and purpose loans. It is important to note that new auto and purpose loan pools perform significantly better (as per historical data provided by the originator) than the other two pools.

According to the concentration limits implemented at this issuance time, new auto loans will need to represent (following additional portfolio purchase) at least 55% of the total portfolio (vs. 62% implemented in the previous Programme). There is a cap for both used car (10%). The concentration limits for the Personal Loans is 40%.

The underlying collateral is satisfactorily diversified in terms of geographical dispersion, across Italy: 41.54% Northern Italy, 26.43% Central Italy and 32.02% Southern Italy. It is interesting to note that – as far as consumer loans are concerned - the Southern part of the Italian peninsula does not show any worse historical performance for consumer loans compared to the North.

In terms of payment methods, more than 87% of the debtors pay by direct debit, while the balance pays by postal bulletin. This postal bulletin exposure may expose the deal to a delinquency level slightly higher than what could be expected on a 100% direct debit portfolio. For instance, a prolonged postal strike could eventually impact the performance of the deal or postal payments may take longer on average to be recognised as payments by Santander Consumer Bank compared to direct debit. However, certain triggers on delinquency level may cause the early amortisation of the transaction, should delinquencies dramatically increase above expectations. Additionally the eligibility criteria require that loans paid by postal bulletin cannot exceed a certain percentage [30] %. Finally, Moody's factored this into its analysis by discounting the expected excess spread in the analysis of the transaction.

The table below summarises the main characteristics of the new programme portfolio compared to the first programme portfolio at the time the Series 4 notes were issued in January 2007.

Table 1:

| The new programme portfolio   | The portfolio as at Jan 2007<br>(Series 4 issuance date)   |
|---|--|
| Composition: new cars (61.54%), used cars (7.97%), personal loans (27.38%), purpose loans (3.11%) | Composition: new cars (66.70%), used cars (11.96%), personal loans (13.34%), purpose loans (8.00%) |
| Average loan amount: €12,133  | Average loan amount: €5,518  |
| WA residual life: 5.09 years  | WA residual life: 3.41 years   |
| WA seasoning: 8.55 months   | WA seasoning: 16.6 months  |
| WA TAN 8.19 %   | WA TAN :7.98%  |
| Payment method: 87.62% direct debit, 12.38% postal bulletin                                       | Payment method: 82.55% direct debit, 17.45% postal bulletin  |

## ORIGINATOR, SERVICER AND OPERATIONS REVIEW

Given the past transactions and the long term rating assigned to Santander Consumer Bank, Moody's has met with the representatives of Santander Consumer Bank several times over the past years. Overall, Moody's believes that the servicing capacity of Santander Consumer Bank is in line with the requirements pursuant to the Servicing agreement.

Santander Consumer Bank S.p.A., (**A1/P-1**) holds a 5.9% market share in the Italian consumer loan market and ranks 5th in its relevant sector of activity. Santander Consumer Bank has stated that at continuing to strengthen its position in the market by means of commercial agreements with large distributors, through cooperation with the banking system and by opening further branches in their existing network that also includes exclusive agents.

Santander Consumer Bank's product portfolio includes new and used cars, motorbikes, durable goods loans, leasing, credit cards, direct loans, new and used boats.

Santander Consumer Bank's major shareholder is **Aa1**-rated Banco Santander, S.A. (100%). Santander Consumer Bank acquired "bank" status in October 2001.

Securitisation is a tool which is used by Santander Consumer Bank to maintain contact with investors and to benefit from the improvement of capital ratios.

## MOODY'S ANALYSIS

**Historical performance data was also compared with previous deals' performance in order to make assumptions**

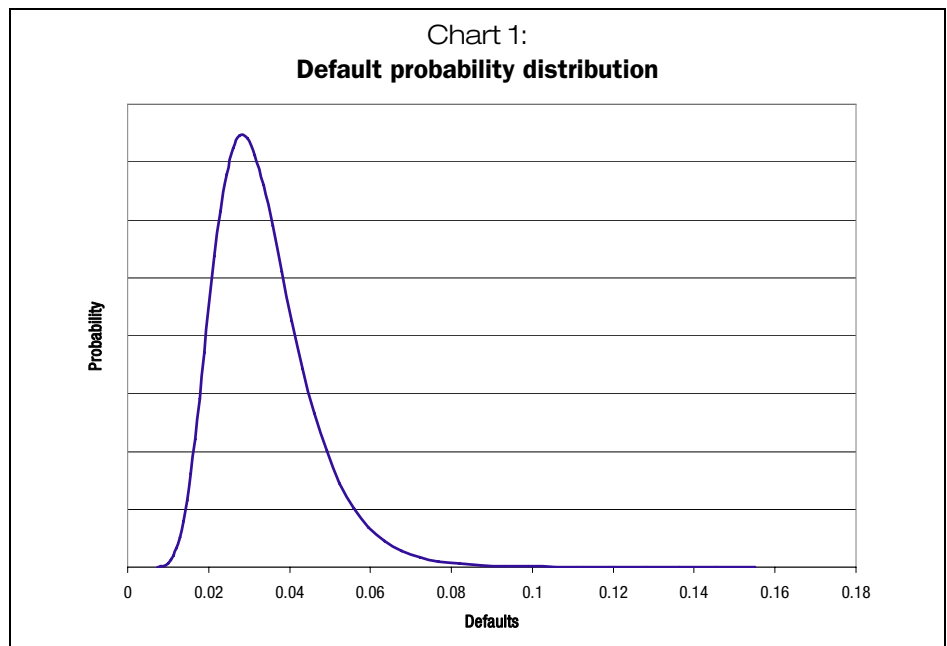
Moody's was provided with historical data on gross defaults and prepayments, for each sub-pool. Static default data were provided on a quarterly basis over a time horizon of 7 years.

Moody's also took comfort from the performance on the existing Santander Consumer Bank deals, which show satisfactory, although slightly worsening, level of performance (please refer to Golden Bar (Securitisation) S.r.l. MT Programme and Finconsumo Banca – Golden Bar (Synthetic) Performance Overviews).

Based on the analysis of the performance vintage data of each sub-pool and past deal performance (supported by a qualitative assessment of both the company's operations and its market of reference), Moody's derived the expected future performance assumptions of each single pool. A weighted average mean default and a volatility assumption were then derived for the whole portfolio. The assumptions made for **mean default** and **standard deviation over mean** were in the **3%-4%** and **30%-35%** range respectively. The **recovery** assumption was in the **25-20%** range.

The minimum spread on the loans, which Santander Consumer Bank is committed to ensure at each additional portfolio sale, has been stressed to take into account the possibility of having it reduced over the life of the transaction, due to prepayments, default and delinquencies.

Essentially, Moody's tested relevant credit enhancement levels by relying on a mixed cash-flow/statistical approach, also adjusted to take into account structural features, e.g. the spread on both initial and subsequent portfolios and cash trapping mechanisms. Utilising the mean default and mean volatility assumptions as previously described, Moody's derived the lognormal probability distribution of default, which has the shape as per the graph below.



The above probability distribution was then applied to numerous default scenarios on the asset side in order to derive a level of losses on the Notes. Expected loss levels relative to the ratings assigned to each tranche were computed, by way of weighting each scenario's severity result on the Notes with its probability of occurrence.

Please note that, given the programme structure, it may be that notes of the oldest series may be repaid before than notes (of higher or same rating) of more recent series. However, in Moody's opinion the fact that a pro rata payment on the same class of notes across all series is triggered by the deterioration of pool performance (based on certain triggers as described above) essentially ensures that the rating assigned to the Class A, Class B and Class C notes are consistent across all series.

## RATING SENSITIVITIES AND MONITORING

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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.

Main rating triggers attached to counterparties in the transaction include:

- Account Bank – **P-1**
- Swap Counterparty – **A1/P-1**

## RELATED RESEARCH

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For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

### Pre-Sale/New Issue Reports:

- Golden Bar (Securitisation) S.r.l Series 4 Italian Consumer Loans, January 2007 (SF89074)
- Golden Bar (Securitisation) S.r.l. Italian Performing Consumer Loans, January 2001(SF9802)
- Golden Bar (Securitisation) S.r.l. Series 2 - Italian Performing Consumer Loans, June 2001 (SF10781)
- Finconsumo Banca - Golden Bar (Synthetic) Synthetic Consumer Loan Securitisation, July 2002 (SF15190)
- Golden Bar (Securitisation) S.r.l. Series 1 2004, March 2004 (SF33607)
- Golden Bar (Securitisation) S.r.l. Series 3 2006, February 2006 (SF33971)

### Rating Methodology:

- The Lognormal Method Applied to ABS Analysis, September 2000 (SF8827)
- Consumer Finance ABS: Moody's Approach with a Focus on the Italian Market, December 2004 (SF11753)

### Special Report:

- Historical Default Data Analysis for ABS Transactions in EMEA, November 2005; (SF64042)
- Moody's Approach to Rating European Auto ABS: More Rubber Set to Hit European Roads, November 2002. (SF17579)

SF124306isf

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