

CREDIT OPINION

26 October 2023

Update


[Send Your Feedback](#)

RATINGS

Jigsaw Homes Group Limited

Domicile	United Kingdom
Long Term Rating	A2
Type	LT Issuer Rating - Dom Curr
Outlook	Negative

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

Maylis Chapellier +44.20.7772.1429
 Analyst
maylis.chapellier@moodys.com

Sinan Li +44.20.7772.8652
 Ratings Associate
sinan.li@moodys.com

Sebastien Hay +34.91.768.8222
 Associate Managing Director
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

Jigsaw Homes Group Limited (UK)

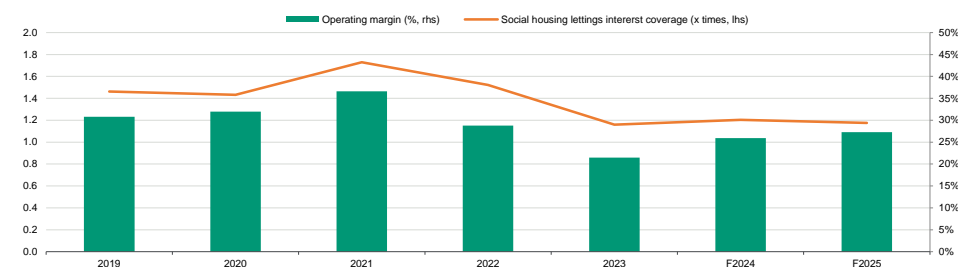
Update following affirmation of A2 negative

Summary

The credit profile of [Jigsaw Homes Group Limited](#) (Jigsaw, A2 negative) reflects the group's adequate gearing and sound financial management, with a modest appetite for market sales. It also incorporates the group's high and increasing debt metrics, as well as its maintained high development ambitions despite the challenging operating environment. Jigsaw also benefits from the strong regulatory framework governing English housing associations (HAs), and our assessment of a strong likelihood that the government of the [United Kingdom](#) (UK, Aa3 stable) would intervene if Jigsaw faces acute liquidity stress.

Exhibit 1

Weaker operating margin and interest cover, but expecting to moderately improve



F: Forecast.

Source: Jigsaw and Moody's Investors Service

Credit strengths

- » Operating margin in line with peers, although recently weakened
- » Sound management with a modest appetite for market sales
- » Supportive institutional framework

Credit challenges

- » Maintained high development ambitions, but liquidity coverage remains adequate
- » Debt burden to increase in the next three years

Rating outlook

The negative outlook reflects Jigsaw's decreased resilience and high exposure to a challenging operating environment, including prolonged elevated inflation, capped social rent increases and increased interest rates, due to high development ambitions.

Factors that could lead to an upgrade

Rating upgrades are unlikely given the negative outlooks. The negative outlooks could be changed to stable if Jigsaw were able to maintain relatively stable financial metrics over the medium term. This could be driven by better operating performance than anticipated, including the ability to contain cost pressures, and a reduction in development plans leading to lower debt levels than anticipated.

Factors that could lead to a downgrade

Downward pressure on the ratings could result from a significant sustained weakening in operating margins and interest coverage ratios, material increases in debt levels beyond that currently anticipated, a significant deterioration in liquidity or a significant scaling up in market sales exposure beyond what is planned. A weakening of the regulatory framework or dilution of the overall level of support from the UK government could also lead to downward pressure on the ratings.

Key indicators

Exhibit 2

Jigsaw Housing Group							
	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24 (F)	31-Mar-25 (F)
Units under management (no.)	34,442	34,696	35,198	35,732	35,992	35,781	36,735
Operating margin, before interest (%)	30.8	32.0	36.6	28.8	21.5	25.9	27.3
Net capital expenditure as % turnover	5.7	13.5	1.1	19.7	42.8	79.5	29.5
Social housing letting interest coverage (x times)	1.5	1.4	1.7	1.5	1.2	1.2	1.2
Cash flow volatility interest coverage (x times)	2.0	2.0	2.4	2.0	0.8	1.2	1.4
Debt to revenues (x times)	3.7	3.9	3.6	3.6	4.1	4.3	4.4
Debt to assets at cost (%)	49.7	48.5	47.1	45.1	46.2	50.6	51.2

Cash flow volatility interest coverage (CVIC) for fiscal 2019 uses a proxy, because fiscal 2019 is the first year of operations for Jigsaw as a merged entity. F: Forecast.
Source: Jigsaw Homes Group and Moody's Investors Service

Detailed credit considerations

On 25 October 2023, Moody's affirmed Jigsaw's ratings and maintained the negative outlooks. The affirmation followed Moody's change in outlook of the Government of the United Kingdom's Aa3 rating to stable from negative on 20 October 2023.

Jigsaw's A2 rating combines a Baseline Credit Assessment (BCA) of a3 and a strong likelihood of extraordinary support from the UK government in case of acute liquidity stress.

Baseline credit assessment

Operating margin in line with peers, although recently weakened

Jigsaw's financial performance weakened to 21% operating margin in fiscal 2023, significantly down from 29% in fiscal 2022. Whilst Jigsaw used to outperform peers, its operating margin is slightly below the A2 rated peer median (22%). The decrease was driven by increased maintenance and major repairs and inflationary pressures including on utility costs. Additionally, in response to the anticipated cost pressures and to hedge themselves against further cost increases, the group initiated planned maintenance works that were originally scheduled in fiscal 2024, which contributed to the weakening of fiscal 2023 operating margin against the group's previous performance.

Jigsaw expects its operating margin to recover, averaging 27% over the next three years, driven by additional rent revenue from development completions. Should the HA succeed, it would significantly outperform its peers (median of 23% on average over the same period). As of Q1 2024, Jigsaw's operating margin is on track, despite handover delays, causing a £1 million revenue loss.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Similar to peers, Jigsaw's performance continues to be pressured by cost inflation, increased repairs and maintenance demand as well as development delays due to labour and material shortages. In response to increased demand of repairs, Jigsaw is planning to hire additional staff in fiscal 2024 to reduce the use of subcontractors and limit the cost increase.

Sound financial management with a modest appetite for shared ownership sales

Jigsaw is characterised by its low and well-defined appetite for market sales to maintain the entity's financial resilience. Jigsaw focuses on low-risk social housing, averaging 85% of turnover over the past three years; and it has a minimal appetite for higher-risk market sales. Social housing lettings tend to generate stronger and more stable financial performance than market sales activities, as demand for social housing remains high across the country, and as a significant proportion of social or affordable rents are paid via government transfers in the form of housing benefits. The group's market sales (first-tranche shared ownership sales only) represented only 5% of turnover in fiscal 2023. The exposure will average 2% of turnover over the next five years, significantly below the A2 peer median of 13% over the same period.

The group has four registered providers (RPs, including the group and three other RPs covering different locations), a development provider, a support entity and two treasury vehicles. The group is also involved in two joint ventures, without financial or development risk, both for social housing with one to deliver projects on employment and the other dealing with procurement. Jigsaw is looking into potential simplification of its structure. In July 2023, Jigsaw retained its G1/V1 rating by the regulator.

Supportive institutional framework in England

The sector's credit quality will continue to benefit from the strong institutional framework governing English housing associations (HAs) reflected in an Operating Environment score of a3 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

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. 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 remains supportive. Demand for social housing remains very high and the government has committed to increased capital grant on more flexible terms for new social housing. English HAs retain some expenditure flexibility and have a track record of reducing costs to mitigate lower income.

However, due to very high rates of inflation, the government has intervened on social rent policy with a 7% ceiling on social rent increases to be implemented from April 2023 for one year. The ceiling of 7% will likely result in an adverse differential between rental income and cost growth, driving lower margins and interest coverage. The intervention introduces policy volatility to the sector as the ceiling will supersede the allowable increase of consumer price inflation (CPI) plus 1% under the current rent standard, which is in place until March 2025.

Maintained high development ambitions but liquidity coverage remains adequate

Jigsaw plans to increase its net capital spending to 41% of turnover over the next three years, compared with the average of 11% over the past three years. This is also higher than A2-rated peers, with a median at 33% on average over the next three years. The increase is due to the group's more ambitious development targets introduced in fiscal 2022 and maintained despite the high inflation. It also reflects the estimated costs to retrofit social housing stock to achieve EPC C by 2030, in line with Jigsaw's Sustainability Strategy.

Jigsaw's development programme includes around 4,305 units between fiscal 2024 and 2028. Of these, 73% are likely to be for social or affordable rent, 15% rent-to-buy, and 13% for shared ownership. The HA expects grant funding to cover 20% of its development costs, through its continued market engagement with Homes England, a credit positive as it limits debt funding. The HA was able to negotiate higher grants in light of inflation, a mitigant. Jigsaw targets to build energy efficient units, with EPC rating of B and above. In fiscal 2023, Jigsaw successfully secured an additional £1.7 million match funding from the Social Housing Decarbonisation Fund to support energy efficiency improvements.

At 30 June 2023, 61% of the programme was uncommitted which gives Jigsaw flexibility to adapt if needs be.

Despite the increased capital spending, liquidity risk is limited because of Jigsaw's treasury policies. Jigsaw's third golden rule is to maintain liquid funds equal to its forecast net cash outflow for a rolling-six-month period, plus a contingency amount of £5 million, and short-term funds equal to its forecast net cash flow outflow for a rolling-12-month period. Its treasury management strategy also ensures that Jigsaw has sufficient liquidity to meet its contractually committed obligations in less than 18 months. This is in line with peers' and supports its credit profile.

Jigsaw's fourth and last golden rule has changed to the retainment of a £5 million hard headroom and a £5 million soft headroom that can be released upon group approval at the late part of each year, expected to be Q3. Previously, Jigsaw's fourth golden rule required the group to retain capacity to cope with a sudden 10% increase in operating costs or stop additional development programmes. The replacement of the golden rule decreases the fixed buffer required to maintain high liquidity. However, liquidity remains in line with peers. As of June 2023, Jigsaw's liquidity coverage stood at 1.3x, roughly in line with A2-rated peers (or 1.4x if we include the £22 million of cash equivalents available under a month).

Jigsaw's unencumbered asset position currently supports £158 million of additional borrowing capacity. Whilst this is relatively low compared to peers, Jigsaw does not require any additional funding before March 2026 (or March 2027 if we include its £100 million retained bonds). In addition, the group plans to secure another £105 million of revolving credit facility in fiscal 2024, which will further support their liquidity position.

Debt burden to increase in the next three years

Jigsaw plans to increase its debt at a faster pace than previously anticipated, due to the maintained development targets despite high inflation, reaching £1 billion by fiscal 2026 from £0.8 billion in fiscal 2023. We expect Jigsaw's debt to revenue to weaken to an average of 4.4x over the next three years, significantly above the A2-rated peers median of 3.6x. The group's gearing is also expected to increase, and will weaken against A2-rated peers, averaging 51% over the next three years compared to the peer median of 49% in the same period.

Jigsaw's drawn debt stood at £816 million as of fiscal 2023, a significant increase from £689 million in fiscal 2022. The debt burden is moderate with debt/revenue at 4.1x, above A2-rated peers (median of 3.8x) and gearing (debt to assets at costs) at 46%, performing better than A2-rated peers (with a median of 48%).

Jigsaw's debt structure is relatively low risk, with a low proportion of variable-rate debt at 5% as of June 2023. This is well below its first golden rule, which limits the exposure to 30%. The proportion of debt maturing in the next five years is also modest: 14% of drawn debt. The group is in discussion with existing lenders to replace its interest cover covenants from EBITDA-MRI to EBITDA only, which would improve its currently tight headroom.

The increase in debt will also weigh negatively on Jigsaw's interest coverage ratios. The group's social letting interest coverage (SHLIC) decreased to 1.2x in fiscal 2023, from 1.5x in fiscal 2022, below the peer median at 1.5x. This is expected to slowly improve over the next three years to 1.3x in fiscal 2026, with the additional revenues from new developments at relatively low marginal servicing costs. The group's cash flow volatility interest coverage (CVIC) significantly worsened, reaching 0.8x in fiscal 2023 compared to 2.0x in fiscal 2022 and falling behind the A2-rated peers median of 2.1x. The fall is attributed to a significant reduction in cash flow from operations in fiscal 2023 – the second year of significant decrease. CVIC is expected to improve to an average of 1.4x over the next three years, still below its performance in previous years and significantly below A2-rated peers (at 2.3x) in the same period.

Extraordinary support considerations

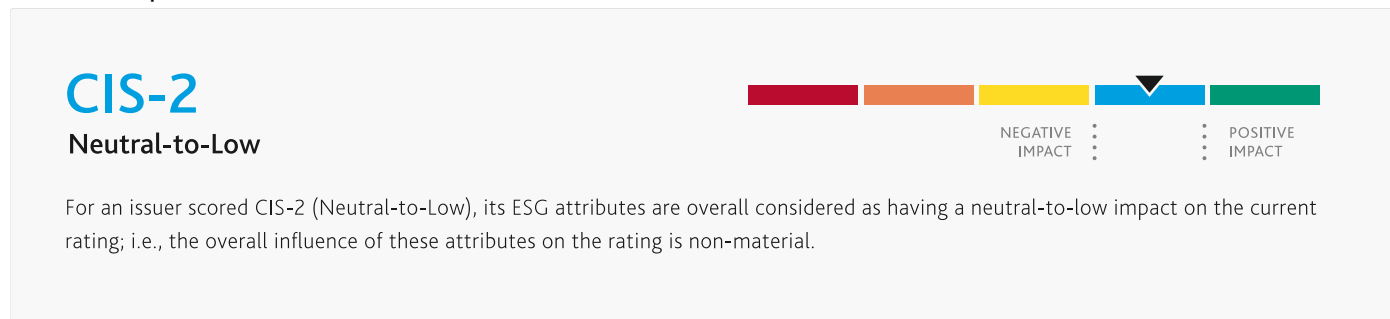
The strong level of extraordinary support factored into the rating reflects the wide-ranging powers of redress available to the regulator in cases of financial distress, with the possibility of a facilitated merger or a transfer of engagements. Recent history has shown that the UK government is willing 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 Jigsaw and the UK government reflects their strong financial and operational linkages.

ESG considerations

Jigsaw Homes Group Limited's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3

ESG Credit Impact Score



Source: Moody's Investors Service

Jigsaw's **CIS-2** indicates that ESG risks have a limited impact on its rating. Although carbon transition risks and social risks are prevalent we consider that Jigsaw has the ability to effectively mitigate them through its strong governance and management practices. We also consider that the supportive regulatory framework for the sector offsets some ESG risks.

Exhibit 4

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Jigsaw has a material exposure to environmental risks (**E-3**) relating to a significant proportion of its stock requiring retrofit to meet energy efficiency standards by 2035 (carbon transition risks), leading to increased expenditure.

Social

Jigsaw has a material exposure to social risks (**S-3**) through sector-wide legislative requirements to improve the safety of existing housing stock (responsible production risks) which weighs on expenditure and operating margins, and the impacts of cost of living or affordability pressures on social tenants (demographic and societal trends) which led to the UK government capping social rent increases below inflation in fiscal 2024 in England, which will also have a negative impact on margins.

Governance

Jigsaw has limited governance risks (**G-2**). Its governance is fit for purpose, with strong financial management policies and processes, detailed reporting and a somewhat more complicated organisational structure but we consider this mitigated by the group's strong management and governance practices. The regulatory framework also supports good governance in the sector.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The assigned BCA of a3 is close to the scorecard-indicated BCA of baa1. The methodologies used in this rating were [European Social Housing Providers](#), published in April 2018, and [Government Related Issuers](#), published in February 2020.

Exhibit 5

Fiscal 2023

Jigsaw Housing Group			
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%	35,992	a
Factor 3: Financial Performance			
Operating Margin	5%	21.5%	baa
Social Housing Letting Interest Coverage	10%	1.2x	baa
Cash-Flow Volatility Interest Coverage	10%	0.8x	b
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	4.1x	ba
Debt to Assets	10%	46.2%	ba
Liquidity Coverage	10%	1.3x	a
Factor 5: Management and Governance			
Financial Management	10%	a	a
Investment and Debt Management	10%	baa	baa
Scorecard - Indicated BCA Outcome			baa1
Assigned BCA			a3

Source: Jigsaw Homes Group, Moody's Investors Service

Ratings

Exhibit 6

Category	Moody's Rating
JIGSAW HOMES GROUP LIMITED	
Outlook	Negative
Baseline Credit Assessment	a3
Issuer Rating -Dom Curr	A2
JIGSAW FUNDING PLC	
Outlook	Negative
Senior Secured -Dom Curr	A2

Source: Moody's Investors Service

© 2023 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 CREDIT RATINGS AFFILIATES ARE THEIR 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 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 APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S 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 credit 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 \$5,000,000. 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, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Charter Documents - 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 61 003 399 657 AFSL 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 JPY100,000 to approximately JPY550,000,000.

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

CLIENT SERVICES

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