

BBVA Consumo 3, Fondo de Titulización de Activos

ABS / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 21 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

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A	(P) Aaa	€940.0	94.00	Feb. 2022	3mE + [·]%
B	(P) A3	€60.0	6.00	Feb. 2022	3mE + [·]%
Total		€1,000.0	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

- Interest rate swap provided by BBVA guaranteeing an excess spread of 2.75% and covering the potential negative carry due to the revolving mechanism if any amount is deposited in the principal account
- Granular pool (highest debtor represents 0.0021% of the provisional pool, the top 10 debtors represent 0.0144 of the provisional pool)
- 30% of the portfolio is originated by BBVA, all BBVA loans were granted to clients of the bank with at least 6 months of relationship with bank (Pre-concedidos)
- Sequential amortisation of the notes

Weaknesses and Mitigants

- BBVA Finanzia is not rated by Moody's. However, this is fully mitigated by the fact Banco Bilbao Vizcaya Argentaria, S.A. (BBVA, **Aa1/P-1**) acts as backup servicer and guarantees any payment subject to commingling risk if BBVA Finanzia is declared bankrupt
- A revolving period of up to eight payment dates could result in a decline in the credit quality of the portfolio. This is mitigated by strict eligibility criteria to be complied with by any additional loan, and early amortisation triggers.
- The deferral of interest payments on Series B is beneficial for class A notes but could potentially cause missed interest payments to Class B. The size of the reserve fund and the subordination take into account this potential increase in the expected loss.



STRUCTURE SUMMARY *(see page 3 for more details)*

Issuer:	BBVA Consumo 3, Fondo de Titulización de Activos
Structure Type:	Senior/Subordinated floating-rate notes
Seller/Originator:	30% BBVA (Aa1/P-1) & 70% BBVA Finanzia (N.R)
Servicer:	30% BBVA (Aa1/P-1) & 70% BBVA Finanzia (N.R)
Backup Servicer	Banco Bilbao Vizcaya Argentaria, S.A. (BBVA, Aa1/P-1) is the backup servicer for BBVA Finanzia
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	22 February, 22 May, 22 August, 22 November First payment date: 22 May 2008
Credit Enhancement/Reserves:	2.75% excess spread 2.30% reserve fund Subordination of the notes Guaranteed Investment Contract (GIC) accounts
Hedging:	Interest rate swap
Interest Rate Swap Counterparty:	BBVA
Paying Agent:	BBVA
Note Trustee (Management Company):	Europea de Titulización, S.G.F.T., S.A. (Europea de Titulización)
Arranger:	BBVA Europea de Titulización
Lead Managers:	BBVA

COLLATERAL SUMMARY (AS OF FEBRUARY 2008) *(see page 6 for more details)*

Receivables:	Unsecured consumer loans to individuals resident in Spain to finance the purchase of consumer goods and the acquisition of a new or a used car
Total amount:	€1,218,065,435
Number of Contracts:	91,143
Number of Borrowers:	90,580
Geographic Diversity:	Catalonia (19.78%), Andalusia (20.41%), Valencia (12.65%)
WA Remaining Term:	6.13 years
WA Seasoning:	9.38 Months
Interest Basis:	100% fixed
WA Interest Rate:	7.51%
Delinquency Status:	No loans more than 30 days in arrears as of closing date
Historical Loss Experience:	Default, recovery and prepayments information provided

Cash securitisation of consumer loans granted to individuals resident in Spain

TRANSACTION SUMMARY

BBVA Consumo 3, FTA (the “Fondo”) is a securitisation fund created with the aim of purchasing a pool of loans granted by BBVA (30%) and BBVA Finanzia (70%) to individuals resident in Spain.

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

- A subordinated Series B, rated (P)**A3**
- A senior Series A, rated (P)**Aaa**

Each series of notes is supported by the series subordinated to itself, a cash reserve and the excess spread guaranteed under the swap agreement. The swap agreement will also hedge the *Fondo* against (i) the risk derived from having a fixed interest rate on the assets side while having a floating rate on the liabilities side, and (ii) any renegotiation of the loans’ interest rate.

In addition, the *Fondo* will benefit from two subordinated loans provided by BBVA & BBVA Finanzia to fund the up-front expenses and the costs of issuing the notes.

The provisional pool consists of 91,143 loans. All the loans hold a personal guarantee. During the maximum two-year revolving period, eligibility criteria and early amortisation triggers have been put in place to ensure that (1) additional pools have similar features to the initial pool; and (2) no further receivables are purchased if the performance of the transaction deteriorates.

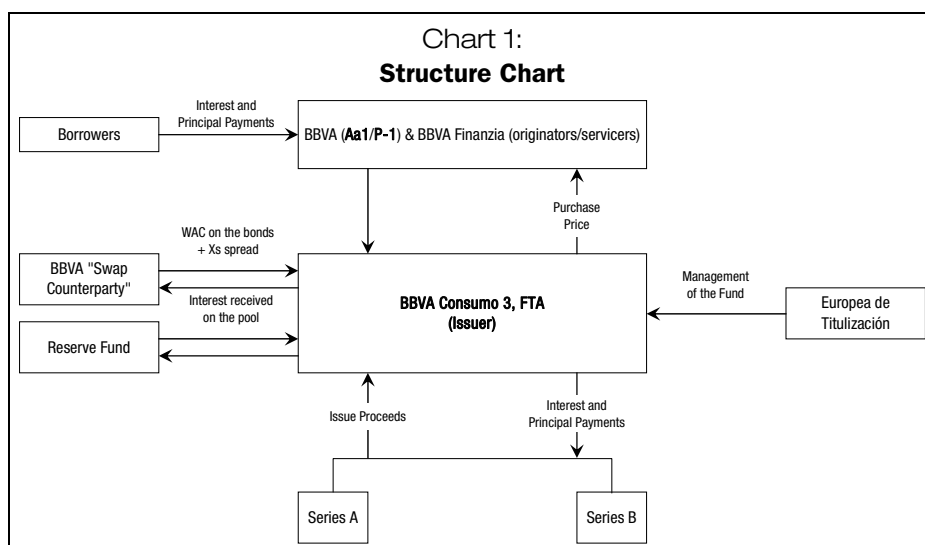
Moody’s based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) strict eligibility criteria to be complied with by any receivable to be included in the securitised pool; (iii) the early amortisation triggers put in place to stop the purchase of additional loans; (iv) historical performance information; (v) the swap agreement hedging the interest rate risk; (vi) the credit enhancement provided through the Guaranteed Investment Contract (GIC) accounts, the excess spread, the cash reserve and the subordination of the notes; and (vii) the legal and structural integrity of the transaction.

Moody’s ratings address the expected loss posed to investors by the legal final maturity. In Moody’s opinion, the structure allows for timely payment of interest and ultimate payment of principal at par on or before the Final Legal Maturity date in February 2022.

The ratings do not address full redemption of the notes on the expected maturity date.

STRUCTURAL AND LEGAL ASPECTS

Deal structure incorporating the following key features: a two-year revolving period, swap agreement guaranteeing 2.75% of annual excess spread, deferral of interest based on the amount of written-off loans and sequential amortisation of the notes



Interest rate swap hedging the interest rate risk and guaranteeing 275 bppa of excess spread

Swap Agreement

To hedge the *Fondo* against the risk derived from having a fixed interest rate on the assets side while having a floating rate on the liabilities side, it will enter into a swap agreement with BBVA.

According to the swap agreement, on each payment date:

- The *Fondo* will pay the interest received from the loans since the previous payment date.
- BBVA will pay the sum of (1) the weighted average coupon on the notes plus 275 bppa, over a notional calculated as the daily average of the outstanding amount of loans not more than 90 days in arrears since the last payment date; (2) potential negative carry due to the revolving mechanism if any amount is deposited in the principal account and (3) the servicer fee due on that payment date

This swap structure additionally hedges the *Fondo* against any potential renegotiation of the loans' interest rate, and covers the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

In the event of BBVA's long-term rating being downgraded below **A2**, it will within 30 business days have to (1) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes; and/or (2) find a suitably rated guarantor or substitute. Any failure by BBVA to comply with this condition will constitute an event of default under the swap agreement.

Reserve Fund

Funded up-front through two subordinated loans provided by BBVA & BBVA Finanzia, the reserve fund will be used to cover any potential shortfall on items (1) to (6) of the order of priority (detailed below) on an ongoing basis.

At any point in time during the life of the transaction, the amount requested under the reserve fund will be the lesser of the following amounts:

- 2.30% of the initial balance of the notes
- The higher of:
 - 4.60% of the outstanding balance of the notes
 - 1.15% of the initial balance of the notes

However, the amount requested under the reserve fund will not be reduced:

- During the first two years following the closing date
- On any payment date on which either of the following scenarios occur:
 - The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1%.
 - The reserve fund was not funded at its required level on the previous payment date or it is not going to be replenished at the required level on the corresponding payment date.

Transaction Account

The treasury account will be held at BBVA. The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

Some triggers have been put in place to protect the treasury account from a possible downgrade of BBVA's short-term rating. Should this rating fall below **P-1**, BBVA will within 30 days have to perform one of the following actions in the indicated order of priority:

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

BBVA guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes less 0.10%.

Reserve fund to help the Fondo meet its payment obligations

The GIC provides an annual interest rate equal to the index reference rate of the notes less 0.10%

During the revolving period, any amount retained as principal due, which is not used on a payment date for the acquisition of loans, will be transferred to a special account held at BBVA (namely, the principal account). This account is subject to the same triggers and will yield the same rate as the treasury account. The treasury account will be automatically cancelled on the payment date following the end of the revolving period.

Loans Renegotiations

Limitations on loans renegotiation

The management company authorises BBVA & BBVA Finanzia as servicers to renegotiate the interest rate or the maturity of any loan without requiring its approval (although this authorisation can be revoked at any point in time during the life of the transaction). However, BBVA & BBVA Finanzia will not be able (1) to renegotiate the interest rate of any loan if the weighted average interest rate of the pool falls below 5%, (2) renegotiate any loan interest rate from fix to floating or (3) to extend the maturity of any loan beyond January 2020. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

- The total initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the sub-pool.
- The frequency of payments cannot be decreased.
- The amortisation system cannot be modified.

Priority of Payments

Payment structure allocation

At the closing date, the proceeds from the notes will be used to purchase the loans that will form part of the asset pool. The starting expenses and the notes issuance costs will be financed through two subordinated loans granted by BBVA & BBVA Finanzia.

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

- 1) Costs and fees
- 2) Any amount due under the swap agreement and any swap termination payment if the *Fondo* is the defaulting or the affected party
- 3) Interest payment to Series A
- 4) Interest payment to Series B (if not deferred)
- 5) Retention of an amount equal to the principal due under the notes
- 6) Interest payment to Series B (if deferred)
- 7) Replenishment of the reserve fund
- 8) Termination payment under the swap agreement (except in the cases contemplated in 2) above)
- 9) Junior payments

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

Interest deferral mechanism based on the amount of written-off loans

The payment of interest on Series B will be brought to a more junior position if, on any payment date, the following conditions are met:

- The accumulated amount of written-off loans since closing is higher than 8.80% of the initial amount of the pool for Series B.
- Class A notes are not fully redeemed.

Principal due to the notes incorporates a 12-month “artificial write-off” mechanism

The transaction's structure benefits from an “artificial write-off” mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the notes and (2) the outstanding amount of the non-written-off loans (the “written-off loans” being defined as those loans with any amount due but unpaid for more than 12 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under each such loan)).

The “artificial write-off” speeds up the off-balance sheet of a non-performing loan. Thus, the amount of notes collateralised by non-performing loans is minimised, and, consequently, the negative carry. However, the most important benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the “artificial write-off” time and the “natural write-off” time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer’s available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency).

Revolving Period

Principal allocation mechanism and revolving period

During the revolving period, the principal available funds will be used for the purchase of additional loans from BBVA & BBVA Finanzia. This period will last until the payment date of February 2010, or, if earlier, upon the breach of any of the early amortisation triggers, mainly:

- i. Insolvency, failure to pay or bankruptcy in respect of BBVA or BBVA Finanzia
- ii. The arrears level exceeds 2.2%
- iii. The cumulated amount of written-off loans since closing exceeds the Reference Value (the Reference value is calculated = $0.375\% \times \text{number of payment dates since closing}$)
- iv. The outstanding amount of the non-written-off loans is less than:
 - a. 90% of the outstanding amount of the notes after purchase on the two previous payment dates
 - b. 80% of the outstanding amount of the notes after purchase on the previous payment date
- v. BBVA or BBVA Finanzia ceases to be the servicer of the loans
- vi. There is a termination under the swap agreement and no replacement, guarantor or alternative solution is found within 15 days
- vii. The cash reserve is not funded at the required level.

Loans to be acquired during the revolving period will be purchased at par and will have to comply with the eligibility criteria (see “Collateral” section).

Following the termination of the revolving period, the principal available funds will be used for the amortisation of the notes on a fully sequential basis and by order of seniority.

COLLATERAL

Portfolio of loans granted to individuals diversified across Spain

The portfolio will consist of unsecured loans granted to individuals resident in Spain for the purpose the purchase of consumer goods and finance the acquisition of a new or a used car (excluding industrial or commercial vehicles), which have been originated by BBVA & BBVA Finanzia in its normal course of business. The loans (both the initial and the additional loans) will have to comply with the following criteria:

- Debtors are not BBVA or BBVA Finanzia employees
- At least one instalment has been paid
- The loans will amortise through monthly instalments, paid by direct debit, and will bear a fixed interest rate
- No loan incorporates any type of balloon payments or deferred payments of interest or principal
- The outstanding amount of any loan is equal or less than €65,000
- No loan will mature later than January 2020

The originator guarantees that, as of the transfer date, none of the loan agreements will have been breached. Additionally, on that date, there will be no amounts more than 30 days past due under any of the transferred loans.

Initial portfolio

As of February 2008, the provisional pool comprises 91,143 loans and 90,580 borrowers, for a total amount of €1,218,065,435. The loans were originated between 2005 and December 2007, with a weighted average seasoning of 9.38 months and a weighted average remaining life of 6.13 years. The loan of longest duration matures in January 2018. All the loans bear a fixed interest rate (with a weighted average interest rate of 7.51%) and hold a personal guarantee.

In terms of debtor concentration, the pool is very granular: the highest debtor represents less than 0.007% of the issuance amount.

Chart 2:
Portfolio Breakdown by Geographic Diversity

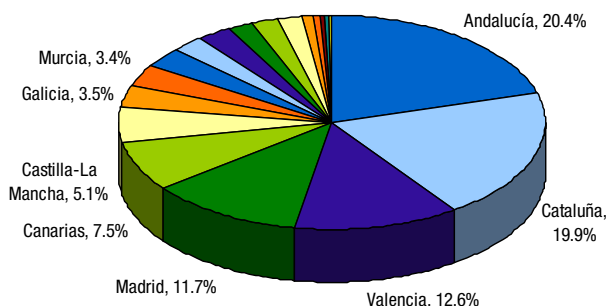


Chart 3:
Portfolio Breakdown by Product Type

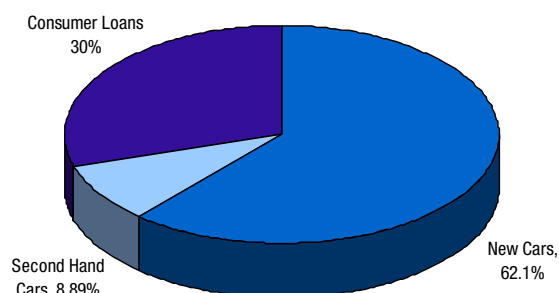
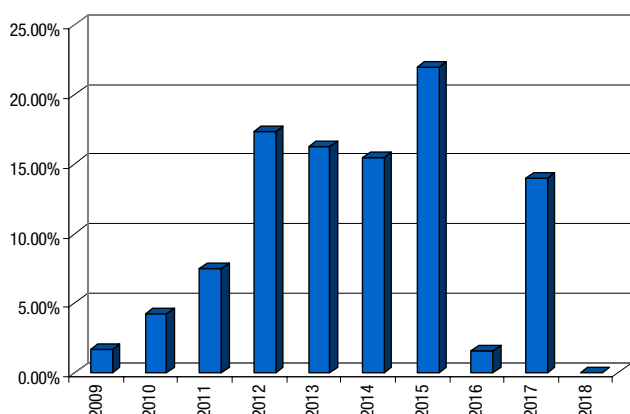


Chart 4:
Portfolio Breakdown by Maturity



Performance data on previous BBVA deals

Chart 5:
**3+ months cumulative delinquency rate
(calendar quarters after the Fund is established)**

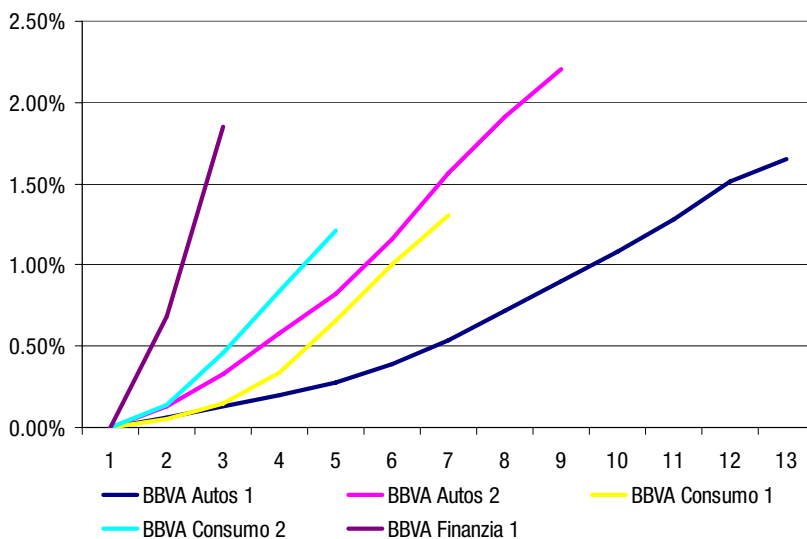
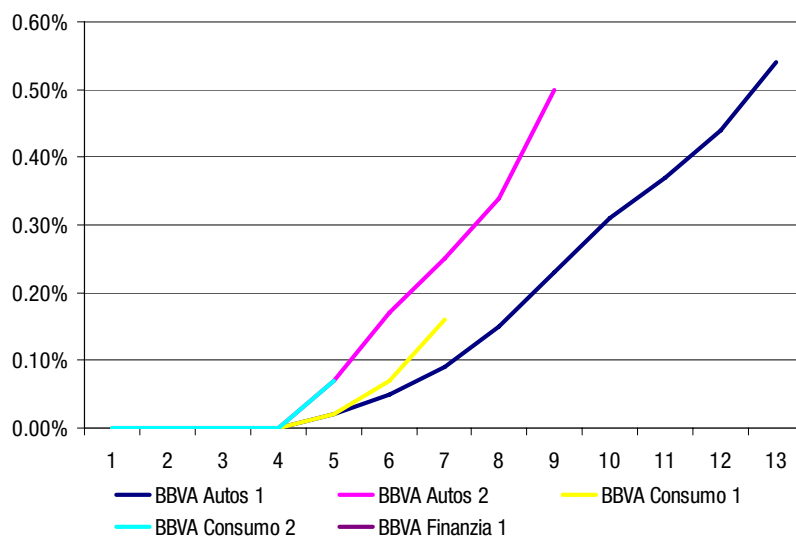


Chart 6:
12 months cumulative delinquency rate
(calendar quarters after the Fund is established)



Global eligibility criteria for the additional pools

In addition to the individual criteria mentioned above, the combination of the existing loans and the new loans will have to comply with the following criteria after each purchase date:

- The weighted average interest rate is at least equal to 5%.
- The weighted average remaining term is less than 7 years.
- The aggregate outstanding balance of the pool belonging to debtors within the same region is not over 25% of the outstanding balance.
- The aggregate outstanding balance of the pool belonging to debtors within the three most represented regions is not over 60% of the outstanding balance.
- The aggregate outstanding balance of the loans, the purpose of which is the acquisition of used cars, is not over 10% of the outstanding balance.

Just for the loans included in each additional pool, eligibility criteria have been set to guarantee (1) a minimum weighted average seasoning of three months; and (2) a maximum remaining weighted average life of 3.85 years.

ORIGINATORS, SERVICERS, PAYING AGENT AND MANAGEMENT COMPANY

BBVA Finanzia is 100% owned by BBVA, the second-largest financial group in Spain

BBVA Finanzia is a Spanish financial institution which is not rated by Moody's. Currently, it is 100% owned by BBVA which is the second-largest financial group in Spain and one of the major financial institutions incorporated in Europe.

With total assets amounting €6.35 billion in December 2007, BBVA Finanzia is the third-largest financial institution in the Spanish car finance market with a 10.8% domestic market share. Moody's has recently performed an operational review and, in its opinion, BBVA Finanzia complies with the standards good practices in the Spanish market in terms of origination and risk management.

Duties as servicer and originator

BBVA Finanzia will act as servicer of the loans, and will transfer the proceeds from the loans to the treasury account on a weekly basis.

In the event of BBVA Finanzia being declared bankrupt, failing to perform its obligations as servicer or being affected by a deterioration in its financial situation, the management company will request BBVA to take over its position as servicer.

Likewise, the management company may require BBVA Finanzia, upon an insolvency process or because the management company considers it appropriate, to notify the transfer of the loans to the *Fondo* to the relevant debtors. Should the relevant originator fail to comply with this obligation within 5 business days, the notification would then be carried out by the management company.

Paying Agent
BBVA

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

With total assets of €492 billion at the end of September 2007, BBVA is the second-largest banking group in Spain. Excluding international operations, however, BBVA is Spain's leading domestic bank with market shares around 13% in loans and 15% in deposits followed closely by Banco Santander and Caja de Ahorros y Pensiones de Barcelona with nationwide market shares of about 10% each; the Iberian franchise contributes to around 46% of net earnings.² BBVA has also built up a solid franchise in Latin America, holding a 16% share of loans and 15% of deposits at September 2006 and a leading position in the pension fund business, with a market share of 23.6%.³ Although the Latin American franchise adds volatility to the group's earnings, we note positively that, as at September 2007, 62% of BBVA's current investment in Latin America was in Mexico, an investment-grade country. We also note that BBVA's investments in the USA should eventually increase the contribution from more mature markets, although, given the early stages of the full integration of the acquired banks, earnings from this market are limited at this stage (2% of net attributable profits at the end of September 2007). BBVA's earnings-generation capacity hinges on its focus on retail banking with a limited contribution from inherently more volatile business lines.

Management Company

Europea de Titulización is a company with substantial experience in the Spanish securitisation market. Its obligations within the structure are guaranteed by its shareholders, with respect to their proportion of the holding. BBVA accounts for 83% of the capital of the gestora (trustee). The remainder is owned by 15 institutions, including JP Morgan (4%), Caja de Ahorros del Mediterráneo (1.54%), Bankinter (1.53%), Barclays Bank (1.53%) and Citibank España (1.53%). Currently, Europea de Titulización carries out the management of 67 securitisation funds.

MOODY'S ANALYSIS

Moody's used a lognormal approach based on mean default and recovery rates estimations

Table 1:

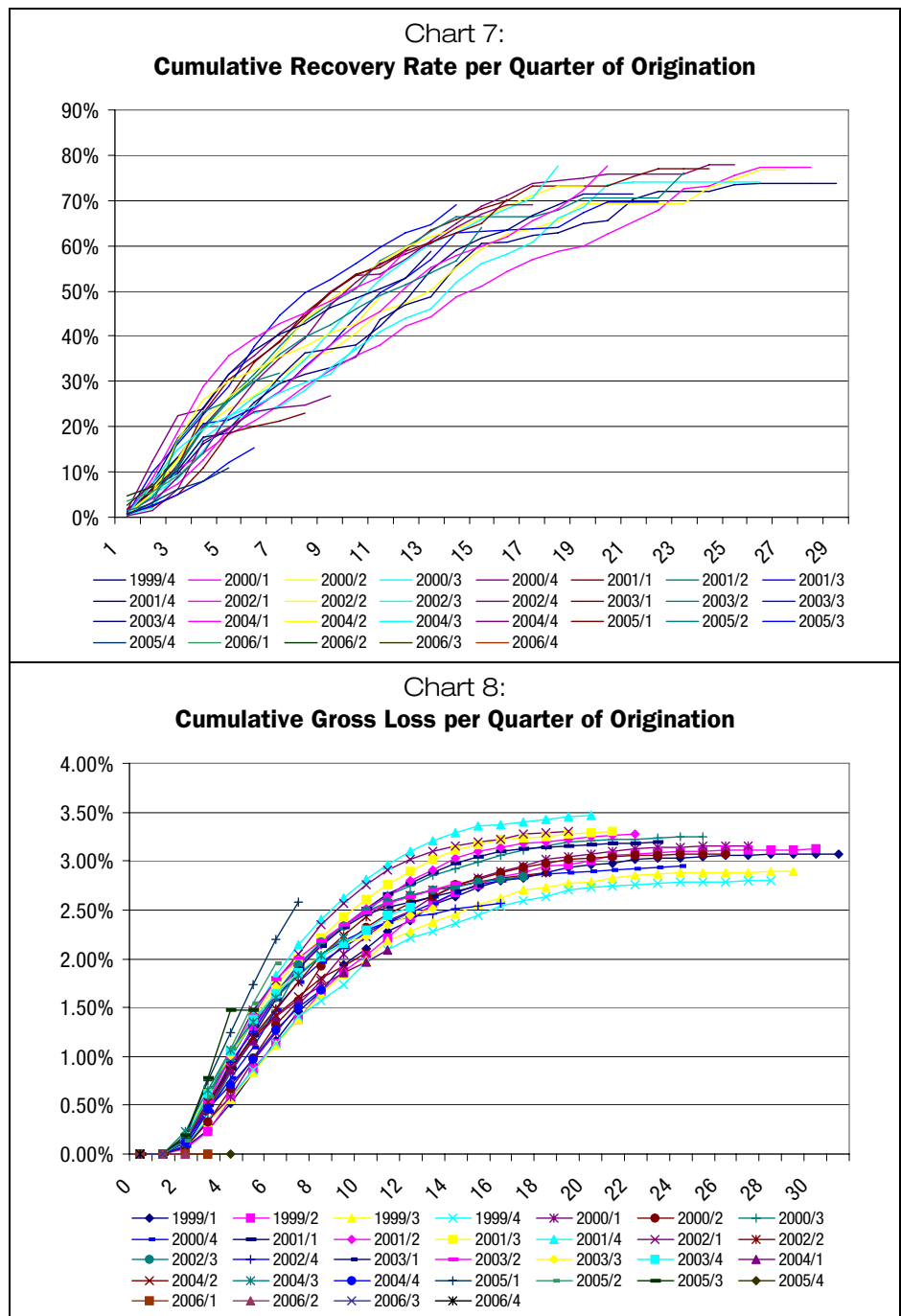
Main Assumptions

	Initial pool	Subsequent pools
Mean default	3.75%	4.5%
COV	30%	30%
Recoveries	30%	30%
CPR	18%	18%
Default timing	Historical	Historical

Given the large number of assets and the small size of the exposures, Moody's derived the gross loss distribution curve by using the **lognormal density law**.

Moody's based its analysis on the historical performance of sample pools similar to the pool being securitised. The lognormal parameters (mean default and standard deviation) were derived from these historical data, and later adjusted for (1) the seasoning of the portfolio (with different assumptions for the initial and additional pools), (2) expectations of a less favourable macro-economic environment and (3) other qualitative aspects. It is important to note that a loan has been considered as 'defaulted' after 180 days past due. The lognormal parameters assumed were a mean of 3.75% and a CoV of 30% for the initial pool, and a mean of 4.50% and a CoV of 30% for the additional pools. Assumptions for recoveries, delinquency, timing of defaults and prepayments were also derived from historical information.

To determine the rating associated to each series of notes, Moody's used an expected loss methodology that reflects the probability of default for each series of notes times the severity of the loss expected for each series of notes. With this purpose, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cash flow model that reproduces all deal-specific characteristics. The main input parameters were the gross loss distribution and the assumptions for recoveries, delinquency, timing of default and prepayments. The sensitivity to a variation in the initial assumptions was also tested (for instance, and as expected, back loading the timing of defaults has a considerable impact) and taken into consideration. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes which, combined with each series' expected average life, is consistent with the provisional ratings assigned.



Structural Analysis

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's ensured that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.

Legal Analysis

Moody's verified that the legal documents correctly reflect the structure of the deal, as well as the assumptions made in its analysis.

RATING SENSITIVITIES AND MONITORING

The rating of the notes depends on the portfolio performance and counterparty ratings

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

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

RELATED RESEARCH

Visit moodys.com for further details

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:

Special Report

- Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)

Rating Methodology

- The Lognormal Method Applied to ABS Analysis, July 2000 (SF8827)

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

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