

STRUCTURED FINANCE

Performance Overview

Egyptian Arab Land Bank Bond Issue Backed by Asset Cover Pool Guaranteed by the Ministry of Finance

First Issue 2006-2013

RATING(s)

POOL CLOSING DATE:
April 2006

Contacts:
Mohamed Adel
Risk Rating Analyst
mohamed.adel@merisratings.com

Marwa Ezzat
Senior Risk Rating Analyst
(202) 3749-5616
marwa.ezzat@merisratings.com

WEBSITE:
www.merisratings.com

Class	Description	Original Balance	Current Balance 31/3/2009	Maturity	All Amounts in EGP	
					Frequency	Current Rating
Bond Issue	Backed by CCA Loan Portfolio	500,000,000	500,000,000	2013	semi-Annually ¹	AA
Asset Cover Pool	24 CCA loans Guaranteed by MOF	565,801,456	396,419,488.14	WA: 2013	Annual	AAA

TRANSACTION SYNOPSIS

This is the first covered bond or asset-backed bond issued by the Egyptian Arab Land Bank (EALB), a shareholding company incorporated in the Arab Republic of Egypt and 100% owned by the Government of Egypt (represented by the Ministry of Finance). At the time of issuance, the bond size was EGP 500,000,000. The bond issue benefits from the security cover provided by a pool of 24 loans originated by EALB to the Construction Cooperative Authority (CCA), which is a body of the Housing & New Communities Ministry. The aggregate outstanding amount of this pool/principal of loans was EGP 565.8mn at the date of issuing the transaction, EGP 396.4 mn as of the end of March 2009. The Ministry of Finance (MOF) guarantees the payment of principal and interest on these 24 loans to EALB. The guarantee is in the form of a direct debit authorization provided to EALB on the MOF account with the Central Bank of Egypt (CBE), in case the CCA is not able to pay the due installments (for both principal and interest). On the other hand, the transaction has direct recourse on EALB in case of all trigger events including inefficient servicing. The Asset Cover Pool and the Bond issue were rated "AAA" and "AA" respectively by MERIS at the time of issuance (ratings were initially assigned in May 2006). It is worth noting that the performance of the pool backing the bond has been deteriorated over the last year due to delinquencies, nonetheless the bond performance was up to the standards, thanks to the MOF guarantee which justifies maintaining the rating at the same level

The interest payment on the bond issue is made on a semi-annual basis whereas the bond is amortized on an annual basis over four installments starting May 2010.

¹ On the 15th of May and 15th of November

RATING OPINION & GENERAL COMMENTARY

The rating addresses the expected loss posed to investors by the legal final maturity. In **MERIS** opinion, the structure allows for timely payment of interest and ultimate repayment of principal by the final maturity of the bond. **MERIS** portfolio performance analysis is mainly based on the monitoring of delinquencies and defaults, and the efficiency of all the parties concerned (i.e. the Servicer, Custodian, MOF, CBE, CCA ... etc.) in exercising the proposed collection mechanism in case of default, mainly the MOF guarantee. **MERIS** relies on the monthly performance reports issued by the Custodian (CIB) and verified by the auditors (KPMG), as well as data provided by the Issuer/Servicer. The performance review covers the 11-month period from April 2008 to March 2009.

Up to date, the coupons of the bond have been paid according to schedule. As of April 2009, five coupon payments (interest only) were made to the bondholders and amounted to approx. EGP 114.6mn. The bond issue is amortized on an annual basis starting from May 2010; as such the bond currently maintains the original balance at EGP 500mn. On the other hand, the asset pool (excluding interest expenses) backing the issue has been amortized at 29.9% over the last two years. Three loans out of 24 loans in the asset cover pool have been redeemed.

The performance of the transaction at large has been in line with the base case scenario for the 11 month performance review coverage period, where all the parties concerned have undertaken their roles designed in the structure, which are as follows:

- On the due date of the annual installment of each individual loan in the Asset Cover Pool, the Servicer would notify the CCA in writing of the due date of each annual installment for the 24 loans in the Asset Cover Pool and send copies of each notification letter to the MOF, CBE and Custodian.
- If the CCA performs on its due payments, the CBE has standing instructions to immediately transfer the cash collected from EALB account with the CBE to the account held by the Custodian in the name of the bondholders.
- If in 15 days, payment is not made:
 1. The Servicer will notify the Custodian and the bondholders group's legal representative of the failure of CCA to make the due payment;
 2. EALB has issued standing instructions to the CBE that are effective for the life of the bond issue. According to these standing instructions, the CBE will effectively administer the payment of the due installments on the loans in the Asset Cover Pool on the 16th day post notifying the CCA of the due installment. The CBE will (a) check the balance of the CCA account with the CBE; (b) if there are insufficient funds, the CBE will debit the MOF account with the due installment and transfer the cash collected to the account held by the Custodian in the name of the bondholders.
 3. The Custodian is responsible for reinvesting the cash collected in the transaction in government securities or in bank deposits.
 4. On the due date of the bond coupon (interest only or interest and principal amortization), the Custodian, based on EALB instructions, makes the due payment to the bondholders

As highlighted above, the transaction was structured to take into consideration that collection will be made on the 16th following the notification of the CCA of the due date of the installment of each loan in the Asset Cover Pool i.e. the debit authorization on the MOF account with the CBE would be exercised on the 16th day post notifying the CCA of the due date of the installment of each loan in the Asset Cover Pool. Almost 49% of the collections on the Asset Pool Cover that took place as of March 2009 were paid by the ministry of finance.

The performance reports prepared by the Custodian (CIB) and signed by the Auditor (KPMG) are produced on a monthly basis. Going forward, the rating grade was based mainly on the high-quality of the guarantee provided by the MOF – regardless of any other credit enhancements - and reflects the high creditworthiness of the guarantor.

KEY TRANSACTION DATA

Issuer	: Egyptian Arab Land Bank S.A.E.
Servicer	: Egyptian Arab Land Bank S.A.E.
Back-up Servicer	: n.a.
Custodian	: Commercial International Bank (CIB)
Financial Advisor & Marketer	: Commercial International Bank (CIB)
Structure type	: "Internal Securitization" Egyptian as per CMA Law 95/1992.

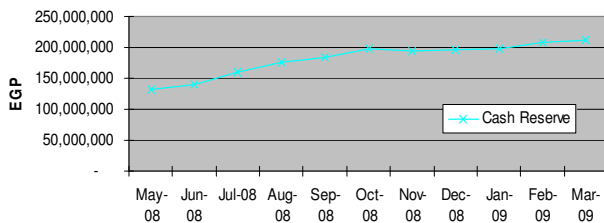
ISSUE DETAILS (as of 31/3/2009)

Principal – Original	500,000,000
Principal – Current	500,000,000
Interest Rate	CBE DR + 0.5%
Frequency (Coupon)	Semi-annually
Remaining Tenor (months)	86
Seasoning (months)	35
Maturity	May 2013
Cash Fund Balance (EGP)	211 mn
Call Option	Starting from 2009

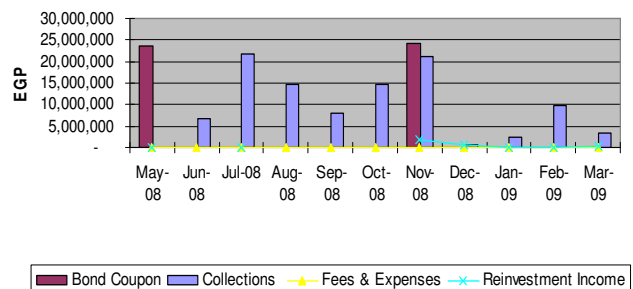
ASSET POOL COVER - (as of 31/3/2009)

Commencement Month	May 2006
Principal Outstanding Balance – Original	565,801,456
Principal Outstanding Balance – Current	396,419,488
Applicable Interest Rate ²	CBE DR + 1.5%
Frequency	Annual
Number of Contracts - Original	24
Number of Contracts - Current	21
WA Remaining Tenor (months)	62.7
Cumulative Prepayment Rate	0%
Collection Efficiency ⁴	100%
Cum. Delinquencies (% of Pool Principal)	
15-30 days	49.1%
30-60 days	0.0%
60-90 days	0.0%
90+ days	0.0%

Cash Reserve From May 2008 till March 2009



Cash Flow Analysis From May 2008 till March 2009



² Weighted average

⁴ Measured as collections made within the 16 days or on the 16th day post notifying the CCA of the due date of the installment of each loan.

ASSET COVER POOL

The performance of collections on the Asset Cover Pool has been according to the base case scenario for the transaction. The transaction was structured to take into consideration that collection will be made on the 16th following the notification of the CCA of the due date of the installment of each loan in the Asset Cover Pool i.e. the debit authorization on the MOF account with the CBE would be exercised on the 16th day post notifying the CCA of the due date of the installment of each loan in the Asset Cover Pool. As mentioned earlier, around 51% of the collections over the reporting year were made prior to the 16th day time frame. Nonetheless, eight transactions were paid through the MOF compared to one transaction in the previous reporting period (5/2007 to 4/2008).

The following table summarizes the collection on the Asset cover pool during the 11-month performance review coverage period:

	Loan No.	Outstanding Balance as of Transaction Issuance Date	Outstanding Balance as of 30 April 2008			%	Installment Due Date	Actual Collection	Diff. (Days)	Paid by CCA or MOF
			Principal	Interest	Total					
1	1	3,276,578	0	0	0	0%	7-Jul-08	13-Jul-08	6	CCA
2	3	1,643,450	0	0	0	0%	4-Mar-09	4-Mar-09	0	CCA
3	4A	8,217,252	0	0	0	0%	19-Mar-09	19-Mar-09	0	CCA
						0%		29-Mar-09	10	CCA
4	4B	9,722,532	2,927,037.0	9,513	2,936,550	1%	22-Mar-08	22-Mar-08	0	CCA
5	5	14,136,663	6,780,583.2	159,155	6,939,739	2%	25-Jan-09	9-Feb-09	15	CCA
6	6	25,122,728	17,069,784.0	1,459,941	18,529,725	4%	30-Jul-08	30-Jul-08	0	CCA
7	7	23,888,435	17,679,102.2	1,681,479	19,360,581	5%	30-Jun-08	10-Jul-08	10	CCA
8	8	46,037,662	36,193,228.5	3,442,378	39,635,607	9%	30-Jun-08	15-Jul-08	15	MOF
9	9	48,593,605	39,950,088.0	2,995,702	42,945,790	10%	1-Sep-08	15-Sep-08	15	MOF
10	35169 - 6M	35,062,172	20,932,995.8	506,462	21,439,458	5%	23-Jan-09	28-Jan-09	5	CCA
						0%		2-Feb-09	10	CCA
						0%		8-Feb-09	16	MOF
11	34753-3MA	7,467,365	2,248,101.2	3,247	2,251,348	1%	27-Mar-09		0	
12	34630	20,686,235	6,227,732.3	672,249	6,899,981	2%	17-May-08	1-Jun-08	15	CCA
13	Iskan 6	8,274,494	2,491,092.9	236,931	2,728,024	1%	30-Jun-08	7-Jul-08	7	CCA
14	35432	13,284,792	9,831,667.5	831,459	10,663,126	3%	2-Aug-08	4-Aug-08	2	CCA
15	35509	39,854,374	29,495,000.7	2,494,376	31,989,377	8%	2-Aug-08	31-Jul-08	0	CCA
16	35252	12,268,434	8,335,854.8	688,982	9,024,836	2%	8-Aug-08	8-Aug-08	0	CCA
17	35397	30,671,084	20,839,636.8	1,722,454	22,562,091	5%	8-Aug-08	17-Aug-08	9	CCA
						0%		24-Aug-08	16	MOF
18	35426	1,226,843	833,585.5	68,898	902,484	0%	8-Aug-08	24-Aug-08	16	MOF
19	35080	11,242,427	5,392,375.3	421,579	5,813,954	1%	22-Aug-08	24-Aug-08	2	CCA
						0%		26-Aug-08	4	CCA
20	35655	7,482,360	6,151,443.6	418,042	6,569,485	2%	23-Sep-08	5-Oct-08	12	CCA
21	35812	82,305,962	67,665,879.6	4,598,460	72,264,340	17%	23-Sep-08	8-Oct-08	15	MOF
22	36092	72,800,035	61,933,979.3	3,466,582	65,400,562	15%	27-Oct-08	11-Nov-08	15	MOF
23	35541	14,178,658	11,146,773.3	587,683	11,734,456	3%	5-Nov-08	19-Nov-08	14	CCA
24	35571	28,357,315	22,293,546.7	1,175,365	23,468,912	6%	5-Nov-08	20-Nov-08	15	MOF
		565,801,456	396,419,488	27,640,936	424,060,424	100%				

As for the reinvestment of the cash proceeds from the collections on the Asset cover Pool, the outcome for these investments during the reporting 11 months was EGP 3.0mn.

REINVESTMENT PROCEEDS

As for the reinvestment of the cash proceeds from the collections on the Asset Cover Pool, the outcome for these investments during the reporting 11 months was EGP 9.78mn. The following table summarizes the investment made by the Custodian as per the Servicer's instructions as of March 2009:

Investment Form	Start	Maturity	Amount EGP	Return EGP	Return %
Deposit	12-May-08	18-May-08	10,410,000	10,267.40	6%
Deposit	29-Jun-08	29-Jul-08	11,420,000	70,397.26	7.50%
Treasury Bills	18-May-08	11-Nov-08	10,420,686	323,451.00	8%
Treasury Bills	28-May-08	11-Nov-08	2,966,422	86,862.60	8%
Treasury Bills	2-Jun-08	11-Nov-08	6,735,827	191,338.20	8%
Treasury Bills	19-Jun-08	11-Nov-08	46,065,445	1,207,643.80	8.25%
Treasury Bills	19-Jun-08	18-Nov-08	2,320,272	63,782.40	8.25%
Treasury Bills	13-Jul-08	16-Dec-08	4,477,764	137,788.80	9%
Treasury Bills	14-Jul-08	16-Dec-08	1,372,545	41,963.40	9%
Treasury Bills	15-Jul-08	16-Dec-08	7,996,386	242,891.20	9%
Treasury Bills	16-Jul-08	16-Dec-08	2,722,311	82,151.00	9%
Treasury Bills	29-Jul-08	16-Dec-08	5,920,609	163,513.00	9%
Deposit	11-Nov-08	11-Feb-09	55,900,000	1,127,189.04	8%
Deposit	18-Nov-08	11-Feb-09	2,400,000	44,712.33	8%
Deposit	20-Nov-08	11-Feb-09	7,500,000	136,438.36	8%
Deposit	28-Jan-09	26-Feb-09	2,400,000	15,254.79	8%
Deposit	2-Feb-09	26-Feb-09	2,000,000	10,520.55	8%
Deposit	8-Feb-09	26-Feb-09	3,955,000	15,603.29	8%
Deposit	9-Feb-09	26-Feb-09	3,940,000	14,680.55	8%
Deposit	11-Feb-09	11-Mar-09	43,100,000	264,504.11	8%
Deposit	11-Mar-09	12-May-09	40,460,655	515,457.66	7.50%
Treasury Bills	11-Mar-09	12-May-09	2,829,345	36,524.00	9.50%
Treasury Bills	19-Jun-08	2-Jun-09	22,974,000	1,620,800.00	9.25%
Treasury Bills	29-Jul-08	2-Jun-09	5,485,306	351,755.40	9.50%
Treasury Bills	30-Jul-08	2-Jun-09	5,208,806	332,955.00	9.50%
Treasury Bills	31-Jul-08	2-Jun-09	7,525,619	479,505.00	9.50%
Treasury Bills	4-Aug-08	2-Jun-09	2,503,251	157,399.20	9.50%
Treasury Bills	10-Aug-08	2-Jun-09	2,042,634	125,892.80	9.50%
Treasury Bills	19-Aug-08	2-Jun-09	395,458	23,633.40	9.50%
Treasury Bills	18-Aug-08	23-Jun-09	1,457,757	93,794.40	9.50%
Treasury Bills	19-Aug-08	23-Jun-09	138,869	8,905.20	9.50%
Treasury Bills	26-Feb-09	23-Jun-09	12,242,336	306,131.00	9.75%
Treasury Bills	16-Sep-08	7-Jul-09	15,009,608	1,112,313.60	11.50%
Treasury Bills	11-Feb-09	7-Jul-09	24,006,250	795,000.00	10.35%
Treasury Bills	9-Oct-08	4-Aug-09	15,267,964	1,125,629.20	11.25%
Treasury Bills	16-Dec-08	4-Aug-09	22,638,103	1,289,518.00	11.25%
Treasury Bills	5-Mar-09	4-Aug-09	696,711	22,631.00	9.75%
Treasury Bills	25-Mar-09	11-Aug-09	5,665,733	167,414.00	9.70%

Background

In February 1880, Khedive Tawfik established a shareholding company under the name of "Egypt Land Bank" to help in the development of the agricultural sector in Egypt through providing loans to landowners. In March 1946, the Arab League issued a decree establishing the Arab Land Company; the company was to be established in Palestine to lend the Palestinians for land reclamation purposes. In 1947, the company was registered as an Egyptian shareholding company based in Cairo, followed by its registration in Palestine. As a result of the disturbances in Palestine, its activities were halted in Palestine and the company was registered in the Hashemite Kingdom of Jordan. In 1954, the name of the company was changed to Arab Land Bank. In June 1999, the Egyptian Cabinet issued a decree merging the Egypt Land Bank and the Arab Land Bank and forming the "Egyptian Arab Land Bank". Currently, the bank has 40 branches. Twenty-four branches in Egypt, 9 branches in Jordan and 5 branches in Palestine.

Financial Highlights

With EGP 22.4 bn in total assets as of FY08, EALB ranks among the top 10 largest banks in Egypt with 2.7% the total assets in the banking sector. It is the largest Real Estate bank in Egypt; its sole competitor in this respect is the Bank of Housing & Development (HDB). In February 2005, the GOE announced its intention to merge EALB and HDB, and to appoint Mr. Fathi El Sebai (HDB Chairman) as the chairman of EALB. The merger is still pending and is proving to be a lengthy process; until the moment of writing the report, the status of the merger is not clear. **HDB** is rated **A-** with a **Positive** Outlook by **MERIS** in June 2008.

As of FY08, the bank's paid-up capital amounts to EGP 1.0 bn, and is wholly owned by the Ministry of Finance. The bank has reported losses of EGP 528.4mn and EGP 457.9mn for FY07 and FY06 respectively, on account of the restructuring efforts undertaken by the bank's senior management.

EALB is the lead and sole servicer of this transaction based on the fact that the direct debit authorization on the MOF account with CBE, provided by the MOF to EALB as the form of guarantee of the Asset Cover Pool, will not be assigned or transferred to any other entity.

The performance of EALB in servicing this transaction over the review period (11 months covering May 2008 – March 2009) has been in line with expectations. The bank has undertaken its role notifying, on a timely basis, the parties concerned (CCA, MOF, CBE and the Custodian) of the due date of the installment of each of the 24 loans (currently 21) that were due over the performance review coverage period.

Strengths & Weaknesses

AT THE TIME OF ISSUING THE TRANSACTION THE MAIN STRENGTHS AND WEAKNESSES WERE:

Strengths of the Transaction

- The bond issue is collateralized by a pool of 24 loans originated by EALB to CCA. The Pool is “AAA” rated based on the MOF’s guarantee of the payment of the due interest and principal of these 24 loans to EALB. The guarantee is in the form of a direct debit authorization in the name of EALB to the MOF account with CBE in the event that CCA is unable to make the due installment.
- The presence of an Assignment of rights transferring the right of EALB in the Asset Cover Pool to the bondholders (part of the PSN document) for the life of the bond issue. According to letters dated 23rd August 2005 and 30th March 2006, the MOF represented by the Finance Minister has approved to transfer of right of EALB in the MOF guarantee relating to the interest and principal payments of the 24 loans to the bondholders for the life of the bond issue⁷.
- The Asset Cover Pool is a fully static transaction with no substitution risk associated.
- The transaction benefits from protections provided by the legal framework and certain additional structural enhancements involving the CBE.
- At the time of issuance, the transaction enjoys a 13.16% over-collateralization calculated based on the face value of the bond issue and the outstanding balance of the Asset Cover Pool. Discounting the cash flows of the transaction would yield a higher over collateralization for the transaction at the onset of the bond issue.

Weaknesses & Mitigants

- Only EALB can be contracted as servicer for this transaction. The MOF’s guarantee to the Asset Cover Pool, which is in the form of a direct debit authorization in the name of EALB, cannot be transferred to any other entity. Consequently, no back-up servicer can be contracted for this transaction. The historical performance of EALB as a servicer is poor moreover delays in exercising the direct debit authorization are evident for the 24 loans on the basis of collecting the delay penalty fees, nonetheless EALB was prompt in exercising the MOF direct debit authorization over the performance overview period from May 2008 till March 2009. EALB was not rated as servicer by MERIS.

Mitigant: the transaction is structured to limit the role of EALB as servicer to notifying the CCA, the MOF and the CBE of the due payments for the annual installment for the 24 loans in the Asset Cover Pool.

- Commingling risk. There is a risk that cash collections from the Asset Cover Pool will be commingled with the bank’s other resources during the elapsed period between collecting the due payments on the asset cover pool and making payments on the bond issue.

Mitigant: cash collections on the Asset Cover Pool will be treated according to two scenarios as follows. Scenario # 1: if the CCA makes the payments on the due installments for a loan in the Asset Cover Pool, the CBE has standing instructions⁸ for the life of the bond issue to immediately⁹ transfer the cash collected from EALB account with the CBE to the account held by the Custodian in the name of the bondholders. Scenario # 2: if the CCA does not make the due payments, the CBE has standing instructions for the life of the bond issue so that on the 16th day post notifying the CCA, the MOF and the CBE of the due installment, the CBE will debit the MOF account with the CBE with the due installment and transfer the cash collected to the account held by the Custodian in the name of the bondholders.

⁷ In a letter dated 27th March 2006, the CCA has been notified of the above mentioned assignment of rights to the bondholders.

⁸ The CBE has accepted to carry on the standing instructions for the life of the bond issue based on two letters. The first letter dated April 12th 2006 from EALB to the CBE outlining the proposed cash mechanism for the transaction requesting the CBE to accept the standing instructions and the second letter dated April 13th 2006 from CBE to EALB accepting the proposed cash mechanism and the standing instructions for the transaction.

⁹ On the same business day.

- Redemption risk in case of occurrence of any trigger event; the transaction is eventually in full recourse to EALB. If the issuer/servicer defaults, the bondholders will look to either of the following:
 - Receive the coupon payments and principal amortization as indicated in the PSN for the remaining life of the bond.
 - Assign their rights in the Asset Cover Pool to a third entity;
 - If the bondholders decide to redeem the bond issue, the amount they receive will depend on any payout made by the liquidator or administrator appointed following the default of the issuer to the bondholders and other creditors.
- The transaction does not benefit from any liquidity facility in case cash flow collections are interrupted.

Appendix I

National Rating Scale

National Scale Ratings (NSRs) are intended as relative measures of creditworthiness within a narrowly defined peer group, as compared to the full universe of rated entities, and thus differ from global scale ratings. The NSR peer group is typically limited to those issuers active within a single domestic capital market (Egypt). NSRs may be assigned to any debt obligation offered within a domestic capital market, whether or not denominated in the relevant local currency, with all appropriate credit risk elements – including transferability and convertibility – factored into the rating. NSRs are often thought of as excluding certain country level risks. In fact, NSRs attempt to reflect the same credit risks that are considered in a globally comparable rating.

Quality of credit	Long		Short		
Gilt edged	AAA	}	Prime 1	Investment Grade	
Very high	AA+				
	AA				
	AA-				
Upper-medium	A+	}	Prime 2		
	A				
	A-	}	Prime 3		
Medium grade	BBB+				
	BBB				
	BBB-	}	Not Prime	Speculative Grade	
Questionable	BB+				
	BB				
	BB-				
Poor quality	B+				
	B				
	B-				
	CCC+	}	Not Prime		
	CCC				
	CCC-				
	CC				
Very poor	C				

Appendix II Abbreviations

CBE	:	Central Bank of Egypt
CCA	:	Cooperative Construction Authority
CIB	:	Commercial International Bank
EALB	:	Egyptian Arab Land Bank
GOE	:	Government of Egypt
HDB	:	Housing & Development Bank
MOF	:	Ministry of Finance
NIB	:	National Investment Bank

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