University of Toronto
Update to Discussion of Key Credit Factors

**Summary Rating Rationale**
The University of Toronto's (U of T) Aa2 senior unsecured rating reflects (1) the university's solid operating performance and operating cash flow generation, (2) low debt burden and (3) strong balance sheet liquidity. These positives are balanced against (4) provincially imposed revenue constraints and (5) sizeable unfunded pension liabilities. The university maintains strong fiscal flexibility and is able to make ongoing adjustments to its budgets in order to ensure that it can post satisfactory fiscal outcomes. The ratings also take into account U of T's strong market position as Canada's largest post-secondary institution and as a national and international leader in research.

**Exhibit 1**
U of T maintains solid cash flow generation and low debt burden

<table>
<thead>
<tr>
<th>Debt Affordability (Total Debt to Cash Flow) (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>2.35</td>
</tr>
</tbody>
</table>

Source: Moody's Investors Service, University of Toronto

**National Peer Comparison**
U of T is rated in the upper band of Canadian universities, which span a range of Aa1 to A3. The university's rating position reflects its lower debt burden, strong operating performance and excellent reputation and name recognition among peers.

**Credit Strengths**
- Excellent market profile built on brand recognition and reputation
- Financial flexibility and balance sheet strength from low debt burden, solid operating results and sizeable endowment assets
- Strong governance and management practices that drive positive operating results
Credit Challenges

» Operating challenges from provincial funding pressures and demographic shifts

» Despite improvement, pension deficits weigh down on balance sheet

Rating Outlook

The rating outlook is stable, reflecting our assessment that the university will maintain its strong market profile and will continue to generate positive fiscal outcomes.

Factors that Could Lead to an Upgrade

» Increased ability to set tuition fees, leading to higher revenue growth and greater financial flexibility

» Growth in the university’s endowment

» Further sizeable improvement in the funded status of pension liabilities

Factors that Could Lead to a Downgrade

» Sustained deterioration in financial performance

» Sustained losses in the asset value of the university’s endowment

» Inability to address the significant unfunded pension liabilities

Key Indicators

Exhibit 2

University of Toronto

(Year Ending April 30) 2013 2014 2015 2016 2017
Operating Revenue (CAD Million) [1] 2,330.0 2,427.0 2,540.8 2,697.7 2,906.8
Annual Change in Operating Revenue (%) 5.1 4.2 4.7 6.2 7.8
Operating Cash Flow Margin (%) 13.2 12.6 15.2 15.4 18.2
Total Cash and Investments (CAD Million) 3,152.8 3,359.5 3,794.7 3,886.6 4,558.0
Spendable Cash and Investments to Operating Expenses (x) 0.79 0.76 0.84 0.85 0.98
Total Debt to Cash Flow (x) 2.3 2.4 1.9 1.7 1.4

[1] Revenue is net of scholarship expenses.
Source: Moody’s Investors Service, University of Toronto

Baseline Credit Assessment

U of T’s rating combines (1) a baseline credit assessment (BCA) for the university of aa2, and (2) a high likelihood of extraordinary support coming from the Province of Ontario (Aa2 stable) in the event that the university faced acute liquidity stress.

Profile

The University of Toronto (U of T), Canada’s largest post-secondary institution, is a comprehensive teaching and research university offering programs in 18 faculties, including Applied Science & Engineering, Arts & Science, Medicine, Law and Management. Enrolment exceeded 78,200 full-time-equivalents (FTE) for 2016/17. The university has three campuses: in downtown Toronto, in Mississauga and in Scarborough.

Like other universities in the Province of Ontario, U of T was created by a separate act of the provincial legislature. The provincial government establishes broad strategies and targets for the university, provides operating grants and has the authority to control tuition fees, but U of T operates at arm’s-length from the province and retains autonomy to carry out its activities. While the
Ontario Ministry of Advanced Education and Skills Development monitors developments at individual universities and demands that universities be accountable, the “hands-off” approach to the university sector in Ontario is unlike that in some of the other Canadian provinces, such as Quebec and British Columbia, where the level of provincial control and oversight is considerably greater. U of T’s strong standalone characteristics including strong governance and management mitigate any concerns posed by the relative independence of Ontario universities from the provincial government.

**Detailed Rating Considerations**

**EXCELLENT MARKET PROFILE BUILT ON BRAND RECOGNITION AND REPUTATION**

U of T’s strong market profile is reflected in its ability to consistently increase enrolment. In the 2016/17 academic year, enrolment exceeded 78,200 students on an FTE basis, up 1.5% from the prior year. The increase in enrolment and the corresponding rise in operating revenue grew primarily on the strength of an increase in international students, who now represent approximately one fifth of total FTEs.

U of T consistently places as the top ranked Canadian school and one of the top global schools in international rankings, increasing its international brand and helping the university attract consistently high global demand. Given U of T’s strong academic reputation and strong student demand, we expect the university can reach its target of over 80,000 FTEs by the 2018/19 academic year and will continue its stable growth in the subsequent years.

U of T, along with its affiliations, including several hospitals, continues to be the leader among Canadian universities in securing federal government research funding from the three granting councils and from other federal programs. Aided by a 10% increase in research revenue to CAD419 million in 2016/17, research funding from all sources remains substantial and the university continues to rank highly in terms of research output and international rankings. In addition to this amount, there are also substantial research grants and contracts awarded to university faculty and administered by the affiliated teaching hospitals.

**FINANCIAL FLEXIBILITY AND BALANCE SHEET STRENGTH FROM LOW DEBT BURDEN, SOLID OPERATING RESULTS AND SIZEABLE ENDOWMENT ASSETS**

U of T’s credit profile benefits from strong levels of spendable cash and investments (which excludes permanently restricted net assets of the university, debt service funds that the university holds as well as any unspent bond proceeds), which covered 3.54x total debt in 2016/17 (an increase from 2.94x in 2015/16) and low levels of total debt to cash flow at 1.36x in 2016/17 (down from 1.73x in 2016/17).

U of T’s credit profile benefits from low levels of debt (24.6% of revenue in 2016/17) and low interest burden (1.3% of revenue). We currently do not expect any material new debt issuance in the next 12 months. Capital projects have been financed in recent years to a significant degree with solid internal operating cash flow generation. Moody’s-adjusted operating cash flows covered 18% of operating revenue and around 74% of debt in 2016/17.

On a Moody’s-adjusted basis, which makes adjustments to the university’s annual fiscal outcomes to smooth the impact of investment returns and remove scholarships, fellowships and bursaries from both revenues and expenses (reflecting the “flow-through” nature of these expenses), U of T generated over CAD324 million in operating income in 2016/17, supported by CAD220 million in investment income. Investment income typically generates between CAD100-200 million annually for the university, comprising a significant component of its operating income. We expect the university will continue to generate positive investment incomes in the medium term.

At April 30, 2017, the university’s endowment assets totaled CAD2.4 billion (2016: CAD2.1 billion), which comprised approximately 44% of the university’s net assets. The Long-Term Capital Appreciation Pool, which includes assets of the endowment fund, posted very strong investment returns of 15.4% (net of interest fees and expenses) in 2016/17, a level comparable to the strong returns during 2013-2015. While we expect pool investment returns to remain strong over the next few years, recent experience has shown that returns may exhibit significant volatility from one year to the next.

The University of Toronto has demonstrated success in its fundraising activities. Its CAD2 billion Boundless campaign, launched in November 2011, reached its campaign goal by November 2016, and was subsequently expanded with a revised goal of CAD2.4
billion. Supported by its strong market position, we expect U of T will continue to be successful in its fundraising campaigns despite international and national competition for fundraising dollars.

**STRONG GOVERNANCE AND MANAGEMENT PRACTICES THAT DRIVE POSITIVE OPERATING RESULTS**

The success of U of T in maintaining a strong balance sheet, while meeting academic goals, is underpinned by the development and execution of multi-year frameworks for academic and financial planning. Each faculty is responsible for developing its own budget and adhering to self-imposed revenue and expense targets, which allows the faculties to be more entrepreneurial in areas where they see greater demand and by extension generate positive operating results. The university itself still maintains control over collective bargaining, however, which takes a certain amount of expenditure control out of the hands of individual faculties.

The University of Toronto Asset Management Corporation (UTAM), a non-share capital corporation whose members are appointed by the university, is tasked with managing the investment assets of the university's Long-Term Capital Appreciation Pool (which includes assets of the endowment fund), the Expendable Funds Investment Pool (including short- to medium-term funds) and assets of the university's pension plan. The university made changes to the governance arrangements of UTAM following the 2008 financial crisis to improve oversight over investment activities and also modified its investment strategies, placing greater emphasis on risk management and stress-testing the portfolio from both a liquidity and an asset allocation standpoint.

**OPERATING CHALLENGES FROM PROVINCIAL FUNDING PRESSURES AND DEMOGRAPHIC SHIFTS**

U of T, similar to other universities in Ontario, targets a balanced budget every year. The university has been successful in most years in balancing its core operations, and annual surpluses and deficits are largely a result of changes in investment return and savings from divisions.

Pressures on the revenue side mainly arise from government operating grants, which have been stagnant over the last five years, as well as regulatory limits on tuition fee increases. Since 2013/14, the Ontario government has set a limit for annual average tuition increases of 3% for domestic students, curtailting the university’s ability to fully benefit from its strong student demand based on its high brand and reputation. Beginning in 2017/18, the province will implement a new "corridor" funding model. Under the new model, operating funding grants will remain stable at 2016/17 levels over the next three years as long as enrolment remains within +/- 3% of 2016/17 levels. Nevertheless, the university anticipates continued overall enrolment growth from growth at its Mississauga and Scarborough campuses and rising international enrolment.

Similar to other Ontario universities, U of T also faces pressure from a shift in student demography as the 18-20 year old population in Ontario is expected to decline over the next 5 years. Nevertheless, the university is partly sheltered from a decline since it attracts strong demand from the Greater Toronto Area, where the population decline is expected to be the smallest relative to the rest of the province.

Despite these constraints, the university’s growth in enrolment and focus on international students, to which tuition fee caps do not apply, have supported an average tuition revenue growth of 10.9% over the last five years. Operating transfers from the provincial government represented approximately 24.5% of revenues in 2016/17, down from 27.7% average over the last five years.

Due to the need to remain competitive with other top institutions and attract academic talent, U of T continues to face challenges from rising costs of salaries and benefits, which represents the university’s largest expense item at around 60% of operating expenditures. The growth rate in personnel expenditures lagged operating revenue growth by 3.6% in 2016/17, primarily due to the university’s prudent budgetary policies which have helped to manage these cost pressures. We anticipate that the university will successfully maintain the growth in personnel expenditures below the average revenue growth.

**DESPITE IMPROVEMENT, PENSION DEFICITS WEIGH DOWN ON BALANCE SHEET**

U of T continues to face additional pressure from significant pension expenses arising from the university’s pension plan deficit (both a going concern deficit and a solvency deficit). U of T recorded a pension deficit of CAD296 million as of April 30, 2017 (10.2% of Moody’s adjusted operating revenue), significantly better than the CAD797 million (29.5%) recorded in the prior year. The material improvement was mainly driven by the substantial 2016/17 pension plan asset returns, a low interest rate environment, and special
going concern payments made into the plan. Despite the improvement in the pension plan deficit, unfunded liabilities remain large and continue to pressure the university’s rating.

Offsetting some of these pressures, U of T was previously granted entrance into the provincial solvency funding relief program, and received additional solvency funding relief under Stage 3. This allows the university to make minimum special payments sufficient to liquidate 25% of the solvency deficiency over 7 years starting in 2018 and to cover interest applied on the remaining 75% of the solvency deficit, barring any further changes to pension solvency rules from the provincial government. The potential impact of these future solvency payments continues to be reflected in the rating.

Extraordinary Support Considerations
Moody’s assigns a high likelihood that the Province of Ontario would act to prevent a default by the university. The high support level reflects a perceived risk to the province’s reputation as regulator of the university sector if the University of Toronto or any Ontario university were to default.

Moody’s also assigns a very high default dependence between the university and the Province of Ontario reflecting our assessment of the university’s and the province’s joint exposure to the impact of prolonged economic shocks. It also reflects the university’s reliance on provincial government grants for a sizeable portion of its overall revenues.

Ratings

<table>
<thead>
<tr>
<th>Category</th>
<th>Moody’s Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNIVERSITY OF TORONTO</td>
<td></td>
</tr>
<tr>
<td>Outlook</td>
<td>Stable</td>
</tr>
<tr>
<td>Issuer Rating</td>
<td>Aa2</td>
</tr>
<tr>
<td>Senior Unsecured - Dom Curr</td>
<td>Aa2</td>
</tr>
</tbody>
</table>

Source: Moody’s Investors Service
MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements. Ranging from JPY200,000 to approximately JPY350,000,000.

Stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS’s ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading “Investor Relations — Corporate Governance — 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 657AFSL 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. It would be reckless and inappropriate for retail investors to use MOODY’S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

© 2017 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 INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES (“MIS”) ARE MOODY’S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY’S PUBLICATIONS MAY INCLUDE MOODY’S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. 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. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY’S 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. CREDIT RATINGS AND MOODY’S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY’S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY’S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY’S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY’S 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 AND MOODY’S 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 OR MOODY’S 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.

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 rating process or in preparing the Moody’s 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 SUCH INFORMATION. IN NO EVENT WILL MOODY’S BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES OR LOSSES ARISING IN ANY WAY (INCLUDING WITHOUT LIMITATION, LEGAL FEES AND EXPENSES) WHETHER CAUSED BY NEGLIGENCE OR OTHERWISE, FOR THE USE OF, OR RELIANCE UPON, OR THE INCAPACITY TO USE ANY SUCH INFORMATION, EVEN IF ADVISED IN ADVANCE OF THE POSSIBILITY THEREOF.

Moodys Investors Services, 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 MJKK 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.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH INFORMATION. IN NO EVENT WILL MOODY’S BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES OR LOSSES ARISING IN ANY WAY (INCLUDING WITHOUT LIMITATION, LEGAL FEES AND EXPENSES) WHETHER CAUSED BY NEGLIGENCE OR OTHERWISE, FOR THE USE OF, OR RELIANCE UPON, OR THE INCAPABILITY TO USE ANY SUCH INFORMATION, EVEN IF ADVISED IN ADVANCE OF THE POSSIBILITY THEREOF.

MCO and MIS also maintain policies and procedures to address the independence of MIS’s ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading “Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy.”

Additional terms for Australia only: Any publication into this document is pursuant to the Australian Financial Services License of MOODY’S affiliate, Moody’s Investors Service Pty Limited ABN 61 003 399 657AFSL 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. It would be reckless and inappropriate for retail investors to use MOODY’S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody’s Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody’s Group Japan K.G., 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 rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

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