



Rating Report

Asset Based Bond // Haerzathe Studentenunits I BV

November 2012

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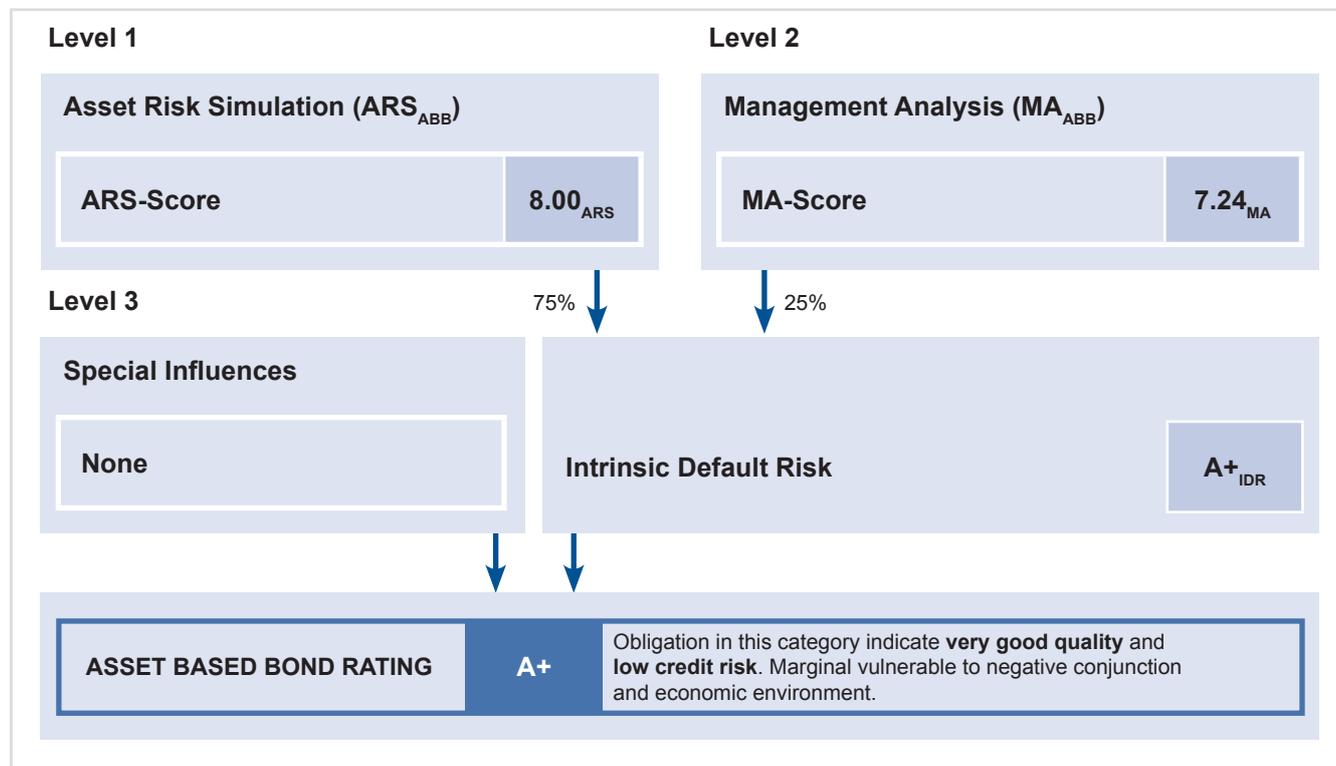


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I. Executive Summary



The object of this public offering is a fixed-rate bond issued and registered in the Dutch register for bonds. Proceeds from the issuance are used by the issuer, a special purpose vehicle (SPV) to finance the acquisition of modular housing components. The bond consists of 296 tradable shares with a face value of €25,000 each. An additional source of funding for the acquisition is a fixed-rate bank loan ranking prior to the bonds in the payment waterfall.

The bond is mortgaged backed by modular housing components, ranking second behind the secured mortgage loan. Interest and principal on the bonds can be deferred to later payment dates in case of temporary cash flow shortages. As such, insufficient cash flow after debt service on the mortgage loan can only constitute a default on the bond at the last payment date in 2027.

The bonds are fully amortising over the 15 year term of the transaction. Excess cash flow after loan and mortgage debt service is not paid out to the investors or the originator. Instead, all excess cash flow is trapped during the term of the transaction and used to build-up the liquidity reserve. This reserve is used as a provision for potential demolition costs for the housing units at the end of the transaction in 2027 and as a cushion for later debt service payments during the transaction term.

The fund is specially formed for the development of 700 student housing modules with a surface of about 18 square metre each. Every unit is equipped with a toilet, a shower and a kitchenette. The 700 units are located at the Daalwijkdreef in Amsterdam-Zuidoost. The issuer holds a right of superficies on the location for a period of 15 years.

The project is let to a single tenant, the social housing corporation DUWO, which benefits from a secured framework guaranteeing ongoing liquidity in the corporation being ultimately backed by the State.

A. Rating Notation

Credit Rating		
AAA	Obligations rated in this category display highest quality at outstanding level combined with virtually no credit risk.	Investment grade
AA	Obligations rated in this category indicate excellent quality combined with extreme low credit risk.	
A	Obligations rated in this category indicate very good quality and low credit risk. Marginal vulnerable to negative conjunction and economic environment.	
BBB	Obligations rated in this category indicate good quality combined with minor credit risk and belong to the investment grades. Vulnerable to negative conjunction and economic environment.	
BB	Obligations rated in this category indicate satisfied quality combined with medium credit risk and belong to the speculative grades.	Non-investment grade
B	Obligations rated in this category indicate inadequate quality combined with extended to high credit risk.	
CCC	Obligations rated in this category indicate poor quality combined with high credit risk and speculative characteristics.	
CC	Obligations rated in this category indicate very poor quality combined with very high credit risk have highly speculative characteristics.	
C	Obligations rated in this category display the lowest quality and are close to default.	
D	Obligations rated in this category are in default.	

B. Key Drivers

Key Security Drivers

- Clear and transparent transaction structure with low complexity.
- Enhanced cash flow predictability as almost all cash flow relevant positions are fixed for the 15 year term of the project.
- Fully amortising bond with no risk regarding the collateral's residual value at the end of the transaction term.
- No cash leakage out of the transaction structure given the full trapping of any excess cash used to build-up a liquidity reserve.
- Clear allocation of project risks between the parties involved (issuer, tenant, construction company etc.).
- Long term contracts regarding the fund and bond operations minimize management risks.
- The single tenant is benefitting from a comprehensive guarantee structure that is ultimately backed by the State.
- Modular housing is a proven concept in the Netherlands with significant technical improvements over the last ten years.
- Upside potential through exit value participation.



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Key Risk Drivers

- No secondary market for modular housing components and as such limited evidence with respect to recovery proceeds in case of enforcement.
- Not all modular components are yet delivered (mitigant: payments only due after successful delivery; funds are currently sitting on an issuer's account with a highly rated bank).
- Purpose-built residential complex in a niche market segment with demand being restricted by comparatively few replacement operators (mitigant: single tenant subject to comprehensive guarantee structure).
- No additional credit enhancements incorporated in the transaction structure and as such the bond is representing the first loss piece.
- Boutique-size management company resulting in key man risk (mitigant: long-term contracts regarding significant portions of operations).

II. Underlying Data

A. Bond

A.1 Brief Description

The object of this public offering is a fixed-rate bond issued and registered in the Dutch register for bonds. Proceeds from the issuance are used by the issuer, a special purpose vehicle (SPV) to finance the acquisition of modular housing components. The bond consists of 296 tradable shares with a face value of €25,000 each. An additional source of funding for the acquisition is a fixed-rate bank loan ranking prior to the bonds in the payment waterfall.

A.2 Master Data

Product Name	Obligatiefonds Haerzathe Studenten-units I BV
Originator	Haerzathe Investments Beheer BV
Stock Exchange	None
Sector	Real Estate
Segment	Modular residential real estate
Target Market	Student Housing
Bond type	Asset Based Bond

A.3 Key Figures

Bond Currency	Euro
Total Face Value	7,400,000 EUR
Minimum Subscription	25,000 EUR
Coupon	7% p.a.
Premium	Maximum of a third of the modular housing components' residual value in 2027
Payout	Semiannually, 3.5%
Interest Dates	30 June, 31 December
Amortization annually	1-15%
Duration	15 years
Subscription Period	1 August 2012 until 1 September 2012
Closing date	1 October 2012
Placement costs	3%
Cancellation rights	None
Taxes	The Netherlands-Box 3 Taxation- effective tax rate 1.2% of yield
Purpose	Acquisition of modular housing components
Selling restriction	None

A.4 Project Partners

	Company	Location
Originator	Haerzathe Investments Beheer BV	Oldenzaal
Special Purpose Vehicle	Haerzathe Studentenunits I BV	Oldenzaal
Tenant	Woningcorporatie DUWO	Delft
Stock Exchange	None	
Auditor	BDO Audit & Assurance BV	Arnhem
Notary	Kienhuis Hoving Notarissen	Oldenzaal
Account provider	Rabobank Twente Oost	Oldenzaal
Financer	Rabobank Twente Oost	Oldenzaal
Builder / Contractor	Plegt-Vos	Oldenzaal

A.5 Fund Application Plan

Haerzathe Investments Beheer BV	
Purchase price of bonds in the SPV	7,400,000 EUR
Offering costs	222,000 EUR (3%)
Liquidity reserve	252,000 EUR

Haerzathe Studentenunits I BV	
Application of Funds	
Purchase price of assets (building costs)	23,023,000 EUR
Financing costs	80,000 EUR
Structuring costs	100,000 EUR
Broker costs	140,000 EUR
Notary / advisory costs	50,000 EUR
Remuneration issuer	250,000 EUR
Marketing costs	100,000 EUR

A.6 Priority of Payments

The bond is mortgaged backed by the real estate. It ranks second behind the secured mortgage loan. Debt treatment is structured interest, then principal on the mortgage loan and thereafter interest, then principal on the bond. Interest and principal on the bond can be deferred to later payment dates in case of temporary cash flow shortages. As such, insufficient cash flow after debt service on the mortgage loan can only constitute a default on the bond at the last payment date in 2027.

Excess cash flow after loan and mortgage debt service is not paid out to the investors or the originator. Instead, all excess cash flow is trapped during the term of the transaction and used to build-up a liquidity reserve. This reserve is used as a provision for potential demolition costs for the housing units at the end of the transaction in 2027 and as a cushion for later debt service payments during the transaction term.

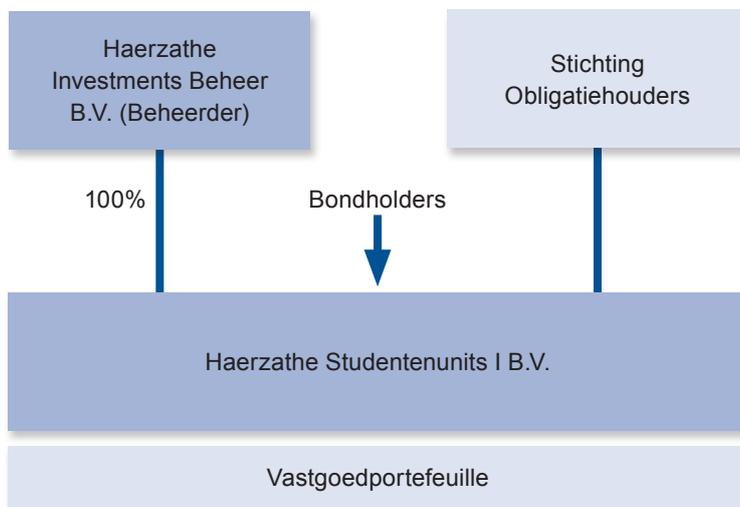
The following diagram shows the simplified payment sequences of the Haerzathe Studentenunits I BV related to the senior debt and the bondholders.



A.7 Credit Enhancements

There are no credit enhancements incorporated in the transaction structure.

A.8 Bond Structure



The fund is a single-purpose legal entity according to Dutch law. It is a 100% subsidiary of Haerzathe Investments Beheer BV. The bondholders participate in the fund through the purchase of a bond share. De Stichting Obligatiehouders is incorporated to protect the interest of the bondholders and holds a subordinated mortgage right on the property. The fund volume consists of 50,000 EUR (paid capital by the issuer, par value 18,000 EUR and agio of 32,000 EUR), the mortgage loan of 16,600,000 EUR and 7,400,000 EUR of bond issuance, totaling 24,050,000 EUR.

The fund is specially formed for the development of 700 student housing modules with a surface of about 18 square metre each. Every unit is equipped with a toilet, a shower and a kitchenette. The 700 units are located at the Daalwijkdreef in Amsterdam-Zuidoost. The issuer holds a right of superficies on the location for a period of 15 years.

Daily management of the fund will be done by Haerzathe Investments Beheer BV. They are also responsible for the financial administration of the fund. They will produce annual reports and semi-annual reports which will be sent to Stichting Obligatiehouders and bondholders. Maintenance of the units is outsourced to the builder of the units, Plegt-Vos BV.

Haerzathe Investments Beheer BV is also placement coordinator of the bond.

B. Asset

B.1 Brief Description

According to the construction agreement, agreed upon with Plegt –Vos, the 700 student housing units will be delivered turnkey and in three phases. The first one was July 2012 and the last one will be in February 2013 the latest.

The 700 units will be put on top of each other to a maximum of three to four and approximately 10 next to each other. In total there will be ten formed building units.

B.2 Key Object Figures

Student housing units	
Contractor/Construction company	Plegt-Vos
Size	3.3m x 7.15m
Materials	Steel
Heating	Central heating
Windows	Isolated glass

B.3 Contractual Bases

Tenant Agreement	
Tenant	Social Housing DUWO
Term	15 years
Options	No break options
Rent installments	Monthly, annual rent 2,346,000 EUR

Mortgage loan agreement	
Currency	Euro
Volume	16,600,000 EUR
Fixed interest period	15 years
Amortisation	Fully amortising over the term of the loan
Interest	4.78%
Loan structure	Annuity
Loan issuer	Rabobank Twente-Oost



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Asset management

Company	Haerzathe Investments Beheer BV
Team	Pim Heurman, Huub Feijen, Eric Nijkamp
Remuneration	29,750 EUR Fund management fee 59,500 EUR Asset management fee

Tenant and debt arranger

Company	Terra Project management BV, Rabobank Twente Oost
Term	One-off
Payment	145,000 EUR 80,000 EUR

Investment Advisor

Company	Haerzathe Investments Beheer BV
Term	One-off
Payment	250,000 EUR

Placement coordinator

Company	Haerzathe Investments Beheer BV
Term	One-off
Payment	3% of total bond volume

III. Evaluation

A. Level 1 – Asset Risk Simulation

A.1 Model Explanation

The first step in the rating process analyses the collateral for the bond in the form of receivables and other assets. For this transaction, the cash flows generated by the project are the source for debt service on the bond (interest and principal). As such, the cash flow analysis and simulation is driving the quantitative modeling.

The following section analyses both, the underlying asset as well as the economic stability of the contractors. Furthermore, it examines measures implemented by the issuer in order to improve the creditworthiness (credit enhancements).

A.2 Credit Enhancements

No additional credit enhancements are incorporated in the transaction structure and as such the bond is representing the first loss piece.

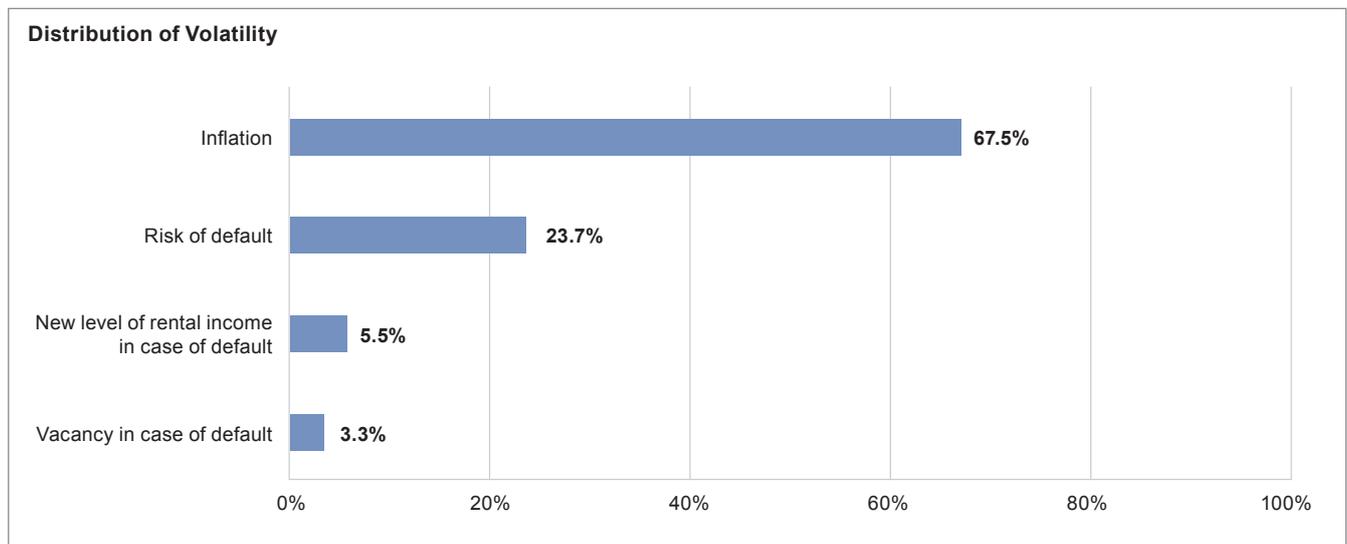
A.3 Monte Carlo Analysis

The evaluation is based on a detailed risk analysis incorporating a Monte Carlo analysis. The first step is to identify factors in the cash flow model provided by the originator that are subject to inherent uncertainty. Scope is substituting the values behind those factors for a range of values that are subject to an estimated underlying probability distribution. The Monte Carlo simulation involves a sufficient number of recalculations. As a result, the model produces distributions of possible outcomes and highlights the influence of the defined risk parameters.

Scope has used the financial forecast provided in the bond prospectus as well as information provided by the originator in its rating model. The evaluation of the results is discussed below.

A.3.1 Results of the Monte Carlo Analysis

The Expected Loss is the defined output in the simulation applied. It is 1.08%. The graphic below displays the relative frequencies of the defined input parameters and hence, highlights the impact on the outcome. The inflation variable has the largest effect on the result with 67.5%. Given that the inflation is the only variable parameter in the cash flow model, the result is not surprising. The influence of the probability of default is estimated to be 23.7%. Finally, the related conditional probabilities regarding vacancy and new level of rental income are estimated to be 3.3% and 5.5%, respectively. The probability of default is very low, but in case of a default the effect on the project is enormous given a potential vacancy and adjustment on the current rental level.



Distribution of Volatility		Relative
Investment		0%
Income		32.5%
Risk of Default	23.7%	
Vacancy in Case of Default	3.3%	
New level of rental income in Case of Default	5.5%	
Expenditures		0%
Disinvestment		0%
External Effects		67.5%
Inflation	67.5%	

A.3.2 Derivation of the Monte Carlo Analysis

Investment

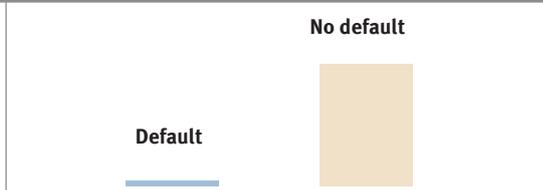
The parameters on the investment have no influence on the spread of the overall result.

The first housing modules are already in operation and generating cash flows. Delivery of the remaining housing modules is expected by February 2013 the latest. Only the housing modules already delivered have been paid to date. The remaining housing modules will get paid once delivered. The proceeds from the bond issuance are used to pay for the housing modules. Proceeds not yet used to pay for the containers are currently sitting on a bank account with a highly rated bank on behalf of the fund.

Income

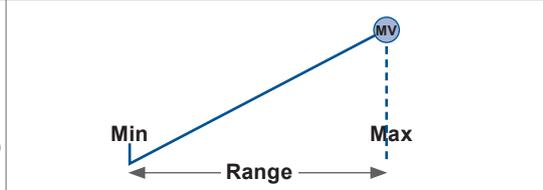
Scope has taken into account the below variables as part of the sensitivity analysis. The influence of the income parameters on the spread of the total result is 32.5%.

The project is let to a single tenant, the social housing corporation DUWO, which benefits from a secured framework guaranteeing ongoing liquidity in the corporation being ultimately backed by the State. This is provided by the Centraal Fonds Volkshuisvesting (CFV) and the Waarborgfonds Sociale Woningbouw (WSW). WSW's government defined mandate and its particular role as financial guarantor reflects the high importance of social housing in the Netherlands. This implies intentions of the central government of the Netherlands to prevent liquidity shortages.

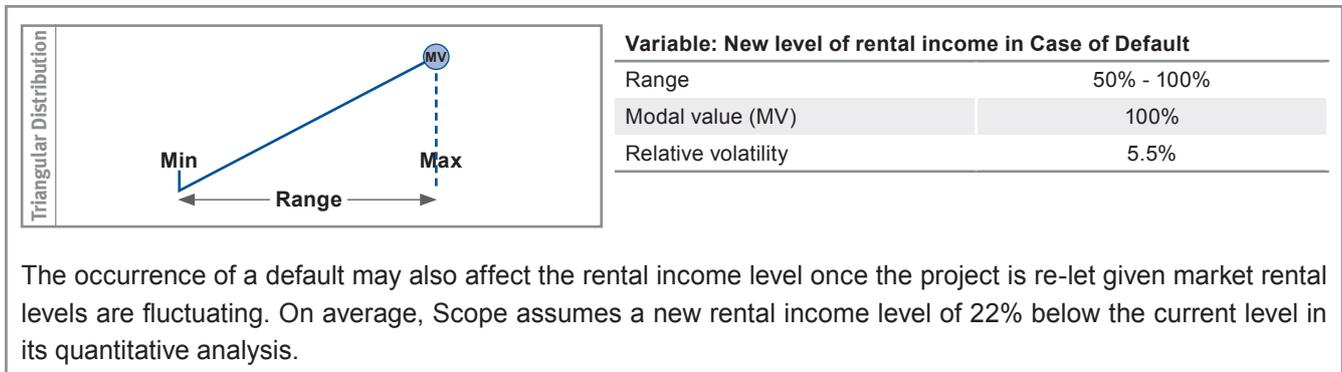
Discrete Distribution		Variable: Risk of Default					
		<table border="1"> <tr> <td>Cumulative tenant default probability</td> <td>1.18%</td> </tr> <tr> <td>No default</td> <td>98.82%</td> </tr> <tr> <td>Relative volatility</td> <td>23.70%</td> </tr> </table>	Cumulative tenant default probability	1.18%	No default	98.82%	Relative volatility
Cumulative tenant default probability	1.18%						
No default	98.82%						
Relative volatility	23.70%						

The single tenant is benefitting from a comprehensive guarantee structure that is ultimately backed by the State. Therefore, the risk of default will be very low.

Scope takes into account Moody's Aaa rating for the government of the Netherlands as a baseline to evaluate the risk of default. Given that liquidity support from the State is only the last layer of the guarantee structure, there might be delays until the State ultimately backs the tenant in case of liquidity shortages. Hence, Scope has applied a notching approach resulting in a cumulative tenant default probability of 1.18% over the term of 15 years.

Triangular Distribution		Variable: Vacancy in Case of Default					
		<table border="1"> <tr> <td>Range</td> <td>0 months - 36 months</td> </tr> <tr> <td>Modal value (MV)</td> <td>36 months</td> </tr> <tr> <td>Relative volatility</td> <td>3.3%</td> </tr> </table>	Range	0 months - 36 months	Modal value (MV)	36 months	Relative volatility
Range	0 months - 36 months						
Modal value (MV)	36 months						
Relative volatility	3.3%						

A tenant default may coincide with a difficult economic climate in the Netherlands with negative growth and pressure on prices. This economic downturn could directly affect the duration of the vacancy. In its quantitative analysis, Scope assumes a vacancy of up to three years following the default of the tenant.



Expenditures

The parameters regarding expenditures have no influence on the spread of the overall result.

The management's main goal in structuring this deal was to shut-off the speculative elements typically found in real estate investments. Therefore, most cash flow relevant positions are fixed over the 15 years term of the transaction. The only exceptions are two smaller items relating to insurance and local taxes.

The senior ranking loan is an annuity loan with no deferral option on interest or amortization payments. There are no covenants included in the loan document. The interest rate for the bank loan is fixed at 4.78% over the 15 years term.

Disinvestment

The parameters on disinvestment have no influence on the spread of the overall result.

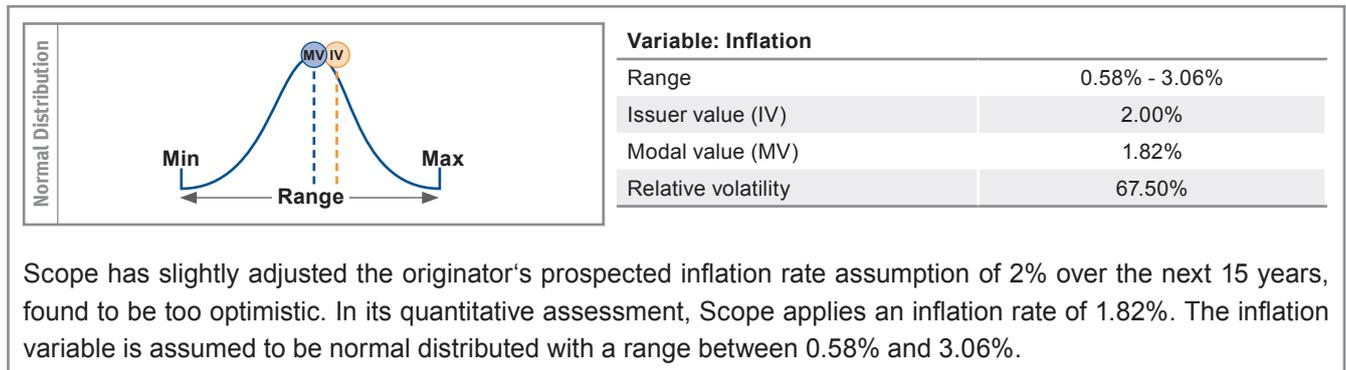
The expected useful life for containers used for modular housing projects is 30 years. However, the originator plans a lifetime of 15 years for the fund calculation. Any residual value the containers might have at the end of the transaction after 15 years is an upside but not required in the projections to service the loan and the bond. As such, Scope assumes no residual value/disinvestment risk in this project. Disposal proceeds after the 15 year term of the transaction would be for the benefit of the originator, the construction company and the bondholders (a third each).

The capex and maintenance costs are all fixed for the term of 15 years with the construction company being in charge of maintaining the containers at the pre-defined level at fixed costs. The construction company has an additional incentive to make sure that the containers remain in good condition as they get a third of the potential disposal proceeds at the end of the transaction. The renovation needs are determined annually in a plan covering the upcoming five years on a rolling basis.

External Effects

Scope has taken into account the below variables as part of the sensitivity analysis. The influence of the parameters regarding external effects on the spread of the total result is 67.5%.

The promised rent is indexed towards the Dutch consumer price developments. Therefore, the rental income level is subject to the inflation development in the Netherlands. The originator assumes an inflation rate of 2% over the next 15 years. Since the bond is invested in the Euro area and both, bank loan and bond are denominated in Euro, there are no exchange rate risks.



Scope has slightly adjusted the originator's prospected inflation rate assumption of 2% over the next 15 years, found to be too optimistic. In its quantitative assessment, Scope applies an inflation rate of 1.82%. The inflation variable is assumed to be normal distributed with a range between 0.58% and 3.06%.

B. Level 2 – Management Analysis

B.1 Structure

B.1.1 Organizational Structure

Haerzathe Investment Beheer B.V. is a small Dutch management company for real estate investments. The firm was founded by seven partners as a private partnership in Oldenzaal in 2004. The original business object was to offer real estate investment funds to private and retail investors in order to participate from the fast growing market in Holland at that time. Between 2004 and 2006 the company had issued two funds and one private placement with total assets under management of EUR 70 million.

In 2009 one partner left Haerzathe and a company restructuring took place. Founding partner Huub Feijen and fund manager Pim Heurman became the board of directors. In 2011 the remaining partners agreed on a management buy-out and consequently, the stockholder Eric Nijkamp and the directors Huub Feijen and Pim Heurman took over 33.3% of the company shares respectively.

Eric Nijkamp is one of the founding members of the company and responsible for funding, relationship and corporate management. As an active entrepreneur and investor he is involved in several associations where he is mainly responsible for strategy, corporate identity and market positioning. In 1991 he founded NykampNyboer, a management consulting company for corporate branding which he held until 2004. Since 2000 he is owner of the NyStaete Group, an investment company focusing on real estate and property development and owns several subsidiaries. Beside, Eric Nijkamp is an active board member of VNO-NCW Twente and Regiobranding Twente and visiting lecturer at the University of Twente in Enschede. Eric Nijkamp is also Partner at Axcellent Mastering Real Estate and Byosis Group.

Huub Feijen is one of the founding members of the company and responsible for the real estate and contract management. He is primarily involved in the management of the funds' portfolios and in initiating and structuring new real estate investment funds. He studied management and organization science at the Radboud University Nijmegen. Mr. Feijen started his professional career as a commercial real estate broker at Strijbosch Thunnissen Bedrijfsmakelaars B.V. in 1998. Beside his main occupation at Haerzathe he is also partner at Keystone Vastgoed BV and Axcellent Mastering Real Estate. Since 2009 he is member of the advisory board of the Dutch investment company Nedvim.

Pim Heurman works for Haerzathe since 2005. Having started as an asset manager he is now responsible for finance and fund legal management. After his studies of business and finance at the Free University of Amsterdam, he joined the Central Bank of the Netherlands (DNB) where he held various supervisory positions. During his DNB-employment, he completed a postgraduate course as a Financial and Investment Analyst (VBA) and is now a registered investment analyst. He is also partner at the company Axcellent Mastering Real Estate.

In order to keep a lean and a clear cost structure, the company has outsourced all non-core business activities, such as administration, controlling and IT to the NyStaete Group with its office being located in the same building as Haerzathe's office.

B.1.2 Financial Structure

Given the SPV structure of the bond issuer, the bonds themselves are not facing risks potentially stemming from the Haerzathe Investment Beheer. Haerzathe shows negative net result over three sequential years since 2009 (2011: minus EUR 50,494 EUR; 2010: minus EUR 45,083 EUR; 2009: minus EUR 224,295 EUR). This is mainly owed the fact that no new funds had been issued between 2007 and 2011 and the termination of the private placement. Although Haerzathe has a lean cost structure, revolving fees (management fees and administration fees) were not sufficient enough to compensate fixed costs. Due to new management fees from the Studentenu-

nits bond and the Pim Heurman's transfer from an employee to a managing partner, Haerzathe expects a higher income and lower personnel costs for the upcoming years.

B.1.3 Market Standing

Haerzathe is pursuing a conservative investment strategy with a focus on long term growth and steady cash flows rather than on opportunistic investments. Due to the downturn of the Dutch real estate market, the company did not execute any new funds between 2006 and 2011 and changed the investment objects from retail and office properties to social student housing in the form of modular buildings. Although forecasts are showing an increasing demand for affordable student housing in the next years, this market can still be considered to be a niche market without established quality standards. Exactly for that reason Haerzathe plans to become an established player in this field. Due to the company size Haerzathe eyes private investors with higher incomes rather than institutional investors. Currently, clients are investing on average about EUR 25,000 to EUR 50,000.

B.2 Expertise

B.2.1 Management & Processes

The managing directors Pim Heurman and Huub Feijen are responsible for the operative management of the company and the bond issuing SPV. With regard to the bond conception - including contracts, bank negotiations and legal arrangements - the directors can rely on long-term experiences from previous activities in the real estate and banking sector. The company also benefits from the large network of Eric Nijkamp who has been active in the real estate sector for several years.

The investment processes are executed internally and base on the philosophy to exclude speculative and risky items typically found in real estate investments. Therefore Haerzathe focuses exclusively on direct project returns, lower leverage and risk reduction by the implementation of long term contracts and payment guarantees. Nonetheless, the various points of that strategy are more a guideline than obligatory and specific investment criteria.

The properties backing the bond issued are managed by its tenant, the rental company DUWO in cooperation with the constructor of the modular components Plegt-Vos. DUWO, headquartered in Delft, is the oldest and largest student housing company in the Netherlands and manages about 17,000 rooms and houses in Amsterdam (and peripheric area), Delft, De Haag and Leiden. Plegt-Vos is one of the top twenty-five Dutch construction companies according to the information received. The constructor with headquarter in Oldenzaal is mainly active in property development, residential & commercial construction, management and maintenance.

The property management is supervised by Haerzathe. The investment company receives property reports on a quarterly basis and prepares rolling 5-year-plans for maintenance activities. Furthermore, property and facility managers need approval from Haerzathe for repairs and other maintenance activities that exceed a specific amount of money. On the side of Haerzathe, payment executions are bounded to the four-eye-principle. That means, payments always need to be authorized by two of the three managing partners.

B.2.2 Risk Management

Haerzathe aims to minimize or avoid risks for the bond investors from the beginning and therefore gives great emphasis on the contractual framework with all third parties and a constant supervision of the outsourced operations. Related to the fact that Pim Heurman and Huub Feijen are the only responsible managers and therefore work together very closely, actions can be taken informally and directly. In this case, fixed risk management processes are neither feasible nor practicable.

Potential risks mainly occur from a lack of information exchange between Haerzathe and external service providers. However, Haerzathe is legally committed to inform their investors on a regular basis. This includes the preparation of half-yearly investor letters and annual reports as well as the conduction of investors meeting in OI-denzaal on a yearly basis. Additionally, all relevant information, news and contracts are available for the investors on a password protected area of the Haerzathe website.

As stated in the prospectus, the SPV has an independent trustee that is requested to represent the shareholders' interests and consequently acts as an external supervisory authority. Every bondholder has the opportunity to assign the trustee to check the managing activities of Haerzathe. Therefore the trustee has the right to receive all relevant documents such as accounting reports, balance sheets, contracts etc. The trustee is allowed to call shareholder meetings at any time and in case of management failure. In case of an emergency the trustee is also allowed to take over the fund management.

B.3 Performance

Currently, Haerzathe has two real estate funds outstanding with total assets under management of about EUR 60 million. Both funds pay out dividends, but show a different development between actual and prospected figures.

Haerzathe Investment I CV has a cumulated payout of 48.5% until 2011 and is therefore slightly outperforming the prospected 45%. During five out of seven years of operation Haerzathe could pay 1% more dividend than originally calculated in the prospectus. The rental income has increased by on average 1% per annum during the last six years. Additionally, the fund had lower mortgage costs and therefore in general a lower cost structure. Haerzathe Investment II CV had to decrease the pay outs since 2009 due to rental loss in one of the fund's property and an increase in operational costs. Consequently, the cumulated dividends since 2011 of 36.75% are below the expected 45%.

Even though the Dutch real estate market is in a downturn facing decreasing rental prices and rising vacancy rates, Haerzathe was able to generate a stable income for their funds since inception. The funds have a relatively good performance in terms of dividend payouts and profit and loss compared to other Dutch competitors. Haerzathe thereby proves the implementation of a relatively risk-averse investment strategy with a broad multi-tenant mix and different types of property use.

One private placement was terminated in 2009. The investors achieved an average return of 11.38% per annum.

C. Level 3 – Special Influences

C.1 Explanation

Level 3 analysis framework consists of the debt instruments and special influences on the stability of the asset based bond. In particular the legal & tax framework, liquidity and special influences areas are examined here. The results of this analysis are influencing the determination of the final rating notation via notching.

C.2 Result

The evaluation of the examined criteria did not lead to any notching.

C.3 Criteria

C.3.1 Legal

The originator of the bond (Haerzathe Investments Beheer BV) has formed a special purpose vehicle (SPV) for the issuance of the bond. The SPV holds the assets acquired from the bond proceeds and the mortgage loan. The SPV is set up economically and legally independent of other compartments of the issuer. Therefore the result and development of the SPV is not affected. Establishing SPVs enables the separate administration of the assets held by the entity.

Coupon payments

According to the terms of the bond, interest payments are made semi-annually, 7% on an annual basis, and redemption is made on a yearly basis, at the end of the year. Payments to the bondholders will be done after servicing senior operating costs and interest and amortization of the mortgage loan. Payments to the bond holders can be deferred without being in default but only in case of liquidity shortage. When coupon payments are being deferred, after 30 days, 3 months Euribor + 100 base points will be compensated for the deferral period.

Basic rights

The bond holders are united in Destichting Obligatiehouders. Once a year they will be invited by the management of the fund to inform them about the financial results of the fund. The bondholders are depending on the initiative of the fund management because they cannot organize a meeting themselves. The bondholders are liable to the amount invested in the bond.

C.3.2 Tax

Persons with unlimited tax liability in the Netherlands who hold the bond as part of their personal assets will contain savings income from box 3.

C.3.3 Liquidity

The bond is not listed on any stock exchange. There is no secondary market. Hence, the liquidity of the bond is not predictable.

C.3.4 Special Influences

Secured tenant

Social Housing corporations DUWO benefits from a secured framework which guarantee mechanisms on ongoing liquidity in the corporations. This is provided by the Centraal Fonds Volkshuisvesting (CFV) and the Waarborgfonds Sociale Woningbouw (WSW).

CFV is the regulator of the Dutch social housing market and monitors the different social housing corporations. On a semi-annual basis CFV will check annual reports and has several tools CFV can use when the continuity of the social housing corporations is jeopardized. An overview of the tools the CFV can use: first step, it can take over the management, second step it can order neighbor social housing corporations to provide liquidity to the troubled social housing corporations, third step it can force to sell partial or all assets to colleague's and fourth step it can force the municipal to take over the troubled corporations. The WSW guarantee helps social housing corporations to fund their mortgage loans on cheap way. Because of WSW guarantees for the repayment of the debt and interest, the housing companies will have easy access to cheap long term debt. Because of the regulatory system applicable on the tenant, the payments of the rents are fairly secured.

Asset Risks

At the end of the duration of the bond the student housing units will probably be resold. The technical lifetime of the housing container should be 30 years. From this perspective the chance of having a residual value that exceeds zero is realistic. This can benefit the bondholders because they have a profit share of a third of potential asset disposal proceeds.

IV. Information Sources

Important sources of information in the course of the rating process were the documents submitted according to the document request list. A management interview is also part of the analysis.

Documents

All documents listed below were provided by the contractor in copy or electronic form.

1. Documents on the Issuer and the Special Purpose Vehicle

Annual reports Haerzathe Investments Beheer BV, 2005-2011
Rental agreement
Rental agreement terrain
Building contract
Floor plan student units
Fund approval from AFM
Auditor approval BDO

2. Sales documents

Prospectus Obligatiefonds

3. Reports

DUWO strategic plan 2011
DUWO annual report 2010-2011
Analysis of DUWO done by CFV 2010-2011

4. Additional information

Signed letter, 29-11-2010, by the Minister of internal affairs about the sustainable creditability of DUWO

V. Mandatory Statements

Responsibility

Company

Scope Ratings GmbH
Potsdamer Platz 1
D – 10785 Berlin
Phone +49 (0) 30 - 27891 - 0 • Fax +49 (0) 30 - 27891 - 100
info@scope.de • www.scope-group.com

Managing Director: Thomas Morgenstern
Stuttgart District Court HRB 354390
VAT ID Number DE 222618588

Analysts

Primary Analysts

Stephan Ebe	(Lead Analyst)
Ingo Büch	(Financial Analyst)
Jan-Hein Peek	(Corporate Analyst)
Robert Bönisch	(Management Analyst)

Rating Committee

Thomas Morgenstern	(Managing Director)
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Kontakt

Scope Ratings GmbH

Scope Ratings GmbH

Potsdamer Platz 1

10785 Berlin

T: +49 (0)30 27891-0

F: +49 (0)30 27891-100

Service: +49 (0)30 7891-300

info@scope.de

www.scope-group.com