

Ratings Assigned To Repack Transaction North Star's Series 2010-1 Credit-Linked Notes And Underlying Loan Facility

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OVERVIEW

- We have assigned a 'B' credit rating to North Star's series 2010-1 credit-linked notes.
- The rating on the notes is weak-linked to the borrower, CJSC SSMO LenSpecSMU's underlying loan.
- We have also assigned a 'B' issue rating and '4' recovery rating to the underlying loan.
- North Star is a repack transaction arranged by UFS Investments.

LONDON (Standard & Poor's) June 10, 2011--Standard & Poor's Ratings Services today assigned its 'B' credit rating to North Star S.A.'s \$150 million series 2010-01 limited-recourse secured notes due 2015.

We have also assigned a 'B' issue rating and '4' recovery rating to Russian construction company CJSC SSMO LenSpecSMU's (LSS) \$150 million unsecured underlying loan due 2015.

North Star B.V., as lender, initially granted the loan to LSS, the borrower. North Star B.V. subsequently assigned the loan to North Star S.A., as issuer of the rated notes. The loan thus acts as collateral to support North Star S.A.'s notes.

In line with our recovery ratings criteria, the recovery rating of '4' reflects what we consider to be average (30%-50%) recovery prospects.

Accordingly, the issue rating on the loan is at the same level as LSS's corporate credit rating (see "Criteria Guidelines For Recovery Ratings On Global Industrials Issuers' Speculative-Grade Debt," published Aug. 10, 2009).

We have assigned our 'B' rating on North Star S.A.'s credit-linked notes as the transaction is weak-linked to LSS' underlying loan. Under our criteria applicable to transactions such as these, we would generally reflect changes to the rating on the collateral in our rating on the transaction.

The interest and principal paid on the notes will mirror what the issuer receives from LSS as borrower under the loan. Noteholders will therefore receive quarterly fixed interest and principal payments in accordance with the loan's repayment schedule.

LSS uses the proceeds of the loan toward working capital and other general corporate purposes. As LSS subsidiaries, Closed Joint Stock Company "AKTIV," Closed Joint Stock Company "Centralnoye Upravlenie Nedvizhimosti LenSpecSMU," and Stock company "World Financial and Trade Centre, St. Petersburg" guarantee the loan. The loan documentation includes some incurrence covenants and a weak negative pledge covenant that restricts the issuance of liens except for permitted security, which includes any security which has the lender's prior written consent (i.e., North Star B.V.'s) or any security in an amount not exceeding 75% of the consolidated assets of the Group.

North Star is a newly set-up special-purpose entity (SPE) incorporated in Luxembourg. We believe that the transaction complies with our bankruptcy-remoteness and segregation criteria.

RELATED CRITERIA AND RESEARCH

- Principles Of Credit Ratings, Feb. 16, 2011
- Criteria Guidelines For Recovery Ratings On Global Industrials Issuers' Speculative-Grade Debt, Aug. 10, 2009
- European Legal Criteria For Structured Finance Transactions, Aug. 28, 2008
- Update: Jurisdiction-Specific Adjustments To Recovery And Issue Ratings, June 20, 2008

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