

CRISIL IREVNA US LLC

New York, New York

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

CRISIL IREVNA US LLC

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INDEPENDENT AUDITORS' REPORT

To the Member
CRISIL Irevna US LLC
New York, New York

We have audited the accompanying financial statements of CRISIL Irevna US LLC (the "Company"), which comprise the balance sheet as of December 31, 2016, and the related statements of income and member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CRISIL Irevna US LLC as of December 31, 2016, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Member
CRISIL Irevna US LLC

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly Virchow Krause, LLP

New York, New York
January 23, 2017

FINANCIAL STATEMENTS

CRISIL IREVNA US LLC

BALANCE SHEET As of December 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,098,144
Accounts receivable, net of allowance for doubtful accounts of \$110,638	15,216,141
Prepaid expenses and other current assets	<u>223,189</u>
Total Current Assets	18,537,474

Property and Equipment, net	106,460
Restricted Cash	85,952
Goodwill	681,902
Deferred Taxes	53,000
Investment, at cost	<u>11,908</u>

TOTAL ASSETS \$ 19,476,696

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 2,754,786
Unearned revenue	206,913
Income taxes payable	98,496
Due to related party	<u>15,151,089</u>
Total Current Liabilities	18,211,284

Deferred Lease Obligation	<u>34,896</u>
Total Liabilities	18,246,180

COMMITMENTS

MEMBER'S EQUITY 1,230,516

TOTAL LIABILITIES AND MEMBER'S EQUITY \$ 19,476,696

CRISIL IREVNA US LLC

STATEMENT OF INCOME AND MEMBER'S EQUITY For the Year Ended December 31, 2016

REVENUE	\$ 58,376,258
COST OF SALES	<u>43,790,718</u>
Gross Profit	14,585,540
OPERATING COSTS AND EXPENSES	<u>13,730,734</u>
Income from Operations	854,806
OTHER EXPENSE	<u>24,477</u>
Income before Provision for Income Taxes	830,329
Provision for Income Taxes	<u>353,859</u>
NET INCOME	476,470
MEMBER'S EQUITY - Beginning of Year	<u>754,046</u>
MEMBERS' EQUITY - END OF YEAR	<u>\$ 1,230,516</u>

See notes to financial statements.

CRISIL IREVNA US LLC

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 476,470
Adjustments to reconcile net income to net cash flows from operating activities:	
Deferred lease obligation	(258,915)
Deferred tax expense	184,000
Bad debt recovery	(83,756)
Depreciation	38,275
Loss on disposal of property and equipment	9,451
Changes in operating assets and liabilities	
Accounts receivable	(5,228,865)
Prepaid expenses and other current assets	146,680
Security deposits	25,288
Accounts payable and accrued liabilities	(343,296)
Unearned revenue	111,476
Income taxes payable	(1,490)
Due to related party	<u>5,334,014</u>
Net Cash Flows from Operating Activities	<u>409,332</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	(45,348)
Proceeds on disposal of property and equipment	<u>2,060</u>
Net Cash Flows from Investing Activities	<u>(43,288)</u>

Net Change in Cash and Cash Equivalents 366,044

CASH AND CASH EQUIVALENTS - Beginning of Year 2,732,100

CASH AND CASH EQUIVALENTS - End of Year \$ 3,098,144

SUPPLEMENTAL DISCLOSURE

Cash paid during the year for income taxes	<u>\$ 168,503</u>
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CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

CRISIL Irevna US LLC (the "Company") is a wholly-owned subsidiary of CRISIL Irevna UK Limited of the United Kingdom ("Irevna U.K."). The Company is an outsource provider of high-end research and analysis with a focus on serving the global financial services community. The Company's research and processing services are performed by CRISIL Ltd. ("CRISIL"), parent company of Irevna U.K., and Irevna U.K. (see Notes 4 and 6).

The Company provides marketing and customer support services for Coalition Development Limited ("Coalition"), an entity under common control (see Note 4).

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds maintained in checking accounts at financial institutions.

At year-end and at various times throughout the year, the Company had balances in amounts in excess of federally insured limits on deposit with a bank. The Company has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

In the normal course of business, the Company provides unsecured credit to customers, performs credit evaluations of these customers, and maintains reserves for potential credit losses. In determining the amount of the allowance for doubtful accounts, management considers historical credit losses, the past due status of receivables, payment history, and other customer-specific information. The past due status of a receivable is based on its contractual terms. Expected credit losses are recorded as an allowance for doubtful accounts. Receivables are written off when management determines they are uncollectible.

Goodwill

Accounting Standards Codification ("ASC") Topic 350, "*Intangibles - Goodwill and Other*" requires that goodwill and intangible assets having indefinite lives not be amortized, but instead be tested for impairment at least annually. The Company tested goodwill for impairment on December 31, 2016. There was no goodwill impairment recognized during the year ended December 31, 2016.

CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Property and Equipment

Property and equipment are stated at cost. Expenditures for repairs and maintenance are expensed when incurred whereas improvements and betterments are capitalized. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which are as follows:

	<u>Estimated Useful Lives</u>
Office Equipment	3 Years
Furniture and Fixtures	10 Years
Leasehold Improvements	Shorter of estimated useful life or the remaining lease term.

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets whenever events or changes in business circumstances indicate that the carrying value of an asset may not be recoverable. When such events occur, management determines whether there has been impairment by comparing the anticipated undiscounted net future cash flows to the related asset's carrying value. If impairment exists, the asset is written down to its estimated fair value.

Restricted Cash

During November 2016, the Company entered into a letter of credit in the amount of \$85,952. This letter of credit replaces a cash security deposit for one of the Company's leases. This letter of credit is collateralized by \$85,952 of cash reported as restricted cash on the balance sheet.

Deferred Lease Obligation

Certain lease agreements provide for scheduled rent increases during the term of the lease and periods during which no rent, or a reduced rent, was payable. Rent is expensed on a straight-line basis over the initial lease term. Accordingly, the deferred lease obligation represents the cumulative amount charged to operations under these leases in excess of the amounts paid. This amount has been included as a component of other liabilities on the balance sheet.

Revenue Recognition

The Company recognizes revenue when the service is performed.

Income Taxes

The Company is registered as an LLC but is treated as a "C" Corporation for federal and state tax purposes and uses the asset and liability method as identified in "Accounting for Income Taxes."

The Company early adopted the provisions of ASC Topic 740, "Balance Sheet Classification of Deferred Taxes", which requires that deferred tax assets and liabilities be classified as non-current on the balance sheet.

CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Uncertain Tax Positions

The Company follows the provisions of "Accounting for Uncertainty in Income Taxes", which prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under "Accounting for Uncertainty in Income Taxes", an entity may only recognize or continue to recognize tax positions that meet a "more-likely-than-not" threshold. The Company recognizes interest and penalties as income tax expense. The Company did not incur any significant amounts of interest and penalties during the year ended December 31, 2016. The Company is no longer subject to the United States federal, state and local income tax examinations by tax authorities for years before 2013. The Company has evaluated its tax position for the year ended December 31, 2016, and does not expect a material adjustment.

Advertising

Advertising costs are expensed as incurred. Advertising costs charged to operations were \$2,989 for the year ended December 31, 2016 and are included as a component of business promotion expense.

Investment

Investments in companies in which the company has less than a 20% interest are carried at cost. Dividends received from those companies are included in other income. Dividends received in excess of the Company's proportionate share of accumulated earnings are applied as a reduction of the cost of the investment.

Subsequent Events

The Company has evaluated events and transactions that occurred between January 1, 2017 and January 23, 2017, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No events or transactions were identified during this period that required disclosure or recognition.

NOTE 2 - Property and Equipment

The major categories of property and equipment at December 31, 2016 are summarized as follows:

Office Equipment	\$	172,697
Furniture and Fixtures		28,661
Leasehold Improvements		<u>14,991</u>
		216,349
Less Accumulated Depreciation and Amortization		<u>109,889</u>
Net Property and Equipment	\$	<u>106,460</u>

Depreciation expense charged to operations for the year ended December 31, 2016 was \$38,275.

CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 3 - Commitments and Contingencies

Litigation

The Company is party to certain actions, which are routine and incidental to its business. In management's opinion, settlement of these actions will not have a material adverse effect on the Company's combined financial position, liquidity or results of operations.

Operating Leases (Lessee)

The Company leases office space under two non-cancelable operating leases which expire through October 2020. Rent expense charged to operations for office space was \$393,919 for the year ended December 31, 2016.

Approximate minimum future lease payments are as follows for the year ending December 31, 2016:

2017	\$ 427,000
2018	442,000
2019	454,000
2020	436,000
2021	305,000
Thereafter	<u>4,395,000</u>
Total	<u>\$ 6,459,000</u>

NOTE 4 - Related Party Transactions

Advances to Employees

The Company advanced funds to certain employees during the year ended December 31, 2016. These receivables are included in prepaid expenses and other current assets, are unsecured with repayment terms of typically one year, and are non-interest bearing. At December 31, 2016, the Company has a receivable from employees for these advances of \$7,000.

Due to Related Party

For the year ended December 31, 2016, CRISIL billed the Company \$29,292,274 for research and processing services. The Company owed a total of \$10,921,525 as of December 31, 2016 for these services.

The service fees charged to the Company are calculated according to a Management Service Agreement between the Company and CRISIL. Processing fees are charged at a rate of cost plus a 6% margin on these costs incurred.

For the year ended December 31, 2016, Coalition billed the Company \$14,498,444 for research and processing services. The Company owed a total of \$4,229,564 as of December 31, 2016 to Coalition.

CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 4 - Related Party Transactions (cont.)

The service fees charged to Coalition are calculated according to a Management Service Agreement between the Company and Coalition. The Company receives compensation equal to its cost for providing services plus a 6% margin on these costs incurred.

Investment

The Company has a five percent ownership interest in CRISIL Irevna Argentina S.A., which was \$11,908 at December 31, 2016. This investment has been accounted for utilizing the cost method.

NOTE 5 - Income Taxes

The provision for income taxes is composed of the following for the year ended December 31, 2016:

Current	
Federal	\$ 121,364
State and City	<u>48,495</u>
Total Current	<u>169,859</u>
Deferred	
Federal	143,000
State and City	<u>41,000</u>
Total Deferred	<u>184,000</u>
 Total Provision for Income Taxes	 <u>\$ 353,859</u>

The tax effects of the temporary differences giving rise to the Company's net deferred tax asset (liabilities) are as follows as of December 31, 2016:

Deferred Tax Assets	
Allowance for doubtful accounts	\$ 46,000
Deferred lease obligation	14,000
Accrued bonus unpaid	<u>124,000</u>
Total Deferred Tax Assets	<u>184,000</u>
Deferred Tax Liabilities	
Goodwill amortization	(87,000)
Property and equipment depreciation	<u>(44,000)</u>
Total Deferred Tax Liabilities	<u>(131,000)</u>
 Net Deferred Tax Asset	 <u>\$ 53,000</u>

CRISIL IREVNA US LLC

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 6 - Major Customers and Service Providers

Major Customers

Report fees include sales of 21.0% and 13.4% to two customers during the year ended December 31, 2016. Receivables due from a customer were 20.15% of total accounts receivable at December 31, 2016.

Service Provider

All of the Company's research and processing services are performed by CRISIL (see Note 1).

NOTE 7 - Employee Benefit Plan

The Company has a qualified profit-sharing plan with a 401(k) deferred compensation provision. All employees who are at least eighteen years of age are eligible to participate in the plan. The plan allows participants to defer any portion of their annual compensation, up to statutory limits. The Company matches employee contributions 100% up to a maximum of 4%. During 2016, the Company made matching contributions of \$235,582.

SUPPLEMENTAL INFORMATION

CRISIL IREVNA US LLC

SCHEDULE OF OPERATING COSTS AND EXPENSES For the Year Ended December 31, 2016

Salaries	\$ 7,170,209
Incentive Expense	2,615,179
Insurance	1,105,737
Payroll Taxes	768,993
Professional Fees	518,494
Travel Expense	482,464
Rent	393,919
Employee Benefits	49,739
Recruitment	172,250
Telephone and Internet	66,341
Sales Commission Expense	51,915
Dues and Publications	6,927
Relocation Expense	86,030
Depreciation	38,275
Printing Expense	22,451
Postage and Mailing Expense	4,865
Business Promotion Expense	159,066
Contributions	1,000
Utilities	4,208
Bank Fees	4,996
Other Miscellaneous Expense	54,484
Repairs and Maintenance	28,652
Software Expense	8,296
Bad Debt Recovery	<u>(83,756)</u>
 TOTAL OPERATING COSTS AND EXPENSES	 \$ <u>13,730,734</u>

See independent auditors' report.