IQHQ-RaDD Holdings I&II

IQHQ-RaDD Holdings I, LLC & IQHQ-RaDD Holdings II,LLC

HR Ratings® | Credit Rating Agency

Corporates
May 5, 2025
*A NRSRO Rating**

IQHQ-RaDD Holdings I, LLC	IQHQ-RaDD Holdings II, LLC	US$242m Mezzanine Loan
HR BB (G)	HR BB (G)	HR BB (G)
Stable Outlook	Stable Outlook	Stable Outlook
		45000#AA9

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Information Disclosure Form

Rule 17g-7

The Rating Action Commentary (RAC) associated with this disclosure form is an integral part of the form.

1. **Symbol, Number, or Score in the Rating Scale used by HR Ratings as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:**

Entity/Instrument	Rating Action	Rating Type	Rating Code
IQHQ-RaDD Holdings I, LLC.	Downgraded	Long Term Rating	HR BB (G) / Stable Outlook
IQHQ-RaDD Holdings II, LLC.	Downgraded	Long Term Rating	HR BB (G) / Stable Outlook
US$242.0m Mezzanine Loan	Downgraded	Long Term Rating	HR BB (G) / Stable Outlook

2. **Version of the Procedure or Methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:**

The rating assigned by HR Ratings to the entity and its Mezzanine debt is based in accordance with the following methodologies established by the rating agency:

- Corporate Debt Credit Risk Evaluation, February 2024. https://www.hrratings.com/docs/metodologia/Corporates_2024.pdf

3. **Main assumptions and principles used in constructing the procedures and methodologies to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7**

The methodology describes the process used to assess the ability and willingness to meet corporate debt payment obligations in a timely manner and as originally agreed, including dependent structured debt and real estate investment trusts. The process consists of a quantitative analysis based on four financial metrics (three for structured debt) and an analysis allowing for qualitative adjustments, including adjustments related to ESG factors.

The corporate methodology involves the creation of financial models based on HR Ratings projections and when relevant historical performance data. The projections are made under a Base and Stress scenario, both incorporating the relevant historical data. The formal rating period generally incorporates five years of information. The four metrics used in this analysis are: (i) debt service coverage; (ii) debt service coverage including end of previous period cash (iii) years to payment, which measures the ratio between annual free cash flow and net debt; and (iv) the ratio between a market value estimate of corporate assets and its total liabilities. For real estate companies, the fourth metric is replaced by the loan to value ratio.

For both the Base and Stress scenarios the annual weighted average of each metric value is calculated. These annual averages are converted into a numerical rating scale, which is the same for each metric. Subsequently, and for each scenario, the weighted average of the metric numerical ratings is calculated. The final quantitative score is the weighted average of the two scenarios. If historical information is available, this process generally considers two reported and three projected years. However, the methodology considers the possibility of using different rating or time periods, with fewer reported years, and in the case of real estate leasing companies with seven instead of five years.

The rating obtained through this quantitative analysis can be adjusted positively or negatively by applying qualitative notches, which are divided into two categories: general and ESG. General adjustments refer to factors that could over time affect the quantitative rating especially when HR Ratings concludes that these factors cannot be adequately incorporated into the quantitative models. This includes ESG factors that are analyzed to determine their significance for and potential influence on credit risk. The environmental factor analyzes the corporate's environmental approach and policies, considering its lines of business and daily operations, as well as exposure to natural phenomena and environmental regulations. For the social factor, the business approach is evaluated first then the corporate policies regarding all levels of employee benefits, career plans and ability to retain talent and inclusion are evaluated.

Finally, the corporate governance analysis considers five aspects: (i) internal regulations of the corporation, considering their scope, formality and mechanisms for continuous adaptation, (ii) quality of senior management and administration, considering their financial strategies and history of crisis management, (iii) transparency and quality of the information provided, as well as history of non-compliance, (iv) risk associated with the regulatory framework to which each corporation is susceptible and the risk associated with the macroeconomic environment, and (v) management and mitigation strategies associated with the entity's operational risk, as well as the technological tools available for performing daily operations.

HR Ratings is maintaining a positive notch as a result of the Companies' environmental strategies oriented to reduce the environmental impact when building the RaDD and/or other projects. We also consider that these strategies are to benefit the Companies by increasing the possibility of refinancing their debt as sustainability goals are achieved.

4. Potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- HR Ratings does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.
- Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default.
- The credit ratings do not opine on the liquidity of the issuer´s securities or stock.
- The credit ratings do not consider the possible loss severity on an obligation default.
- The credit ratings are not an opinion of the market value of any issuer´s securities or stock, or the possibility that this value suffer a deterioration.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

The Analysis Committee noted no material limitations on the reliability, accuracy and quality of the data relied on in determining the credit rating.

The third party did not provide HR Ratings with audited or historical financial information due to the Project is still not generating income.

6. Use of third-party due diligence services as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

HR Ratings did not use third party due diligence services for the rating.

7. Use of servicer or remittance reports to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

HR Ratings did not use Servicer or Remittance Reports.

8. Description of types of data about any obligor, issue, security or money market instrument relied upon for determining credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

Among the main information used for the rating is:

- RaDD Seventh Amendment Closing Update Memo provided by a third party.
- Amended and Restated Construction Loan Agreement (January 2025) provided by a third party.
- Fourth Modification of Construction Leasehold Deed of Trust provided by a third party.
- Last Construction Status Report (June 2024) provided by a third party.
- Certificate of Occupancy for all the buildings provided by a third party.
- RaDD Leasing Activity Summary (March 2025) provided by a third party.
- Compliance Certificate (February 2025) provided by a third party.

9. Overall assessment of quality of information available and considered in determining credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

The financial information was purely projected due to the Project is still not generating income. Nevertheless, the quality of the information provided by the entity is considered to be consistent with the quality observed in ratings that use a similar methodology.

10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

The aforementioned rating was not requested by the entity or issuer, or on its behalf. However, the rating was requested by an investor whose identity is kept confidential to the general public, therefore, HR Ratings has received from the investor the corresponding fees for the provision of its rating services. The following information can be found on our website https://www.hrratings.com/: (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, (iii) the procedure and process of voting on our Analysis Committee, and (iv) the rating scales and their definitions.

HR Ratings was paid for services other than determining credit ratings during the most recently ended fiscal year by the person that paid to determine this credit rating.

11. Explanation or measure of potential volatility to the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule17g-7

1. Factors that are reasonably likely to lead to a change in the credit rating:

- **Reduction Higher FCF than expected.** If the Companies are able to generate higher FCF than expected, reflecting an average DSCR and DSCR with Cash above 0.8x and 1.5x respectively for the 2025-2031 (vs. 0.6x and 1.0x in our baseline scenario), the rating could be upgraded.
- **Refinancing Risk.** Given the recent initiation of the RaDD project's full operation from the maturity date, HR Ratings anticipates a refinancing of the existing credit facilities as a new loan in 3Q26. However, it is important to mention that we expect a more favorable pricing of -100 bps over the Senior Loan pricing to reflect the less existing risk due to construction

completion. If the Companies are unable to refinance its debt in this period and/or under the expected conditions, our metrics would be negatively impacted, lowering the Companies' rating.

- **Substantial change in the lease terms**. If the Project struggles to achieve the expected occupancy due to a lower market demand, pushing the team to offer different lease terms than the assumed in our base scenario. This variation impacts negatively on the revenue generation of the Project and is translated into a Years of Payment metric of 19 years (vs. 18 years in our base scenario), the rating could be downgraded.

2. The magnitude of the change that could occur under different market conditions determined by HR Ratings to be relevant to the rating:

- **Stronger competition.** If the Companies are not able to adjust to a highly competitive environment in the US, leading to a decrease in footprint and therefore affecting its Revenue generation capability, the DSCR would be impacted. If these metric levels are below 0.4x, this could have a negative moderate impact on the rating.
- **Lower US economic growth.** If the Companies are not able to adjust to low economic growth in the US, it could affect its Free Cash Flow generation. If this is reflected in an average DSCR with cash of 0.6x during the forecasted period of 2025-2031, it could have a moderate negative impact on the rating.

NOTE: The Credit Analysis Committee must convene to review and discuss the changes that could occur under different market conditions. All the ratings issued by HR Ratings must be approved by the Credit Analysis Committee in accordance with the applicable methodology and the information available at the time. However, the magnitude of a potential change in the rating that could reasonably occur as a result of the impact of the factors listed above are characterized by the following summary chart:

Rating change impact	Number of notches
Minimum	(0-1)
Moderate	(2 - 3)
Strong	>3

12. <u>Historical performance and expected probability of default and expected loss in event of default as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7</u>

For historical performance of each rating listed in the disclosure form, click on the link in the ratings table presented on the first page.

Our credit ratings need to be understood as rankings of the relative creditworthiness of different entities or credits. Creditworthiness takes into consideration both the ability and willingness to meet debt obligations in the manner prescribed in the relevant documentation. Default refers to the noncompliance of previously agreed obligations.

As our ratings measure relative creditworthiness, they do not necessarily reflect any specific statistical probability of default. However, HR Ratings provides to the market participants the default rate for historical default and loss statistics for the class or subclass of the credit rating. Although the default rate is not the expected probability of default or loss given default, we consider it the ratio that could be interpreted by market participants as such. The default rate for each of the asset classes in which HR Ratings provides ratings and for each rating category is publicly available for each calendar year at: https://www.hrratings.com/regulatory_disclosure/transition_matrix.xhtml

13. Assumptions made by HR Ratings in determining announced credit ratings and examples of how assumptions impact the rating as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

1. Assumptions made in the ratings process that, without accounting for any other factor, would have the greatest impact on the credit rating if proven false or inaccurate:

   HR Ratings bases its ratings and/or opinions on information obtained from sources that are believed to be accurate and reliable. The assumption is that the information provided is reliable and credible, however, does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.

   - We expect revenue generation to be higher in the 2027-2028 period, when we believe the market demand for lab and office space has improved. We expect the Project to reach full occupancy for the beginning of 2028, but as we anticipate some free rent periods to be offered to the tenants, we will assume a revenue generation of US$134m to finally reach US$189m in 2031.
   - We are taking into consideration that the Companies would reduce their operating expenses as a percentage of sales along the construction finalizes and the revenue generation capability gradually increases, reaching in this way an EBITDA margin of 70.6% in 2031.
   - Regarding net investment in the Project, we estimate that IQHQ-RaDD Holdings I&II will realize a total investment of US$2,099m. To finance the Project, we assume that the Companies will draw down the entirety of the US$915m Senior Loan and the US$317m of the Mezzanine debt. The Senior Loan will pay interest in a rate of SOFR + 3.25% while the Mezzanine debt will begin capitalizing interest from 4Q24 at a 15.0% PIK rate. The credit facility has no amortizations until bullet payments in 2026.
   - We expect the total debt (US$1,232m) to be refinanced as a whole new loan in 3Q26 with bullet payment in 3Q30 when we assume refinanced until 2034. We expect a more favorable pricing of -100bps over the senior loan pricing, which will result in SOFR plus 2.25%. The improvement in the interest rate spread can be attributed to the anticipated reduction in construction risk during this period.
   - It is important to mention that the company's budget projection extends through 3Q28. The projection accounts for the necessary tenant improvements (TI) required to adapt the space to the tenant's needs. The Companies have estimated a shortfall in the budget and to cover this investment, the companies will require additional sources. Therefore, it is anticipated that the Companies will require an additional debt withdrawal during the 4Q26-3Q28, finalizing with a total debt of US$1,586m in 2028.

- As a result of the above, in our base scenario we expect an average DSCR and DSCR with Cash of 0.6x and 1.0x for 2025-2031, respectively.

2. Analysis, using specific examples, of how each of the assumptions identified in the preceding paragraph impacts the credit rating:
   - If the Companies' revenue generation during the period projected (2025-2031) is 14.9% lower than our baseline projections attributed to weaker demand across all divisions, it could result in a lower rating.
   - Regarding our EBITDA margin, if the Companies could only be able to recover 84% of the Recoverable Expenses and this would lead to an average EBITDA margin of 45.3% for 2025-2031 (vs. 53.0% on our base scenario), the rating could be impacted negatively.
   - If the Companies had greater investment in the Investment Properties account, for the construction of the RaDD project and this increase was funded through debt, that pushed debt amounts to higher levels than expected, the rating could be impacted negatively.
   - If the counterpart of the interest rate cap agreement was unable to cover the interest payment corresponding to the difference in the effective rate vs. the cap rate in the period 4Q24-3Q25, and/or the Company was unable to refinance its current debt structure on similar or improved conditions than in our base scenario, the rating could be negatively impacted.
   - If the Company's tenant improvements estimation is higher than the estimated in our base scenario, or the amount of debt used to finance the shortfall is funded through deteriorated conditions than the estimated in our base scenario, the rating could have a negative impact.
   - If the Company presented deteriorated operating results and a lower level of FCF which then resulted in an average DSCR with Cash below 0.6x in the rating period (2025-2031), it could result in a lower rating.

14. Representations, warranties and enforcement mechanisms available to investors as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7

The reporting of representations, warranties, and enforcement mechanisms does not apply to any of the credit ratings listed in this disclosure form.

Credit Rating Attestation

I, Elizabeth Martínez, Corporates Manager, have the responsibility for this rating action and, to the best of my knowledge:

- No part of the credit rating was influenced by any other business activities.
- The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated; and
- The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument

Mexico City, May 5, 2025

/s/ Elizabeth Martínez
Corporates Manager
HR Ratings de México, S.A. de C.V.

***HR Ratings, LLC (HR Ratings), is a Credit Rating Agency registered by the Securities and Exchange Commission (SEC) as a Nationally Recognized Statistical Rating Organization (NRSRO) for the assets of public finance, corporates and financial institutions as described in section 3 (a) (62) (A) and (B) subsection (i), (iii) and (v) of the US Securities Exchange Act of 1934.**

The aforementioned rating was not requested by the entity or issuer, or on its behalf. However, the rating was requested by an investor whose identity is kept confidential to the general public, therefore, HR Ratings has received from the investor the corresponding fees for the provision of its rating services. The following information can be found on our website https://www.hrratings.com/: (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, (iii) the procedure and process of voting on our Analysis Committee, and (iv) the rating scales and their definitions.

The ratings and/or opinions of HR Ratings de México S.A. de C.V. (HR Ratings) are opinions regarding the credit quality and/or the asset management capacity, or relative to the performance of the tasks aimed at the fulfillment of the corporate purpose, by issuing companies and other entities or sectors, and are based on exclusively in the characteristics of the entity, issue and/or operation, regardless of any business activity between HR Ratings and the entity or issuer. The ratings and/or opinions granted are issued on behalf of HR Ratings and not of its management or technical personnel and do not constitute recommendations to buy, sell or maintain any instrument, or to carry out any type of business, investment or operation, and may be subject to updates at any time, in accordance with the rating methodologies of HR Ratings.

HR Ratings bases its ratings and/or opinions on information obtained from sources that are believed to be accurate and reliable. HR Ratings, however, does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information. Most issuers of debt securities rated by HR Ratings have paid a fee for the credit rating based on the amount and type of debt issued. The degree of creditworthiness of an issue or issuer, opinions regarding asset manager quality or ratings related to an entity's performance of its business purpose are subject to change, which can produce a rating upgrade or downgrade, without implying any responsibility for HR Ratings. The ratings issued by HR Ratings are assigned in an ethical manner, in accordance with healthy market practices and in compliance with applicable regulations found on the www.hrratings.com rating agency webpage. HR Ratings' Code of Conduct, rating methodologies, rating criteria and current ratings can also be found on the website.

Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default, HR Ratings defines as the inability or unwillingness to satisfy the contractually stipulated payment terms of an obligation, such that creditors and/or bondholders are forced to take action in order to recover their investment or to restructure the debt due to a situation of stress faced by the debtor. Without disregard to the aforementioned point, in order to validate our ratings, our methodologies consider stress scenarios as a complement to the analysis derived from a base case scenario. The fees HR Ratings receives from issuers generally range from US$1,000 to $1,000,000 (one million dollars, legal tender in the United States of America) (or the equivalent in another currency) per offering. In some cases, HR Ratings will rate all or some of a particular issuer's offerings for an annual fee. Annual fees are estimated to vary between $5,000 and US$2,000,000 (five thousand to two million dollars, legal tender in the United States of America) (or the equivalent in another currency).

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