

Corporate Office Properties Trust OFC – NYSE Hold

Office REITs

Company Update

Baltimore Washington Corridor Market, Fort Meade, Cybersecurity. Hold.

- After a number of conversations with local market participants, we are updating our bull/bear case points for Corporate Office Properties Trust, and updating our thoughts on Fort Meade and the Baltimore-Washington Corridor (BW Corridor) office market. Please reference our recent industry note entitled Conference Call 9/7/16 Value Creation or Destruction and Lease Economics Analysis. SLIDES ATTACHED. Dial-in Info Below. for detail on leasing economics and value creation potential.
- The Corporate Office Properties Trust bull case is: 1) core portfolio fundamentals continue the bounce off the 3Q15 bottom, 2) cybersecurity spending (government, military, corporate) is expected to aggressively increase, 3) defense contractor demand is expected to pick up, 4) the defense IT niche is unique and 5) dispositions are providing a source of capital for development.
- OFC bear case: 1) leasing economics are weak, but middle of the pack for Office REITs, 2) while Fort Meade and the BW corridor is the epicenter for military cybersecurity, other government and corporate cybersecurity has more of a Northern Virginia presence, 3) smaller defense contractors appear to be in an expansion mode, while the larger defense contractors do not appear to be taking more space, 4) defense contractors and the federal government are both notoriously frugal when it comes to leasing space, 5) leasing of informed federal government build-to-suits at National Business Park and Westfield Park totaling 352k SF, may not generate lease revenue until mid 2018.
- A recent environmental impact report indicates that 2.9mm SF of new development on Fort Meade will be offset by 1.9mm SF of demolition. The timing is 5-10 years. This is in addition to 1) the recently completed 600k SF data center, 2) the 242k SF Joint Cyber Command HQ under construction, 3) the 148k SF Marine Corps Cyber Command about to commence, 4) an estimated \$50mm spent annually on infrastructure.
- Fort Meade is the headquarters for the National Security Administration (NSA), Defense Information Systems Agency (DISA) and roughly 100 other federal government agencies. The federal government appears to have a preference for owning on Fort Meade or leasing 100% of a building at three primary off-base, but fenced and fully secure locations -- National Business Park, Annapolis Junction, Emerson Corporate Center. Interestingly, while the projects on base appear to be very costly, the off-base lease economics appear to be RFP driven and very thin.

<u>Changes</u>	Previous	Current
Rating	_	Hold
Target Price	_	NA
FY16E FFO	_	\$2.02
FY17E FFO	_	\$2.09
FY16E FAD	_	1.55
FY17E FAD	_	1.64

Price (09/08/16):	\$29.15
52-Week Range:	\$31 – \$20
Market Cap.(mm):	2,880.0
Shr.O/S-Diluted (mm):	98.8
Enterprise Val. (mm):	\$5,358.4
Avg Daily Vol (3 Mo):	718,987
LT Debt/Total Cap.:	44.4%
Dividend(\$ / %)	\$1.10 / 3.8%
S&P Index	2,182.50
Intraday pricing 9-8-16	

FFO	2015A	2016E	2017E
Q1	\$0.45	\$0.47A	\$0.48
Q2	0.52	0.52A	0.51
Q3	0.52	0.52	0.55
Q4	0.52	0.51	0.55
FY Dec	\$2.01A	\$2.02	\$2.09
P/FFO	14.5x	14.4x	13.9x

FAD	2015A	2016E	2017E
Q1	0.37	0.36A	0.36
Q2	0.40	0.42A	0.40
Q3	0.35	0.38	0.44
Q4	0.31	0.39	0.44
FY Dec	1.43A	1.55	1.64
P/FAD	20.4x	18.8x	17.8x

Comm vv. Cambo
Erin T. Aslakson
Kyle E. McGrady
Stifel Equity Trading Desk

John W. Guinea

jwguinee@stifel.com
aslaksone@stifel.com
mcgradyk@stifel.com

(800) 424-8870



Stifel does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

All relevant disclosures and certifications appear on pages 4 - 6 of this report.

- The 3.9mm SF National Business Park appears to have total availability of roughly 7%, plus the 7% availability in two OFC developments; 310 Sentinel and 540 NB Parkway.
- Leasing statistics through 2Q16 for the BWI/Anne Arundel submarket (essentially east of Rte. 1). While absorption averaged 360k SF during 2006-2013, total absorption 2014-1H16 was 132k SF.
- We think OFC is appropriately valued at 1) 7.0%/5.9%/5.0% implied NOI/cash flow/CF less G&A cap rates, 2) below our NAV cap rate range of 7.5%-8.0%, 3) 2017E FFO/FAD multiples of 13.9x/17.8x.
- We are not adjusting our estimates at this time.

Company Description

Corporate Office Properties Trust is a self-managed, self-advised real estate investment trust focused on developing, owning, and managing suburban office properties in select Mid-Atlantic submarkets, primarily within Maryland and northern Virginia. As of June 30, 2016, the core portfolio encompassed 146 office properties, totaling 16.0 million rentable square feet.

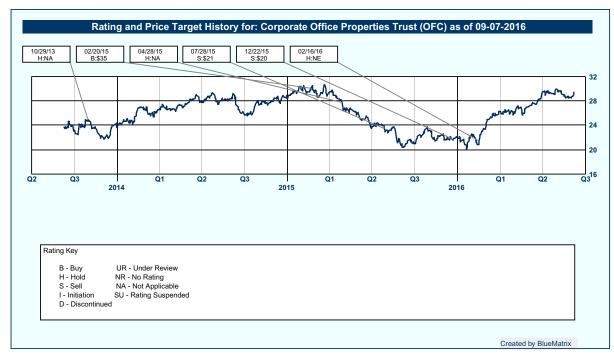
Corporate Office Properties Trust Quarterly Earnings Model (in thousards, except per share data) 9/8/2016

(in thousards, except per share data)																
Assumptions:		2015 A	1	Q16 A	2Q16	6 A	3Q16 E	4Q16 E		2016 E	1Q17 E	2Q17 E	3Q17 E	4Q17 E		2017 E
Acquisitions during period (1)	\$	263,622	\$		\$			\$ -	\$	-	\$ -	\$ -	\$ -	\$ -	\$	-
Rate of return on new acquisitions	١.	7.3%	١.	6.5%		6.5%	6.5%	6.5%		6.5%	6.5%	6.5%	6.5%	6.5%	١.	6.5%
Dispositions during period (1)	\$	(180,450)	\$		\$		\$ (270,000)		\$		\$ -	\$ -	\$ (50,000)		\$	(100,000)
Rate of return on dispositions		9.1%		8.0%		8.0%	7.0%	7.5%	· .	7.6%	7.5%	7.5%	7.5%	7.5%	١.	7.5%
Development put in service during the quarter (1)	\$	182,678	\$			9,840			\$				\$ 6,605		\$	61,742
Rate of return on development (annually)		8.0%		2.0%		6.5%	7.5%	6.5%	2	5.6%	6.5%	7.0%	6.5%	6.5%		6.6%
Revenue growth - existing properties (quarterly)		2.4%		-2.0%		2.0%	1.0%	1.0%	2	0.5%	0.8%	0.8%	0.8%	0.8%		0.8%
NOI growth on acquired properties (quarterly) Effective interest rate on avg debt outstanding (arnual)		0.2% 4.4%		0.2% 4.4%		0.2% 4.2%	0.2% 3.8%	0.2% 3.9%		0.2% 4.1%	0.2% 3.9%	0.2% 3.9%	0.2% 3.9%	0.2% 3.9%		0.2% 3.9%
Additional preferred issued (repurchased) during period	s	4.470	•		s			\$ -	\$	4.176	\$ (26,583)			\$ -	\$	(199,083)
Additional equity issued during period	s	26,600	\$					\$ -	\$	17,904	\$ (20,505)	\$ (172,300)		s -	\$	(133,003)
Additional common shares issued during period	Ψ	967	Ψ			604	Ψ -	Ψ -	Ψ	604	Ψ -	Ψ -	_	-	Ψ	_
Stock Price/FFO Ratio		11.1		13.9		14.4	14.4	14.4		14.4	14.4	14.4	14.4	14.4		14.4
Ending common stock price during period		\$22.26		\$26.20		\$29.93	\$29.15	\$29.00	,	\$29.00	\$27.60	\$28.50	\$29.50	\$30.00		\$30.00
NOI from existing properties: (2)	-	\$22.20		\$20.20	-	923.33	\$29.13	\$29.00	+	\$29.00	\$27.00	\$20.50	\$25.50	\$30.00	1	\$30.00
Existing property rental income	\$	420.240	\$	105 202	e 107	7,524	\$ 108,601	\$ 109,664	\$	431,171	\$ 110,509	e 111.261	\$ 112,221	e 112.000	\$	447,174
Tenant reimbursements	à	420,340 98,724	Ф	105,382 27,705		5,400	26,414	26,080	Ф	106,599	\$ 110,509 28,670	\$ 111,364 26,484	26,687	\$ 113,080 26,892	Ф	108,733
DC-6 Revenue (3)		90,724		27,705	20	5,400	100	100		200	100	100	100	100		400
Less operating expenses, r. e. taxes & land sale costs		(194,494)		(51,875)	(48	3,141)	(48,915)	(48,296)	, I	(197,228)	(53,092)	(49,044)	(49,421)	(49,799)		(201,357)
	-		_						1-						-	
NOI from existing properties (2)		324,570		81,212	85	5,783	86,200	87,548		340,743	86,187	88,904	89,587	90,272		354,950
NOI from acquired/disposed property - cumulative (2)		-					(1,575)	(5,071)	,	(6,646)	(7,601)	(7,616)	(8,100)	(9,057)		(32,374)
NOI from development put in service - cumulative (2)	l —		_	-			521	977	1-	1,498	1,318	1,791	2,155	2,213	l —	7,478
Total NOI (2)		324,570	_	81,212	85	5,783	85,146	83,453	1-	335,594	79,904	83,079	83,643	83,428	l	330,053
Other income and expenses:		-								-						-
Service Company Earnings (fee income)	1	3,706	l	526		525	530	536	1	2,117	541	546	552	557		2,196
Equity in earnings from unconsolidated investments	1	(6.035)	l	10		10	10	(1.500)	J	40	10	(1.500)	10	(1.500)		40
Leasing Expenses Business Development Expense	1	(6,835)	l	(1,753) (2,418)		1,514)	(1,500)	(1,500)		(6,267)	(1,500)	(1,500)	(1,500)	(1,500)		(6,000)
Business Development Expense	1	(13,507)	l	,		2,363)	(2,201)	(2,173)	1	(9,156)	(2,389)	(2,207)	(2,224)	(2,241)		(9,061)
General and administrative expenses	I —	(24,526)	l —	(10,130)		5,512)	(7,237)	(6,342)	'l —	(30,222)	(6,792)	(6,480)	(6,524)	(6,507)	I —	(26,303)
EBITDA		283,470		67,447		5,929	74,748	73,983	1_	292,107	69,774	73,448	73,956	73,747	_	290,925
EBITDA/sh.	\$	2.90	\$	0.69	\$	0.77	\$ 0.76	\$ 0.75	\$	2.97	\$ 0.71	\$ 0.74	\$ 0.75	\$ 0.75	\$	2.95
Reconciliation of EBITDA to funds from operations:	1 _		1						1	-						-
Less: Interest expense	1	(89,074)	l	(23,559)	(22	2,639)	(19,998)	(19,671)		(85,867)	(19,477)	(19,649)	(19,508)	(18,919)		(77,553)
Add: Discontinued Ops	1	156	l	-	-	- '	- 1	- '	1	- 1	- '	- '	-	- 1		- 1
Less: Non-real estate depreciation and amortization		-		-		-	-	-		-	-	-	-	-		-
Less: Minority interest - net of FFO adjustments		-		-		-	-	-		-	-	-	-	-		-
Less: Dividends on non-convertible preferred stock		(14,210)		(3,552)		3,553)	(3,552)	(3,552))	(14,209)	(3,304)	(3,180)	(165)	(165)		(6,814)
Less: Impairment Loss / Debt Loss				(1,582)	(14	1,563)	_			(16,145)						-
Add: Gain on Land Sale and Other Inv.		68,047		-		-	-	13,000		13,000	-	-	-	-		-
Add: KEYW Corp. Investment Gains		4.547		4.450		-	4 000	4 00 4		5,100	4 000	4 000	4 007	4 000		
Add: Interest & Other Income		4,517 (69,548)		1,156 (1,350)		1,330 1,310)	1,320 (1,300)	1,294 (1,300)	, I	(5,260)	1,239 (1,300)	1,288 (1,300)	1,297 (1,300)	1,293 (1,300)		5,117 (5,200)
Taxes/Non-Cont. Interests Adjustments	l 		-						'l -						l 	
Funds from operations	\$	249,454	\$	38,560	\$ 35	5,194	\$ 51,218	\$ 63,754	\$	188,726	\$ 46,931	\$ 50,606	\$ 54,280	\$ 54,657	\$	206,475
Operating Property Acquisition Cost		4,134		-		-	-	-		-	-	-	-	-		-
Divs. & Dists. On diliutive preferred shares & units		537		-		-	-	-		-	-	-	-	-		-
Executive Transition Costs		-		-		-	-	-		-	-	-	-	-		-
Loss early ext. of debt/disc. Ops./CMBS asset giveback	l	(58,301)		7,447		5,436	-	(13,000)	1	9,883	-		-		l —	<u>-</u>
Funds from operations (Company)	\$	195,824	\$	46,007	\$ 50	0,630	\$ 51,218	\$ 50,754	\$	198,609	\$ 46,931	\$ 50,606	\$ 54,280	\$ 54,657	\$	206,475
Add: Non-cash financing charges		-		-		-	-	-		-	-	-	-	-		-
Add: Non-cash Interest Exp. (APB 14-1)		5,632		1,495	1	1,503	1,518	1,533		6,049	1,549	1,564	1,580	1,595		6,288
Less: Gains on Early Extinguishment of Debt		-		-		-	-	-		-	-	-	-	-		-
Add: Impairment charges		-					-	-		-	-	-	-	-		-
Add: Non-real estate dep and amort		-		-		-	-	-		-	-	-	-	-		-
Less: Straight-line rents		(12,066)		(579)		865	(851)	(835))	(1,400)	(599)	(415)	(418)	(417)		(1,850)
Less: Second generation TI/LC		(32,748)		(9,949)	(8)	3,397)	(12,412)	(11,770)	il.	(42,529)	(10,684)	(10,842)	(10,646)	(10,421)		(42,593)
Less: Base building capital costs		(16,518)		(1,771)		3,149)	(1,655)	(1,569)		(8,144)	(1,583)	(1,606)	(1,577)	(1,544)		(6,310)
Less: Gain on KEYW Corp Investments		(,)		(.,,	(-	-,,	(1,000)	(.,)	1	(=,)	(.,)	(.,)	(.,,	(.,,		(=,=.=)
Less: Other										_						_
	_	205.040	_	25.000		450	\$ 37.817	<u> </u>	-	254 400	* 05.044	£ 00.007	* 40.040	£ 40.074	_	200 404
Funds available for distribtion (FAD)	\$	335,948	\$,				\$ 38,113	3	351,193	\$ 35,614	\$ 39,307	\$ 43,218	\$ 43,871	\$	368,484
FFO per common sh equivalent Normalized FFO per common sh - SN	\$	2.54 2.01						\$ 0.65 \$ 0.51	\$	1.92 2.02	\$ 0.48 \$ 0.48	\$ 0.51 \$ 0.51	\$ 0.55 \$ 0.55	\$ 0.55 \$ 0.55	\$	2.09 2.09
			\$													
FFO per common sh equivalent - Company Defined	\$	2.01	\$					\$ 0.51	\$	2.02		\$ 0.51	\$ 0.55	\$ 0.55	\$	2.09
FAD per common share equivalent	\$	1.43	\$					\$ 0.39	\$	1.55			\$ 0.44	\$ 0.44	\$ \$	1.64
Dividends per share	\$	1.10	\$	0.28	\$	0.28	\$ 0.28	\$ 0.28	\$	1.10	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28	\$	1.11
Weighted average common shares ard OP units:																
Common shares and Units outstanding - Basic		97,603		97,880	97	7,976	98,278	98,278		98,103	98,278	98,278	98,278	98,278		98,278
Converted warrants, opts, pref stock, debentures, etc.		64		95		117	117	117		112	117	117	117	117		117
Convertible Notes		153		-		_	_	-		-	_	-	_	-		-
Weighted avg. Shares and Units outstanding - diluted	_	97,819	_	97,975	9.8	3,093	98,769	98,769	1-	98,402	98,769	98,769	98,769	98,769	_	98,769
		07,010		01,010		,,,,,,	00,700	00,700	+	00, 102	00,700	00,700	00,700	00,700		00,700
Balarce Sheet Information:		-														
Average debt outstanding		2,037,130	2	2,127,756	2,135	5,491	2,080,418	2,023,777		2,091,861	2,003,813	2,021,546	2,007,040	1,946,352		1,994,688
Ending debt outstanding	1	2,097,230	2	2,158,282	2,112	2,700	2,048,136	1,999,418	1	1,999,418	2,008,208	2,034,885	1,979,196	1,913,509		1,913,509
Additional debt issued (retired) during period	1	197,343	l	8,943		3,613	(64,564)	(48,719))	(100,727)	8,791	26,676	(55,689)	(65,687)		(85,909)
FAD-Dividend	1	32,276	l	8,323		1,261	10,327	11,310	1	44,221	8,360	12,294	15,687	15,687		52,027
Ending preferred stock outstanding	1	207,883		207,883		7,883	207,883	207,883	1	207,883	181,300	8,800	8,800	8,800		8,800
Ending Common & OP units - for Dividend	1	97,831	l	97,919		3,350	98,350	98,350	1	98,350	98,350	98,350	98,350	98,350		98,350
Ending Common & OP units - fully diluted	1	97,819	_	98,338		3,769	98,769	98,769	1	98,402	98,769	98,769	98,769	98,769		98,769
Equity Market Capitalization - including preferred Equity Market Capitalization - excluding preferred	1	2,394,015		2,784,339	3,164		3,086,999 2,879,116	3,072,184	1	3,072,184 2,864,301	2,907,324	2,823,717 2,814,917	2,922,486 2,913,686	2,971,870		2,971,870
Total Market Capitalization - excluding preferred	1	2,186,132 4,491,245		2,576,456	2,956 5,276			2,864,301 5,071,602	1		2,726,024 4.915.533		2,913,686 4,901,681	2,963,070 4,885,379		2,963,070
Debt/Total Market Cap	1	4,491,245 46.7%	l 4	43.7%		5,739 10.0%	5,135,136 39.9%	5,071,602		5,071,602 39.4%	4,915,533 40.9%	4,858,601 41.9%	4,901,681 40.4%	4,885,379 39.2%		4,885,379 39.2%
Debt+Preferred/Total Market Cap	1	51.3%	l	43.7% 47.9%		14.0%	39.9% 43.9%	43.5%	1	43.5%	40.9% 44.5%	41.9%	40.4%	39.2% 39.3%		39.2%
Ratios:	t	31.370	t		- 4	. 1.0 /0	70.070	75.570	т	75.576	77.0/0	72.1/0	70.070	55.576	t	33.370
Net Debt/EBITDA	1	70	1	7.0		60	60	67		6.0	7.4	6.0	6.6	6.4	1	6.5
Interest coverage	1	7.2 3.2	l	7.9 2.9		6.9 3.4	6.8 3.7	6.7 3.8	1	6.8 3.4	7.1 3.6	6.8 3.7	3.8	6.4 3.9		6.5 3.8
Fixed charges coverage	1	2.7	l	2.9		2.9	3.7	3.8	1	2.9	3.6	3.7	3.8	3.9		3.8
Dividend Yield	1	4.9%	l	4.2%		3.7%	3.8%	3.8%	J	3.8%	4.0%	3.9%	3.8%	3.7%		3.7%
FFO Growth	1	51.2%	l	-9.3%		25.0%	-60.6%	109.7%	,	-24.4%	23.1%	41.7%	5.8%	-15.4%		8.9%
FFO payout ratio - fully diluted	1	43.3%	l	70.5%		76.4%	52.9%	42.3%	,	57.3%	57.3%	53.9%	51.0%	51.0%		53.2%
									. 1						1	
FAD payout ratio - fully diluted		76.9%		76.4%	6	55.5%	72.4%	70.5%	•	71.0%	76.4%	68.8%	63.8%	63.8%		67.7%

⁽¹⁾ Assumes midperiod acquisition or development revenue convention.
(2) Net operating income (NOI) is defined as rental revenue plus tenant reimbursemer 6%
(3) S60mm incremental spend on DC-6 in 2015
Sources: Company data ard Stifel estimates.

Important Disclosures and Certifications

I, John W. Guinee, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I, John W. Guinee, certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. Our European Policy for Managing Research Conflicts of Interest is available at www.stifel.com.



For a price chart with our ratings and any applicable target price changes for OFC go to http://sf.bluematrix.com/bluematrix/Disclosure?ticker=OFC

The rating and target price history for Corporate Office Properties Trust and its securities prior to February 25, 2015, on the above price chart reflects the research analyst's views under a different rating system than currently utilized at Stifel. For a description of the investment rating system previously utilized go to.www.stifel.com.

Stifel or an affiliate expects to receive or intends to seek compensation for investment banking services from Corporate Office Properties Trust in the next 3 months.

Stifel or an affiliate is a market maker or liquidity provider in the securities of Corporate Office Properties Trust.

The equity research analyst(s) responsible for the preparation of this report receive(s) compensation based on various factors, including Stifel's overall revenue, which includes investment banking revenue.

Our investment rating system is three tiered, defined as follows:

BUY -We expect a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

HOLD -We expect a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

SELL -We expect a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Occasionally, we use the ancillary rating of **SUSPENDED** (SU) to indicate a long-term suspension in rating and/or target price, and/or coverage due to applicable regulations or Stifel policies. **SUSPENDED** indicates the analyst is unable to determine a "reasonable basis" for rating/target price or estimates due to lack of publicly available information or the inability to quantify the publicly available information provided by the company and it is unknown when the outlook will be clarified. **SUSPENDED** may also be used when an analyst has left the firm.

Of the securities we rate, 49% are rated Buy, 42% are rated Hold, 3% are rated Sell and 6% are rated Suspended.

Within the last 12 months, Stifel or an affiliate has provided investment banking services for 15%, 7%, 0% and 13% of the companies whose shares are rated Buy, Hold, Sell and Suspended, respectively.

Additional Disclosures

Please visit the Research Page at www.stifel.com for the current research disclosures and respective target price methodology applicable to the companies mentioned in this publication that are within Stifel's coverage universe. For a discussion of risks to target price please see our stand-alone company reports and notes for all Buy-rated and Sell-rated stocks.

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of Stifel, or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed within. Past performance should not and cannot be viewed as an indicator of future performance.

As a multi-disciplined financial services firm, Stifel regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as a placement agent in private transactions.

Affiliate Disclosures

"Stifel", includes Stifel Nicolaus & Company ("SNC"), a US broker-dealer registered with the United States Securities and Exchange Commission and the Financial Industry National Regulatory Authority and Stifel Nicolaus Europe Limited ("SNEL"), which is authorized and regulated by the Financial Conduct Authority ("FCA"), (FRN 190412) and is a member of the London Stock Exchange.

Registration of non-US Analysts: Any non-US research analyst employed by SNEL contributing to this report is not registered/qualified as a research analyst with FINRA and is not an associated person of the US broker-dealer and therefore may not be subject to FINRA Rule 2241 or NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

Country Specific and Jurisdictional Disclosures

United States: Research produced and distributed by SNEL is distributed by SNEL to "Major US Institutional Investors" as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended. SNEL is a non-US broker-dealer and accordingly, any transaction by Major US Institutional Investors in the securities discussed in the document would need to be effected by SNC. SNC may also distribute research prepared by SNEL directly to US clients that are professional clients as defined by FCA rules. In these instances, SNC accepts responsibility for the content. Research produced by SNEL is not intended for use by and should not be made available to retail clients, as defined by the FCA rules.

Canadian Distribution: Research produced by SNEL is distributed in Canada by SNC in reliance on the international dealer exemption. This material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "permitted client" as defined under applicable Canadian securities law.

UK and European Economic Area (EEA): This report is distributed in the EEA by SNEL, which is authorized and regulated in the United Kingdom by the FCA. In these instances, SNEL accepts responsibility for the content. Research produced by SNEL is not intended for use by and should not be made available to non-professional clients.

The complete preceding 12-month recommendations history related to recommendation(s) in this research report is available at https://stifel2.bluematrix.com/sellside/MAR.action

Brunei: This document has not been delivered to, registered with or approved by the Brunei Darussalam Registrar of Companies, Registrar of International Business Companies, the Brunei Darussalam Ministry of Finance or the Autoriti Monetari Brunei Darussalam. This document and the information contained within will not be registered with any relevant Brunei Authorities under the relevant securities laws of Brunei Darussalam. The interests in the document have not been and will not be offered, transferred, delivered or sold in or from any part of Brunei Darussalam. This document and the information contained within is strictly private and confidential and is being distributed to a limited number of accredited investors, expert investors and institutional investors under the Securities Markets Order, 2013 ("Relevant Persons") upon their request and confirmation that they fully understand that neither the document nor the information contained within have been approved or licensed by or registered with the Brunei Darussalam Registrar of Companies, Registrar of International Business Companies, the Brunei Darussalam Ministry of Finance, the Autoriti

Monetari Brunei Darussalam or any other relevant governmental agencies within Brunei Darussalam. This document and the information contained within must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the document or information contained within is only available to, and will be engaged in only with Relevant Persons.

In jurisdictions where Stifel is not already licensed or registered to trade securities, transactions will only be affected in accordance with local securities legislation which will vary from jurisdiction to jurisdiction and may require that a transaction carried out in accordance with applicable exemptions from registration and licensing requirements. Non-US customers wishing to effect transactions should contact a representative of the Stifel entity in their regional jurisdiction except where governing law permits otherwise. US customers wishing to effect transactions should contact their US salesperson.

The recommendation contained in this report was produced at 8 September 2016 15:57EDT and disseminated at 8 September 2016 15:57EDT

Additional Information Is Available Upon Request

© 2016 Stifel. This report is produced for the use of Stifel customers and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose without the prior consent of Stifel. Stifel, Nicolaus & Company, Incorporated, One South Street, Baltimore, MD 21202.