

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON OCTOBER 30, 2018</b>
<b>FROM:</b>	<b>ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>CITY OF LONDON'S CREDIT RATING</b>

**RECOMMENDATION**

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the City of London's Credit Rating Report, providing a summary of Moody's Investors Service Credit Opinion of the City of London, **BE RECEIVED** for information.

**PREVIOUS REPORTS PERTINENT TO THIS MATTER**

Corporate Services Committee, May 15, 2018, Agenda Item 2.1 — City of London's Credit Rating (2018)

**LINK TO 2015-2019 STRATEGIC PLAN**

Council's 2015-2019 Strategic Plan for the City of London identifies "Leading in Public Service" as one of four strategic areas of focus. The City of London's Credit Rating Report supports this strategic area of focus by contributing towards the strategic priority "Proactive financial management". The "Proactive financial management" strategic priority involves, among other things, making sure that the City's finances are well planned and that they support intergenerational equity. The presence and adherence to financial policies and practices has helped the City maintain positive operating results, stable debt levels, and strong liquidity, reflected in the credit rating assigned by Moody's.

**BACKGROUND**

Moody's Investors Service (Moody's) is a leading provider of credit ratings, research, and risk analysis. The firm's ratings and analysis track debt covering more than 135 sovereign nations, approximately 5,000 non-financial corporate issuers, 4,000 financial institutions issuers, 18,000 public finance issuers, 11,000 structured finance transactions, and 1,000 infrastructure and project finance issuers. Typically, Moody's reviews the credit worthiness of the City of London (the "City") annually and then assigns the City a credit rating.

The rating process involves a review of the City's 2017 Financial Statements, 2017 Financial Information Return, approved 2016-2019 Multi-Year Budget, 2018 Annual Budget Update, and forecasts. Moody's also utilizes independent research from a variety of sources such as Statistics Canada, comparisons with other municipalities, and local media. Along with reviewing and analyzing documents, Moody's arranges a site visit to the city and interviews with senior management and the Mayor.

The credit opinion of the City published September 19, 2018 from Moody's is attached to this report. Consistent with prior years, the City has maintained its Aaa credit rating with a stable outlook. The City has held the Aaa rating since 1977, making 2018 the 42<sup>nd</sup> consecutive year of the Aaa rating and reaffirming that the City's debt has the highest rating possible. The Aaa rating was integral in securing buyers for the City's debentures on March 13, 2018 at favourable interest rates (\$55 million at an average all-in-rate of 2.976% over a ten-year term). The stable outlook reflects Moody's expectation that liquidity will remain strong, debt will remain stable and the City will continue to post positive operating results.

The Moody's Credit Opinion Report summarizes the City's credit strengths and challenges. The City's credit strengths include;

1. High levels of cash and investments providing strong liquidity;
2. Low debt levels supported by conservative debt management practices;
3. Mature, supportive, institutional framework governing municipalities in Ontario; and
4. Prudent fiscal plan with track record of generating positive fiscal outcomes.

Moody's comments regarding the City's prudent fiscal plan and track record of generating positive fiscal results are as follows:

*"...the City of London displays strong governance and management practices, such as the application of multi-year budgets, which helps promote stable operations. London's recent history of posting positive operating results, application of strict controls on debt issuance, and conservative debt and investment policies which limit their exposure to market related risks and help ensure relatively smooth debt servicing costs all act as evidence of the city's strong management and governance."*

The comments provided by Moody's in their review of the City of London's credit rating further supports the strategy taken by Council to ensure that the City's finances are well-planned. The application of multi-year budgeting signifies that the City is looking beyond a short term focus when planning its finances. The City's multi-year budget provides alignment of longer-term goals with longer-term funding plans, improved accountability and transparency over spending changes. Taking a long-term view with respect to financial matters has led to fiscally responsible decisions, as reflected in the City's credit rating.

While the City continues to maintain its strong fiscal performance, one credit challenge that Moody's mentions, is the potential for the capital plan to increase over the medium-term due to the possibility of relatively significant unforeseen costs to arise with the Bus Rapid Transit (BRT) plan and the infrastructure backlog for bridges. The City has mitigated this risk with a 25% contingency built into the BRT project estimate to guard against cost overruns. Plans to mitigate the infrastructure gap in bridges are ongoing through development of the City's next Corporate Asset Management Plan due for release in the spring of 2019. This work will inform development of a 10 year capital plan to address the required investment in the City's bridge inventory through the 2020-2023 Multi-Year Budget process.

Moody's also states that a sustained loss of fiscal discipline leading to a material increase in debt and a substantial reduction in accessible financial reserves could place downward pressure on the City's credit rating. A credit rating downgrade or change in outlook to negative by Moody's would cause investors to lose confidence in the quality of the City's debt and financial management practices, affecting the City's ability to raise future financing. This would also increase interest rates at which the City issues debt, which would increase debt servicing costs for the City.

<b>CONCLUSION</b>
-------------------

The City's achievement of the Aaa credit rating for 42 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.

<b>PREPARED BY:</b>	<b>REVIEWED BY:</b>
<b>JOSH WEAVER, CPA, CA MANAGER, FINANCIAL MODELLING, FORECASTING &amp; SYSTEMS CONTROL</b>	<b>MARTIN GALCZYNSKI, CPA, CA MANAGER, FINANCIAL PLANNING &amp; POLICY</b>
<b>CONCURRED BY:</b>	<b>RECOMMENDED BY:</b>
<b>KYLE MURRAY, CPA, CA DIRECTOR, FINANCIAL PLANNING &amp; BUSINESS SUPPORT</b>	<b>ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>

Attach. City of London's Credit Opinion Report by Moody's Investors Service

Cc: Ian Collins, Director, Financial Services  
Sharon Swance, Manager, Accounting

## CREDIT OPINION

19 September 2018

Update

✓ Rate this Research

### RATINGS

#### London, City of

Domicile	Ontario, Canada
Long Term Rating	Aaa
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

### Contacts

Michael Yake +1.416.214.3865  
 VP-Sr Credit Officer/Manager  
 michael.yake@moodys.com

Adam Hardi CFA +1.416.214.3636  
 AVP-Analyst  
 adam.hardi@moodys.com

Alejandro Olivo +1.212.553.3837  
 Associate Managing Director  
 alejandro.olivo@moodys.com

David Rubinoff +44.20.7772.1398  
 MD-Sub Sovereigns  
 david.rubinoff@moodys.com

### CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

# City of London (Canada)

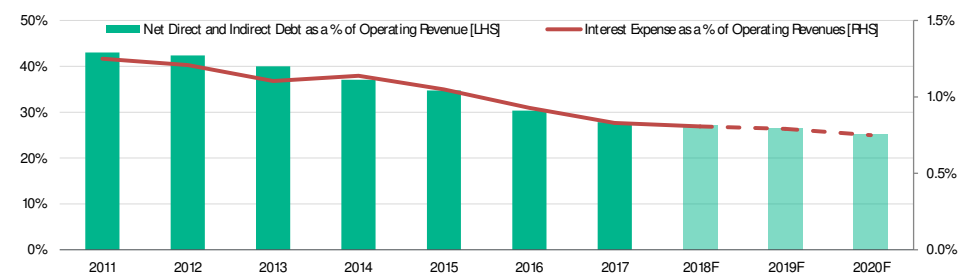
## Update to credit analysis

### Summary

The credit profile of the [City of London \(Aaa stable\)](#) reflects the strong protection to bondholders stemming from a relatively low debt burden, low interest expense and sizeable levels of reserves relative to outstanding debt. Through an increased use of reserves and decreased reliance on debt issuance to fund capital projects, London's net direct and indirect debt relative to operating revenue has steadily fallen from 42.4% in 2012 to 27.8% in 2017 with further declines anticipated. Concurrently, the city's holdings of cash and investments, including those to be used for financing capital projects in lieu of debt, has increased to nearly 2.9x net debt as of December 31, 2017. The rating also reflects the city's strong track record of achieving positive operating results and the generation of internal financing for capital expenditures.

Exhibit 1

### London's efforts to rely less on debt will lead to continue low debt burden and interest expense across the medium term



Source: Moody's Investors Service, City of London 2018 Budget

### Credit strengths

- » High levels of cash and investments provide strong liquidity
- » Low debt levels supported by conservative debt management practices
- » Mature, supportive, institutional framework governing municipalities in Ontario
- » Prudent fiscal plan with track record of generating positive fiscal outcomes

### Credit challenges

- » Medium-term capital plan faces upward pressure

## Rating outlook

The outlook for London's Aaa debt rating is stable, reflecting our expectation that liquidity will remain strong, debt will remain stable and the city will continue to post positive operating results.

## Factors that could lead to a downgrade

Downward pressure could arise if the city were to experience a sustained loss of fiscal discipline leading to a material increase in debt or substantial reduction in accessible financial reserves.

## Key indicators

Exhibit 2

### London, City of

(Year Ending 12/31)	2013	2014	2015	2016	2017
Net Direct and Indirect Debt/Operating Revenue (%)	40.0	37.1	34.8	30.4	27.8
Gross Operating Balance/Operating Revenue (%)	19.1	16.0	18.1	22.4	21.2
Cash Financing Surplus (Requirement)/Total Revenue (%)	8.2	3.0	7.4	8.6	6.2
Interest Payments/Operating Revenue (%)	1.1	1.1	1.0	0.9	0.8
Debt Service/Total Revenue (%)	5.4	5.2	5.2	5.3	5.0
Capital Spending/Total Expenditures (%)	17.9	20.0	19.8	24.8	25.5
Self-Financing Ratio	1.5	1.2	1.4	1.4	1.3

Source: Moody's Investors Service, City of London Financial Statements

## Detailed credit considerations

The City of London's Aaa rating combines (1) a baseline credit assessment (BCA) of aaa, and (2) a high likelihood of extraordinary support coming from the [Province of Ontario \(Aa2 negative\)](#) in the event London faced acute liquidity stress.

## Baseline credit assessment

### High levels of cash and investments provide strong liquidity

London's credit profile is supported by a strong liquidity position which provides a significant measure of safety for bondholders. In 2017 the city's cash and investments increased of 7.4% from 2016 levels and measured nearly 2.9x net debt and 1.0x annual operating expenses. Over the past decade the city's cash and investment holdings have increased substantially, rising to their current level from 0.47x net direct and indirect debt and only 0.3x operating expenses in 2005, highlighting the prudent fiscal management and liquidity strength that London possesses.

The city's cash and reserve holdings will remain healthy even as the city moves forward with the approval of a CAD500 million bus rapid transit infrastructure project, of which the city is expected to fund CAD130 million from cash and development charges. The remaining funds are expected to come from both the Canadian and Ontario governments. Construction may begin as early as 2019.

London's investment policies ensure that the city minimizes credit risk and maintains liquidity of its investment portfolio. The city's policies outline various limits placed on investment decisions, such as limiting the concentration of investments in specific sectors or issuers, limiting investments to only highly rated securities and ensuring a variety of maturities. The presence and adherence to these policies offers reassurance that the city's investment management policies provide security to liquidity, which along with the level of liquidity, is a strong credit positive.

### Low debt levels supported by conservative debt management practices

The city of London's net direct and indirect debt expressed as a percentage of operating revenues measured 27.8% in 2017. This measure has been declining over the past several years, propelled by the conservative debt policies that the city employs such as the self-imposed "debt cap" which limits the amount of debt that can be issued for capital projects as well as the move to a greater reliance on pay-as-you-go financing. Debt issuance is also limited through the use of multiple policies overseeing the use of excess funds at

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

year end; the city applies all year-end debt service savings and 50% of unallocated assessment growth as well as 50% of any operating surplus that it generates towards financing needs that would have come from authorized, but unissued, debt.

The low debt burden also translates into a relatively low interest expense. In 2017, interest expense consumed only 0.8% of operating revenues. Given the efforts to minimize debt issuance, the city's debt service costs as a percentage of revenue are expected to remain low in the intermediate term.

London's updated 2018 and 2019 property tax supported capital plan calls for expenditures of CAD351.6 million across 2018 and 2019, with a further CAD1.4 billion currently planned across the period 2020-25 but which may be subject to change following the election of a new city council in October 2018. Of the total amount in 2018 and 2019, CAD94.1 million (27% of the plan) will require debt financing, a level that was relatively unchanged for this period from the initial 2016-2019 plan. If the current capital plan comes to fruition, which forecasts average annual debt financing requirements of CAD26 million for the tax supported projects, we anticipate that the city's debt burden will continue to slowly fall over the medium-term. This is also aided by the city's target of eliminating debt for lifecycle maintenance by 2022.

#### **Mature, supportive institutional framework governing municipalities in Ontario**

The institutional framework governing municipalities in Ontario is mature and highly developed. The division of roles and responsibilities between the province and municipalities is clearly articulated. Historically, changes to the institutional framework have occurred at a measured, evolutionary pace, following discussions between both parties. Nevertheless, in certain cases, changes have occurred more rapidly.

London's creditworthiness benefits from the stability inherent in the provincial institutional framework. Provincial legislation dictates a high degree of oversight, including limits on debt servicing costs, while policy flexibility, on both the revenue and expenditure sides of the ledger, helps London to manage pressures as they arise.

#### **Prudent fiscal plan with track record of generating positive fiscal outcomes**

Similar to other highly rated Ontario municipalities, the City of London displays strong governance and management practices, such as the application of multi-year budgets, which helps to promote stable operations. London's recent history of posting positive operating results, application of strict controls on debt issuance, and conservative debt and investment policies which limit their exposure to market related risks and help ensure relatively smooth debt servicing costs all act as evidence of the city's strong management and governance.

In 2016 the city moved away from annual budgets, instead opting to pass a 4-year operating budget that spans the 2016 - 2019 period. Through this process, annual departmental expenditures for the next four years are determined in the initial budget year, and in theory only expenditures that are supported through additional assessment growth can be passed outside of the initial budget. City Council can still raise property taxes above the approved rates as part of the annual budget review process, however barring this the approved property tax increases should average 2.8% annually for the budget cycle.

The city has adhered to this new approach for the first three years of current multi-year budget with only marginal adjustments made to the budget in each year. The city has successfully maintained strong operating outcomes, posting gross operating balances of 22.4% in 2016 and 21.2% in 2017, slightly higher than the preceding three years. Although a new city council will be elected in October 2018, the first budget under this council is expected to continue to be driven by the 2016-2019 4-year plan with the new council's objectives expected to be presented in a 2020-2023 multi-year budget plan, if the new council continues with this practice.

#### **Medium-term capital plan faces upward pressure**

Among the capital projects expected to be undertaken over the medium-term by the city, the work associated with the rapid bus transit plan is relatively complex as it involves significant changes to key roads throughout the city. This project will require highly coordinated work involving relocation of utilities along the route, construction of new structures and land acquisition within an objective to minimize disruption to traffic during the construction period. While the city has undertaken extensive engineering reports, the complexity of the work increases the possibility of relatively significant unforeseen costs arising during construction compared to most of the other projects contained in the capital plan which are smaller in scope and complexity.

Similarly, the city recently undertook a report on the status of its numerous bridges and determined that a CAD55 million infrastructure backlog existed for these structures. The city identified that the current annual funding (CAD4 million rising to CAD4.5 million in the 10-year horizon) allocated in the capital plan was inadequate to address the needs identified in the study.

This suggests that there exists the potential for the capital plan to increase over the medium-term, which may result in either slight upward pressure on the debt burden or downward pressure on either reserve levels or gross operating balances if the city diverts operating revenue to pay-as-you-go capital spending. The city has mitigated some risk of the rapid bus transit plan with a 25% contingency built into the project estimate established following the environmental assessment. As with the operating budget, we expect the new council will update the medium-term capital plan in 2019.

### **Extraordinary support considerations**

Moody's assigns a high likelihood of extraordinary support from the Province of Ontario (Aa2 negative), reflecting Moody's assessment of the incentive provided to the provincial government of minimizing the risk of potential disruptions to capital markets if London, or any other Ontario municipality, were to default.

## Rating methodology and scorecard factors

The assigned BCA of aaa is close to the scorecard indicated BCA of aa1. The scorecard indicated BCA of aa1 reflects (1) an idiosyncratic risk score of 2 (presented below) on a 1 to 9 scale, where 1 represents the strongest relative credit quality and 9 the weakest; and (2) a systemic risk score of Aaa, as reflected in the sovereign bond rating (Aaa stable).

For details of our rating approach, please refer to the methodology [Regional and Local Governments](#), 16 January 2018

Exhibit 3

### London, City of

Baseline Credit Assessment	Score	Value	Sub-factor Weighting	Sub-factor Total	Factor Weighting	Total
<b>Scorecard</b>						
<b>Factor 1: Economic Fundamentals</b>						
Economic strength	5	99.80	70%	3.8	20%	0.76
Economic volatility	1		30%			
<b>Factor 2: Institutional Framework</b>						
Legislative background	1		50%	1	20%	0.20
Financial flexibility	1		50%			
<b>Factor 3: Financial Performance and Debt Profile</b>						
Gross operating balance / operating revenues (%)	1	21.20	12.5%	1.5	30%	0.45
Interest payments / operating revenues (%)	1	0.89	12.5%			
Liquidity	1		25%			
Net direct and indirect debt / operating revenues (%)	1	27.80	25%			
Short-term direct debt / total direct debt (%)	3	15.90	25%			
<b>Factor 4: Governance and Management - MAX</b>						
Risk controls and financial management	1			1	30%	0.30
Investment and debt management	1					
Transparency and disclosure	1					
<b>Idiosyncratic Risk Assessment</b>						<b>1.71(2)</b>
<b>Systemic Risk Assessment</b>						<b>Aaa</b>
<b>Suggested BCA</b>						<b>aa1</b>

Source: Moody's Investors Service, City of London

## Ratings

Exhibit 4

Category	Moody's Rating
<b>LONDON, CITY OF</b>	
Outlook	Stable
Senior Unsecured -Dom Curr	Aaa

Source: Moody's Investors Service



© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1140237

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454