

**Rating Action: Moody's affirms New Jersey's A3 GO rating; outlook revised to positive**

---

13 Jul 2021

**\$40 billion of rated debt affected**

New York, July 13, 2021 -- Moody's Investors Service has affirmed the A3 rating on New Jersey's outstanding general obligation debt, and revised the outlook to positive from stable. In addition, Moody's has affirmed the state's A3 rated bonds issued by the Garden State Preservation Trust, NJ; the Baa1 and Baa2 rated appropriation backed debt; Baa1 rated moral obligation debt issued by the South Jersey Port Corporation; the Baa1 rated New Jersey County College Enhancement Bond Program Chapter 12; the Baa1 rated New Jersey Municipal Qualified Bond Program and New Jersey Qualified School Bond Program intercept programs, and the Baa1 on the New Jersey Transportation Trust Fund Authority's (NJ TTFA) Federal Highway Reimbursement Revenue Notes (GARVEEs). The affirmations affect approximately \$40 billion of outstanding rated debt.

The outlooks on all the bonds have been revised to positive from stable. The outlooks on the enhanced financing-level ratings for schools and local governments that issue under the intercept programs match the outlooks on the programmatic ratings.

Moody's has also affirmed the Baa2 (Sr lien) and Baa3 (Sub lien) ratings on New Jersey's \$779 million of outstanding Motor Vehicle Surcharge bonds issued by the New Jersey Economic Development Authority (NJ EDA). The outlook on the bonds has been revised to stable from developing.

Please click on this link [http://www.moody's.com/viewresearchdoc.aspx?docid=PBM\\_PBM907253143](http://www.moody's.com/viewresearchdoc.aspx?docid=PBM_PBM907253143) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

**RATINGS RATIONALE**

New Jersey's A3 general obligation rating reflects the state's large, diverse and wealthy economy offset by large, growing long-term liabilities and the burden of very large pension contributions, which are the result of substantial historic pension underfunding. The state has responded to a brightening revenue and liquidity picture with several actions reflecting a recent commitment to addressing more aggressively its liability burdens, demonstrating improved fiscal governance and management. These actions include debt reduction and avoidance and acceleration of pension contributions. However, increased spending on recurring programs in fiscal 2022, including education, creates structural budget gaps that make the state vulnerable to budget risks in a period of continued uncertainty and may challenge the state's ability to sustain its improving trajectory.

The A3 rating on the Garden State Preservation Trust bonds is based on the state's contractual obligation to transfer a constitutionally-dedicated portion of the state-wide sales tax (the first \$98 million) to the trust for debt service, subject to annual appropriation. The GO-level rating is supported by the strong legal structure restricting the use of the allocation to debt service and ample coverage provided by the dedicated state-wide revenue source. However, the rating is capped at the state's GO due to the lack of structural and mechanical separation of the dedicated revenue stream from the state's General Fund and the technical requirement for annual appropriation.

The Baa1 ratings on the majority of the state's appropriation debt and the County College Enhancement Program Chapter 12 are notched off the State of New Jersey's A3 GO rating, reflecting the strong legal structure, the essential nature of the financed projects and the need for annual legislative appropriation of revenues to pay debt service. A large majority of the state's net tax-supported debt is subject to appropriation, and the importance of maintaining access to the capital markets provides strong incentive for the state to make these appropriations on essential assets.

The Baa2 rating on the state's appropriation debt issued through the New Jersey Sports & Exposition Authority reflects appropriation risk and the lower essentiality of the racetrack, convention center and stadium projects

that were financed with bond proceeds.

The Baa1 ratings on the South Jersey Port Corporation senior lien and subordinate lien bonds are notched off the State of New Jersey's A3 GO rating and reflect the state's commitment, as established in the corporation's enabling act and bond resolutions, to consider appropriating funds to replenish the port's debt service reserve fund (DSRF) to match maximum annual debt service. The state has a strong, demonstrated commitment to making these appropriations, given its 34-year history of replenishing the corporation's reserve fund; the state's history of including broad appropriation language in the budget, which is historically adopted well in advance of the corporation's December 1 request date, and the state's non-impairment pledge. The state's replenishment commitment is equivalent for both liens, and state appropriations deposited into the subordinate lien DSRF cannot be transferred to the senior lien DSRF. Nothing requires the legislature to appropriate proportionately to the two liens' DSRFs. However, the risk of inequivalent appropriations does not warrant a full notch rating distinction.

The Baa1 programmatic ratings on the Qualified School Bond Program and the Municipal Qualified Bond Program are notched off the State of New Jersey's A3 GO rating. The one notch distinction reflects the programs' strong position in the state's hierarchy of debt and spending priorities and strong program mechanics, including the direct payment of aid to the debt service trustee.

The Baa1 rating on the NJ TTFA Federal Highway Reimbursement Revenue Notes (GARVEEs) incorporates the appropriation requirement for pledged revenues, satisfactory coverage by pledged federal highway aid, a strong 3x additional bonds test and a requirement that pledged revenues first fulfill all annual debt service requirements, once appropriated. The Baa1 rating also incorporates the relatively long final maturity that spans multiple authorizations of the federal aid highway program and, similar to most GARVEE programs, the lack of structural protection against disruption in federal highway aid, such as a debt service reserve fund. NJ TTFA's GARVEEs are capped at the same level as the state's other appropriation debt, due to the requirement that pledged revenues be appropriated by the New Jersey state legislature to pay debt service together with the lack of legal constraints on the use of federal reimbursements. Certain characteristics of the GARVEE credit and structure, including the motivation to maintain the existing federal reimbursement funding and spending cycle, provide the state with a strong incentive to appropriate. Other similarly-structured GARVEE bonds with no requirement for legislative appropriation are rated in the mid- to high A category.

The Baa2 (Sr) and Baa3 (Sub) ratings on the NJ EDA Motor Vehicle Surcharge bonds reflect the weak pledged revenue trends and debt service coverage, driven by coronavirus related closures of department of motor vehicle (DMV) locations and courthouses. Significant pledged revenue declines starting in November 2020 have lead the Governor to request an appropriation in the general fund budget to support the July 1 debt service payment. Based on the state's extraordinary support provided in 2021 and its strong connection to this debt, New Jersey's response to the potential revenue shortfall has been similar to an authorized moral obligation debt of a state. However, the recent appropriations do not commit the state to further support in future years.

The Baa2 (Sr) and Baa3 (Sub) ratings on the NJ EDA Motor Vehicle Surcharge bonds also reflect i) the need for legislative appropriation of pledged revenues and ii) relatively weak pledged revenue fundamentals including a very narrow revenue base and steadily declining revenue trend that is somewhat balanced by the statewide tax base and the closed lien. The weaker subordinate lien coverage is somewhat balanced by the turbo feature on the last five maturities that will likely decrease future debt service and reduce revenue risk, as well as an Advance Account that provides liquidity against a timing mismatch between revenue collection and debt service payments.

## RATING OUTLOOK

The revision to the positive outlook reflects the state's better-than-expected financial position and improved governance profile that will enhance budget flexibility during the coronavirus recovery. Over the next 1-2 fiscal years, a key rating consideration will be continuation of governance and financial improvements that restore structural budget balance.

The outlooks on all GO-related and notched debt listed above, and the outlook on the NJ TTFA GARVEE bonds, are positive, reflecting the outlook on the state GO. This includes the enhanced financing-level ratings for schools and local governments that issue under the intercept programs.

The stable outlook on the NJ EDA Motor Vehicle Surcharge bonds reflects the uncertainty around the pledged revenue recovery and the actions the state will take to support debt service after fiscal 2022 if necessary.

Revenue stability and growth, or indications of likely recurring state support, would provide positive pressure to the outlook, while a lack of both would be negative drivers.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

For the GO rating:

- Implementation of structurally balanced actions to close budget gaps
- Articulated strategy for sustained full funding of pension contributions
- Maintenance of budgetary balances and liquidity above historic averages
- Relatively stable debt and pension metrics, and fixed cost increases that remain affordable

For the appropriation-backed and notched debt:

- Upgrade of the state's GO rating

For the NJ EDA Motor Vehicle Surcharge rating:

- Upgrade of the GO rating
- A sustained increase in pledged revenue collections that bolsters debt service coverage, and/or substantially shortens final maturity

For the NJ TTFA GARVEE rating:

- Both an upgrade of the state's G.O. rating and an increase in MADS debt service coverage
- The addition of stronger indenture covenants limiting additional bond issuance
- The addition of structural protections to bridge a potential federal authorization gap

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

For the GO rating:

- Lower-than-planned pension contributions that do not maintain the 1/10 schedule
- Failure to address large structural imbalance with recurring actions
- Significantly reduced liquidity levels and/or increased liquidity support (cash-flow borrowing and other cash management tactics)
- A significant increase in unfunded pension liabilities or other debt that elevates fixed costs

For the appropriation-backed and notched debt:

- Downgrade of the state's GO rating
- Indications that the state's incentive to make annual appropriations has diminished

For the NJ TTFA GARVEE rating:

- A downgrade of the state's G.O. rating
- Discontinuation or reduction in federal transportation grant program
- Lapse in reauthorization of transportation spending
- Sharp decline in underlying HTF revenues caused by economic stress, tax inefficiency or redirection of fuel taxes to general fund
- Significant additional leverage that reduces coverage materially from historical levels

For the NJ EDA Motor Vehicle Surcharge rating:

- Either a downgrade of the state or accelerated declines in pledged revenues, beyond current baseline projections, that deteriorate coverage

## LEGAL SECURITY

New Jersey's G.O. bonds are general obligations of the state, secured by the full faith and credit of the state.

The Garden State Preservation Trust bonds are secured by the state's contractual obligation to transfer a constitutionally-dedicated portion of the state-wide sales tax (the first \$98 million) to the trust for debt service, subject to annual appropriation.

The state's various appropriation-backed bonds, including the Chapter 12 intercept bonds, are payable solely from anticipated state payments made pursuant to a contract, lease or funding agreement, subject to annual legislative appropriation. Once the legislature has appropriated the funds, the state's payment obligations are absolute and unconditional.

The South Jersey Port Corp senior and subordinate lien bonds are secured first by a senior and subordinate lien, respectively, on net revenues of the port corporation's operations. All senior and subordinate bonds are additionally secured by - and primarily paid from - the state's commitment to annually appropriate amounts sufficient to restore the debt service reserve fund (DSRF) to the required level. The state's replenishment commitment is equivalent for both liens, and state appropriations deposited into the sub lien DSRF cannot be transferred to the senior lien DSRF. While the state's replenishment commitment is equivalent for both liens, nothing requires the legislature to appropriate proportionately to the two liens' DSRFs.

The Qualified School Bond Program and the Municipal Qualified Program intercept programs provide credit enhancement to participating schools and municipalities through the diversion of state aid revenues directly to a trustee to ensure timely debt service payments, and thereby prevent debt service obligations from competing with other local expenditure priorities.

The NJ TTFA GARVEE bonds' source of pledged revenues is Federal Title 23 funding received by the state under the Federal Aid Highway Program, subject to state legislative appropriation. The HTF receives revenues from national excise taxes on gasoline and other vehicle taxes established under periodic reauthorization by Congress. HTF funds are used to reimburse states for eligible road and transportation capital project costs according to formulas that take into account population and other factors.

The senior and subordinate lien NJ EDA motor vehicle surcharge bonds are secured by motor vehicle surcharges and unsafe driver surcharges, subject to legislative appropriation. After appropriation, the pledged revenues will be transferred monthly to the EDA by the state Treasurer pursuant to state statute and a contract between the two parties.

## PROFILE

New Jersey is the 11th-largest state by population in the United States. Its gross domestic product per capita ranks 8th among the states (in current dollars).

## METHODOLOGY

The principal methodology used in the general obligation ratings was US States and Territories published in April 2018 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1084466](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1084466). The principal methodology used in the special tax ratings was US Public Finance Special Tax Methodology published in January 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1260087](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260087). The principal methodology used in the Garden State Preservation Trust bonds was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments Methodology published in June 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1274696](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1274696), and the additional methodology was US Public Finance Special Tax Methodology published in January 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1260087](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260087). The principal methodology used in the appropriation, moral obligation bonds and NJ County College Enhancement Program Chapter 12 was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments Methodology published in June 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1274696](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1274696). The principal

methodology used in the intercept programs was State Aid Intercept Programs and Financings published in December 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1067422](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1067422). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

## REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBM\\_PBM907253143](http://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM907253143) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
- Participation: Access to Internal Documents
- Disclosure to Rated Entity
- Endorsement

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1288435](http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288435).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Please see [www.moodys.com](http://www.moodys.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for additional regulatory disclosures for each credit rating.

Baye Larsen  
Lead Analyst  
State Ratings  
Moody's Investors Service, Inc.  
One Stamford Plaza  
263 Tresser Boulevard  
Stamford 06901

JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Timothy Blake  
Additional Contact  
MSPG

JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A

JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653



© 2021 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 CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. 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 OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER 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. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS 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, ASSESSMENTS, OTHER OPINIONS, AND 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, ASSESSMENTS, OTHER OPINIONS OR 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.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND 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 its 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 CREDIT RATING, ASSESSMENT, 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 credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.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 657AFSL 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.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") 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 MJKK. 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. MJKK 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.

MJKK 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 MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

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