

## CREDIT OPINION

26 September 2022



### Contacts

Andrew T. Van Dyck      +1.312.706.9974  
 Dobos  
 AVP-Analyst  
 andrew.vandyckdobos@moodys.com

David Levett              +1.312.706.9990  
 VP-Senior Analyst  
 david.levett@moodys.com

### CLIENT SERVICES

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

# Cuyahoga (County of), OH

## Update to credit analysis

### Summary

[Cuyahoga County's](#) (Aa2 stable) solid credit profile has demonstrated resilience throughout the pandemic period and its strong financial position is likely to be sustained over the next few years. The county's most pressing credit challenge is the expectation of future borrowing needs which will increase the county's already above average long term leverage. Our credit view further reflects the county's exposure to contingent liability debt of [MetroHealth System](#) (Baa2 stable), a component unit of the county.

### Credit strengths

- » Very large tax base encompassing the [City of Cleveland](#) (Aa3 stable) and many surrounding suburbs
- » Healthy financial position supported by strong fiscal management, rebounding sales tax collections and significant allocation of federal aid

### Credit challenges

- » Full value per capita wealth and median family income trail similarly rated peers in the [US county sector](#)
- » Above average combined debt, pension, and OPEB leverage with additional borrowing needs

### Rating outlook

The stable outlook reflects the expectation that the county will maintain healthy reserves and liquidity over the next several years based on the demonstrated resiliency of its core operating revenue streams combined with its receipt of significant federal aid. Additionally, the county's nontax tax collections will continue to provide strong debt service coverage on its new and outstanding nontax revenue bonds.

### Factors that could lead to an upgrade

- » Strengthening of the county's demographic and economic profile
- » Moderation of the county's debt and pension burdens

### Factors that could lead to a downgrade

- » Significant narrowing or operating fund balance or liquidity, or weakened financial position of MetroHealth that requires increased governmental support

» Substantial increase in leverage

## Key indicators

Exhibit 1

### Cuyahoga (County of) OH

	2017	2018	2019	2020	2021
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$78,924,984	\$79,652,199	\$87,247,442	\$87,280,602	\$87,925,138
Population	1,257,401	1,253,783	1,247,451	1,241,475	1,241,475
Full Value Per Capita	\$62,768	\$63,529	\$69,941	\$70,304	\$70,823
Median Family Income (% of US Median)	90.0%	89.5%	88.7%	88.0%	88.0%
<b>Finances</b>					
Operating Revenue (\$000)	\$1,063,735	\$1,083,422	\$1,161,999	\$1,048,026	\$1,237,668
Fund Balance (\$000)	\$469,173	\$441,217	\$467,922	\$557,121	\$705,127
Cash Balance (\$000)	\$434,618	\$389,393	\$402,574	\$497,851	\$569,796
Fund Balance as a % of Revenues	44.1%	40.7%	40.3%	53.2%	57.0%
Cash Balance as a % of Revenues	40.9%	35.9%	34.6%	47.5%	46.0%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$1,481,049	\$1,395,105	\$1,337,406	\$1,211,088	\$1,128,382
3-Year Average of Moody's ANPL (\$000)	\$1,869,379	\$1,941,024	\$2,030,145	\$2,138,491	\$3,366,301
Net Direct Debt / Full Value (%)	1.9%	1.8%	1.5%	1.4%	1.3%
Net Direct Debt / Operating Revenues (x)	1.4x	1.3x	1.2x	1.2x	0.9x
Moody's - ANPL (3-yr average) to Full Value (%)	2.4%	2.4%	2.3%	2.5%	3.8%
Moody's - ANPL (3-yr average) to Revenues (x)	1.8x	1.8x	1.7x	2.0x	2.7x

Sources: US Census Bureau, Cuyahoga (County of) OH's financial statements and Moody's Investors Service

## Profile

Located in northeast [Ohio](#) (Aa1 stable), along the shores of Lake Erie, Cuyahoga County is the second largest county in the state with a population of roughly 1.2 million anchored by the City of Cleveland. The county is governed by an executive-council form of government, and county operations include economic development, health and human services, public safety, judicial and general governmental functions.

## Detailed credit considerations

### Economy and tax base: economic engine of northeast Ohio demonstrating solid tax base gains

Cuyahoga County's labor force indicators and sales tax receipts are trending favorably. The county's labor force participation is steadily improving after contracting by nearly 5% during 2020 and is now just 1% below pre-pandemic levels. Its unemployment rate continues to moderate standing at 5.5% as of July 2022. Cuyahoga's resiliency is supported by its role as the economic hub of northeast Ohio along with the presence of multiple institutions, including the [Cleveland Clinic](#) (Aa2 stable; approximately 51,000 employees), which help to anchor the region's employment base. County residents benefit from a diversity of employment opportunities throughout the metropolitan area, and is home to four Fortune 500 companies including [Progressive Insurance](#) (Aa2 stable; approximately 12,300 employees), headquartered in the Village of Mayfield.

Recent tax base growth has largely been driven by appreciation on the county's residential real estate, as growth to commercial real estate values, while still positive, remains somewhat subdued. Currently valued at a sizable \$99.4 billion, Cuyahoga's tax base recorded a 13.1% increase to its assessed value during its triennial reassessment for tax year 2022. Increases to assessed value will be modest over the next two years until the county's next three-year reassessment is conducted for tax year 2025. The county's sales tax trends are another positive economic indicator as collections rebounded nicely in fiscal 2021 following a decrease of roughly 10% in fiscal 2020 as compared to fiscal 2019. Collections on the county's 1.25% sales tax grew by a robust 18% in fiscal 2021, reaching a historical

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

peak of \$311 million and additional near term growth is likely given the impact of rising inflation. Officials conservatively project annual collection increases of 2% over the next two years.

### **Financial operations and reserves: robust operating fund balance and liquidity boosted by the receipt of significant federal stimulus**

Cuyahoga County strong operating reserves provide significant cushion against potential budgetary challenges that may arise. The county's recently released fiscal 2021 audit depicts a \$91.6 million general fund surplus for the year driven by stronger than anticipated sales tax collections combined with the receipt of \$120 million in stimulus funding from the American Rescue Plan Act (ARPA). The county has received a total of \$240 million over the two rounds of stimulus funding. Cuyahoga County deposited its stimulus in its general fund to be used for general government operations under the revenue loss expenditure category in order to free up other county funds for capital, staffing, and program initiatives. The fiscal 2021 surplus boosted year-end available general fund reserves to \$344.7 million, equal to a robust 57% of general fund revenue. Across all operating funds, which includes reserves held in the county's various health and human services and debt service funds, in addition to the general fund, the county closed fiscal 2021 with an available balance of \$705.1 million.

The county's fiscal 2022 budget is essentially balanced and operations have been supported by the county's rebounding sales tax receipts. Sales tax collections comprised roughly 45% of general fund revenue in fiscal 2021, followed by intergovernmental aid and charges for services at 29% and 16% respectively. While property taxes make up about 5% of general fund revenue it supports roughly a quarter of total governmental operations, mostly with regards to the county's various health and human services programs. Cuyahoga's strong governmental balance sheet offers a buffer against a potential recession which could contribute to decreased sales tax collections or a reversal of valuation gains. On the flip side the current inflationary environment could temporarily boost sales tax trends given rising prices on consumer goods and services.

Cuyahoga County subsidizes the operation of The MetroHealth System, a public healthcare system that includes an acute care hospital housing a Level 1 Adult Trauma and Burn Center, a skilled nursing facility and 20 locations throughout the community. MetroHealth's scale of operation is similar to that of the county's governmental operations overall with roughly \$1.5 billion in operating revenue in fiscal 2021. In fiscal 2021 the county provided \$32.4 million in financial support to the system via two property tax levies. While the subsidies can be used to support any health and human services programs, the allocation has been and is expected to be stable. For more information on MetroHealth please see our updated credit opinion following its recent upgrade to [Baa2 stable](#). While operating support of the system is minor, the health operations create enterprise risk for the county because the healthcare sector is competitive and [challenged](#). Potential sources of volatility in system performance include attracting and retaining employees as well as fluctuations in uncompensated care volumes and reimbursement rates.

### **Liquidity**

The county's cash position is likely to hold steady over the near term given the anticipation of balanced operations in fiscal 2022. At the close of fiscal 2020 the county held \$1.0 billion in governmental-wide cash and investments, including \$569.8 million in its core operating funds, equal to a sound 46% of operating revenue.

### **Debt, pensions, and OPEB: moderately high leverage with expected future borrowing needs**

Cuyahoga's leverage is above average for a county and may grow further given a major capital project being considered. The county is in the process of selling approximately \$30.6 million in nontax backed revenue bonds to help finance renovations and improvements to the county-owned convention center. The county will contribute \$8 million in general fund reserves and \$9 million in capital funds from the Cuyahoga County Convention Facilities Development Corporation (CCCFDC) toward the roughly \$50 million project. Renovations include expanding the size of the convention center's junior ballroom and adding an outdoor terrace.

Following the issuance of the upcoming bonds the county's direct debt burden will stand at a moderate 1.3% of full value and 1.1x operating revenue. Cuyahoga's debt leverage may grow further in coming years as it continues to evaluate the need for a new county jail facility. Recent reports suggest a new comprehensive county jail complex could cost as much as \$750 million, potentially increasing the county's debt burden by nearly 60%. The impact of the debt profile will be considered in the context of the trajectory of other credit factors including trends in the tax base and revenues.

In addition to the debt, the county carries long term obligations associated with its participation in two statewide cost-sharing defined benefit pension and OPEB plans. Its Moody's three-year adjusted net pension liability (ANPL) through fiscal 2021 is 2.3% of full value and 1.9x operating revenue, while its adjusted net OPEB liability is an additional 0.1x operating revenue. Despite the above average all-in leverage, annual governmental fixed costs have remained mostly manageable, totaling roughly \$208 million in fiscal 2021, equal to about 13% of total governmental revenue.

#### Legal security

The county's nontax revenue bonds are special obligations payable from its pledge of nontax revenue, which consists primarily of charges for services, investment earnings, intergovernmental grants and reimbursements, fines and forfeitures and license and permit fees. Nontax revenue collections for fiscal 2021 provided 4.7x coverage on the projected maximum annual debt service (MADS) on nontax revenue debt, inclusive of the upcoming new bonds.

In addition to its nontax revenue debt Cuyahoga's debt portfolio also consists of a number of different securities types including GOLT and sales tax revenue bonds, along with outstanding certificates of participation (COPs). The county's GOLT bonds are secured by its full faith and credit and pledge to levy ad valorem property taxes under the state's 10-mill limitation. The sales tax revenue bonds are payable from the county's pledge of its sales tax receipts. Fiscal 2021 sales tax collections provided for 7.8x MADS coverage on outstanding sales tax-backed debt. Outstanding COPs are payable from lease payments that are subject to annual appropriation. Additionally, the county has a relatively small amount of appropriation guarantee debt payable from revenue received by the county from a developer pursuant to a loan agreement between the two parties.

#### Debt structure

All of the county's debt is fixed rate. Approximately two-thirds of bonded debt principal is set to be retired over the next ten years.

#### Debt-related derivatives

The county is not party to any derivative agreements.

#### Pensions and OPEB

Most county employees are members of the Ohio Public Employees Retirement System (OPERS), with a very small share participating in the State Teachers Retirement System (STRS). There is broad legal flexibility in Ohio to amend pension benefits, and statute establishes a 30-year target for amortizing the unfunded liabilities of all cost-sharing plans. In 2012, the 30-year target was breached and the state legislature acted by reducing benefits and increasing employee contributions. The 2012 reforms did not increase employer contributions from participating governments. Despite the flexibility to contain the plan's liabilities, Cuyahoga's exposure to the two pension plans will likely remain above average relative to its highly rated peers who participate in either stronger funded defined benefit pension plans or those who offer only defined contribution plans.

## ESG considerations

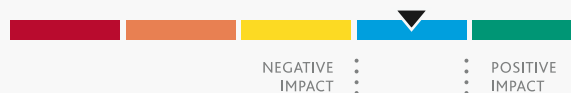
### Cuyahoga (County of) OH's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 2

#### ESG Credit Impact Score

# CIS-2

## Neutral-to-Low



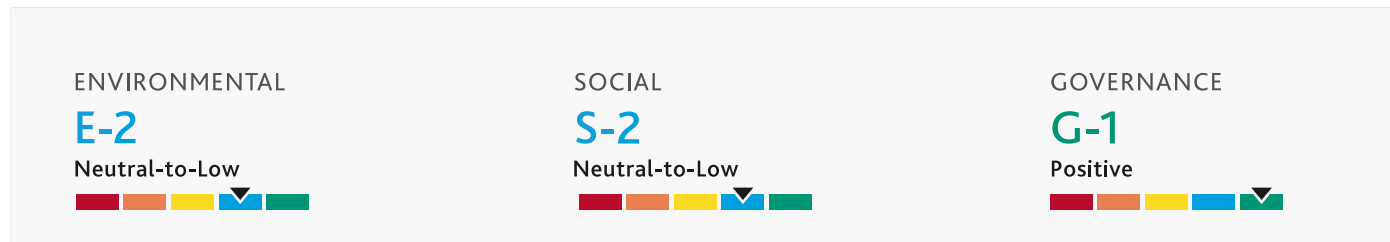
For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

Cuyahoga County's ESG Credit Impact Score is neutral to low (**CIS-2**), reflecting neutral to low exposure to environmental and social risks, as well as a strong governance profile.

Exhibit 3

### ESG Issuer Profile Scores



Source: Moody's Investors Service

#### Environmental

The county's E issuer profile score is neutral to low (**E-2**), reflecting neutral to low exposure to environmental risks across all categories, including physical climate risk, natural resources management, and waste and pollution.

#### Social

The S issuer profile score is neutral to low (**S-2**). The county's weak demographic trends are balanced by its access to basic services, employment opportunities, higher education, and housing.

#### Governance

The county's G issuer profile score is positive (**G-1**), reflecting strengths in the institutional structure. The score also considers the county's robust policy credibility, transparency, and strong management and budgeting practices. The score also incorporates the county's moderate institutional structure.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 4

Scorecard Factors and Subfactors	Measure	Score
<b>Economy/Tax Base (30%)</b> <sup>[1]</sup>		
Tax Base Size: Full Value (in 000s)	\$99,444,471	Aaa
Full Value Per Capita	\$80,102	Aa
Median Family Income (% of US Median)	88.0%	A
<b>Finances (30%)</b>		
Fund Balance as a % of Revenues	57.0%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	19.1%	Aa
Cash Balance as a % of Revenues	46.0%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	15.9%	Aa
Outsized Contingent Liability Risk		Down
<b>Management (20%)</b>		
Institutional Framework	A	A
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.04x	Aa
<b>Debt and Pensions (20%)</b>		
Net Direct Debt / Full Value (%)	1.3%	Aa
Net Direct Debt / Operating Revenues (x)	1.1x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	2.3%	A
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.9x	A
	Scorecard-Indicated Outcome	Aa3
	Assigned Rating	Aa2

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication.

Sources: US Census Bureau, {OrgName}'s financial statements and Moody's Investors Service

© 2022 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.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.

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 JPY100,000 to approximately JPY550,000,000.

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

## CLIENT SERVICES

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