

CREDIT OPINION

12 March 2021

 Rate this Research

Contacts

David Strungis +1.212.553.7422
 VP-Senior Analyst
 david.strungis@moodys.com

Nicholas Lehman +1.617.535.7694
 VP-Senior Analyst
 nicholas.lehman@moodys.com

CLIENT SERVICES

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

Cincinnati City School District, OH

Update to credit analysis

Summary

[Cincinnati City School District, OH](#) (Aa2) has a strong credit profile. It has a regionally important economy, which includes all of the City of Cincinnati (Aa2 stable) and portions of 14 surrounding cities and villages. Although cash and fund balance are currently strong, the district is making strategic investments in its programs and offerings and reserves will likely decline over the next two fiscal years. The district stands to significantly gain from the recent federal relief bill, however, which would more than offset the forecast declines. Enrollment fell in fiscal 2021, reversing several consecutive years of growth. Those declines were mostly in earlier grade levels and are likely to reverse in the next few years. Long-term liabilities are moderate and the district's fixed cost ratio is low.

Credit strengths

- » Large diverse economy anchored by corporate headquarters, healthcare and higher education
- » Sound financial position supported by a long trend of favorable operating results

Credit challenges

- » Comparatively weak resident income levels
- » Leverage ratios are a little high

Rating outlook

The outlook is stable because reserves will remain healthy despite projected declines because of substantial one-time federal funding and the district's track record of strong budget management.

Factors that could lead to an upgrade

- » Strengthening of resident income levels
- » Materially improved cash and fund balance
- » Substantial reduction in long-term liabilities ratio

Factors that could lead to a downgrade

- » Material decline in resident income levels
- » Materially lower cash and fund balance

» Materially increased long-term liabilities or fixed costs ratio

Key indicators

Exhibit 1

Cincinnati City School District, OH

	2017	2018	2019	2020	Aa Medians
Economy					
Resident income	71.7%	73.0%	73.8%	N/A	121.7%
Full value (\$000)	\$17,475,020	\$18,474,585	\$18,368,531	\$18,688,307	\$3,848,156
Population	332,757	333,631	334,900	N/A	29,777
Full value per capita	\$52,516	\$55,374	\$54,848	N/A	\$104,849
Enrollment	33,709	34,101	34,801	36,024	4,489
Enrollment trend	N/A	N/A	2.9%	2.2%	-0.1%
Financial performance					
Operating revenue (\$000)	\$613,189	\$616,965	\$651,097	\$595,246	\$73,583
Available fund balance (\$000)	\$247,097	\$248,285	\$253,511	\$165,666	\$18,249
Net cash (\$000)	\$139,971	\$185,530	\$191,524	\$178,988	\$22,186
Available fund balance ratio	40.3%	40.2%	38.9%	27.8%	25.4%
Net cash ratio	22.8%	30.1%	29.4%	30.1%	30.4%
Leverage					
Debt (\$000)	\$576,945	\$553,900	\$543,890	\$509,665	\$49,675
ANPL (\$000)	\$1,935,440	\$1,576,497	\$1,423,008	\$1,732,659	\$96,635
OPEB (\$000)	N/A	\$140,724	\$50,855	\$51,938	\$12,399
Long-term liabilities ratio	N/A	368.1%	309.9%	385.4%	284.4%
Implied debt service (\$000)	\$45,555	\$42,855	\$40,813	\$39,655	\$3,456
Pension tread water (\$000)	\$49,564	\$35,068	\$31,283	\$33,313	\$3,192
OPEB contributions (\$000)	N/A	\$1,755	\$1,325	\$715	\$507
Fixed-costs ratio	N/A	12.9%	11.3%	12.4%	11.6%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Cincinnati City School District, OH's financial statements and Moody's Investors Service

Profile

Cincinnati City School District is located in Hamilton County in the southwestern corner of Ohio. The district's enrollment was 36,024 in 2020. The Cincinnati City School District is located in southwestern Ohio (Aa1 stable) and includes all of the City of Cincinnati (Aa2 stable) as well as portions of 14 surrounding cities and villages. The district covers roughly 90 square miles.

Detailed credit considerations

Economy: strong local economy with institutional stability, growing enrollment

The district will continue to benefit from its regionally important economy and tax base, which includes all of the City of Cincinnati and portions of 14 surrounding cities and villages. Cincinnati is also home to important tax-exempt properties, like [University of Cincinnati](#) (A1 stable) and [Cincinnati Children's Hospital Medical Center](#) (Aa2 stable), which are key institutions and employers. The city is also home to the corporate headquarters of [Kroger Co.](#) (Baa1 stable) and [Procter & Gamble Company](#) (Aa3 stable).

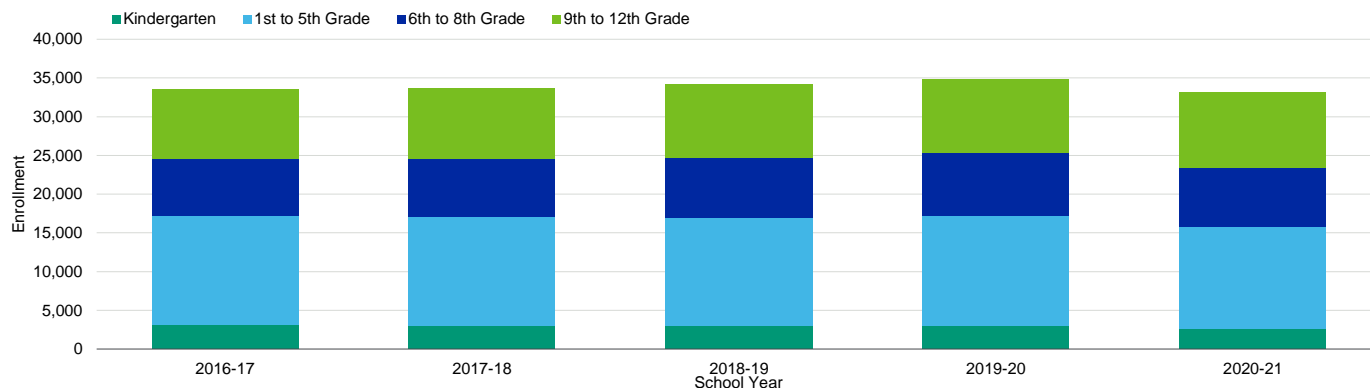
Although regionally important, the district has some demographic challenges. Resident income levels are below average; median household income adjusted for regional purchasing power was only 73.8% of the nation in 2019 and the poverty rate was 25%. The full value per capita is also fairly limited at \$55,803. The unemployment rate was 5% in December 2020, however, just below the state (5.2%) and nation (6.5%).

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 for the most updated credit rating action information and rating history.

While district enrollment grew an annual average of 2.2% over the last three years (2018-2020), it fell precipitously (4.7%) in fiscal 2021. This decline is likely temporary however, because the bulk of that decline was in earlier grade levels and caused by the pandemic and those students will likely return in the future.

Exhibit 2

Enrollment losses in preschool, kindergarten and elementary drove most enrollment decline in fiscal 2021



The enrollment figures above are slightly different from those used in our scorecard ratio, which are derived from the state Department of Education.

Source: Cincinnati City School District, OH

Financial operations: strong, but declining reserves will be bolstered by federal aid

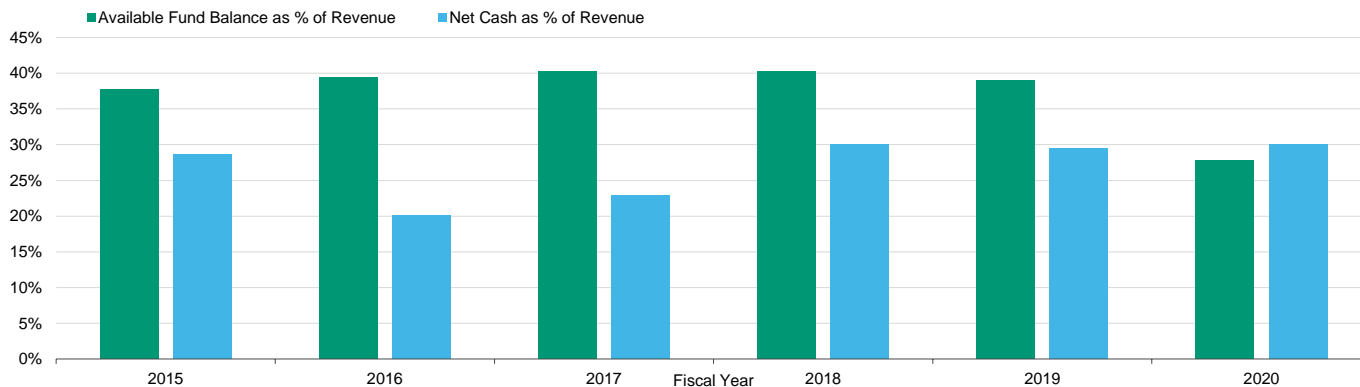
Reserves will likely remain strong despite declines in fiscal 2020 (year-end June 30) and projected declines in the five-year forecast because the district has a track record of good budget management, a large portion of the fiscal 2020 decline is temporary, and the projected declines are driven by discretionary spending that could be deferred. The district also stands to receive substantial aid from the recent federal relief bill.

Fiscal 2021 is projected to end with a \$25.2 million cash drawdown because of rising expenditures related to personnel and supplies and materials. If realized, general fund cash balance would be about \$83.1 million or 13.3% of projected revenue. Fiscal 2020 ended with a substantial \$87.8 million deficit across all operating funds (debt service, schoolwide building program and debt service) in large part because the county postponed the property tax payment by roughly \$70 million and that revenue was received in fiscal 2021. The district received about \$25 million in relief funding in fiscal 2020 that it used to improve remote learning and offset operational costs.

Available operating fund balance was \$165.7 million in fiscal 2020 or 27.8% of revenue.

Exhibit 3

Fund balance and cash balance as percentage of operating revenue



Source: Issuer financial statements; Moody's Investors Service

Liquidity

Cash across all operating funds was roughly \$179 million in fiscal 2020 or 30% of revenue.

Leverage: moderate long-term liabilities and low fixed costs

Long-term liabilities are moderate and will remain manageable because the district has no major debt or capital plans. The district is currently issuing about \$57.2 million to advanced refund a portion of its outstanding 2014 Certificates of Participation (Cincinnati City School District School Improvement Project). Combined debt, adjusted pension and OPEB liabilities were roughly \$2.3 billion in fiscal 2020, about 385.4% of revenue. The fixed cost ratio was 12.4% of revenue, which is low.

Legal security

The GOULT debt is backed by the district's general obligation pledge and authority to levy an unlimited property tax.

The GOLT debt is backed by the district's general obligation pledge and the authority to levy property taxes within the State of Ohio's statutory 10-mill limitation.

The district's COPs, including the Series 2021 certificates, are contingent obligations, backed by lease payments, which are made by the district subject to annual appropriation. Failure to renew the lease in any year before maturity is an event of default under the lease-purchase agreement and may be remedied by the trustee's eviction of the district from the pledged facilities.

Debt structure

All debt is fixed rate and amortizes over the long term. Roughly half of the district's debt (\$247.8 million) is GOULT bonds and a quarter is GOLT bonds (\$124.2 million). The district will also have \$125 million of certificates of participation post-sale that were issued for various school buildings.

Debt-related derivatives

The district is not a party to any derivative agreements.

Pensions and OPEB

Pensions will remain an important component of the district's overall leverage. The district employees participates in two multiple-employer, cost-sharing plans administered by the state, either the Ohio State Teachers Retirement System (STRS) or the School Employees Retirement System (SERS).

The district's adjusted net pension liability was about \$1.7 billion in fiscal 2020 or 291% of revenue. Other post-employment benefit (OPEB) are also provided by the state plans. Adjusted net OPEB liabilities were \$51.9 million in 2020, about 8.7% of revenue. The district's pension contribution was about 138% of its "tread water" indicator in fiscal 2020.

ESG considerations**Environmental**

Environmental considerations are not a driver of the district's credit profile. Moody's affiliate Four Twenty Seven considers five environmental factors including extreme rainfall, water stress, heat stress, cyclone exposure and sea level rise. While Hamilton County, where the district is located, has no or low risk for water stress, cyclone exposure and sea level rise, it does have relatively high risk for heat stress and extreme rainfall events relative to counties nationally. The county maintains a five-year hazard mitigation plan to identify and mitigate areas of potential exposure. Also the county's metropolitan sewer district (MSD) is working through its consent decrees and Wet Weather Improvement Plan to address sanitary sewer overflow (SSO), combined sewer overflows (CSOs), wastewater treatment, and basement backups.

Social

Social considerations are an important factor in the district's credit profile. The median age of district residents is roughly 33, which is just a much younger than both the state (39) and national (38) medians. The adjusted median household income was only 73.8% of the nation in 2019 and the poverty rate was 25%. The full value per capita is also fairly limited at \$55,803. The unemployment rate was 5% in December 2020, however, just below the state (5.2%) and nation (6.5%).

The coronavirus outbreak is a social risk under our ESG framework, given the substantial implications for public health and safety. The district undertook a number of initiatives to bolster health and safety, including creating isolation rooms for sick students and

increasing its nursing staff. The district is currently operating in a hybrid model and will likely return to full in-person instruction sometime in Spring 2021. The district received about \$25 million in state and federal relief funding and stands to gain significantly more in the recent federal relief bill.

Governance

Governance is an important credit consideration for the district. The district has historically demonstrated good budget management and maintained strong reserves. Cincinnati City School District, like all Ohio public school districts, submits a five-year cash forecast to the Ohio Department of Education twice annually. Although reserves are robust, the district does not maintain a formal fund balance policy. The district is currently working through a multiyear strategic plan to transform how it delivers education and it plans to overspend its budget to make investments in curriculum, technology and programming.

Ohio school districts have an Institutional Framework score ¹ of A. Some districts are primarily funded by locally controlled property taxes, while others are primarily funded through state-controlled aid that is distributed according to a complex formula. Districts can request voter authorization for new and renewed property and income taxes. Voter support is disparate with some districts receiving regular approval for requests while others struggle to receive voter approval. State aid has been increasing regularly for most districts in recent years, but it has occasionally been cut, kept flat or subject to formula changes.

Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district'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 school district credits.

Exhibit 4

Cincinnati City School District, OH

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	73.8%	10.0%	Baa
Full value per capita (full valuation of the tax base / population)	63,528	10.0%	A
Enrollment trend (three-year CAGR in enrollment)	2.2%	10.0%	Aaa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	27.8%	20.0%	Aaa
Net cash ratio (net cash / operating revenue)	30.1%	10.0%	Aaa
Institutional framework			
Institutional Framework	A	10.0%	A
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	391.4%	20.0%	A
Fixed-costs ratio (adjusted fixed costs / operating revenue)	12.4%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			Aa2

Sources: US Census Bureau, Cincinnati City School District, OH's financial statements and Moody's Investors Service

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Investors Service
Financial performance		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Investors Service
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Investors Service

Endnotes

- The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

© 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 PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS 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.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 JPY125,000 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