St. Mary's (County of) MD

Update to credit analysis

Summary
St. Mary's County (Aa1) benefits from a local economy that is anchored by the Naval Air Station Patuxent River (NAS Pax River), the navy's center for avionics research and development, testing, evaluation, and acquisition. The base hosts the Naval Air Systems Command and Naval Air Warfare Center Aircraft Division, and its presence attracts high technology industries with high-paying jobs to the area. As such, wealth and income levels are strong, and support the county's solid and improving financial position.

As heightened economic activity spurs population growth, additional infrastructure investment, particularly for the schools, public facilities, and roads is becoming increasingly important. Because of management's plans to address capital needs with more debt and less pay-go funding, St. Mary's County's debt burden will increase. However, it will likely remain manageable given the modest level of debt outstanding as well as overall low fixed costs.

Credit strengths
» Sizeable and stable tax base anchored by NAS Pax River
» Above-average wealth and income levels
» Formal fiscal policies
» Low debt and pension burdens
Credit challenges

» Local economy and employment vulnerable to federal military cuts

» Reliance on economically sensitive revenues

Rating outlook
Outlooks are generally not assigned to local governments with this amount of debt outstanding.

Factors that could lead to an upgrade

» Significant and sustained increase in reserves and liquidity

» Material tax base growth

Factors that could lead to a downgrade

» Trend of structural imbalance yielding diminished reserve levels

» Deterioration of tax base and socioeconomic profile

Key indicators

Exhibit 2

<table>
<thead>
<tr>
<th>St. Mary's (County of) MD</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy/Tax Base</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Full Value ($000)</td>
<td>$11,460,098</td>
<td>$11,675,990</td>
<td>$11,882,198</td>
<td>$12,040,217</td>
<td>$12,203,801</td>
</tr>
<tr>
<td>Population</td>
<td>107,079</td>
<td>108,472</td>
<td>109,614</td>
<td>110,675</td>
<td>110,675</td>
</tr>
<tr>
<td>Full Value Per Capita</td>
<td>$107,025</td>
<td>$107,641</td>
<td>$108,400</td>
<td>$108,789</td>
<td>$110,267</td>
</tr>
<tr>
<td>Median Family Income (% of US Median)</td>
<td>147.1%</td>
<td>151.9%</td>
<td>148.9%</td>
<td>145.7%</td>
<td>145.7%</td>
</tr>
<tr>
<td>Finances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue ($000)</td>
<td>$200,982</td>
<td>$204,231</td>
<td>$209,431</td>
<td>$217,080</td>
<td>$223,616</td>
</tr>
<tr>
<td>Fund Balance ($000)</td>
<td>$52,060</td>
<td>$44,178</td>
<td>$44,604</td>
<td>$37,690</td>
<td>$47,375</td>
</tr>
<tr>
<td>Cash Balance ($000)</td>
<td>$94,724</td>
<td>$94,659</td>
<td>$73,226</td>
<td>$64,362</td>
<td>$81,474</td>
</tr>
<tr>
<td>Fund Balance as a % of Revenues</td>
<td>25.9%</td>
<td>21.6%</td>
<td>21.3%</td>
<td>17.4%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Cash Balance as a % of Revenues</td>
<td>47.1%</td>
<td>46.3%</td>
<td>35.0%</td>
<td>29.6%</td>
<td>36.4%</td>
</tr>
<tr>
<td>Debt/Pensions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Direct Debt ($000)</td>
<td>$100,961</td>
<td>$92,172</td>
<td>$82,605</td>
<td>$72,213</td>
<td>$85,866</td>
</tr>
<tr>
<td>3-Year Average of Moody's ANPL ($000)</td>
<td>$171,790</td>
<td>$211,705</td>
<td>$202,443</td>
<td>$216,933</td>
<td>$207,397</td>
</tr>
<tr>
<td>Net Direct Debt / Full Value (%)</td>
<td>0.9%</td>
<td>0.8%</td>
<td>0.7%</td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Net Direct Debt / Operating Revenues (x)</td>
<td>0.5x</td>
<td>0.5x</td>
<td>0.4x</td>
<td>0.3x</td>
<td>0.4x</td>
</tr>
<tr>
<td>Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)</td>
<td>1.5%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.8%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)</td>
<td>0.9x</td>
<td>1.0x</td>
<td>1.0x</td>
<td>1.0x</td>
<td>0.9x</td>
</tr>
</tbody>
</table>

Source: St. Marys County, MD & Moody's Investors Service

Profile
St. Mary’s County covers an area of 764 square miles and is located on a peninsula in southern Maryland (Aaa stable) with over 500 miles of shoreline. The county has a population of approximately 111,000.
**Detailed credit considerations**

**Economy and tax base: technology-based local economy anchored by a major naval base**

St. Mary’s County’s tax base will likely continue to grow given the strong technology sector anchored by NAS Pax River, which is the county’s largest employer with approximately 25,000 employees. Further, the local economy is well diversified and includes tourism, healthcare, higher education, and advanced manufacturing. Ongoing development drove a five-year average annual tax base increase of 1.6%, reaching $12.7 billion in fiscal 2019. The county’s tax base expanded steadily over the last ten years, anchored by military presence, and is slightly above the median for Aa-rated counties nationally (full value of $8.3 billion).

Given the number of high-paying technology-based jobs in the county, resident wealth levels continue to rise. The median family income is above average at 145.7% of the US median, and full value per capita is a strong $114,313, which exceeds the median ($84,145) of similarly-rated counties. The May 2018 unemployment rate of 3.8% is aligned with the state (3.9%) and nation (3.6%) for the same period.

Besides the naval base, other large private employers include MedStar St. Mary’s hospital and a number defense contractors. Although the large amount of defense-related employers leaves the county vulnerable to federal military cuts, NAS Pax River has not experienced major cuts, likely because of its role as a strategic research base, and, given the US government’s commitment to defense spending, should remain stable.

**Financial operations and reserves: solid and improving reserves and liquidity**

The county’s financial position will likely remain stable due to long-term financial planning and adherence to formal fiscal policies. Fiscal 2017 ended with a surplus of $8.2 million, yielding available (committed, assigned, and unassigned) general fund balance of $47.4 million (21.2% of revenues), which was consistent with projections. Although the county’s reserves remain below the US median for Aa-counties nationally (33.8%), they are above the county’s policy level to maintain fund balance of 15% of general fund revenues, inclusive of a “bond rating reserve” at 6% of revenues, a “rainy day fund” at $1.6 million, and the unassigned fund balance.

Property taxes are the main source of revenues at 47.9%, and have been growing as a result of the county’s increasing assessed value. Economically sensitive income taxes are the second largest source of operating revenues at 39.4%. The local income tax rate (3.0% in fiscal 2018) is markedly below the cap of 3.2%, which affords the county future operating flexibility.

In fiscal 2018, county management estimates the available fund balance to increase by $6.8 million to reach $54.1 million, or 24.3% of estimated fiscal 2018 revenues. The fiscal 2019 budget represents a 4% increase from fiscal 2018, with revenues exceeding expenditures by $4.8 million. Surplus funds will finance pay go capital projects and school safety costs. Year-end reserves are anticipated to remain in line with the prior year.

In its five-year budget forecast, the county plans to reduce the amount of capital projects funded by pay-go going forward, which will allow the county to rebuild general fund reserves.

**LIQUIDITY**

General fund net cash at the end of fiscal 2017 is strong at $81.5 million, or 36.4% of general fund revenues. While this level is slightly below national median (39.4% of revenues) for Aa-rated credits, it is in-line with similarly-rated counties in the state.

**Debt and pensions: low debt burden that will remain manageable despite additional issuances**

The county’s debt burden will increase in the next five years given additional debt plans, however, it will remain manageable due to the currently modest level of debt outstanding and above-average principal amortization. Post-issuance of the Series 2018 bonds, the county will have net direct debt of $110.6 million, which is a manageable 0.9% of 2019 full value. Although this is slightly above the median for Aa-rated counties nationally (0.5% of full value), it remains below the median for counties in the state.

The county’s 2019-2024 capital improvement plan (CIP) totals $296 million, and largely supports public schools (31.3%), public facilities (20.9%), and highways (20.8%). The plan will be funded by bonds (51%), with a portion funded by state and federal grants (30.4%).
Debt policies include limits on total debt at 2.15% of assessed value, and annual debt service at 10% of the general fund budget. Under the current CIP, debt service is projected to remain below 7% of revenues and debt outstanding is projected to remain below 2% of assessed value.

DEBT STRUCTURE
All of the county’s debt is fixed rate, and amortization of debt is above-average with 64.4% of principal retired in 10 years. Fiscal 2017 debt service accounted for approximately 4.6% of general fund expenditures.

DEBT-RELATED DERIVATIVES
The county is not a party to any derivative agreements.

PENSIONS AND OPEB
The county participates in multi-employer, defined benefit retirement plans administered under the State Retirement and Pension System of Maryland for county and school employees. The county also administers a Sheriffs Office Retirement Plan, a single-employer defined benefit pension plan, as well as a length of service program for the Volunteer Fire Departments, Rescue Squads and Advanced Life Support Unit. The county’s combined contribution to the plans was $14.4 million in fiscal 2017, or 6.7% of operating expenditures.

The county’s Moody’s adjusted net pension liability (ANPL) in fiscal 2017 was $238.5 million, or an average 1.07 times operating revenues. Moody’s uses the ANPL to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county’s reported liability information, but to improve comparability with other rated entities.

The county provides other post-employment benefits (OPEB) to retirees. Fiscal 2017 OPEB contributions totaled $3 million, or a minimal 1.4% of operating expenditures. The reported OPEB liability was 68.5% funded at the end of fiscal 2017. After several years of pre-funding its OPEB trust, county management contributed only the pay-go amount of the OPEB cost beginning fiscal 2016.

Total fixed costs, including debt service, pension, and OPEB, are low at 12.7% of fiscal 2017 operating expenditures.

Management and governance
Maryland Counties have an Institutional Framework score of Aa, which is high compared to the nation. Institutional Framework scores measure a sector’s legal ability to increase revenues and decrease expenditures.

The sector’s largest revenue source, property taxes, is capped annually by the lesser of CPI or 5%, and income taxes, which account for approximately a third of revenues, are capped at 3.2%. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. Maryland has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.
MOODY'S INVESTORS SERVICE

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements. The fees for appraisal and rating services rendered by MJKK or MSFJ (as applicable) are neither refundable nor cancellable. 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 Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. 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 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 CREDIT RATINGS ARE OPINIONS OF MOODY'S AND NOT STATEMENTS OF FACT. TO THE EXTENT PERMITTED BY LAW, MOODY'S IS NOT AN AUDITOR AND CANNOT IN ANY INSTANCE INDEPENDENTLY VERIFY OR VALIDATE INFORMATION RECEIVED IN THE RATING PROCESS OR IN PREPARING THE MOODY'S PUBLICATIONS.

MOODY'S IS NOT AN AUDITOR AND CANNOT IN ANY 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.

MOODY'S IS NOT AN AUDITOR AND CANNOT IN ANY 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 CAUSED TO ANY PERSON OR ENTITY, INCLUDING BUT NOT LIMITED TO 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 JPY200,000 TO APPROXIMATELY JPY350,000,000. MCO AND MIS ALSO MAINTAIN POLICIES AND PROCEDURES TO ADDRESS JAPANESE REGULATORY REQUIREMENTS.

© 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 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.

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 ANY INSTANCE INDEPENDENTLY VERIFY OR VALIDATE INFORMATION RECEIVED IN THE RATING PROCESS OR IN PREPARING THE MOODY'S PUBLICATIONS.

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 JPY200,000 TO APPROXIMATELY JPY350,000,000.

MOODY'S IS NOT AN AUDITOR AND CANNOT IN ANY 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 OR SUPPLIERS DISCLAIM LIABILITY TO ANY PERSON OR ENTITY FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, OR INCIDENTAL LOSSES OR DAMAGES CAUSED TO ANY PERSON OR ENTITY, INCLUDING BUT NOT LIMITED TO 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 JPY200,000 TO APPROXIMATELY JPY350,000,000. MCO AND MIS ALSO MAINTAIN POLICIES AND PROCEDURES TO ADDRESS JAPANESE REGULATORY REQUIREMENTS.