

## CREDIT OPINION

16 June 2023



### Contacts

Alex Rawlings +1.214.979.6841  
AVP-Analyst  
alex.rawlings@moodys.com

Christopher Coviello +1.212.553.0575  
VP-Senior Analyst  
christopher.coviello@moodys.com

### CLIENT SERVICES

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

# Collin County, TX

## Update to credit analysis

### Summary

[Collin County's](#) (Aaa stable) credit profile is strong and exceeds medians for the rating category across a number of metrics. The county's economy is steadily growing, large, and affluent. This has been fueled by its advantageous location directly north of [Dallas](#) (A1 stable) which has attracted a variety of corporate relocations and substantial residential development. The county's credit profile also benefits from conservative fiscal management and very high reserves relative to revenue. The county is primarily challenged by managing growth, with higher debt relative to other highly rated entities following the most recent issuance as the substantial ongoing development creates significant infrastructure costs.

On June 16, 2023, Moody's assigned a Aaa general obligation limited tax (GOLT) rating to the county's Series 2023 bonds.

### Credit strengths

- » Extremely strong financial position
- » Large, affluent, and growing local economy
- » Favorable location in the rapidly growing northern sector of the Dallas/Fort Worth metropolitan area

### Credit challenges

- » Additional service demands commensurate with growth
- » Elevated leverage and high fixed costs relative to other similarly rated entities

### Rating outlook

The stable outlook reflects the expectation that the county's rapid growth will continue and that conservative governance will continue to support the county's extremely strong financial position.

### Factors that could lead to an upgrade

- » Not applicable

### Factors that could lead to a downgrade

- » Significant and sustained weakening of financial reserves
- » Substantial amounts of additional debt that significantly outpace revenue increases

» Stagnation of the local economy

## Key indicators

Exhibit 1

### Collin (County of) TX

	2019	2020	2021	2022	Aaa Medians
<b>Economy</b>					
Resident income ratio (%)	148.9%	148.3%	145.5%	N/A	123.0%
Full Value (\$000)	\$138,427,327	\$149,632,277	\$157,051,906	\$167,755,086	\$55,178,323
Population	973,977	1,006,038	1,039,812	N/A	406,428
Full value per capita (\$)	\$142,126	\$148,734	\$151,039	N/A	\$134,157
Economic growth metric (%)	N/A	1.4%	1.3%	N/A	-0.2%
<b>Financial Performance</b>					
Revenue (\$000)	\$343,491	\$445,731	\$451,101	\$370,598	\$498,648
Available fund balance (\$000)	\$205,706	\$216,190	\$295,999	\$288,109	\$189,383
Net unrestricted cash (\$000)	\$651,322	\$862,556	\$1,002,828	\$1,103,776	\$343,404
Available fund balance ratio (%)	59.9%	48.5%	65.6%	77.7%	40.1%
Liquidity ratio (%)	189.6%	193.5%	222.3%	297.8%	70.0%
<b>Leverage</b>					
Debt (\$000)	\$392,565	\$537,131	\$580,408	\$597,500	\$387,256
Adjusted net pension liabilities (\$000)	\$368,737	\$457,558	\$594,658	\$486,800	\$525,310
Adjusted net OPEB liabilities (\$000)	\$0	\$0	\$0	\$0	\$85,473
Other long-term liabilities (\$000)	\$11,937	\$101,975	\$121,508	\$142,104	\$26,679
Long-term liabilities ratio (%)	225.1%	246.0%	287.4%	330.9%	206.0%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$23,557	\$28,622	\$38,465	\$40,710	\$26,487
Pension tread water contribution (\$000)	\$4,258	\$8,983	\$4,195	\$9,770	\$14,442
OPEB contributions (\$000)	\$0	\$0	\$0	\$0	\$2,786
Implied cost of other long-term liabilities (\$000)	\$814	\$870	\$7,303	\$8,523	\$1,585
Fixed-costs ratio (%)	8.3%	8.6%	11.1%	15.9%	8.8%

For definitions of the metrics in the table above please refer to the [US Cities and Counties 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 [US Cities and Counties Median Report](#). The Economic Growth metric cited above compares the five-year CAGR of real GDP for Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Collin (County of) TX's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

## Profile

Collin County is located north of the City of Dallas, with [McKinney, TX](#) (Aaa stable) serving as the county seat. The county has been experiencing tremendous growth fueled by corporate relocations and expansions, leading to strong population growth. As of 2023, the county's population is estimated at 1.2 million.

## Detailed credit considerations

### Economy: affluent area north of Dallas experiencing rapid growth

The county's economy base is large, diverse and affluent and will continue to grow because of strong demand for commercial and residential property in the region. The county's assessed valuation growth has been driven by robust business growth in the region, characterized by numerous corporate relocations and expansions. Historically, the county served primarily as a bedroom community with residents commuting into Dallas to the south, though this dynamic has changed in recent years. The county now has its own substantial employment base following many notable corporate relocations such as [Toyota's](#) (A1 stable) North American division and [Liberty Mutual Group](#) (A2 stable). Accordingly, the county's property value per capita is high at roughly \$189,000 and the local economy, as assessed by gross domestic product, has grown at a pace of 1.3% over the past five years. While the rate of growth is likely

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.

to slow as the nominal size of the base continues to grow and the county matures developmentally, there is sufficient land within the county for the tax base to continue growing for the foreseeable future.

Given strong business development, demographic and socioeconomic trends are favorable in the county. The county's population has increased from 782,341 as of the 2010 census to approximately 1.2 million as of a 2023 estimate provided by the county government. With relatively affordable housing and strong job growth, the median age is slightly below the nation at 37 years. The county's labor force has been rapidly growing while at the same time unemployment is quite low. Unemployment was only 3.5% in 2022. Unemployment has consistently trended below both the state and nation over the past 10 years. The ample employment opportunities in the area result in elevated resident incomes with an affordability adjusted median resident income at 146% of the national level.

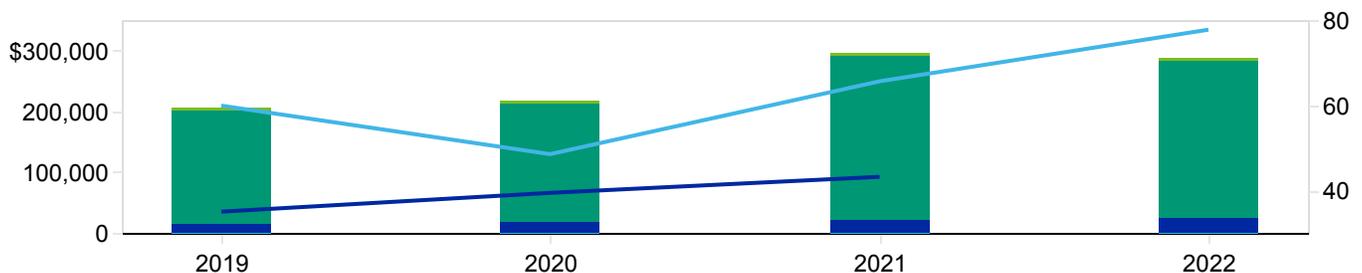
### Financial operations: strong financial performance and very high reserves relative to revenue

The county's conservative fiscal management and rising revenue base will allow it to maintain its extremely strong financial position over the long term. Collin County's property tax revenue has consistently climbed over the past decade and driven positive financial results that have culminated in an available fund balance equal to 78% of revenue in fiscal 2022. This is well above the median for Aaa rated counties and is a significant credit strength. The county has no plans to draw on its financial reserves going forward. Preliminary financial results for fiscal 2023 suggest the county will experience an increase in both fund balance and liquidity, though the year has not yet ended. Officials report no significant inflationary pressures or cost overruns for ongoing capital projects and expect to be able to keep building reserves in the coming years.

Exhibit 2

#### Fund Balance

■ General fund   
 ■ Other governmental funds   
 ■ Internal service funds   
 ■ Business-type activities  
— Available fund balance ratio (%)   
 — Aaa median available fund balance ratio (%)



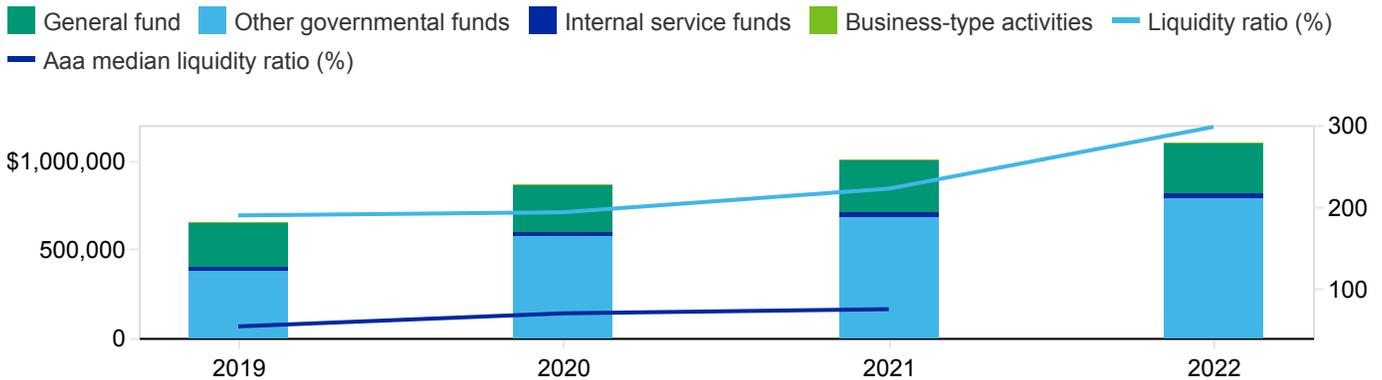
Source: Moody's Investors Service

#### Liquidity

As of fiscal 2021, the county's net unrestricted cash across all funds was \$1.1 billion or an extremely strong 298% of fiscal 2022 revenue. Liquidity is likely to remain very strong relative to revenue in 2023 and beyond. The county's very strong liquidity provides an ample hedge against any disruptions caused by environmental or economic events in future.

Exhibit 3

Cash



Source: Moody's Investors Service

**Leverage: rising debt levels due to substantial infrastructure needs**

The county's debt levels have risen following its most recent issuance for roughly \$266 million, though debt is still manageable and will remain so as continued increases in revenues offset future infrastructure needs driven by the area's rapid growth. Fiscal 2022 combined long-term liabilities represent 331% of revenue and adjusted fixed costs on the year were 16% of revenue. These metrics are somewhat high for a Aaa rated entity, though still quite manageable. While continued growth will drive future revenue increases, the county will continue to issue debt over the long term for a variety of capital needs. Officials expect to continue seeking additional authorization from voters to issue debt, though they will issue debt in a manner that will keep the debt service tax rate stable.

Exhibit 4

Total Primary Government - Long Term Liabilities



Source: Moody's Investors Service

**Legal security**

The bonds constitute direct obligations of the county and are payable from the levy and collection of an ad valorem tax levied, within the limits prescribed by law, on all taxable property within the county.

**Debt structure**

All of the county's debt is fixed rate. Amortization is below the median for counties in Texas, and nationally, with 55% retired in 10 years, though characteristic of a growing area with new capital needs. The county amortizes new debt over twenty years.

**Debt-related derivatives**

Collin County is not party to any interest rate swaps or other derivatives.

### Pensions and OPEB

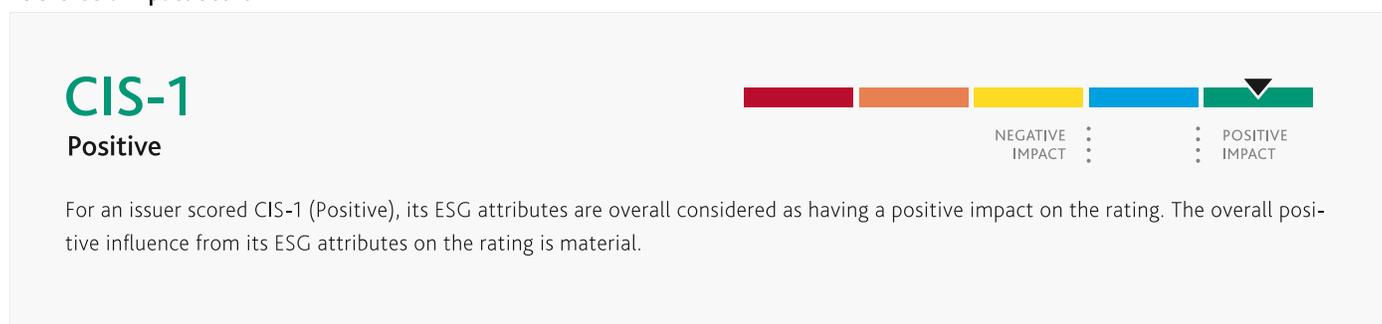
Collin County has a manageable pension burden based on unfunded liabilities from its participation in the Texas County and District Retirement System (TCDRS), a multi-employer defined benefit agent plan. The county's contribution of \$23.8 million in fiscal 2022 significantly exceeds our tread water indicator. The tread water indicator measures the annual government contributions required to prevent reported net pension liabilities from growing, under reported assumptions. Moody's notes that TCERS' discount rate remains high at 7.5%, though it was reduced for fiscal 2021 from 8.1% in the prior year. The high assumed discount rate highlights the system's vulnerability to pension asset volatility, though given the high contribution levels and the liability at present we do not expect pension liability to be a significant negative factor for the county going forward. Moody's adjusted net pension liability (ANPL) for the county was \$487 million as of fiscal year 2022 representing a moderate 131% of operating revenue.

## ESG considerations

### Collin (County of) TX's ESG Credit Impact Score is Positive CIS-1

Exhibit 5

#### ESG Credit Impact Score



Source: Moody's Investors Service

Collin County's ESG Credit Impact Score is positive (**CIS-1**), reflecting neutral to low exposure to environmental risks and positive exposure to social and governance considerations.

Exhibit 6

#### ESG Issuer Profile Scores



Source: Moody's Investors Service

### Environmental

The county's overall E issuer profile score is neutral to low (**E-2**) reflecting low exposure to all categories including physical climate risks, carbon transition, water management, waste and pollution and natural capital.

### Social

The county's S issuer profile score of (**S-1**) is positive reflecting positive demographic trends supported by a young populace and high organic growth and net migration into the county. Labor and income, education, health and safety, and housing are all positive factors for Collin County.

## Governance

Collin County's strong governance profile supports its rating as captured in a positive G issuer profile score (**G-1**). This reflects a solid institutional framework, policy effectiveness and budget management evidenced in budget outcomes that typically outpace expectations. Transparency and disclosure is better than many peers and is supported by a history of timely audit releases, public disclosure of interim financial information, and prompt budget adoption.

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 Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

The two notch differential between the Aaa issuer rating and the Aa2 scorecard-indicated outcome reflects the county's exceptionally high level of financial reserves and the bright prospects for continued economic development.

Exhibit 7

### Collin (County of) TX

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	145.5%	10.0%	Aaa
Full value per capita	188,811	10.0%	Aaa
Economic growth metric	1.3%	10.0%	Aaa
<b>Financial Performance</b>			
Available fund balance ratio	77.7%	20.0%	Aaa
Liquidity ratio	297.8%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	330.9%	20.0%	A
Fixed-costs ratio	15.9%	10.0%	A
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
<b>Assigned Rating</b>			<b>Aaa</b>

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

## Appendix

Exhibit 8

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government'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
Adjusted net OPEB liabilities (ANOL)	Total primary government'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
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	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 contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*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 City and Counties Methodology](#).

Source: Moody's Investors Service

© 2023 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 credit 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, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - 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.

REPORT NUMBER 1371952

## Contacts

Alex Rawlings  
AVP-Analyst  
alex.rawlings@moody's.com

+1.214.979.6841

Christopher Coviello  
VP-Senior Analyst  
christopher.coviello@moody's.com

+1.212.553.0575

## CLIENT SERVICES

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