

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa2 to University of Hawaii's \$189.45M Univ. Rev. Bonds, Series 2015A-E; outlook negative

Global Credit Research - 03 Sep 2015

\$574M pro forma rated debt

UNIVERSITY OF HAWAII, HI
Public Colleges & Universities
HI

Moody's Rating

ISSUE	RATING
University Revenue Bonds Taxable Series 2015A	Aa2
Sale Amount \$8,570,000	
Expected Sale Date 09/09/15	
Rating Description Revenue: Public University Broad Pledge	
University Revenue Bonds, Series 2015B (Tax-Exempt)	Aa2
Sale Amount \$80,955,000	
Expected Sale Date 09/09/15	
Rating Description Revenue: Public University Broad Pledge	
University Revenue Bonds, Series 2015E (Tax-Exempt)	Aa2
Sale Amount \$51,900,000	
Expected Sale Date 09/09/15	
Rating Description Revenue: Public University Broad Pledge	
University Revenue Bonds, Taxable Series 2015C	Aa2
Sale Amount \$29,785,000	
Expected Sale Date 09/09/15	
Rating Description Revenue: Public University Broad Pledge	
University Revenue Bonds, Taxable Series 2015D	Aa2
Sale Amount \$18,240,000	
Expected Sale Date 09/09/15	
Rating Description Revenue: Public University Broad Pledge	

Moody's Outlook NEG

NEW YORK, September 03, 2015 --Moody's Investors Service assigns Aa2 ratings to University of Hawaii's (UH) proposed \$189.45 million of University Revenue Bonds, Series 2015A-E to be issued through the Board of Regents of the University of Hawaii. The final sale amount may change depending on market conditions for the refunding. They could issue up to \$225 million, with only \$8.5 million of new money. The bonds are fixed rate and have a final maturities ranging from 2016 to 2044. At the same time we are affirming the University of Hawaii's Aa2 issuer rating and Aa2 ratings on all outstanding rated debt. The outlook is negative.

SUMMARY RATING RATIONALE

The University of Hawaii's Aa2 rating reflects its essential role in the State of Hawaii (rated Aa2, stable) as its sole provider of public higher education, its large scale, and diversified revenues including strong state support for capital and operations (including employee benefits and debt service).

The Aa2 rating is further supported by a substantial research enterprise with diverse and unique programs, as well as improved fiscal oversight and expense containment expected to yield better operating results in FY 2015.

Offsetting challenges include thinning cash and investments and unrestricted monthly liquidity due to a long history of deficits, a high backlog of deferred maintenance, a need to carefully manage operations with continued expense pressure across the 10-campus system, and a high percentage of unionized staff. The university has a large non-cash OPEB liability that is substantially depressing net assets on a GAAP basis and Moody's calculated financial resources. The university's allocated share of the state's pension plan liability will be substantial relative to peers and will further depress net assets.

OUTLOOK

The negative outlook reflects the university's still challenged financial operations leading to another use of reserves in FY 2015. Expense control will remain a critical credit challenge for FY 2016 as the university faces continued modest enrollment declines.

WHAT COULD MAKE THE RATING GO UP

- Significant increases in cash and investments with limited borrowing
- Meaningful and sustained improvement to operating cash flow

WHAT COULD MAKE THE RATING GO DOWN

- Failure to materially strengthen cash flow by FY 2016
- Downgrade or deterioration of the credit quality of the State of Hawaii
- Deterioration of monthly liquidity
- Reduction of state operating or capital support or funding of fringe benefit payments

STRENGTHS

- Strong market position as dominant provider of higher education and important economic development driver in the state and strategically important research enterprise in the US Pacific
- Strong revenue diversity with projected overall revenue growth in FYs 2015 and 2016
- Limited additional debt
- Adequate cash and investment cushion of debt (1.3 times), in line with Aa2 medians
- Solid liquidity of 121 monthly days cash on hand
- \$246 million of revenue bonds (42% of total pro-forma debt) have an additional pledge of revenue from the State equal to debt service

CHALLENGES

- Substantial and rising post-retirement health benefit (OPEB) liability of \$579 million in FY 2014 depresses financial resources
- Highly unionized faculty and staff reduces expense flexibility
- Weak enrollment trends due to countercyclical nature of community college enrollment
- Significant Moody's adjusted net pension liability, although state currently covers associated expense

RECENT DEVELOPMENTS

Recent developments are incorporated into the detailed rating rationale.

DETAILED RATING RATIONALE

MARKET POSITION: SOLE PUBLIC HIGHER EDUCATION PROVIDER IN HAWAII; STRONG RESEARCH PROFILE

University of Hawaii's role as the sole provider of public higher education for the State of Hawaii is a key component of its credit strength, including geographically and programmatically diverse enrollment, growing net tuition, strong partnership with the State of Hawaii and maintenance of its research enterprise. UH reported enrollment of over 39,000 FTEs for Fall 2014 across its ten campuses located on the islands, with nearly half at the seven two-year community colleges and over 40% at the Manoa flagship research campus. Enrollment contracted slightly in the last few years both attributed by the university to the improving economy affected community college enrollments and improved graduation rates at the four-year campuses. Enrollment is expected to decline a further 2-3% in fall 2015. Over the longer term, the university expects enrollments to stabilize with growth at the newer West O'ahu campus and with a continued focus on greater participation rates for Hawaiian high school graduates.

Strong net tuition revenue growth continues despite enrollment declines due to tuition rate increases. Tuition rates increased by 7% in FY 2015, though a portion of the rate increases is dedicated to financial aid. In May 2015, the Board lowered the FY 2016 and 2017 rate increases to 5% from 7%, with a focus on maintaining affordability.

Hawaii's strategic Pacific location for certain federal research activities is a key competitive advantage. The university manages a significant research enterprise, with \$425 million of research awards for FY 2015, notably up 8% from \$392 million in the prior year. UH's research funding is largely from diverse federal agencies at 66% of FY 2015 awards, with large awards from the National Science Foundation, Departments of Defense and Commerce and Department of Education. UH's designation as a Naval University Affiliated Research Center helps to create a stronger pipeline to future awards.

OPERATING PERFORMANCE, BALANCE SHEET, AND CAPITAL PLANS: DEFICIT OPERATIONS WITH SLOW IMPROVEMENT; STRATEGIC CAPITAL PLANS WILL ALLEVIATE DEFERRED MAINTENANCE

Good revenue diversity and exceptional operating and capital support from the Aa2-rated State of Hawaii help anchor the university at the Aa2 rating despite a history of deficit operations and weak cash flow. In addition to general operating funds (almost \$430 million in FY 2016, up from \$410 in FY 2015), the state pays annual debt service on over 40% of the university's debt, and covers almost all pension and OPEB contributions on behalf of the university - together, these funds represent approximately 38% of total operating revenue. Grants and contracts revenue is the second largest contributor, at 29%.

Operations are expected to improve marginally in FY 2015, and return to close-to-balanced in FY 2016 with strong expense controls instituted throughout the system, especially at the Manoa campus. Since FY 2011 the Manoa campus, approximately 60% of the university's revenues, grew expenses rapidly, producing deep losses and spending down over \$100 million of reserves. The university's balance sheet growth has not kept pace with that of peers due to these losses, with cash and investments growing just 21% from FY 2010-2014, compared to the Aa2 public median of 39% growth. In FY 2015, the university instituted quarterly budget reconciliation, and worked with the Manoa campus to develop a long-term plan for fiscal stability. All campuses must work to have a cash reserve level of 16% of tuition revenue, which will take Manoa several years to achieve.

The board's recent implementation of conservative debt and capital plans that are focused on bringing down deferred maintenance at each campus, with no additional debt planned in the next few years are credit positive, especially in light of declining resources and cash and investments. The university's five year capital plan calls for limited new construction, all to be funded by the state. It instituted a moratorium on new construction on any campuses with continued deferred maintenance issues. The majority of planned capital projects will be for repair, renovation and repurposing existing space, and will likely be funded through state capital appropriations. The current bond issuances include approximately \$8.5 million for funding of a new law school building at Manoa and a new school of pharmacy at Hilo, both granted exceptions to the moratorium due to strategic priority.

We expect the university's recent trend of improved fundraising to help balance some of the reserve uses in FY 2015. The university is currently evaluating a comprehensive fundraising campaign, which it expects to launch in the next 12-18 months. Growth of philanthropic support that helps rebuild resources and total cash and investments would add stability to the university's credit profile. The university's three-year average gift revenue was \$81 million for FYs 2012-14, compared to \$21 million in FYs 2002-2004.

Liquidity

Multiple years of deficits have reduced the UH's flexible reserves, which are expected to remain stagnant in FY 2015, but resume growth in FY 2016. In FY 2015, the university implemented a minimum reserve requirement at each campus, which will stabilize their monthly liquidity in the future. Current liquidity is adequate given the university's all fixed rate debt structure and strong state support, with \$484 million of unrestricted cash and investments that can be liquidated within a month. This translates to 121 days cash on hand, moderately below the FY 2014 Aa2 public university median of 149 days. The university's endowment reported a weak 0.8% return as of June 30, 2015. The endowment is managed at the foundation, with investment oversight provided by the foundation board and an external advisor.

DEBT AND OTHER LIABILITIES: LOWER DEBT DUE TO STRONG CAPITAL FUNDING, BUT VERY HIGH PENSION AND OPEB OBLIGATIONS

UH manages a relatively stable debt burden due to limited debt plans and regular amortization. Pro-forma debt to operations is 0.4 times, compared to the Aa2 median of 0.46.

Debt Structure

The majority of the university's approximately \$591 million of pro-forma debt is all fixed rate with regular long-term amortization schedules. The only exception is a \$17 million note with Hawaii Regional Center, which is payable semi-annually and matures on July 16, 2017.

Debt-Related Derivatives

None

Pensions and OPEB

The university's large and growing defined benefit pension (the Hawaii Employees' Retirement System) and OPEB obligations and expense present heightened long-term credit risk due to their size and scope relative to the university's operations. In the near-term, however, these risks are mitigated by the state's demonstrated commitment to pay the university's portion of fringe benefit (pension and OPEB) costs. Both pension and OPEB contributions are growing at a fast pace, with pension contributions estimated to grow by 6% in FY 2016, and OPEB contributions growing rapidly in order for the state to meet its goal of fully funding the ARC by FY 2019.

The state has not yet provided UH with its portion of the pension plan liability per GASB 68, but under our methodology for adjusting reported pension information, we estimate the university's pro rata share of the statewide system at approximately 13%. When combined with our discount rate adjustments, this equates to a Moody's adjusted net pension liability of \$2.5 billion in FY 2013. On an as reported basis, the entire statewide system's unfunded liability reached \$8.6 billion in 2014. While contribution requirements are projected to grow over the long-term at 3% annually, the plan's actuaries project the unfunded liability will continue to increase until 2022, even if the plan achieves its investment return target of 7.75% annually for the entire period. Contribution rates are not yet sufficient to cover both service cost and interest on the reported unfunded liability.

UH's retiree health benefit expense and obligations (OPEB), \$579 million in FY 2014, substantially depress net assets and will continue to grow in the near term until the state and the university make sufficient headway in fully funding the OPEB ARC.

GOVERNANCE AND MANAGEMENT: IMPROVED INTERNAL CONTROLS ADD CREDIT STABILITY; STRATEGIC PLAN CLOSELY ALIGNED WITH STATE PRIORITIES

In the last year, the university and Board of Trustees have made considerable strides in bringing stronger budgetary oversight to each university campus. After multiple high-level turnovers and politically charged governance moves, management has stabilized and, together with the board, is aligned in their focus on longer term fiscal stability. Recently implemented quarterly budget reports, guidelines around minimum reserve requirements at each campus and long-term strategic planning and prioritization will help stabilize the university's operations and flexible reserves in the future. As the primary higher education provider for the state, the university has built long-term capital and strategic plans around the needs and priorities of the state.

KEY STATISTICS (FY 2014 financial statements; fall 2014 enrollment)

- Total Full-Time Equivalent Enrollment: 39,237

- Total Cash and Investments: \$783 million
- Total Financial Resources: \$442 million (including foundation; \$1.0 billion without OPEB liability)
- Total Pro-forma Direct Debt: \$591 million
- Total Operating Revenue: \$1.5 billion
- Reliance on State Appropriation Revenues (% of Moody's operating revenues): 38%
- Reliance on Grant & Contracts Revenue (% of Moody's operating revenues): 29%
- State of Hawaii rating: Aa2, stable

OBLIGOR PROFILE

The University of Hawaii is a large multi-campus system with three university campuses, seven community college campuses and nine educational centers distributed across six islands throughout the State. The scope and scale of the university is reflected in its \$1.5 billion operating revenue and almost 40,000 FTE students. The university has a strong and unique research profile, particularly in earth and marine sciences.

LEGAL SECURITY

All university revenue bonds, including the Series 2015 A-E bonds, are secured by a first lien on the Network revenue, including System revenues consisting of various housing and auxiliary activities, a subordinate lien on Legislative Appropriations in special and revolving funds appropriated or allocated to the Board of Regents, the university, the System or the Network, to the extent permitted by law, which includes tuition and fees. FY 2014 system gross revenues of \$97 million provided debt service coverage of 3.12 times. The special and revolving fund balance is approximately \$165 million for FY 2013.

The lien on special and revolving funds is subordinate to payment on the Series 2006A University (School of Medicine) Bonds, as well as the reimbursement to the state for debt service on its general obligation bonds issued for university purposes.

Approximately 42% of the university's bonds have debt service that is offset by additional State-pledged funds. The Series 2010A-1 and A-2 (Cancer Center) bonds are additionally secured by amounts on deposit in the Hawai'i Cancer Research Special Fund. As long as any Series 2010A-1 and A-2 bonds remain outstanding, the Legislative Appropriation is to be allocated to the University's Cancer Research Center to be used solely for repayment of debt service on these bonds and current expenses and capital expenditure of the Cancer Research Center. In FY 2015, the university received \$14.8 million compared to \$7.9 million of debt service.

The Series 2015 D and E bonds which are expected to refund the Series 2006A University (School of Medicine) Bonds are additionally secured by tobacco settlement receipts. Under its Master Settlement Agreement with tobacco companies, the state has pledged to provide 28% of the state annual tobacco settlement receipts for the payment of debt service on the bonds through FY 2013, 27% in FY 2014, and 26% of the receipts beginning in FY 2015 forward. To date, coverage has remained consistent. For FY 2015, the university received \$11.6 million of funds from the State for the school, compared to \$9.9 million in debt service. In 2016 and beyond, the university will no longer receive supplemental funds, but will continue to receive the full debt service payment for the life of the bonds.

USE OF PROCEEDS

Proceeds from the Series 2015 A-E (Series 2015) bonds will be used to: finance a portion of the costs of acquiring, constructing and equipping certain Law School and Pharmacy School facilities; refund all or a portion of the University Revenue Bonds, Series 2006A, University Bonds Refunding Series 2006A, and University Revenue Bonds, Series 2009A; and pay costs of issuance of the bonds.

RATING METHODOLOGY

The principal methodology used in this rating was U.S. Not-for-Profit Private and Public Higher Education published in August 2011. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

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

The following information supplements Disclosure 10 ("Information Relating to Conflicts of Interest as required by Paragraph (a)(1)(ii)(J) of SEC Rule 17g-7") in the regulatory disclosures made at the ratings tab on the issuer/entity page on www.moody's.com for each credit rating:

Moody's was not paid for services other than determining a credit rating in the most recently ended fiscal year by the person that paid Moody's to determine this credit rating.

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

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moody's.com for additional regulatory disclosures for each credit rating.

Analysts

Eva Bogaty
Lead Analyst
Public Finance Group
Moody's Investors Service

Brad Spielman
Backup Analyst
Public Finance Group
Moody's Investors Service

Susan Fitzgerald
Additional Contact
Public Finance Group
Moody's Investors Service

Diane F. Viacava
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

MOODY'S

INVESTORS SERVICE

© 2015 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 CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("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 PUBLISHES MOODY'S 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 AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY 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.

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 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.

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 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 \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS 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."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

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