

SPECIAL COMMENT

Frequently Asked Questions About The Recalibration Of U.S. Municipal Ratings To The Global Rating Scale (Updated)

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1. How soon will Moody's assign a global scale rating to a new bond sale? Can one be issued before an issuer's sector or state has been recalibrated?

Moody's will assign GSRs once the sector of the issuer's rating has been recalibrated. Only municipal scale ratings will be issued for any debt rated in advance of the recalibration of that issuer's state or sector. The recalibration of ratings is scheduled to begin April 16, 2010 and is expected to conclude May 10, 2010. All state government ratings will be recalibrated in the first round of recalibration beginning on April 16th. Local government ratings in the same state will be recalibrated together over a three week period beginning April 16th and grouped by state according to the planned schedule shown on Moodys.com at <http://v3.moodys.com/uploadpage/AllRatingLists/Schedule.xls>.

2. Will rating changes resulting from the recalibration require the filing of a "material event" notice by rated issuers?

Moody's does not determine what constitutes a material event for purposes of Section 15c2-12 and therefore issuers will need to make this determination individually. This recalibration does not reflect any change in our assessment of the intrinsic creditworthiness of the securities and should not be considered an upgrade of individual ratings.

3. Will Moody's provide guidance for disclosure of the GSR recalibrations to include in official statements and other documents used by issuers for new bond sale transactions?

Moody's does not determine disclosure requirements and therefore it is for issuers to make this determination individually. This recalibration does not reflect any change in our assessment of the intrinsic creditworthiness of the securities and should not be considered an upgrade of an individual rating.

4. Will Moody's send individual rating letters to rated issuers after recalibration of their ratings?

We do not plan to send letters to individual issuers regarding the recalibration. Recalibrated ratings will be available free of charge on moodys.com and visible in a list expected to be posted each Monday after the conclusion of the prior weekend's recalibration. This is a recalibration of ratings from one scale to another, not a review of individual credits or credit factors. For new issuances of debt that occur after the recalibration and are rated on the global scale, Moody's will follow its normal practice of sending rating letters to issuers for those individual debt issuances.

5. Will Moody's post a separate list for each group of ratings on Moodys.com after each group of recalibrations?

All recalibrated ratings will be available on moodys.com for individual issuers. In addition, we plan to publish a list each Monday showing the old municipal scale rating and the new global scale rating by sale for each issuer whose ratings were recalibrated the prior weekend. Finally, a list of general obligation bond ratings for states is scheduled to be posted on moodys.com following the recalibration of state ratings on April 19th. These lists are available at www.moodys.com/gsr.

6. What are "issuer Ratings" listed on the U.S. Municipal Ratings Recalibration page on Moodys.com?

Issuer ratings are assigned as a proxy for general obligation or other senior-most security pledges of an issuer. In contrast to sale/debt ratings, these ratings are assigned at the issuer level and do not specifically apply to a particular debt instrument.

7. Will rating outlooks be assigned to all GSR ratings? How will outlooks be affected by the recalibration?

Municipal scale ratings that currently have outlooks will retain outlooks when recalibrated to the global scale, although some outlooks may be adjusted in the process (see following table). Municipal scale ratings that currently do not have outlooks will not have outlooks when recalibrated to the global scale. For those municipal scale ratings that currently have outlooks assigned in the General Obligation, Water & Sewer, Distribution-only Power Utilities and Municipal Utility Districts, the following table lists the change in outlook by rating category. In all other sectors, outlooks assigned to the municipal scale ratings will be the same when the ratings are recalibrated to the global scale.

* Also see Table 1 in Recalibration of Moody's U.S. Municipal Ratings to its Global Rating Scale http://v3.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_PBM123300

MUNICIPAL SCALE RATING/OUTLOOK	GLOBAL SCALE RATING/OUTLOOK
Aaa/STABLE	Aaa/STABLE
Aaa/NEGATIVE	Aaa/STABLE
Aa1/POSITIVE	Aaa/STABLE
Aa1/STABLE	Aaa/STABLE
Aa1/NEGATIVE	Aa1/STABLE
Aa2/POSITIVE	Aa1/POSITIVE
Aa2/STABLE	Aa1/STABLE
Aa2/NEGATIVE	Aa1/NEGATIVE
Aa3/POSITIVE	Aa2/POSITIVE
Aa3/STABLE	Aa2/STABLE
Aa3/NEGATIVE	Aa2/STABLE
A1/POSITIVE	Aa2/STABLE
A1/STABLE	Aa2/STABLE
A1/NEGATIVE	Aa2/NEGATIVE
A2/POSITIVE	Aa3/POSITIVE
A2/STABLE	Aa3/STABLE
A2/NEGATIVE	Aa3/NEGATIVE
A3/POSITIVE	A1/POSITIVE
A3/STABLE	A1/STABLE
A3/NEGATIVE	A1/STABLE
Baa1/POSITIVE	A1/STABLE
Baa1/STABLE	A1/STABLE
Baa1/NEGATIVE	A1/NEGATIVE
Baa2/POSITIVE	A2/POSITIVE
Baa2/STABLE	A2/STABLE
Baa2/NEGATIVE	A2/NEGATIVE
Baa3 /POSITIVE	A3 or Baa1/ POSITIVE
Baa3/STABLE	A3 or Baa1/STABLE
Baa3/NEGATIVE	Baa1/NEGATIVE
Ba1 and Below	No rating or outlook change

8. Why are speculative grade ratings not being recalibrated to higher ratings?

Speculative grade municipal scale ratings (rated Ba1 and below) have been determined through benchmarking reviews to have credit characteristics consistent with speculative global scale ratings and therefore will not change in the recalibration.

9. Will the GSR rating migrations be included in Moody's quarterly reports of rating upgrades and downgrades?

No, this is a recalibration to a different scale, not a review of individual credit factors. As a result, these rating changes are not credit actions, do not reflect any change in our assessment of the intrinsic creditworthiness of the securities, and are not upgrades of individual ratings.

10. What is the new "GSR" column now visible in the sale-level rating history on moodys.com related to global scale ratings?

To enhance transparency surrounding the US municipal rating recalibration, Moody's has added this new column to the Ratings display on moodys.com. This changed display will be used throughout the recalibration period from mid-April through mid-May and then will be removed. The new column will denote whether a rating has been recalibrated to the global scale (YES) or has not yet been recalibrated (NO). Until the recalibration begins all public finance issues will reflect "NO" in this column.

Sale Description	GSR	Sale Date	Sale Amount (\$US Mil)	Underlying		Enhanced		Insured	
				Rating	Watch Status	Rating	Watch Status	Rating	Watch Status
2010 Series A-1									
General Obligation Bonds, Fiscal 2010 Series G, Subseries G-4	No	29 Mar 2010	150.00	Aa3	Not on Watch	VMIG 1	Not on Watch		
General Obligation Bonds, Fiscal 2010 Series G, Taxable Subseries G-3	No	25 Mar 2010	30.93	Aa3	Not on Watch				
General Obligation Bonds, Fiscal 2010 Series G, Taxable Subseries G-1 (Build America Bonds)	No	18 Mar 2010	644.07	Aa3	Not on Watch				

The following categories of ratings will have a notation of "GSR" and will reflect a "YES" in GSR column at the start of the recalibration because they are already on the global scale:

- » Municipal issues that receive support from a financial guarantor (including those that have been further enhanced by a letter of credit) but which have not been assigned a Moody's public underlying or enhanced long-term rating.
- » Short-term ratings on municipal notes and commercial paper
- » Bonds that have been fully pre-refunded

11. What are “GSRs” and what does the recalibration mean for the municipal market?

GSRs are Global Scale Ratings which are currently used across the Moody's rated universe except U.S. municipal ratings. The global rating scale seeks to measure expected loss, which is the product of default probability and the loss that would occur following a default. In the upper investment grade rating portion of the scale, global scale ratings are more reflective of default probability than of expected loss due to low credit risk at these high rating levels. In the past, Moody's rated U.S. municipal credits on a unique rating scale which historically sought to measure distance to distress rather than expected loss.

12. Are these recalibrated ratings upgrades of the municipal ratings?

No, this is a recalibration to a different scale, not a review of individual credit factors. As a result, these rating changes are not credit actions, do not reflect any change in our assessment of the intrinsic creditworthiness of the securities and are not upgrades of individual ratings. In other words, our credit opinions are being translated from one rating scale to another.

13. How will I know if the rating on my bond has been recalibrated?

Moody's data products will identify recalibrated ratings of municipal issuers and issues by indicating “change in scale” in the rating history for each municipal rating. During the recalibration period, in most cases, bonds that have been recalibrated or are already on the global scale will be marked with a “GSR” notation after the rating. Bonds that do not contain that notation, other than bonds fully backed by letters of credit with no underlying rating, are still on the municipal scale and have not yet been recalibrated.

14. What is the actual process for recalibrating ratings?

Ratings will be recalibrated over a four week period beginning in mid-April, 2010 following Moody's methodology, “**Recalibration of Moody's U.S. Municipal Ratings to its Global Rating Scale**”. A projected schedule for the recalibration is posted on moodys.com at <http://www.moodys.com/gsr>.

For new sales during the recalibration period, securities will be rated on the municipal rating scale if the sector has not been recalibrated and on the global rating scale if that sector has already been recalibrated. For local governments, the sector is defined as the particular state for those local governments.

15. Does this recalibration change the meaning of your ratings?

Yes. Moody's global scale ratings emphasize expected loss, which includes an assessment of both probability of default and loss in the event of a default while municipal scale ratings historically emphasized distance to distress. Like other global scale ratings, the recalibrated municipal ratings will reflect a greater emphasis on default probability at the higher investment grade rating levels, and will be comparable with Moody's rated debt in other rating groups.

16. Are you going to explain the rationale for individual ratings? If not, why not?

The rationale for the changes is explained in our published methodology titled “**Recalibration of Moody's U.S. Municipal Ratings to its Global Rating Scale**” which outlines our approach to each sector and sub-sector and explains the analytical rationale for each group of ratings. Since this is a

recalibration of ratings from one scale to another, not a review of individual credits or credit factors, the rationale for changes will apply to groups of ratings, not individual credits.

17. Will all municipal ratings be recalibrated the same way?

All municipal ratings will be recalibrated according to the methodology referenced above which outlines the process used for recalibrating each sector in the municipal market. Those processes were arrived through a benchmarking process. The recalibration results may vary by sector to reflect appropriate placement on the global scale but will be consistent within sectors by rating category.

18. How will you alter your rating methodologies to reflect the recalibration?

We have published a methodology “**Recalibration of Moody’s U.S. Municipal Ratings to its Global Rating Scale**” that outlines our approach to the recalibration of each sector and explains the analytical rationale for each group of ratings.

After the recalibration is complete, we will begin updating our rating methodologies to display ratings and metrics by rating category utilizing the global scale ratings.

19. How can your GSR municipal ratings be decomposed into Probability of Default (PD) and Loss Given Default (LGD)?

Moody’s global scale ratings are based on expected loss and, as such, incorporate both probability of default and loss upon default. The relative importance of the two factors varies somewhat throughout the rating scale. For sectors and industries characterized by low average losses upon default (otherwise referred to as high recovery), such as regulated utilities, project finance, and governments at all levels, there is a limit to the amount of benefit given to low anticipated losses captured by the rating.

Global scale ratings reflect greater emphasis on default probability at the higher investment grade rating levels. By contrast, LGD becomes an increasingly important factor at the lower end of the rating scale

20. How will these GSR rating changes relate to short-term debt ratings?

Short-term ratings are not impacted by the recalibration as they already are calibrated consistently with short term ratings on the global scale. The recalibration methodology updates the long term rating thresholds which drive, in part, the short term ratings on various types of instruments.

Moody's Related Research

Rating Methodology:

- » [Recalibration of Moody's U.S. Municipal Ratings to its Global Rating Scale, March 2010 \(123300\)](#)

Special Comments:

- » [Request for Comment: Assignment of Global Ratings to Tax-Exempt Municipal Obligations, 3/20/08 \(108116\)](#)
- » [Moody's U.S. Municipal Bond Defaults and Recoveries, 1970-2009, January 2010 \(122579\)](#)

Announcements:

- » [Moody's Extends Comment Period on U.S. Public Finance Rating Scale, 6/12/08](#)
- » [Moody's to Recalibrate its US Municipal Bond Ratings to the Company's Global Rating Scale, 9/2/08](#)
- » [Moody's to Recalibrate U.S. Municipal Ratings to Global Rating Scale, 2/13/2009](#)
- » [Moody's Recalibrates its Existing Global Scale Ratings Assigned to U.S. Public Finance Issues, 3/18/2009](#)
- » [Moody's U.S. Municipal Ratings to Move to Global Scale Beginning April, 3/16/2010](#)

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