

## CREDIT OPINION

27 January 2022

✓ Rate this Research

### Contacts

Nicholas Lehman +1.617.535.7694  
 VP-Senior Analyst  
 nicholas.lehman@moody's.com

Gera M. McGuire +1.214.979.6850  
 Senior Vice President/Manager  
 gera.mcguire@moody's.com

### CLIENT SERVICES

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

# Wellesley (Town of) MA

## Update to credit analysis

### Summary

[Wellesley](#) (Aaa stable) benefits from a favorable location west of [Boston](#) (Aaa stable) and a very affluent tax base. The town is also home to [Wellesley College](#) (Aa1 stable) and [Babson College](#) (A1 stable). The town's financial management is strong with stable financial operations aided by a history of voter support for general overrides and debt exclusions to the tax levy limit under Proposition 2 ½, although the town's reserves as a percent of revenue are below the national median for the Aaa rating category. The debt burden has recently increased due to school projects but is expected to remain manageable given the related debt service has been excluded from the tax levy limit as well as prudent debt policies. The town also continues to maintain a strong funding commitment towards its unfunded pension and OPEB liabilities that will help maintain modest leverage over the long-term.

### Credit strengths

- » Very wealthy tax base with favorable location and institutional presence
- » Conservative fiscal management aided by formalized policies
- » Strong voter support for debt exclusions to the tax levy limit
- » Aggressive funding towards pension and OPEB liabilities

### Credit challenges

- » Recent increase in the debt burden due to school projects
- » General fund reserves as a percent of revenue are below Aaa median

### Rating outlook

The stable outlook reflects the town's conservative budgeting and adherence to formalized financial policies that will support balanced operations in the future. The outlook also incorporates the additional financial flexibility provided by the strong tax base with voter approved debt exclusions to the tax levy limits of Proposition 2 1/2.

### Factors that could lead to an upgrade

- » Not applicable

### Factors that could lead to a downgrade

- » Decline in available reserves

- » Material increase in the debt burden or unfunded pension and OPEB liabilities
- » Large and sustained deterioration in the tax base valuation

## Key indicators

Exhibit 1

### Wellesley (Town of) MA

Wellesley (Town of) MA	2017	2018	2019	2020	2021
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$11,749,687	\$11,749,687	\$12,421,188	\$12,421,188	\$13,524,020
Population	28,909	29,004	29,201	28,747	-
Full Value Per Capita	\$406,437	\$405,106	\$425,369	\$432,086	N/A
Median Family Income (% of US Median)	295.9%	303.9%	319.3%	323.6%	0.0%
<b>Finances</b>					
Operating Revenue (\$000)	\$171,310	\$177,839	\$182,980	\$190,116	\$201,639
Fund Balance (\$000)	\$28,467	\$29,348	\$31,148	\$34,995	\$41,770
Cash Balance (\$000)	\$35,443	\$40,305	\$37,780	\$44,759	\$53,169
Fund Balance as a % of Revenues	16.6%	16.5%	17.0%	18.4%	20.7%
Cash Balance as a % of Revenues	20.7%	22.7%	20.6%	23.5%	26.4%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$133,341	\$133,944	\$126,546	\$121,298	\$121,536
3-Year Average of Moody's ANPL (\$000)	\$133,835	\$129,052	\$125,485	\$127,422	\$142,327
Net Direct Debt / Full Value (%)	1.1%	1.1%	1.0%	1.0%	0.9%
Net Direct Debt / Operating Revenues (x)	0.8x	0.8x	0.7x	0.6x	0.6x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	1.1%	1.1%	1.0%	1.0%	1.1%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.8x	0.7x	0.7x	0.7x	0.7x

As of June 30 fiscal year-end

Sources: US Census Bureau, Wellesley (Town of) MA's financial statements and Moody's Investors Service

## Profile

Wellesley is located 15 miles west of Boston (Aaa stable) with a population of approximately 29,000. It is primarily residential in composition and is home to Wellesley College (Aa1 stable) and Babson College (A1 stable).

## Detailed credit considerations

### Economy and tax base: strong and affluent tax base benefits from proximity to Boston and institutional presence

Wellesley will continue to grow given its favorable proximity to Boston and strong residential market along with the benefits of the institutional presence of Wellesley College and Babson College. The presence of the colleges, along with some fairly large commercial businesses help diversify the local economy. The largest commercial employer and a top taxpayer is Sun Life Assurance Company of Canada (Aa3 stable) with around 1,000 employees.

The strong \$13.5 billion tax base (2021-22 equalized value) will continue to experience modest growth over the medium term given the very strong housing stock and primarily residential composition. The two-year equalized value increased 8.9% from 2019. While the 2022 assessed value increased by 4.6% bringing the five year compound growth rate to 3.6%. Residential tear downs and renovations are driving the increase in valuation. The town is also benefiting from new development projects that includes both market rate condos and multiple affordable housing projects.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

Wealth and income levels are very strong with a median family income equal to 324% of the US median and a \$470,450 equalized value per capita. The town's unemployment rate of 3.8% as of November 2021 is expected to remain low and in-line with its history of trending below the commonwealth and US rates.

### Financial operations and reserves: conservative management expected to maintain stability

Wellesley's strong financial management is likely to maintain a stable operating position over the near term. While the 2.5% tax levy limit does constrain operating flexibility, the town benefits from strong taxpayer support that has historically approved tax levy overrides when needed. Additionally, the town funds a large portion of capital needs with available funds as well as makes large contributions toward its pension and OPEB liabilities. The coronavirus pandemic has not had a material impact on the town's finances given proactive management of operations over the last two years. Additionally, the town is able to rely on a stable primary revenue source of property taxes which represent 74% of fiscal 2021 general fund revenue.

Fiscal 2021 audited financial results reflect another year of positive operations with a general fund surplus of \$6.7 million. The surplus is because of positive variance in revenue from higher than expected delinquent tax collections and a large building permit for a housing project. Expenses were also under budget in all major departments related to slowed operations and reduced hiring as a result of the pandemic. The surplus increased the available general fund balance to \$41.8 million representing 20.7% of revenue.

The fiscal 2022 budget increased general operations by 2.5% and is balanced with a 4% increase to the tax levy. The town also appropriated over \$3 million in reserves mostly for capital needs. Operations to date are trending on budget with no material variance.

The town anticipates around a 2.75% increase in operating costs for fiscal 2023. The budget will also include a larger portion of funding towards capital projects to catch up on projects that were delayed to some extent due to the pandemic. The capital funding amount will likely exceed the cash capital upper limit of 6.8% of the budget. The town has been allocated \$8.4 million in ARPA funds including its county allocation. The town anticipates using the amount as revenue replacement and for water infrastructure improvements.

### Liquidity

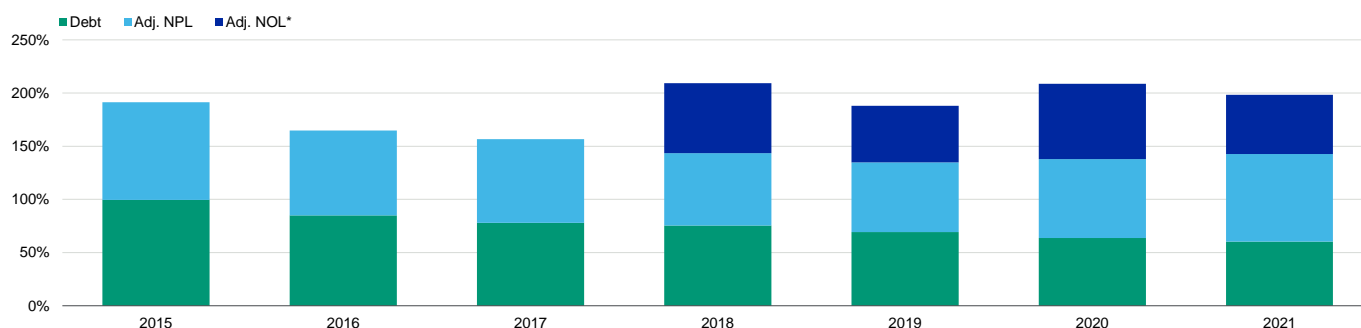
Cash and equivalents at the end of fiscal 2021 totaled \$53.2 million representing 26.4% of general fund revenue. The liquidity position is not expected to materially change through fiscal 2022.

### Debt and long-term liabilities: debt burden has risen but remains manageable; strong funding towards pension and OPEB

The debt burden is on the rise due to large school projects and a planned town hall renovation but remains manageable while the town also continues to aggressively contribute toward its unfunded pension and OPEB liabilities. The town's management of debt and long term liabilities is expected to keep overall leverage very manageable over the long-term (see exhibit).

Exhibit 2

#### Wellesley's strong funding towards pension and OPEB liabilities will help mitigate a rise in the debt burden



Adj. NOL not available pre-GASB 75

Source: Moody's Investors Service and Wellesley's audited financial statements

Wellesley's net direct debt burden including the 2022 issuance will total \$205.3 million (net of just over \$1.5 million in self-supporting enterprise debt) that equals 1.5% of equalized value and just over 1 times general fund revenue. Positively, voters have excluded a significant amount of the town's debt service from the tax levy limit of Proposition 2 ½. The town also adheres to a formal debt policy

that includes the maintenance of cash capital and inside the levy debt service to between 6.2% and 6.8% of recurring operating revenue.

The fiscal 2023-27 capital plan totals \$114 million which is down from \$247 million last year after the current issuance. The plan projects \$58.9 million in debt issuance over the next five years with just under \$20 million for the town hall renovation in fiscal 2023.

#### Legal security

The bonds are backed by the town's full faith and credit general obligation limited tax pledge given that the entire amount of debt service has not been voted by the town as excluded to the tax levy limit under Proposition 2 ½.

#### Debt structure

All of the town's debt is fixed rate with 60% of principal retired in 10 years. Fiscal 2021 debt service was \$16.2 million representing 8.3% of general fund expenditures.

#### Debt-related derivatives

Wellesley does not have any debt-related derivatives.

#### Pensions and OPEB

Wellesley's pension and OPEB liabilities on a reported basis are relatively equal to the debt burden and given the town's aggressive funding we expect the liabilities to remain manageable over the long-term. The town participates in the Wellesley Contributory Retirement System, a multi-employer defined benefit plan and makes annual required contributions based on at least its proportional share. The retirement plan is expected to be fully funded by 2030 and uses a 6% discount rate which was recently reduced from 6.625%. The town's teachers participate in the Massachusetts Teachers Retirement System in which the town receives on-behalf payments toward the liability that is covered by the Commonwealth. The town also funds its OPEB liability on a pay-go basis plus annual budgeted deposits into an OPEB trust. The table below summarizes the town's 2021 debt, pension and OPEB unfunded liabilities and contributions.

Exhibit 3

#### Wellesley's fiscal 2021 debt, pension and OPEB liabilities and contributions

2021	\$\$\$ (000)	% of Operating Revenues	Discount Rate
Operating Revenue	201,639	n/a	n/a
Reported Unfunded Pension Liability	36,962	18%	6.00%
Moody's Adjusted Net Pension Liability	166,134	82%	2.52%
Reported Net OPEB Liability	38,473	19%	6.00%
Moody's Adjusted Net OPEB Liability	112,533	56%	2.84%
Net Direct Debt	121,536	60%	n/a
Debt & unfunded retirement benefits (Moody's adjusted)	400,202	198.47%	
Pension Contribution	8,107	4.02%	n/a
OPEB Contribution	3,493	1.73%	n/a
Debt Service	16,175	8.02%	n/a
Total Fixed Costs	27,775	13.77%	n/a
Tread Water Gap	n/a	n/a	n/a
Moody's Adjusted Fixed Costs	n/a	n/a	n/a

Fiscal 2021 tread water data not yet available

Source: Moody's Investors Service and Wellesley's audited financial statements

The town's annual pension contributions over the past five years (2016-2020, 2021 is not yet available) have averaged a strong 131% of the tread water indicator which is the amount required to keep the unfunded liability from increasing if all actuarial assumptions are realized. Failure to realize the assumed return on pension assets could result in larger required increases to meet the funding schedule. Additionally, the town makes aggressive annual contributions toward its OPEB liability which has a strong fiduciary net position of 72% of the total OPEB liability as of June 30, 2021; a significant ratio compared to most local governments with OPEB liability. Additionally, despite the large annual contributions the town's fixed costs are manageable at under 15% of revenue but will increase a bit given the additional debt service from larger debt issuance.

## ESG considerations

### Environmental

Wellesley does not have material environmental credit risk. According to Moody's ESG Solutions using available county level data, the town has a high exposure to water stress and hurricanes, medium exposure to extreme rainfall and sea level rise and low exposure to heat stress. The town has participated in the Massachusetts municipal vulnerability preparedness program and received state grant funding to aid in the planning and examination of vulnerability and strengths when it comes to environmental risks. The planning is expected to lead to capital improvements to build resilience over the long term. The town is also implementing green house reduction goals that will push to be net zero by 2050. The town's climate action plan is also expected to be released by the end of fiscal 2022.

### Social

Social risks are incorporated into the town's economy and tax base factors discussed above. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The pandemic has not had a material credit impact on the town given its ability to rely on stable property tax revenue with strong collection rates to maintain revenue to help manage operations.

### Governance

The town's management team is strong and has shown a long-term trend of consistent and conservative fiscal management with multiyear capital and operating budgets that includes a long-term plan to address its unfunded pension and OPEB liabilities.

Massachusetts cities have an institutional framework score <sup>1</sup> of "Aa", which is strong. The sector's major revenue source of property taxes, are subject to the Proposition 2 1/2 tax levy cap which can be overridden with voter approval only. However, the cap of 2.5% still allows for moderate revenue-raising ability. Expenditures primarily consist of personnel costs, as well as education costs for cities that manage school operations, and are highly predictable given state-mandated school spending guidelines and employee contracts. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed costs are generally less than 25% of expenditures. Fixed costs are driven mainly by debt service and pension costs. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

## Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 4

### Wellesley (Town of) MA

Scorecard Factors and Subfactors	Measure	Score
<b>Economy/Tax Base (30%)</b> <sup>[1]</sup>		
Tax Base Size: Full Value (in 000s)	\$13,524,020	Aaa
Full Value Per Capita	\$470,450	Aaa
Median Family Income (% of US Median)	323.6%	Aaa
<b>Notching Adjustments:</b> <sup>[2]</sup>		
Other Scorecard Adjustment Related to Economy/Tax Base: strong wealth & income above Aaa range/institutional presence		Up
<b>Finances (30%)</b>		
Fund Balance as a % of Revenues	20.7%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	8.4%	A
Cash Balance as a % of Revenues	26.4%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	10.6%	Aa
<b>Management (20%)</b>		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.0x	A
<b>Debt and Pensions (20%)</b>		
Net Direct Debt / Full Value (%)	1.5%	Aa
Net Direct Debt / Operating Revenues (x)	1.0x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.1%	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	0.7x	Aa
	Scorecard-Indicated Outcome	Aa1
	Assigned Rating	Aaa

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication.

Source: US Census Bureau, Wellesley's financial statements and Moody's Investors Service

## Endnotes

- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(July 2020\)](#) methodology report for more details.

© 2022 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 rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

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

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

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

REPORT NUMBER

1316887

## CLIENT SERVICES

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