

CREDIT OPINION

30 July 2020

Update

RATINGS
South Coast British Columbia Transport. Auth

Domicile	Vancouver, British Columbia, Canada
Long Term Rating	Aa2
Type	LT Issuer Rating - Dom Curr
Outlook	Negative

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Adam Hardi, CFA +1.416.214.3636
 Vice President-Senior Analyst
 adam.hardi@moodys.com

Michael Yake +1.416.214.3865
 VP-Sr Credit Officer/Manager
 michael.yake@moodys.com

Alejandro Olivo +1.212.553.3837
 Associate Managing Director
 alejandro.olivo@moodys.com

CLIENT SERVICES

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

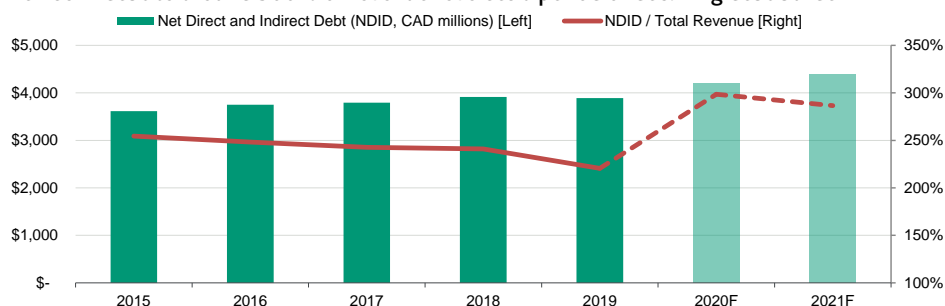
South Coast British Columbia Transport. Authority (TransLink) (Canada)

Update following outlook change to negative

Summary

The credit profile of the [South Coast British Columbia Transportation Authority](#) ("TransLink") (Aa2 negative) reflects its strategic importance as the main provider of transportation services in the Greater Vancouver region, a strong institutional framework, and its unique status as a taxing authority which allows it to sustain a higher debt burden. However, coronavirus-related pressures will lead to weaker fiscal results across multiple years. In addition, a post-coronavirus recovery could be hindered by a second coronavirus wave and permanent changes in passengers' willingness to travel by transit. TransLink's debt burden, which was already one of the highest among Moody's rated global peers prior to the onset of the pandemic, will reach and remain near 300% of revenue over the next two years.

Exhibit 1

The rise in debt to around 300% of revenue reverses a period of declining debt burden


Source: Moody's Investors Service, TransLink

Credit strengths

- » Strategic importance as the main regional transportation provider
- » Taxing power allows access to diversified revenue sources
- » Strong governance and institutional characteristics

Credit challenges

- » Lower operating revenue from reduced transit demand
- » Rise in debt burden significantly exceeds our pre-pandemic estimate
- » Capital projects are subject to execution and financing risks

Rating outlook

The negative outlook on TransLink's ratings reflects significant coronavirus-related pressures which will lead to weaker fiscal results and higher debt burden across multiple years. It also reflects our view that the post-coronavirus recovery that could be hindered by a subsequent reversal in travel demand and additional containment measures as a result of further waves of virus transmission.

Factors that could lead to an upgrade

The outlook could be stabilized if increased ridership levels lead to a faster fiscal recovery than we currently forecast, and if TransLink could maintain a debt burden below 300% of revenue.

Factors that could lead to a downgrade

Downward pressure on the ratings could result from a slower than anticipated fiscal recovery and rising debt burden, evidenced by TransLink's inability to adapt to a changed environment. A subsequent reversal in travel demand and additional containment measures as a result of further waves of virus transmission could also hinder recovery, along with potential permanent changes in passengers' willingness to travel by transit. In addition, evidence that anticipated or already announced federal or provincial support measures will only partially offset multi-year revenue shortfalls, leading to eroded operating margins and a higher debt burden, would also lead to downward rating pressure.

Key indicators

Exhibit 2

South Coast British Columbia Transportation Authority

(Calendar Year ending Dec 31)	2015	2016	2017	2018	2019	2020F
Annual Ridership (millions) [1]	238.8	234.2	247.8	263.0	271.4	95.0
Net Debt (CAD millions)	3613.2	3747.9	3792.1	3915.6	3888.0	4195.0
Net Debt as a % of Revenues [2]	254.4	248.2	242.6	241.0	220.5	298.5
Interest Payment as % of Revenues [2]	12.4	11.9	11.7	11.4	10.7	13.2
Farebox Recovery Ratio (%) [3]	45.3	47.9	48.6	50.1	51.1	27.5
Days Cash on Hand	101.0	107.7	145.4	165.6	153.4	65.6

[1] Number of unconnected passenger trips (passenger journeys)

[2] Revenues are net of capital contributions

[3] Transit revenue as a percentage of operating expenses

Source: Moody's Investors Service, TransLink audited financial statements and budget

Detailed rating considerations

The credit profile of TransLink, as expressed by its Aa2 negative rating, combines a baseline credit assessment (BCA) of a1 for TransLink and a high likelihood of extraordinary support coming from the [Province of British Columbia](#) (Aaa stable) in the event that the authority faced acute liquidity stress.

Baseline credit assessment

Strategic importance as the main regional transportation provider

TransLink's services are essential to the functioning of the Greater Vancouver economy. It is the main provider of transportation services in the Greater Vancouver region and serves a large population of 2.6 million. TransLink is responsible for around 90% of the region's transit, and therefore does not have viable competitors. TransLink's growth has been strongly correlated to long-term demand for public transit from a growing regional population as evidenced by historically robust ridership.

TransLink operates an extensive bus and rail network, including the SkyTrain rapid light-rail transit system, passenger ferries, an express commuter rail, and the transit for mobility-impaired passengers. Prior to the coronavirus pandemic, its network provided around 271 million rides annually, with a utilization ratio of 101% (annual ridership relative to the service area population) and a strong farebox recovery ratio of 51% (farebox revenues relative to operating expenses) in 2019.

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 for the most updated credit rating action information and rating history.

TransLink was created by the Province of British Columbia and assumed responsibility for the Greater Vancouver regional transportation system in 1999. Despite the provincial government's role in creating it, TransLink operates fairly independently from the provincial government. TransLink is responsible for (1) planning, constructing, funding, operating and maintaining a regional transport system, (2) constructing and maintaining a major road network that crosses the boundaries of several area municipalities, as well as (3) managing transportation demand-management strategies and programs.

Taxing power allows access to diversified revenue sources

TransLink's legislation allows it to access, by law, any tax or legislated revenue source not included in its strategic plan if its Board of Directors considers it necessary to do so in order to meet its debt obligations. TransLink's taxation powers also allow it to have diverse revenue sources, including fuel and property taxes that partly cushion it from ridership revenue declines. Property taxes tend not to fluctuate with economic shocks, insulating it from pandemic-related economic weakness and ridership declines.

TransLink's institutional characteristics as a transit agency with taxing powers correspond to both transit authorities (farebox revenues) and municipal governments (legislated balanced budget requirements, taxing authority) in Canada, making it unique among the majority of mass transit providers. TransLink primarily does not rely on operating grants from local governments or the province.

Further, TransLink's status as a taxing authority enables it to raise taxes and revenue sources which could be used to compensate for lost passenger revenues. This status provides fiscal flexibility and in turn a capacity to maintain a higher debt burden than many other mass transit agencies in our rated portfolio. TransLink also has significant unutilized revenue sources such as vehicle levies and area benefit taxes that could be used to meet future financial requirements.

Prior to the pandemic, transit fares, various taxes including fuel taxes, property and replacement taxes, parking taxes, and a hydro levy accounted for about 80% of its operating revenues while operating grants from senior governments contributed just under 4%. Excluding any necessary operating support for 2020, we anticipate that government operating transfers will remain a relatively small share of total revenues.

Strong governance and institutional characteristics

TransLink's governance and management practices, which we consider to be strong, are subject to oversight by the Mayors' Council which reviews and approves TransLink's transportation plans and provides certain oversight responsibilities for fares, compensation and external complaints. The Mayors' Council, which includes the mayors from the 21 municipalities in Metro Vancouver, has substantial oversight responsibilities, and appoints 7 of TransLink's 11 directors. The Mayors' Council Chair and Vice Chair also sit on the Board. The Province of British Columbia has the right to appoint another 2 board members.

Starting in 2017, TransLink adopted multi-stage long-term investment plans that allow for a phased approach to future infrastructure investments, closely linking expenses to anticipated funding sources. Forecasting is done through its 30-year long-term regional transportation strategy (updated every 5 years) and 10-year fully funded investment plans (updated at least every 3 years). TransLink is working on its economic recovery plan and expects to roll out an updated 10-year investment plan for the 2021-2030 period in 2021 which we expect will address pandemic-related strategic capital priorities and funding.

Debt accumulation is constrained by an internal debt ceiling of CAD5.5 billion of gross debt as well as an internal policy limit of 20% of gross interest costs as a percentage of operating revenues. Increases in TransLink's borrowing limit are subject to approval by the Mayors' Council. The Mayors' Council also approves annual fare increases beyond the 2% legislated limit and annual property tax revenue increases beyond a 3% legislated limit. However, given that raising taxes during the coronavirus pandemic could be politically unpopular, we do not anticipate significant fare or tax increases beyond legislated limits in 2020.

Lower operating revenue from reduced transit demand

TransLink has material exposure to the coronavirus pandemic and related fall in ridership. The significant drop in passenger revenue in 2020, with only partial anticipated recovery in 2021, will lead to weaker fiscal results across multiple years. Even as pandemic-related pressures begin to ease as the province moves through its phased restart plan, passenger volumes will, in our view, likely recover only gradually as the willingness to travel by transit may be impaired for some time.

In our baseline scenario, ridership numbers will fall by 65% in 2020 relative to 2019 levels, and will only recover by approximately 50% in 2021 relative to 2020. As a result, the farebox recovery ratio (fare revenues as a percentage of operating expenditures) will

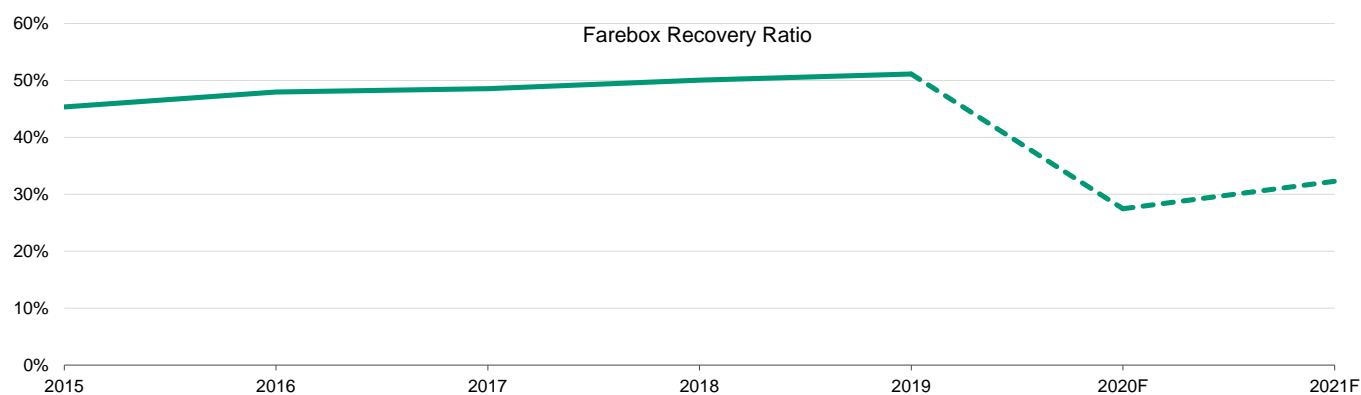
fall from around 51% in 2019 to 28% in 2020. We expect that operating revenues will decline by 24% in 2020 (by approximately CAD440 million) and 17% in 2021 (by CAD310 million) relative to our pre-coronavirus forecasts for the same period, given significant coronavirus-related declines in ridership levels and transit fare revenues.

Although TransLink has flexibility to reduce operating costs to cushion some of these pressures, sustained changes in passengers' willingness to travel by public transit and a worsening of the coronavirus outbreak leading to further declines in ridership could lead to long-term impairment in passenger revenues and TransLink's fiscal profile. The post-coronavirus recovery could be hindered by subsequent reversal in travel demand and additional containment measures as a result of further waves of virus transmission and permanent changes in passengers' willingness to travel, reducing demand for passenger services over the longer term, leading to sustained revenue shortfalls.

In order to improve its long-term financial sustainability, TransLink has already identified CAD69 million in expense savings primarily from reduced operating spending and service reductions. In addition, the [Government of Canada](#) (Aaa stable) recently announced a CAD19 billion coronavirus relief package for Canadian provinces and territories, of which an anticipated CAD2.2 billion will be allocated to the Province of British Columbia. On July 23, a subsequent federal announcement noted that of this amount, an anticipated CAD540 million will accrue to transit, with a matching amount from the province.

Exhibit 3

The farebox recovery ratio will be below pre-pandemic levels in 2020 and 2021
(Transit revenues as a % of operating expense)



Source: Moody's Investors Service, TransLink

Rise in debt burden significantly exceeds our pre-pandemic estimate

TransLink's debt levels, which are high for its rating category, will rise further as the Authority continues to issue debt to fund a significant portion of its long-term capital projects. We expect that the notional level of outstanding debt will rise by about CAD200-300 million annually (net of refinancing) over the next two years primarily to support new expansion capital projects, including the expansion of the SkyTrain lines, under its investment plan.

The rise in debt levels and corresponding decline in operating revenues will result in a significant increase in the debt burden, rising to nearly 300% in 2020 and remaining near similar levels if TransLink faced a persistent revenue shortfall compared to pre-pandemic expectations of steady increases in revenue. This level exceeds our pre-pandemic estimate of the debt burden of 250-260% for the 2020-2023 period as the outstanding notional level of debt rises while revenues will be lower.

TransLink relies primarily on long-term debt for capital funding purposes. While debt accumulation is capped at the authority's legislated debt limit of CAD5.5 billion, the debt ceiling has been increased several times in recent years to accommodate higher debt requirements for capital costs, highlighting the authority's requirement for high levels of debt.

Total short-term borrowing stood at approximately CAD100 million at year-end 2019, including CAD60 million used of its CAD500 million commercial paper program. Short-term borrowing represented only 2% of its overall outstanding borrowing in 2019.

As we highlighted, TransLink's revenue diversity and status as a taxing authority allow it to sustain a higher debt burden than other public mass transit enterprises at the same rating level. Additional safeguards include the requirement that the Mayors' Council approve any gross debt increases beyond the debt ceiling, excluding public private partnership (P3) liabilities. In addition, at the end of 2019 TransLink maintained CAD956 million in sinking funds and debt reserve funds which provide support to bondholders.

Capital projects are subject to execution and financing risks

TransLink has a number of large-scale critical projects over the next few years which could be subject to approval, execution and financing risk reflecting management's ability to complete projects on time and on budget. Previously identified projects include expansions of major road networks, upgrades to the SkyTrain network, the construction of the Surrey to Langley extension of the SkyTrain rapid transit line and expanding bus services to accommodate expected population and economic growth in the region.

TransLink's capital projects for the 2021-2030 period, which we expect will include many of the previously identified projects, will be detailed under its upcoming investments plan to be released in 2021. Funding for these projects will require ongoing and diverse revenues from operations, debt and government support. Historically, the provincial and federal governments contributed 40% each, however given our forecast of weaker operating revenues, funding for the capital plans will rely more heavily on government support.

Extraordinary support considerations

Moody's assigns a high likelihood of extraordinary support from the Province of British Columbia to prevent a default by TransLink, reflecting the major public policy role played by TransLink in providing mass transit services as well as key roads and bridges to the largest metropolitan area in Western Canada. The high likelihood of support also reflects the province's strong regulatory oversight over TransLink. A default by TransLink would likely lead to a sharp increase in borrowing costs for public sector entities in British Columbia, thereby providing incentive to the province to act to prevent a default by the authority.

ESG considerations

How environmental, social and governance risks inform our credit analysis of TransLink

Moody's takes into account the impact of environmental (E), social (S) and governance (G) factors when assessing sub-sovereign issuers' economic and financial strength. In the case of TransLink, we assess the materiality of ESG to the credit profile as follows:

Environmental considerations are material to TransLink's credit profile given that its large fleet of gas and diesel powered vehicles require significant capital expenditures. However, TransLink incorporates environmental sustainability and green initiatives into its strategic plans, including efforts to reduce greenhouse gas emissions by 80% and utilizing 100% renewable energy in all of its operations, both by 2050. In addition, TransLink issued its first green bond in November 2018 to finance its low carbon capital initiatives including procurement of electric buses and construction of new rail rapid transit lines.

Social considerations are material to TransLink's credit profile, and we regard the coronavirus outbreak as a social risk under the ESG framework, given the substantial implications for public health and safety. TransLink is significantly exposed to the impacts of the coronavirus outbreak including changes in passenger demand and increased cleaning of public spaces and equipment. Nevertheless, increasing population levels and predictable demographic trends in the Greater Vancouver region serviced by TransLink have supported historical increases in ridership.

Governance considerations are material to TransLink's profile but we view governance risk as low. Governance considerations include robust planning and financial management through a 30-year long term regional transportation strategy and rolling 10-year capital investment plans. In recent years, strong management has resulted in improved brand image and public perception of TransLink. TransLink recently also launched an accountability centre that allows public monitoring of its performance metrics, providing visibility into its performance indicators.

Further details are provided in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing Environmental, Social and Governance Risks](#).

Rating methodology

The assigned BCA of a1 is in line with the scorecard-indicated BCA of a1. For details about our rating approach, please refer to the [Mass Transit Enterprises Methodology](#) (December 2017) and [Government-Related Issuers Methodology](#) (February 2020).

Exhibit 4

TransLink - 2019 scorecard

Mass Transit Enterprises Methodology

Factor 1 : Size (15%)	Measure	Score
a) Issuer Size - Annual Ridership (Million)	271	Aa
b) Market Size - Service Area Population (Million)	2.7	Aa
Factor 2 : Market Position (35%)		
a) Operating Environment	Aa	Aa
b) Service Area Characteristics	Aaa	Aaa
c) Market Share - Utilization (%)	100.8	Aa
Factor 3 : Financial Flexibility (20%)		
a) Level of Self-Support - Farebox Recovery Ratio (%)	51.1%	Aaa
b) Budget Flexibility (3 Year Avg Fixed Costs as % of Oper. Exp.)	16.1%	A
Factor 4 : Debt & Financial Metrics (30%)		
a) Leverage - Net Debt/Revenues	2.21	Baa
b) Budget Balance -Interest as a % of Operating Revenues (3 Year Avg)	11.2%	Baa
c) Budget Balance - Net Margin (3 Year Avg)	22.6%	Aaa
d) Liquidity - Days Cash on Hand	153.4	Aa
Baseline Credit Assessment (BCA):		
Adjustments / Notching Factors		
Factor 3: Budget flexibility		
2) Independent taxing authority	0.5	
Other		
3) Credit event / Trend not yet reflected in existing data set	-1	
Baseline Credit Assessment (BCA)		
a) Indicated Rating from Grid After Notching Adjustment		a1
b) BCA assigned		a1

Note: Financial year-end 31 December 2019

Source: Moody's Investors Service

Ratings

Exhibit 5

Category	Moody's Rating
SOUTH COAST BRITISH COLUMBIA TRANSPORT.	
AUTH	
Outlook	Negative
Issuer Rating -Dom Curr	Aa2
Senior Unsecured -Dom Curr	Aa2

Source: Moody's Investors Service

© 2020 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/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S 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 INVESTORS SERVICE 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 MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE 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 \$2,700,000. 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.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. ("MJJK") 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 MJJK. 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. MJJK 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.

MJJK 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 MJJK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJJK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

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

CLIENT SERVICES

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