Dear Reader,

The core mission of Moody’s US Public Finance Group is the same as ever: to provide reliable and independent opinions about the credit risk of states, cities, governmental authorities and other US municipal borrowers. During the past five years, we have made some modifications to the way that we fulfill that mission, as we responded to regulatory mandates and to tumultuous market conditions.

We have prepared this booklet as a guide for officials in the municipal and not-for-profit sectors who are new to credit ratings and want to know what to expect from the credit rating process. It also can serve as a resource for more experienced issuers or financial advisors who want to make sure they understand how the process works in today’s environment.

While many of your questions about municipal ratings and rating practices will be answered here, some readers will want to follow up with us on specific topics. Please note that any questions about fees should be addressed to our Commercial Group, not to rating analysts. We encourage you to call or e-mail the contacts listed on the back page, as questions arise.

Thank you for your interest in Moody’s Investors Service.

Sincerely,

Gail Sussman
Managing Director - US Public Finance
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Moody’s Role in the Municipal Bond Market

Moody’s is the world’s oldest bond rating agency. Its founder, John Moody, introduced ratings of securities issued by American railroads in 1909 and soon expanded his analysis to other industrial companies and utilities. Moody’s Investors Service, which was incorporated in 1914, began rating municipal bonds in 1918. Today, Moody’s US Public Finance Group (PFG) carries on that tradition. We assign ratings to debt issued by local governments, states, not-for-profit hospitals and other healthcare providers, universities and other not-for-profits, and public housing authorities. In addition, Moody’s rates US public infrastructure credits – such as airports, electric utilities and toll roads – through its Global Project and Infrastructure Finance Group.

Moody’s performs an important role as an observer in the credit markets. We publish opinions in the form of ratings, which rank debt issuers’ based on their relative credit quality. Ratings, consisting of alpha-numeric symbols such as Aa1, have become the bond markets’ common language of credit during the past century. They help market participants communicate with one another about risk across regions and sectors. We complement our ratings with written research that explains our analysis and makes our rating rationales transparent. We constantly seek to strengthen the quality, transparency and independence of our credit ratings.

Overview of Moody’s Credit Ratings

Moody’s ratings indicate our opinion regarding a debt issue’s relative credit strength as well as projected future credit risk. Ratings are determined by committees of experienced analysts, considering verifiable relevant facts and projections. They are based on methodologies that recognize the need for qualitative and quantitative analysis that combines empirical and statistical research with the credit judgment of experienced analysts.

Moody’s rating system rank orders our view of the relative future credit risk of the issuers and financial obligations we rate. Our rating system communicates an informed opinion of how issuers or financial obligations will perform, in aggregate and over time, relative to other issuers and obligations. Our goal is to rate securities “through the economic cycle,” or with a long-term focus.

Ratings are assigned to specific securities. When an individual bond matures, its rating is withdrawn. If all of an issuer’s rated debt matures, it generally will cease to carry a credit rating, unless it has an issuer rating (see page six for more on issuer ratings). One common misconception about our ratings is that they signal only the likelihood an issuer will default (fail to pay principal and interest on time). The basis for our ratings, however, is expected loss, a concept that incorporates both default probability and the likely financial recovery after a default.

Since early 2010, ratings assigned by Moody’s PFG have been on our global scale, allowing investors to compare municipal securities more easily with bonds issued by corporations, nations, sub-sovereign jurisdictions and other issuers of debt in the global capital markets. This recalibration of municipal ratings to the global scale did not reflect a change in our view of the risk of public finance credits.

Long-Term Ratings

We rate bonds with an original maturity of a year or more on our Global Long-Term Scale, consisting of 21 rating levels from Aaa down to C (see box on page five). As you move down this scale, successively higher risk levels are indicated. The top 10 rating levels – from Aaa through Baa3 – constitute the “investment grade” portion of the credit spectrum. Lower-rated bonds are associated with escalating expected-loss levels, although there is some risk of loss at all levels on the rating scale. Bonds rated Aaa are judged to be of the highest quality, carrying the least credit risk. Aa-category bonds are considered high-quality, with very low risk, and so on. Ratings below Baa3 indicate elevated credit risk. Bonds rated Ca tend to be in or near default, while those rated C, the scale’s lowest grade, are likely in default with little prospect for recovery of principal or interest.

1 Throughout this document, we use the word “issuer” to refer to obligors -- the entities legally responsible for paying principal and interest on rated debt -- even if they did not directly issue the debt.
Long-term ratings can be linked to one of four rating outlooks – positive, negative, stable or developing – signaling the expected trajectory of the rating over the next 18 to 24 months. A negative outlook, for example, points to a higher likelihood of rating deterioration. Developing outlooks typically indicate circumstances that could move the rating either up or down. Some ratings have no outlook assigned. If a rating is under review, meaning that the rating is under consideration for a near-term change, its outlook will appear as RUR (rating under review).

Short-Term Ratings

As shown in the box below, Moody’s uses a variety of rating symbols for short-term municipal debt. All of our short-term municipal ratings measure credit risk consistently with our global short-term rating scale. We use the Municipal Investment Grade (MIG) scale for cash-flow notes and bond anticipation notes with a scheduled final maturity of less than three years. The scale consists of four levels: MIG 1, MIG 2, MIG 3 and SG (or Speculative Grade).

As with the long-term rating scale, the level of expected credit risk rises as the rating level declines. MIG 1-rated notes in our view provide superior credit quality, with well-established cash flows, highly reliable liquidity support or unquestioned market access for refinancing. A MIG 2 rating also indicates strong credit quality, but with somewhat weaker investor protections. We assign a MIG 3 rating when we believe there is narrower liquidity and cash-flow protection and less well-established market access for refinancing. A rating of SG signals the lack of sufficient investor protections. We also assign ratings on the “Prime” scale (P-1, P-2, P-3 and NP) to municipal commercial paper, and Variable Municipal Investment Grade (VMIG) ratings to puttable, variable-rate debt.

### Long- and Short-Term Rating Symbols

The scales below illustrate Moody’s long- and short-term ratings for municipal issuers. Investors and issuers alike should bear in mind that, regardless of level, ratings cannot be viewed as investment recommendations or financial advice, nor do they address the suitability of a security for a particular investor. No analytic measure, including our ratings, can guarantee future performance. Although our ratings constitute risk assessments, they focus only on credit risk, as previously discussed, not on any other factors, such as market risk or the risk of prepayment. For more information, please refer to Moody’s Rating Symbols and Definitions (http://bit.ly/1dmnwwb).
Insured and Other Ratings

While ratings most often indicate the fundamental or “underlying” credit strength of a given bond issuer, sometimes a rating can be based on the strength of a separate entity providing a guarantee. In such cases, the securities may carry more than one rating. For example, a bond guaranteed by a bond insurer can carry a rating indicating the underlying issuer’s credit and a second corresponding to the higher of the underlying rating and the guarantor’s financial strength rating.

A variable rate demand obligation (VRDO) may carry both the issuer’s long-term rating and a rating on the VMIG scale, which parallels the MIG scale. A VMIG rating is usually based on a bank’s agreement to provide liquidity to purchase tendered bonds, although it can be based on liquidity to be provided from the issuer’s own resources.

Another rating type applies to bonds that have been legally defeased, meaning that the issuer has funded escrow accounts to provide for debt service through maturity or to the bonds’ call date. In this case, a rating including the # symbol (such as #Aaa) can be assigned based on the strength of the escrow account’s legal documentation and holdings.

Long-term ratings can be assigned as “issuer” ratings to indicate credit strength not associated with specific outstanding securities. For example, a state that does not issue general obligation bonds can have an issuer rating to show what its full faith and credit debt would be rated.

Indicative Ratings and Rating Assessment Service

Municipal debt issuers most often request a public rating. In some circumstances, however, issuers may request non-published credit assessments. For a new security, or one not previously rated by Moody’s, an issuer may request an Indicative Rating, which is a confidential, unpublished, unmonitored, point-in-time opinion regarding an issuer’s potential credit rating. Although an indicative rating is determined through a process similar to a public rating and assigned on the same scale, it is not equivalent to a public rating. An issuer can decide to request a public rating following the outcome of an indicative rating process. In addition, Moody’s Rating Assessment Service allows rated issuers to request feedback on the credit impact of fully developed, hypothetical scenarios.

It is important to note that Moody’s cannot provide advice or recommendations to issuers on the structure of their debt offerings, nor can it provide guidance on how to enhance the credit quality of a particular debt offering.

Publications Related to Ratings and the Rating Process

All of our public ratings, brief reports highlighting key credit factors, and methodologies are available free of charge on moodys.com. Methodologies detail the analytic framework for assigning ratings to specific security types.

We also make certain documents that govern analysts’ conduct available to the public on our Web site. These documents – including the Moody’s Corporation Code of Business Conduct (http://tinyurl.com/ptg2jru) and the Moody’s Investors Service Code of Professional Conduct (http://tinyurl.com/pd5olza) – contain principles that govern the behavior of our analytic and other employees. The Code of Business Conduct confirms the basic elements of honesty, integrity and good judgment that all Moody’s employees and directors are expected to observe. The Code of Professional Conduct outlines Moody’s commitment to the quality and integrity of the rating process, analyst impartiality and independence, and the fair treatment of both investors and issuers. Moody’s policies align the practices of analysts and other Moody’s employees with standards set by the Securities and Exchange Commission, and other regulatory bodies with rating agency oversight around the world. Rules governing interactions with issuers are discussed on page 11 of the Moody’s Investors Service Code of Professional Conduct.

Subscribers to our research service have access to full-length reports on rated entities, including more detailed new-issue reports connected with new debt sales, rating update reports, and special comments on issuers and sectors. Issuer-specific comments also are often published in our Credit Outlook publications, US Public Finance Weekly Credit Outlook and the semi-weekly Moody’s Credit Outlook.
Organization of Moody’s US Public Finance Group

Moody’s PFG teams cover the following sectors: local governments, states, not-for-profit healthcare, higher education and other not-for-profit organizations, housing, and municipal structured products. Most of Moody’s PFG analysts have experience in finance or government, and have graduate degrees in areas such as public policy, law, urban planning or economics. The group is headquartered in New York City and maintains regional offices in Boston, Chicago, Dallas and San Francisco. PFG is part of Moody’s Public Project and Infrastructure Finance division. While analysts are assigned to a team covering a specific sector, they also interact with their peers covering other sectors, through rating committees and department-wide task forces.

Local Governments

The local government ratings team constitutes the largest segment by rating count within PFG and is organized primarily by geography. Within the group, specific teams of analysts are responsible for assigning ratings to local governments in a given state. Local government analysts rate many security types – including limited and unlimited general obligation, lease-backed, special tax-backed and revenue-backed – that are issued by cities, counties, school districts and government enterprises such as water and sewer utilities. Local government analysts also rate short-term debt, such as tax and revenue anticipation notes. The group is responsible for rating more than 14,000 credits (unique issuer and security pledge combinations). Local government analysts work in close coordination with other PFG teams on certain kinds of credits, such as the healthcare team for tax-backed transactions involving district hospitals, or the higher education team on tax-backed community college transactions.

States

The state ratings team covers the 50 states as well as the Commonwealth of Puerto Rico, US territories, and certain mass-transit issuers. The team assigns ratings not only to state general obligation bonds, but also to bonds supported by state lease payments, pledges of state revenue from specific taxes and fees, or by other sources such as federal highway grants or state lottery revenues.

Healthcare

The not-for-profit healthcare team rates 460 entities, and its portfolio includes stand-alone community hospitals, large multi-state systems, academic medical centers, county hospitals, district hospitals, and various specialty hospitals. The group works in close collaboration with the healthcare-related teams within Moody’s Corporate Finance Group.

Higher Education

The higher education team covers more than 500 institutions of higher learning. Its portfolio contains 280 private colleges and universities, 230 public universities and university systems and 68 community colleges (revenue-backed debt only). The group also rates 120 other not-for-profits, including cultural institutions, research institutes, public university foundations, philanthropic institutions, and service or advocacy organizations, as well as 43 independent schools. Tax-backed debt of community colleges is rated by the local government group.

Housing and State Revolving Funds

The housing team is responsible for rating government-backed or sponsored single family and multifamily housing finance programs. The group maintains ratings on 1,300 obligors, including state and local housing finance agencies and housing facilities for military personnel, low-income families and students. The group is also responsible for assigning ratings to bonds of state revolving funds created to finance local government water and sewer projects.
Infrastructure

The public finance infrastructure team is part of Moody’s Americas Project Finance team which in turn is part of Moody’s Global Project and Infrastructure Finance Group. The team covers ratings on US public finance infrastructure issuers such as airports and electric utilities, in addition to ratings on project finance entities in Canada, the US and Latin America. The team operates in close coordination with Moody’s analysts in Europe and Asia-Pacific, which extends our analytical reach across the globe.

Municipal Supported Products

The municipal supported products group is responsible for ratings on all bank-supported debt products. This unit covers bank-held direct placements as well as debt backed by letters of credit, standby bond purchase agreements and lines of credit. The group’s analysts often work in coordination with primary sector analysts, when issuers use bank liquidity facilities for variable rate debt. Depending on the debt product and the security structure used, an issuance will often be assigned analysts from both the relevant sector team and the municipal supported products group.

Credit Policy

Moody’s Credit Policy Group promotes rating quality, consistency and transparency in our credit analysis globally. The group conducts research on the performance of Moody’s credit ratings, and reviews and approves the methodologies and models used by Moody’s analysts. Credit Policy regularly reviews methodologies to determine whether they appropriately address key credit risks. If a new or revised methodology may lead to rating changes, Moody’s will solicit market participants’ views during a request-for-comment period, before making methodological changes. Through an involvement in the rating committee process, Credit Policy also seeks to promote the consistent application of methodologies, and it oversees internal credit committees that formulate rating policies and practices for each of the rating groups, including PFG. It provides guidance and analytical support for rating analysts.

Other Related Groups

Several other teams provide analytic or other support to PFG. Other groups on whose expertise Public Finance analysts can draw include Project and Infrastructure Finance, Financial Institutions, Corporate Finance, and Sovereign and Sub-Sovereign Ratings. Access to these professionals allows Public Finance analysts to enhance their analysis and provide the highest quality ratings and research.

Fees and Applications

Moody’s Commercial Group is responsible for managing all aspects of the business relationship with issuers, including communicating fees for Moody’s services. Within the Commercial Group, our Business Development team focuses on expanding our issuer and intermediary relationships, while our Account Management team provides services to our existing issuers and processes all rating applications.

Moody’s reinforces the objectivity and independence of its credit analysts with separate and distinct analytical and commercial functions. Members of the Commercial Group do not play any role in determining ratings, surveillance of rated entities or development of rating methodologies. Similarly, credit analysts play no role in – and cannot be a party to – discussions of fees for rating services or any other commercial terms of the relationship between Moody’s and issuers. There are strict limits on the information that can be shared between PFG and the Commercial Group.

To request a rating, issuers or their agents should contact Moody’s Commercial Group to initiate the process. Alternatively, issuers with existing rating relationships with Moody’s may contact their lead analyst about rating requests. Lead analysts will then pass rating requests on to the Commercial Group, which will initiate the application process. Generally, issuers complete rating applications, agreeing to certain terms and to provide pertinent financial reports and other information that is required for credit analysis.
A separate contact from Account Management handles all matters related to the rating application and agreement. It is helpful when issuers make clear to their Account Management representatives whether they are requesting initial credit ratings or ratings of unusual or complex financing structures, or if expedited processing is desired. While the issuer-initiated approach is the most common, at times investors or other market participants will ask us to assign a rating to an outstanding obligation we do not already cover.

Please do not include analysts in any fee-related correspondence or allow them to become privy to fee information, including fee-related information that may be embedded in transactional documents related to a debt issuance. Address any fee- or application-related queries directly to Account Management personnel, led by Lucille Treglia, who can be reached at lucille.treglia@moodys.com or +1.212.553.4031.

The Rating Process

Moody’s credit rating process generally involves six steps: (1) assignment of a lead analyst, (2) selection of a methodology, (3) analysis of the issuer or obligation to be rated, (4) discussions with the issuer, (5) rating committee review, and (6) publication of the rating and report. We then monitor the rating on a continuing basis.

The timeline to receive a rating (from initial contact to rating assignment) depends on the rating sector and can vary depending on an issuer or obligation’s structure or complexity. In general, the process takes a minimum of two weeks and averages three to four weeks.

Key Steps in a Typical Rating:

**STEP 1: MOODY’S ASSIGN A LEAD ANALYST**

The rating process starts with the assignment of a lead analyst, who will be the primary contact with the issuer, lead the rating committee discussion, and often have responsibility for reviewing or monitoring the credit after the initial rating. The lead analyst will have expertise in the credit sector and also usually has previous experience in the state or region where the issuer is located. A backup analyst with knowledge of the sector may also be assigned. The backup analyst will support the lead analyst, participate in rating committees and issuer meetings, and serve as a substitute in the absence of the lead analyst. The back-up analyst also ensures continuity of coverage, by being able to transition into the lead analyst’s role, if necessary.

At this time, the issuer typically identifies a primary contact person for the analyst, either a representative of the issuer or of the issuer’s financial advisor or underwriter.

**STEP 2: ANALYST SELECTS A METHODOLOGY**

The analyst, in consultation with Credit Policy, identifies the appropriate rating methodology that applies to the issuer or financing, based on the security pledged to repay the bonds. Methodologies provide the framework for assessing creditworthiness and highlight the key factors analysts review and present to rating committees. A list of current rating methodologies can be found at http://bit.ly/1ePz0JB.
Our methodologies often incorporate a rating scorecard that provides a starting point for analysis, based on weighted factors we consider most important and measurable. While scorecards do not directly determine ratings, they serve as useful guides for analysis and for rating committee discussions. We have devised scorecards for most of the current methodologies, to help ensure that issuers are assessed in a consistent manner and in keeping with the methodologies’ key elements. Because scorecards do not capture all methodology elements or all factors important to a given rating, ratings ultimately assigned can differ from scorecard outputs.

**STEP 3: ANALYST GATHERS AND ANALYZES INFORMATION**

To begin a credit review, the analyst needs the issuer’s most current debt and financial information. If the issuer requests a public rating in connection with a debt sale, certain transaction-specific documents are required. The analyst uses this information, in addition to comparisons with other rated credits, to begin formulating a rating recommendation and supporting rationale that will be presented to the rating committee in a rating committee memorandum. Our information requirements depend on the relevant sector and methodology, but documents we usually request include:

- Preliminary financing schedule
- Three years of audited financial statements, if available
- Draft of legal documents for the borrowing, including resolution, indenture and any amendments or supplemental documentation
- Draft preliminary official statement
- Monthly cash flows, for short-term cash flow notes
- Types and outstanding par amounts of the obligor’s debt, including direct bank loans
- Debt service schedules for both the new bonds and, if applicable, for the new and previously issued parity or related obligations
- Legal documents for bank loans, private placements, derivative transactions, or other debt-like instruments
- Disclosure of credit-related events or information
- Other sector-specific information

We cannot assign a credit rating if we do not have sufficient information or lack confidence that sufficient information will be available to monitor the rating in the future. Issuers can be assured that our analysts and committee participants will maintain the confidentiality of any non-public information provided during this process.
STEP 4: CREDIT DISCUSSIONS BETWEEN ISSUER AND ANALYSTS

In addition to providing the requested documents, issuers should be available to answer questions to help the lead analyst prepare materials for rating committee review. A debt issuer’s specific circumstances will dictate the topics covered in discussions between analysts and issuers. Whether these talks occur in person or by telephone, it is usually helpful for the executive officer or issuer contact to begin with an overview, addressing matters such as governance practices, strategic plans or priorities. With that framework set, the discussion can then move into more of the specific details regarding the issuer and how the key factors highlighted in the relevant rating methodology apply.

Productive meetings tend to follow a written agenda or presentation while also allowing for open dialogue about the issuer’s strengths and challenges. Analysts can provide issuers with general discussion topics or lists of specific questions in advance of discussions. Topics can include:

» Projected current and future year operating results (compared to budget or prior year’s operations)

» Major assumptions used in financial forecasts

» Material economic or institutional developments

» Plans to address key credit challenges
When Are In-Person Meetings Most Valuable?

While it is standard practice for Moody’s analysts to discuss credit issues directly with management, these interactions can occur either in person or by phone. In-person meetings typically occur:

» When Moody’s is assigning a rating to an issuer for the first time
» When the issuer’s borrowing plans are large or complex
» When the borrowing is for an unexpected or unusual project
» When there have been significant positive or negative changes in the key rating factors, such as market position or financial health, that could result in a rating or outlook change
» When Moody’s has not met with the management team or visited the issuer in several years

An in-person meeting can take place at the issuer’s offices, in space provided by investment bankers or financial advisors, or at Moody’s offices in Boston, Chicago, Dallas, New York or San Francisco. For initial ratings, a meeting on the issuer’s premises may be preferable, particularly if it allows us to see facilities that play an important role in the issuer’s credit profile. An in-person meeting typically takes more time than a conference call. On average, an on-site visit lasts three to four hours, and includes a tour of the facility, campus or municipality. A conference call between the issuer and analyst will usually take between one and two hours.

Whether by phone or in person, discussions with issuer management team members give the analyst a chance to assess governance and management, which are key credit factors. Meetings with small groups (five or fewer issuer participants) are often most valuable. Separate, shorter sessions on specific topics can also be useful. The following officials (or their equivalents) often participate in meetings or calls:

» Chief financial officer or other financial officer responsible for debt issuance
» Chief administrative officer/vice president for admissions/enrollment management
» Chief investment officer, budget director
» Governor/mayor/president/chancellor
» Board member or legislator (e.g., chair of finance committee)
» Economic development officer

When arranging site visits, issuers should bear in mind that analysts are barred from soliciting or accepting any money, gifts, favors or entertainment from the issuer or any agent representing the issuer. The analyst may accept incenitals in the context of a business interaction or in-person meeting, such as light meals, pens and paper, limited to US $25 per person, per business interaction, per day. The analyst may accept simple hospitality, such as morning coffee and pastries, or a sandwich buffet or box lunch. Alternative arrangements for more elaborate meals can include Moody’s paying for its share of a meal or paying for the entire meal.
STEP 5: THE RATING COMMITTEE

At Moody’s, ratings are determined by committees, not by individual analysts. The rating committee process is a critical mechanism in promoting the quality, consistency, independence and integrity of Moody’s rating process. It is designed to foster free exchanges of differing views and to encourage rigorous discussion and debate.

WHEN IS A RATING COMMITTEE CONVENED?

Rating committees can be convened for any of a number of reasons. A committee can be convened at the option of the lead analyst because of events or conditions affecting the credit, or simply to rate a new debt instrument. A rating committee may also follow preliminary surveillance, in which a rating is identified as potentially subject to upward or downward pressure or being inconsistent with its rating category.

WHO PARTICIPATES IN A COMMITTEE?

The lead analyst and a committee chair – typically a senior analyst or manager overseeing the sector being rated – are responsible for determining that committee composition is adequate. Committees consist of analysts with relevant and complementary areas of expertise, and a diversity of opinions. Committee members may include representatives from the team covering the relevant credit sector, as well as other teams in PFG and the Credit Policy Group. Analysts from other units of Moody’s Investors Service are often invited to PFG committees, particularly if comparisons with their rated entities are expected to play an important role in committee deliberations.

All committee participants must certify that they have no conflicts of interest with any of the credits being considered. The lead analyst and chair are responsible for ascertaining that members have no conflicts.

HOW DOES A COMMITTEE REACH A DECISION?

Moody’s rating committee process is designed to reach the most accurate rating outcomes, based on full consideration and debate of all relevant credit factors, from a range of perspectives. Committees consider information that is relevant to forming credit opinions, including measures of the issuer’s financial strength and debt burden, governance and management, economic or competitive conditions, and any other factors encompassed by the applicable rating methodology. Given that our ratings are relative measures, and that an issuer’s characteristics should be consistent with those of similarly rated entities, rating committees consider comparable credits.

The committee chair’s primary role is to guide discussions so they encompass not only the lead analyst’s recommendation and supporting data, but also differing or even controversial points of view. After members have had a chance to express and formulate their views, voting begins. The lead analyst votes by stating a rating recommendation, followed by the back-up analyst assigned to help cover the credit. Votes are then solicited from all other members, from most junior to most senior, with the committee chair voting last. This process ensures that neither the chair nor other senior committee members influence junior members to abandon independent views on the debt or entity being rated.

On occasion, a committee will determine that members lack certain information needed to make a fully informed vote. Normally, in these cases, the chair will suspend the committee temporarily and instruct the lead analyst to collect specific, additional information to bring back to the committee for consideration.
STEP 6: PUBLISHING THE RATING AND RATING REPORT

Once a committee has concluded, the lead analyst orally communicates the rating and rationale to the issuing entity or its representative. As a matter of policy, we do not disclose specific committee details, such as the analyst’s rating recommendation, names of committee participants, or the committee’s vote tally. Issuers may choose to appeal rating committee decisions, but issuers cannot appeal rating decisions solely because they disagree with them. Appeals, which are rare, require the issuer to present new information not initially considered by the analyst or committee that could change the rating outcome. If such information exists, issuers generally should provide necessary documentation to the lead analyst within a few hours of requesting an appeal. If we grant an appeal, a committee will reconvene to consider the new information as quickly as possible.

Before we publicly disseminate a rating and rating report, the lead analyst generally will provide a copy of the rating report to the issuer for review. Our standard practice is to give issuers a window of up to two hours to review draft reports, to identify any inaccuracies that should be corrected or any confidential information that was inadvertently included and should be deleted prior to publication. It is our practice to alert issuer contacts in advance to make sure that they will be available to review draft reports.

Under our policies, Moody’s retains ultimate editorial control over the form and content of all its publications. To that end, we will not consider suggested changes from an issuer or an issuer’s agents that would alter the meaning or tone of our opinions or credit rating announcements. While we allow issuers and their agents to review reports prior to publication, PFG reports and rating actions must remain confidential until we publish them.

Issuers receive signed letters describing rating actions (rating letters), for all rating actions related to new sales. Ratings assigned to planned debt issuances have a limited shelf life. For sales delayed more than 60 days after ratings were initially assigned, the ratings are withdrawn and the rating process must begin anew. Rating letters may also be provided for non-public rating actions such as the assignment of an Indicative Rating.

At times, issuers request that we provide a letter that confirms their current rating is accurate or appropriate, even when new ratings have not been requested. Such requests can be in connection with legal document provisions (known as Rating Agency Conditions or RACs) that require such confirmation in the event of changes to the legal documents or other specific circumstances. Moody’s is not bound by RAC clauses and retains sole discretion over whether to issue a letter or press release in response.

Monitoring

Once a credit rating is published, Moody’s monitors it on a continuing basis to respond to changes in the rated issuer’s, or obligation’s, relative creditworthiness. We review each rating annually and in some cases more frequently. Moody’s employs a number of techniques to conduct these reviews. Some ratings are monitored through portfolio reviews, in which similar credits and their ratings are considered simultaneously to assess whether their ratings remain appropriate. Others are monitored through issuer-specific reviews.

Our credit review procedures have evolved in recent years, along with the development of new rating methodologies as well as new regulatory requirements. We use a growing number of methods to identify rated entities for which an upgrade or downgrade should be considered. For example, in some PFG sectors, we use “threshold filtering,” in which ratings are reviewed according to key metrics to determine those in potential need of closer attention. We have developed sequential review procedures, in which each step of review entails a rising level of analytic scrutiny to determine the need for a rating or outlook change.

From time to time, Moody’s may request the latest audited financial statements, pension valuations, budgets, revenue
reports or other data or documentation to support our surveillance process. We may also ask management to provide an update on financial status, debt plans and other credit rating factors. We ask that issuers respond in a timely manner to our inquiries and requests as they arise.

**Rating Withdrawals**

When bonds mature or are redeemed prior to maturity, we withdraw their ratings through an administrative process. We will also withdraw a rating if an issuer fails to provide sufficient, accurate and timely information. Other potential reasons for withdrawal include an issuer's bankruptcy, liquidation, reorganization or debt restructuring. For all of these situations, a rating committee would determine whether withdrawal was appropriate.

Under certain circumstances, Moody’s will withdraw a credit rating for an issuer or an obligation for business reasons, which are unrelated to the situations identified above. A withdrawal of a credit rating for business reasons does not require a committee. Business reasons would generally not be related to underlying credit characteristics of the rated entity.
KEY CONTACTS
For more information, please contact the following individuals:

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