

## CREDIT OPINION

4 September 2019



### Contacts

Sunny Zhu +1.415.274.1721  
Analyst  
sunny.zhu@moodys.com

Alexandra J. Cimmiyotti +1.415.274.1754  
VP-Sr Credit Officer  
alexandra.cimmiyotti@moodys.com

Kirstyn Lee +1.415.274.1715  
Associate Analyst  
kirstyn.lee@moodys.com

### CLIENT SERVICES

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

# San Jose - Evergreen Community College District, CA

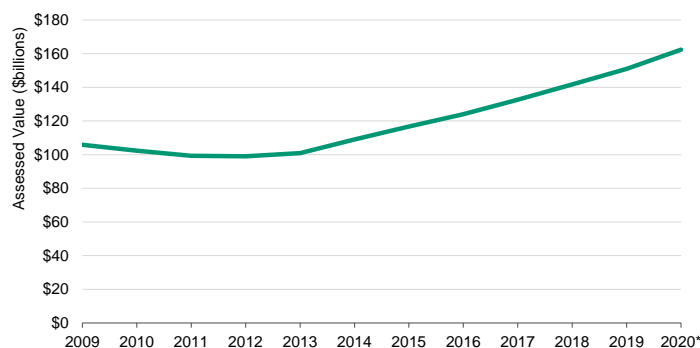
Update to credit analysis

## Summary

[San Jose - Evergreen Community College District, CA's](#) (Aa1 stable) credit profile is underpinned by a robust and growing tax base in the vibrant Silicon Valley economy with strong resident wealth measures. The district's credit strengths also include a stable financial profile supported by deep entrenchment in community funded or "basic aid" status and conservative fiscal management. While it has a fully funded other post employment benefits (OPEB) plan, the district's balance sheet leverage from long-term debt and pension obligations are more elevated than most peers.

### Exhibit 1

**San Jose - Evergreen CCD, CA has a robust and growing tax base benefitting from the strong local economy**



\*Preliminary

Source: San Jose-Evergreen CCD, CA; Moody's Investors Service

## Credit strengths

- » Extremely large and growing Silicon Valley tax base
- » Strong socioeconomic profile
- » Stable financial position supported by deep entrenchment into basic aid, which reduces exposure to variations or reductions in state funding
- » Conservative fiscal practices

## Credit challenges

- » Below-average general fund position for the rating
- » Rising pension costs common across all Californian Community College Districts
- » Above-average balance sheet leverage from debt and pension

## Rating outlook

The stable outlook reflects our expectation that the district's tax base will continue to grow, debt and pension burden will remain manageable, and that the district will maintain a solid financial position.

## Factors that could lead to an upgrade

- » Sustained growth in general fund reserves
- » Successful management of pension cost increases

## Factors that could lead to a downgrade

- » Protracted decline in assessed value
- » A material deterioration of financial position, including reserves and liquidity
- » Inability to manage pension cost increases

## Key indicators

Exhibit 2

San Jose - Evergreen Community Coll. Dist., CA	2014	2015	2016	2017	2018
Economy/Tax Base					
Total Full Value (\$000)	\$109,144,693	\$116,741,089	\$124,107,782	\$132,654,843	\$141,755,664
Population	859,242	872,592	881,352	894,215	894,215
Full Value Per Capita	\$127,024	\$133,787	\$140,815	\$148,348	\$158,525
Median Family Income (% of US Median)	138.5%	138.3%	142.9%	147.3%	147.3%
Finances					
Operating Revenue (\$000)	\$249,347	\$141,448	\$170,687	\$170,924	\$212,556
Fund Balance (\$000)	\$47,061	\$42,308	\$52,790	\$49,684	\$77,269
Cash Balance (\$000)	\$216,895	\$57,133	\$73,822	\$61,354	\$136,757
Fund Balance as a % of Revenues	18.9%	29.9%	30.9%	29.1%	36.4%
Cash Balance as a % of Revenues	87.0%	40.4%	43.2%	35.9%	64.3%
Debt/Pensions					
Net Direct Debt (\$000)	\$484,850	\$465,434	\$523,320	\$509,638	\$580,148
3-Year Average of Moody's ANPL (\$000)	\$180,573	\$203,182	\$231,483	\$260,713	\$299,236
Net Direct Debt / Full Value (%)	0.4%	0.4%	0.4%	0.4%	0.4%
Net Direct Debt / Operating Revenues (x)	1.9x	3.3x	3.1x	3.0x	2.7x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.2%	0.2%	0.2%	0.2%	0.2%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.7x	1.4x	1.4x	1.5x	1.4x

Note: the large cash balances in fiscal 2014 and fiscal 2018 are driven by timing differences as bond proceeds are awaiting transfer to the district's bond fund.

Source: San Jose - Evergreen CCD, CA; Moody's Investors Service

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.

## Profile

San Jose - Evergreen Community College District is located in [Santa Clara County, CA](#) and encompasses approximately 303 square miles in the heart of Silicon Valley, including a portion of the [City of San Jose](#) (Aa1 stable) and all of the City of Milpitas. The district operates San Jose City College and Evergreen Valley College, each of which is fully accredited by the Accrediting Commission for Community and Junior Colleges. The district is governed by a seven-member Board of Trustees. As of fiscal 2019, the district's full time equivalent students was 12,231.

## Detailed credit considerations

### Economy and tax base: exceptionally large and diverse tax base poised for additional growth; strong resident wealth measures

San Jose - Evergreen Community College District has a robust and diverse tax base poised for continued growth under the vibrant Silicon Valley economy.

The district's assessed value (AV) reached \$150.9 billion in 2019 after growing at a strong average annual rate of 6.7% over the last five years. Santa Clara County's preliminary estimate of the district's 2020 AV is \$162.4 billion, reflecting another 7.6% growth from 2019. During and after the last recession, the tax base also demonstrated resilience as it only contracted by 6.5% cumulatively. The size of the district's tax base compares favorably with the median of similarly-rated CCDs in the nation (\$76.5 billion).

The tax base is mainly residential (73.7% of secured AV) and is diverse, with the top ten taxpayers contributing to just 2.9% of 2019 secured AV combined. The largest property owners are mainly apartment complexes and office buildings of major technology companies such as [Cisco Systems, Inc.](#) (A1 stable), [Apple Inc.](#) (Aa1 stable) and [Adobe Systems Inc.](#) (A3 stable).

Going forward, we expect the district's AV will continue to grow with the turnover of homes and with additional residential and commercial developments underway and anticipated, including office expansions of several large technology companies. Given the strong local economy, the area continues to absorb strong housing price appreciations; the current median sale price of a home in the area is around \$1.0 million, more than double the district's median AV of \$477,511.

The district has above-average wealth measures – a per capita AV of approximately \$180,000 and a median family income that is around 147.3% of the US. The City of San Jose's unemployment rate has compared favorably with the state and the nation over the last decade, and was 2.8% as of June 2019, below that of the state (4.1%) and the nation (3.8%) for the same period.

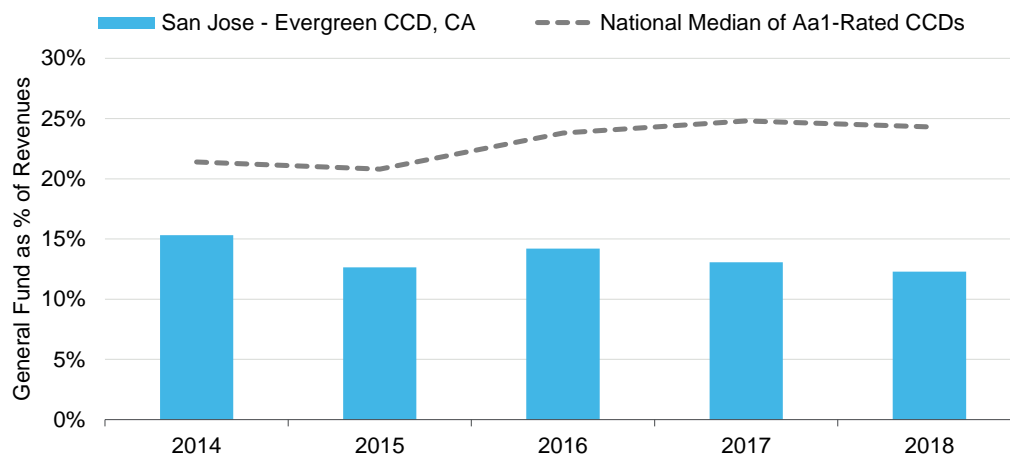
### Financial operations and reserves: sound reserve position supported by deep entrenchment into basic aid; moderate growth in enrollment in recent years

The district has a solid financial position, which we expect will remain stable given its deep entrenchment into basic aid and its conservative fiscal practices. As a community funded district, San Jose - Evergreen CCD receives more revenues from local sources than the level of funding it would receive under the state's funding model. In fiscal 2019, the district's local property tax revenues exceeded what it would otherwise receive under the state's student center funding formula by around \$39.5 million (53.0%). Having strong local revenues is beneficial for the district's finances given the state's history of education funding challenges during economic downturns. The major risks of a basic aid district include a material decline in AV and a large increase in enrollment. Positively, the district's AV demonstrated resilience during the last recession, and its enrollment growth in recent years has been moderate.

As seen in Exhibit 3, the district has maintained a relatively stable general fund balance averaging \$16.5 million (13.5% of revenues) over the last five years, albeit below average for the rating. The district has a formal policy to maintain unrestricted general fund at no less than 7% of annual expenditures, which it has consistently exceeded. In 2016, the district also created a financial stabilization fund that serves as a rainy day fund for the general fund. The district has a policy to transfer \$250,000 - \$500,000 of property tax revenues annually to this stabilization fund if property tax revenue growth exceeds 6% during a fiscal year. Management expects to have around \$1.5 million (1% of general fund revenues) in this reserve after closing fiscal 2019 books.

Exhibit 3

The district's general fund reserve has demonstrated stability over the last five years, albeit lower than the US median of similarly rated CCDs



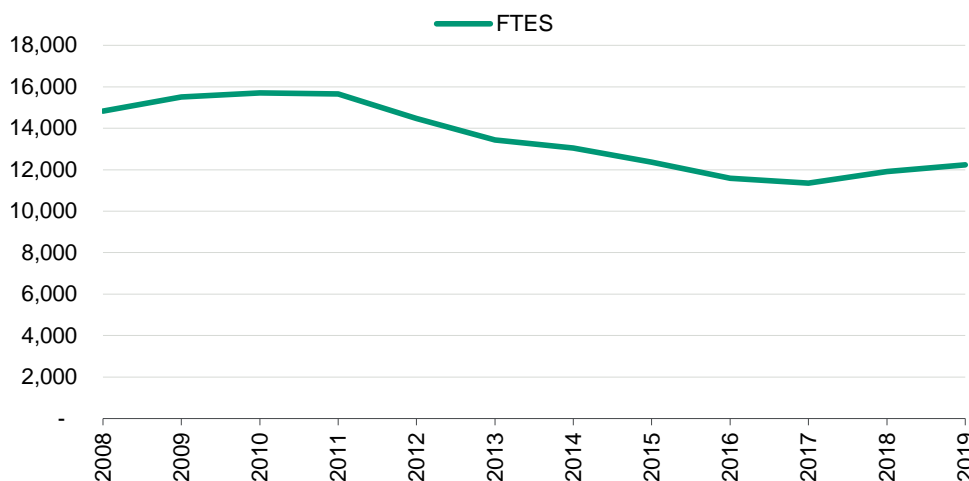
Source: San Jose - Evergreen CCD, CA; Moody's Investors Service

The district ended fiscal 2018 with a small \$0.5 million surplus and ended the fiscal year with \$18.0 million (12.3% of revenues) in its general fund. Available operating fund balance, which for the purpose of our analysis includes available general fund and bond interest and redemption fund reserves, totaled a healthy \$77.3 million (36.4% of revenues) as of fiscal end 2018. Management expects to close fiscal 2019 books with another surplus; its fiscal 2020 budget and multiyear financial projections also show continued additions to its general fund, although some of the surpluses projected may be offset by salary increases to be negotiated / not budgeted. The district has traditionally taken a conservative approach to financial planning, and has a history of outperforming budgets. For example, its revenue projections conservatively incorporates property value growth of 3.5% annually, compared to recent actual results that have consistently exceeded 6.5%, including 2020 (7.6%). The district is also exploring leasing out a vacant property that can generate additional lease revenues in the outer years.

After declining for consecutive years post the last recession, the district's full time equivalent students (FTES) have increased moderately in 2018 and 2019 (see Exhibit 4) due to increased marketing efforts and dual-enrollment initiatives. Management expects continued modest growth in the district's enrollment in upcoming years, which should be manageable given the district's current facility and faculty capacity.

Exhibit 4

The district's full time equivalent students have increased in recent years following previous declines



Source: San Jose - Evergreen CCD, CA; Moody's Investors Service

## LIQUIDITY

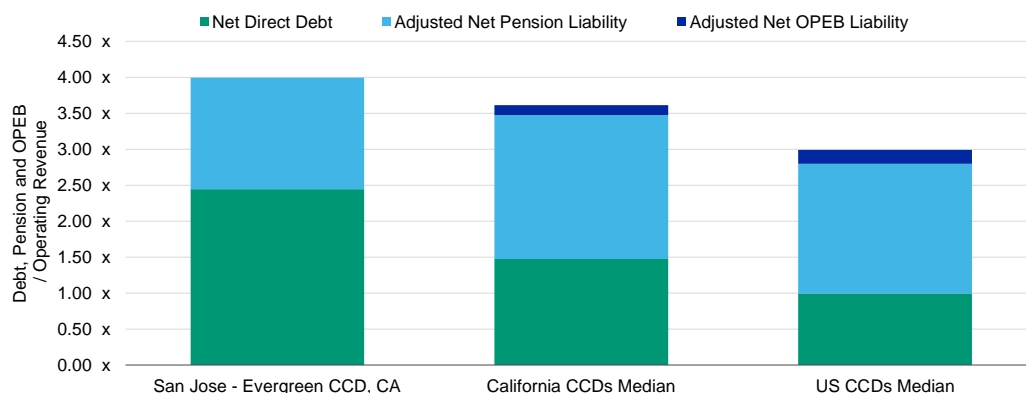
The district's operating cash position was strong at \$136.8 million or 64.3% of revenues as of fiscal 2018; around \$43.7 million of the cash balance reflects bond proceeds awaiting transfer to the district's bond fund. Net of this adjustment, the district's cash position was still a healthy \$93.0 million or 43.8% of revenues as of 2018. In addition, as of fiscal end 2018, the district also had around \$4.2 million (2.9% of general fund revenues) in its capital projects fund, facility rental fund, and financial stabilization fund combined that can be borrowed by the general fund, if needed; of which, around \$2.2 million (1.4% of general fund revenues) does not need to be repaid.

## Debt and pensions: above-average debt and pension burden; fully funded OPEB liabilities

San Jose - Evergreen CCD's balance sheet leverage from long-term liabilities is somewhat elevated compared to peers in the state and the nation (see Exhibit 5), but still manageable.

Exhibit 5

### The district has above-average balance sheet leverage from long-term liabilities



Source: San Jose - Evergreen CCD, CA; Moody's Investors Service

The district has an above-average debt burden which we expect will remain manageable with additional issuances given the expected continued growth of the tax base. Post the issuance of the 2019 General Obligation (GO) Refunding Bonds, the district will have around \$472.5 million of GO bonds, over \$20 million in associated accreted interest, and \$47.5 million of OPEB Bonds outstanding. Net direct debt represents a moderate 0.4% of AV. However, in relation to the district's size of operations, the debt burden is above average at 2.4 times operating revenues compared to the national median of Moody's-rated CCDs (1.0 times operating revenues). With overlapping debt, the district's overall debt burden at 3.6% of AV is also higher than many peers.

The district has \$663.0 million of unissued GO authorizations outstanding under its Measure X, with the next issuance anticipated in 2021.

## DEBT STRUCTURE

The district's GO bonds are long-term fixed rate obligations with a final maturity in 2043. General obligation bonds are secured by an unlimited property tax pledge of all taxable property within the district boundaries. Santa Clara County, rather than the district will levy, collect, and disburse the district's property taxes, including the portion constitutionally restricted to pay debt service on general obligation bonds.

The district's OPEB Bonds are privately-placed variable rate obligations with a final maturity in 2043 and subject to a mandatory tender on May 1, 2027. The bonds have an initial LIBOR index rate period ending on April 30, 2027, subsequent to which the district can elect various rate methods with a maximum rate of 12%. The variable rate bonds should not cause any undue stress to the district's credit quality since they only represent 9.1% of the district's total debt portfolio and are currently hedged with a fixed-payor swap. The OPEB Bonds are a general fund obligation and annual effective debt service currently represents a moderate 1.7% of general fund revenues.

## DEBT-RELATED DERIVATIVES

The district's variable rate OPEB bonds are swapped to fixed-rate through a swap agreement with [Deutsche Bank AG](#) (A3) that will expire on July 1, 2043. Under the swap, the district pays the counterparty a fixed payment of 4.239% and receives a variable payment based on the LIBOR index rate. The rating termination triggers for the swap are a function of the district's and the swap provider's ratings,

with the district's option to terminate if the counterparty's rating falls below Baa1 and the counterparty's option to terminate if the district's rating falls below Baa2.

#### PENSIONS AND OPEB

The district participates in CalPERS and CalSTRS multi-employer defined benefit pension plans. In fiscal 2018, the district reported net pension liability totaling \$117.3 million using a weighted average discount rate of 7.12%. Moody's adjusted net pension liability (ANPL) for the district, using a discount rate of 3.87% under our [methodology for adjusting reported pension data](#), was \$329.3 million. The three-year average of ANPL represents a moderate 0.2% of AV or 1.4 times operating revenues.

California community college districts' annual pension contribution rates have increased in recent years and will continue to grow. CalSTRS contribution rates are [set by the state legislature](#); as statutory contribution rates have historically fallen short of actuarial requirements, the state implemented a funding reform in 2014, AB 1469, which increased state and school district contribution requirements to CalSTRS in an effort to address its heightened unfunded liability. CalPERS contribution rates are determined by state actuarial valuation and assumptions, and are also increasing because the state plan is gradually [reducing its assumed investment return](#) and has adopted a [more aggressive repayment schedule](#) to improved funding discipline.

The district's pension contributions represented 5.1% of its operating revenues in fiscal 2018, up from 2.0% of operating revenues in 2014. In fiscal 2018, the district's pension contribution was nearly \$3.1 million below Moody's tread water level, or the level of contribution that would prevent reported unfunded liabilities from growing under reported assumptions. This contribution gap reflects approximately 1.5% of operating revenues, signaling that the district's reported pension burden will continue to grow even if investment targets are achieved.

The district's OPEB liability has been fully funded by proceeds of its OPEB bonds. As of fiscal end 2018, the district reported a total OPEB liability of \$34.4 million, and had \$45.0 million in an OPEB irrevocable trust. Moody's adjusted OPEB liability for the district is \$45.0 million, also sufficiently covered by assets in the OPEB irrevocable trust. Moody's adjusted NOL reflects the use of the same discount rate we apply to pensions to improve comparability between pension and OPEB liabilities and across rated issuers.

#### Management and governance: moderate institutional framework; solid operating history

California CCDs have an Institutional Framework score of "A", or moderate compared to the nation. California CCDs' major revenue sources are determined by the state government or, for the most part, can only be raised with voter approval. Ad valorem property tax rates cannot be increased above 1% except to meet GO bond payments, and assessed valuation growth is also generally limited to 2% annually unless a property changes ownership. Unpredictable revenue fluctuations tend to be moderate, or between 5-10% annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures. Unpredictable expenditure fluctuations tend to be moderate, between 5-10% annually.

As a basic aid district, San Jose-Evergreen Community College District operates under a different funding model from the majority of CCDs within the state. As discussed above, it is primarily funded from local property taxes, at a level that is substantially above the state guaranteed minimum. Therefore, the district's revenue predictability, especially during periods of state budgetary challenges, is somewhat higher than the typical district described by the Institutional Framework paragraph above. The district's expenditure flexibility is also potentially higher than average, given the relatively high revenues per student.

The district's five-year general fund operating ratio is 1.0 times, reflecting balanced operations.

© 2019 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S 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.

CREDIT RATINGS AND MOODY'S 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 the Moody's publications.

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

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

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

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://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. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

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

Contacts

Sunny Zhu  
*Analyst*  
sunny.zhu@moodys.com

Kirstyn Lee  
*Associate Analyst*  
kirstyn.lee@moodys.com

+1.415.274.1721

+1.415.274.1715

Alexandra J. Cimmiyotti  
*VP-Sr Credit Officer*  
alexandra.cimmiyotti@moodys.com

+1.415.274.1754

CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454