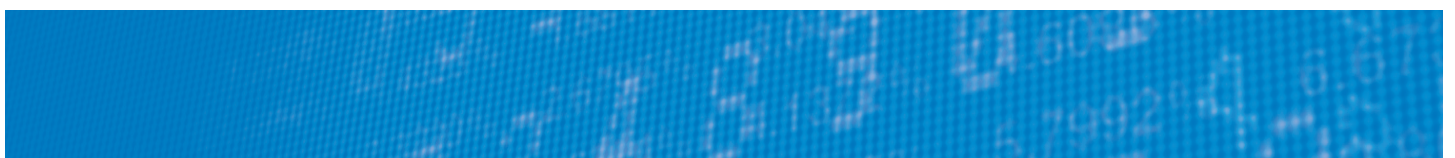


# MIS Hong Kong Code of Professional Conduct

June 1, 2011



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## Preamble

Financial markets should be efficient and fair to all market participants. Credit rating agencies play an important information role in these markets. Moody's Investors Service ("**MIS**") provides opinions in the form of credit ratings and related research about the creditworthiness of issuers of securities and their financial obligations. Our credit ratings are forward-looking opinions that seek to measure relative credit loss. That is to say, they forecast the likelihood of default on a bond and the estimated severity of loss in the event of that bond's default.

Given the vast amount of information available to investors today — some of it valuable, some of it not — MIS helps investors and others sift through this information and analyze the credit risks they face when lending to a particular borrower, or when purchasing an issuer's debt or debt-like securities.<sup>1</sup> MIS makes our public credit ratings available to investors globally on a contemporaneous basis, free of charge.

In order to enhance market understanding and confidence in MIS's credit ratings, MIS has adopted a Code of Professional Conduct (the "**MIS Code**"). Through the MIS Code, MIS seeks to protect the integrity of the rating process, to ensure that investors and issuers are treated fairly, and to safeguard confidential information provided to us by issuers. To use MIS ratings effectively, the market should be informed of both their attributes and limitations. It is our responsibility to be as transparent as practicable with respect to our:

- » rating methodologies;
- » rating policies and practices; and
- » overall track record.

This MIS Code, as well as associated policies, is accessible on MIS's public website, [moodys.com](http://moodys.com)<sup>2</sup>

Moody's Investors Service Hong Kong Limited ("**MISHK**") is an affiliated entity established to provide credit rating services from Hong Kong. MISHK is licensed with Hong Kong's Securities and Futures Commission ("**SFC**"), under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) ("**SFO**"). This Code of Professional Conduct ("**MISHK Code**") has been adopted to satisfy paragraph 68 of the SFC's Code of Conduct for Persons Providing Credit Rating Services ("**SFC CRA Code**"). The MISHK Code is generally based upon the MIS Code, but includes provisions adopted to satisfy the provisions of the SFC CRA Code. It therefore encompasses the same principles of the MIS Code, described above.

This MISHK Code is organized into three sections, and tracks the MIS Code to the extent possible, while including provisions that address SFC CRA Code requirements. These sections are:<sup>3</sup>

- » The Quality and Integrity of the Rating Process;
- » Independence and Avoidance and/or Management of Conflicts of Interest; and
- » Responsibilities to the Investing Public and Issuers.

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<sup>1</sup> MIS provides credit ratings for different types of debts or financial obligations – including, for example, private loans, publicly and privately traded debt securities, preferred shares and other securities that offer a fixed or variable rate of return. For simplicity's sake, the term "debt and debt-like securities" is used herein to refer to debt securities, preferred shares, and other financial obligations of these sorts.

<sup>2</sup> Although, in the interest of transparency, we have posted this Code and other related policies on [moodys.com](http://moodys.com), MISHK does not assume, as a result of such public disclosure, any responsibility or liability to any third party arising out of or relating to this Code or those policies. The MISHK Code is not part of any contract with any third party, and no third party shall have any right to enforce any of its provisions. MISHK also retains complete discretion to revise this Code at any time to reflect changes in MISHK ratings policies and procedures or to address changes in market, legal, or regulatory circumstances.

<sup>3</sup> The MIS Code and the SFC CRA Code also have been structured in this manner in order to track the IOSCO Code as closely as possible.

## I. Defined Terms

For the purposes of this document, the terms below, organized by category, are defined as follows:

### DOCUMENTS

1. **Core Principles for the Conduct of Rating Committees** is the MIS policy referred to in Provisions 3.1 and 3.8 below.
2. **Designating Issuers That Do Not Participate in the Rating Process** is the MIS policy referred to in Provision 3.11 below.
3. The **International Organization of Securities Commissions' Code of Conduct Fundamentals for Credit Rating Agencies ("IOSCO Code")** is a framework Code of Conduct published on December 23, 2004 and subsequently revised in May 2008 by the International Organization of Securities Commissions. It was developed through cooperative efforts of international securities regulatory authorities, rating agencies, issuers, investors and other market participants. MIS has publicly endorsed the IOSCO Code.
4. The **International Organization of Securities Commissions' Principles Regarding the Activities of Credit Rating Agencies ("IOSCO Principles")** is a set of broad principles developed by the international regulatory community and published on September 25, 2003. The IOSCO Principles is the document upon which the IOSCO Code is based. MIS has publicly endorsed the IOSCO Principles.
5. The **Moody's Corporation Code of Business Conduct ("MCO Code")** is the code of conduct adopted by Moody's Corporation ("MCO").
6. The **Moody's Investors Service Code of Professional Conduct ("MIS Code")** is the code of conduct for MIS. Except as noted immediately below, the MIS Code governs the conduct of:
  - a. MIS; and
  - b. all MIS employees whether employed by MIS in a full-time or part-time capacity.

The MIS Code is not applicable in Japan, Australia, and Hong Kong.

7. The **Moody's Investors Service Hong Kong Code of Professional Conduct ("MISHK Code" or the "Code")** is this code of conduct for MISHK. This MISHK Code governs conduct including, but not limited to, all Type 10 Regulated Activity. The MISHK Code governs the conduct of:
  - a. MISHK,
  - b. All Employees, and
  - c. All Licensed Person while conducting any Type 10 Regulated Activity on behalf of MISHK in Hong Kong.
8. **Rating Symbols and Definitions** is a reference guide that sets out the definitions the rating symbols and rating scales used by MIS and MISHK.
9. **Securities Trading Policy** is MCO's **Policy for Securities Trading**.

### EMPLOYEE TYPES

1. An **Analyst** is a Licensed Representative (including a Responsible Officer where relevant) whose primary function is participation in the Credit Rating analysis process, including Providing Credit Rating Services.
2. **DCO** refers to the individual designated by MISHK as its Designated Compliance Officer.
3. An **Employee** is any individual who works for MISHK in any capacity.

4. **Management** or **Managers** are those Employees who have personnel management responsibilities.
5. **Licensed Representative** is an individual who is granted a licence under section 120(1) of the SFO to carry on the Type 10 Regulated Activity for MISHK to which he/she is accredited.
6. **Responsible Officer** (“**RO**”) refers to a Licensed Representative approved as a responsible officer under section 126 of the SFO to supervise the regulated activity of MISHK to which he/she is accredited.
7. **Licensed Persons** means Licensed Representatives and Responsible Officers

#### ORGANIZATIONAL STRUCTURE

1. The **MIS Compliance Department** is the department that is responsible for assessing MIS’s, MISHK’s, and MISHK’s Employees’ and Licensed Persons’ compliance with the policies and procedures described in this Code. The DCO is a member of the MIS Compliance Department and resident in MISHK.
2. The **Credit Policy Group** is an internal MIS group and is separate from the business lines that are principally responsible for rating various classes of Issuers and obligations. The Credit Policy Group is overseen by MIS’s Chief Credit Officer, who is directly accountable to the Chief Executive Officer and Chief Operating Officer of MIS and reports quarterly to the MCO Board of Directors. The Credit Policy Group is responsible for conducting research on the performance of Credit Ratings, reviewing and approving methodologies and models, and overseeing various internal credit committees that formulate high level rating policies and practices for each of the rating groups.
3. **MCO** refers to Moody’s Corporation and is the listed parent company of MIS and all of MCO’s subsidiaries, including the companies that comprise MIS.
4. **MIS** refers to Moody’s Investors Service, Inc. and the wholly owned subsidiaries of MCO that engage in Credit Rating Services and that also might engage in Ancillary Services or Other Permissible Services. Any reference to MIS under this Code also includes MISHK. Any MIS activities described in this Code are in reference to such acts in relation to MISHK, although they may be identical to MIS activities on a global basis.
5. **MISHK** refers to Moody’s Investors Service Hong Kong Limited, and any references to MISHK acts in this Code include any Type 10 Regulated Activity conducted in its name.

#### SERVICES AND PRODUCTS

1. **Ancillary Services** are those products and services that may be offered by MISHK, that are not Credit Rating Services, and that comprise market forecasts, estimates of economic trends, pricing analysis or other general data analysis as well as related distribution services.
2. A **Credit Rating** is an opinion regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument including a Rating Target, or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument including a Rated Entity, issued using an established and defined ranking system of rating categories. See also Section II below.
  - (a) a person other than an individual;
  - (b) Debt Securities;
  - (c) preferred securities; or
  - (d) an agreement to provide credit.
3. A Credit Rating Action is any one of items i. – iii. below. MISHK publishes Credit Rating Actions via one or more Credit Rating Announcements or on moodys.com with a clear and prominent reference on the relevant webpage to the place on moodys.com where disclosure specified in the applicable laws for Credit Ratings or Credit Rating Announcements is required.

- i. An assignment of an MISHK Credit Rating:* where a Credit Rating is determined for a specific Issuer or obligation for the first time. Credit Ratings that are:
- assigned to securities that are issued over time pursuant to programs, series or categories of debt that are subject to an existing Credit Rating, or
  - based on the pass-through of a primary Issuer’s Credit Rating,
  - derive their Credit Rating exclusively from the existing Credit Rating of the program, series, category of debt or primary Issuer, as the case may be, and the rating committee for the existing Credit Rating incorporates future issuances into its analysis. Consequently, Credit Rating Actions with respect to these Credit Ratings are not subject to further analysis by a rating committee beyond the analysis conducted by the original rating committee for the existing Credit Rating.
- ii. A change in an MISHK Credit Rating (upgrade or downgrade):* MISHK’s Credit Ratings are subject to either upgrades or downgrades as set out below.
- Upgrade: the Credit Rating is moved upwards on the rating scale.
  - Downgrade: the Credit Rating is moved downwards on the rating scale.
- iii. A withdrawal of an MISHK’s Credit Rating.*
4. **Credit Rating Announcements** are those written communications that publicly announce Credit Rating Actions.
  5. **Credit Rating Services** are those products and services that are offered by MISHK, that are derived from the credit rating process and that provide an opinion regarding the creditworthiness of a Rating Target, or Rating Entity, issued using an established and defined ranking system of rating categories.
  6. **Non-Participating Credit Ratings** are published Credit Ratings in which the Issuer has declined (expressly or through failure to respond to) MISHK’s offer to participate in the rating process on a going-forward basis.
  7. **Other Permissible Services** are those products and services that MISHK may offer that are neither Credit Rating Services nor Ancillary Services and that are listed in **Rating Symbols and Definitions** <sup>4</sup>
  8. **Providing Credit Rating Services** means:
    - (a) preparing Credit Ratings
      - I. for dissemination to the public, whether in Hong Kong or elsewhere, or
      - II. with a reasonable expectation that they will be so disseminated; or
    - (b) preparing Credit Ratings
      - I. for distribution by subscription, whether in Hong Kong or elsewhere, or
      - II. with a reasonable expectation that they will be so distributed,
 but does not include:
      - (c) preparing, pursuant to a request made by a person, a Credit Rating which is exclusively prepared for, and provided to, the person and that is neither intended for dissemination to the public or distribution by subscription, whether in Hong Kong or elsewhere, nor reasonably expected to be so disseminated or distributed; or
      - (d) gathering, collating, disseminating or distributing information concerning the indebtedness or credit history of any person.
  9. **Rating Services** means any or all of the following: Credit Rating Services, Ancillary Services and/or Other Permissible Services.

<sup>4</sup> MIS and MISHK has revised its definitions of Credit Rating Services and Ancillary Services to align them with provisions in the European Regulation on Credit Rating Agencies and, accordingly, certain products or services that MIS and MISHK used to consider Credit Rating Services or Ancillary Services are now classified as Other Permissible Services. MIS and MISHK nevertheless considers Other Permissible Services, as well as Ancillary Services, to constitute Rating Services.

10. **Type 10 Regulated Activity** means Providing Credit Rating Services.

11. **Unsolicited Credit Ratings**

Unsolicited Credit Ratings are those Credit Ratings published under the following two conditions:

- i. the Credit Rating is a first-time assignment related to a given Issuer; and
- ii. the Credit Rating was not requested by the Issuer and was initiated by MISHK

**OTHER**

1. **Confidential Information** is any information received by MISHK from an Issuer or its authorized agent in connection with the rating process or in connection with providing Ancillary Services or Other Permissible Services in respect of which MISHK has received written notice specifically indicating the proprietary and confidential nature of the information. However, the term “Confidential Information” shall not include:
  - a. information that is publicly known;
  - b. information available to MISHK on a non-confidential basis prior to disclosure by the Issuer or its agents;
  - c. information that becomes available to MISHK on a non-confidential basis from a third party not reasonably known by MISHK to be bound by a confidentiality agreement with the Issuer or otherwise prohibited from making available such information;
  - d. information developed independently by MISHK without reference to any Confidential Information; or
  - e. information that has been aggregated or transformed in such a way that it is no longer identified as relating to any individual Issuer.
2. **Debt Securities** means debenture stock, loan stock, debentures, bonds, notes, indexed bonds, convertible debt securities, bonds with warrants, non-interest bearing debt securities and other securities or instruments acknowledging, evidencing or creating indebtedness.
3. **EU** means European Union.
4. **Family Members** has the meaning given to it in the **Securities Trading Policy**.
5. An **Issuer** is any entity that issues debt, a credit commitment, or debt-like securities, including a Rated Entity.
6. **Securities** has the meaning given to it in the **Securities Trading Policy**. The term “derivative” is incorporated in this definition of “Securities”.
7. **Rating Target** means the subject of a Credit Rating and may be a person (other than an individual), Debt Securities, preferred securities or an agreement to provide credit.
8. **Rated Entity** means the Rating Target or, in the case of a Rating Target that is Debt Securities, preferred securities or an agreement to provide credit, the issuer of the Debt Securities or preferred securities or the person (other than an individual) agreeing to provide credit.

## II. What Are Credit Ratings?

A Credit Rating is an opinion regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument, or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, issued using an established and defined ranking system of rating categories. Within the meaning of the SFC CRA Code and the MISHK Code, a Credit Rating is an opinion regarding the creditworthiness of a Rating Target, or a Rated Entity, issued using an

established and defined ranking system of rating categories. Credit Ratings are based on information obtained by MISHK from sources believed by MISHK to be accurate and reliable, including but not limited to Issuers and their agents, as well as sources independent of the Issuer. MISHK relies on Issuers and their agents to provide information that is true, accurate, timely, complete and not misleading.

MISHK adopts all necessary measures so that the information it uses in assigning a Credit Rating is of sufficient quality and from sources MISHK considers to be reliable including, when appropriate, independent third-party sources. However, MISHK is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Thus, in assigning a Credit Rating, MISHK is in no way providing a guarantee with regard to the accuracy, timeliness, or completeness of factual information reflected, or contained, in the Credit Rating or any related MIS publication.

In the rating process, MISHK maintains independence in its relationships with Issuers, investors, and other interested entities. MISHK does not have a fiduciary relationship with the Issuer whose security is being rated (or any other party). Nor does MISHK act as an advisor to the Issuers it rates. MISHK may comment on the potential credit implications of proposed structural elements of a security, but MISHK does not participate in the actual structuring of any security under consideration for a Credit Rating.

As a matter of policy, and in keeping with its role as an independent and objective publisher of opinions, MIS retains complete editorial control over the content of its Credit Ratings, credit opinions, commentary, and all related publications. MIS reserves the right at any time to suspend, modify, lower, raise or withdraw a Credit Rating, or place a rating on the watchlist in accordance with MIS policies and procedures. MIS editorial control includes its right to decide whether, and when, to issue a Credit Rating or publish any information or commentary, except in those rare instances where the public disclosure of a Credit Rating has been contractually limited (See Provision 3.4 below) or limited by applicable laws.

## III. The Provisions

### 1. Quality and Integrity of the Rating Process

As described in the IOSCO Principles and the SFC CRA Code, MISHK will endeavor to provide forward-looking opinions on the relative creditworthiness of Issuers of debt and debt instruments in order to help reduce the information asymmetry that exists between those Issuers and potential purchasers of their debt.

#### A. QUALITY OF THE RATING PROCESS

- 1.1 Since Credit Ratings are probabilistic opinions about future creditworthiness, the performance of an individual Credit Rating opinion will not be judged on the basis of the individual outcome, but on whether the individual Credit Rating was formed pursuant to MIS's established processes. Where possible, the performance of Credit Ratings collectively will be evaluated on the basis of how they perform on a statistical basis ex post (e.g., default studies, accuracy ratios, and stability measures).
- 1.2 MIS will develop and maintain rigorous and systematic rating methodologies. Where possible, resulting Credit Ratings will be periodically subjected to objective validation based on historical experience. The Credit Policy Group will be responsible for monitoring the appropriateness and completeness of rating methodologies and procedures, and for approving any significant changes to MIS's rating methodologies and procedures.
- 1.3 In assessing an Issuer's or obligation's creditworthiness, Analysts will use MIS's methodologies. Analysts will apply a given methodology in a consistent manner, as determined by MIS.

- 1.4 Credit Ratings will be determined by rating committees and not by any individual Analyst.<sup>5</sup> In producing a Credit Rating, MISHK will consider all information known and believed to be relevant by the applicable Analyst and rating committee about an Issuer, including information received from a source other than the Issuer or underwriter that the applicable Analyst and rating committee find credible and potentially significant to a rating decision, in a manner generally consistent with MIS's published methodologies. In formulating Credit Ratings, MISHK will employ Analysts who, individually or collectively (for rating committees), have appropriate knowledge and experience in developing a rating opinion for the type of credit being analyzed.

MISHK will document reporting lines and allocate functions and responsibilities.

- 1.5 MISHK will comply with MIS's record retention policies and applicable laws when maintaining records used to support its Credit Ratings and research processes. Employees and Licensed Persons will familiarize themselves with MIS's record retention policies, and applicable Hong Kong regulations, and periodically certify their compliance with such policies and regulations.
- 1.6 MISHK and its Analysts will take steps to avoid issuing any credit analyses, Credit Ratings or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of an Issuer or obligation.
- 1.7 MISHK will invest resources sufficient to carry out high-quality credit assessments of Issuers or obligations. When deciding whether to rate or continue rating an obligation or Issuer, MISHK will assess whether it is able to devote sufficient personnel with appropriate skills to make a proper rating assessment, and whether its personnel likely will have access to sufficient information needed in order to make such an assessment. In its Credit Rating Announcements for Credit Ratings that present limited historical data, MISHK will make such limitation clear in a prominent place. MISHK adopts all necessary measures so that the information it uses in assigning a Credit Rating is of sufficient quality and from sources MISHK considers to be reliable including, when appropriate, independent third-party sources.

MISHK will refrain from providing a Credit Rating unless it believes that it has sufficient information and the appropriate analytical skills to do so.

MISHK will require the Credit Policy Group to:

- 1.7.1 review the feasibility of providing a Credit Rating for a type of structure that is materially different from the structures MIS has rated;
- 1.7.2 at least once every twelve months, review the methodologies and models and significant changes to the methodologies and models MIS uses, with the findings of such review documented; and
- 1.7.3 assess whether existing methodologies and models for determining Credit Ratings of structured products are appropriate when MISHK determines that the risk characteristics of the assets underlying a structured product have materially changed.

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<sup>5</sup> Once a rating committee has determined the appropriate Credit Ratings to be assigned to an Issuer's debt classes (e.g., senior unsecured), or to debt issued under specific program documents, MISHK will assign such Credit Ratings to such classes unless and until a subsequent rating committee determines otherwise. Debt issuance by an Issuer or under specific program documents may be routine (e.g., refinance), or may be material to the Issuer's creditworthiness or the program structure (e.g., a material change in the Issuer's leverage). It is the responsibility of the Analyst to monitor the Issuer's debt issuance and leverage and changes to program documents, and to bring material changes to the rating committee's attention.

Credit Ratings that are:

- assigned to securities that are issued over time pursuant to programs, series or categories of debt that are subject to an existing Credit Rating, or

- based on the pass-through of a primary Issuer's Credit Rating,

derive their Credit Rating exclusively from the existing Credit Rating of the program, series, category of debt or primary Issuer, as the case may be, and the rating committee for the existing Credit Rating incorporates future issuances into its analysis. Consequently, Credit Rating Actions with respect to these Credit Ratings are not subject to further analysis by a rating committee beyond the analysis conducted by the original rating committee for the existing Credit Rating.

- 1.8 MISHK will adopt and maintain an appropriate continuing education program for Analysts. MISHK will designate one or more appropriate Employees to implement and oversee the program. MIS Australia must organize its rating committees to promote continuity and avoid bias in the rating process.
- 1.9 MISHK will organize its rating committees to promote continuity and avoid bias in the rating process.

## B. MONITORING AND UPDATING

- 1.10 MISHK will allocate adequate personnel and financial resources to monitoring and updating its Credit Ratings. Once a Credit Rating is published, and unless it is withdrawn, MISHK will monitor the Credit Rating and update it by:
  - a. at least once in any twelve month period, reviewing the creditworthiness of the Issuer, other relevant entity, or debt or debt-like securities;
  - b. initiating a review of the status of the Credit Rating upon becoming aware of any information that might reasonably be expected to result in a Credit Rating Action (including withdrawing a Credit Rating) consistent with the applicable rating methodology; and
  - c. updating on a timely basis the Credit Rating, as appropriate, based on the results of any such review referred to in (a) or (b) above.
- 1.11 Where practicable, MISHK will use separate analytical teams for assigning initial Credit Ratings and for subsequent monitoring of structured finance Credit Ratings. Each team will have the requisite level of experience and resources to perform its respective functions in a timely manner. MISHK will also evaluate internal processes and market trends in order to maintain operational flexibility to allocate resources needed to monitor existing Credit Ratings and conduct reviews on a timely basis.
- 1.12 MISHK or its affiliate will publish a Credit Rating Announcement if MISHK discontinues a public Credit Rating on an Issuer or obligation (except for routine debt maturities, calls, or redemptions) in accordance with MIS's policies and procedures regarding the withdrawal of Credit Ratings. Such Credit Rating Announcement will include reasons for the withdrawal, the date that the Credit Rating was last updated, and indicate that the Credit Rating is no longer being updated.
  - 1.12a MISHK may provide private ratings in accordance with the MIS Policy for the Issuance of Private Credit Ratings.

## C. INTEGRITY OF THE RATING PROCESS

- 1.13 MISHK and its Employees and Licensed Persons will comply with all applicable laws and regulations governing their activities in the jurisdictions in which MIS operates. To the extent that a provision in this Code is inconsistent with applicable laws and regulations in a jurisdiction in which MIS operates, then that provision in this Code will not apply in that jurisdiction to the extent of the inconsistency.
- 1.14 MISHK and its Employees and Licensed Persons will deal fairly and honestly with Issuers, investors, other market participants, and the public.
- 1.15 MISHK will hold its Employees and Licensed Persons to high standards of integrity. MISHK will not knowingly employ any individuals with demonstrably compromised integrity.
- 1.16 MISHK and its Analysts will not, either implicitly or explicitly, give any assurance or guarantee of a particular Credit Rating prior to a rating committee. This does not preclude MISHK from developing provisional assessments used in structured financings or similar transactions.
- 1.17 MISHK Employees and Licensed Persons are prohibited from making proposals or recommendations to an obligor or Issuer, underwriter or sponsor of a security about the corporate or legal structure, assets, liabilities or activities of an obligor, or Issuer. Consistent with this prohibition, in assessing credit risk MISHK Employees and Licensed Persons may properly hold a series of discussions with an Issuer or its agents in order to: (1) understand and incorporate into their analysis the particular facts and features

and any modification thereof, as proposed by the Issuer or its agents; and (2) explain to the Issuer or its agents the Credit Rating implications of MIS's methodologies as applied to the Issuers proposed facts and features.

- 1.18 While Employees and Licensed Persons are not expected to be experts in the law, they are required to report activities of which they are aware that a reasonable person would question as a potential violation of the law or this Code. All MISHK Employees and Licensed Persons are obligated to report these issues promptly to the DCO or RO, and the Legal Department, which will take appropriate action, as determined by the laws and regulations of the jurisdiction and the rules and guidelines set forth by MIS. In accordance with the procedures outlined in the MCO Code, Employees and Licensed Persons also may report such matters on a confidential basis by calling the MCO Integrity Hotline.
- 1.19 Management will prohibit retaliation by any Employee or Licensed Person or by MISHK itself against any Employee or Licensed Person who, in good faith, reports a possible violation of the law or this Code.
- 1.20 MISHK will not:
  - a. provide rating advisory services;
  - b. act as a broker or dealer engaged in the business of underwriting securities or money market instruments; or
  - c. have a financial or controlling interest in an entity rated by MIS or any of its "Credit Rating Affiliates" identified in Item 3 of MIS's Form NRSRO.

## 2. Independence and Avoidance and/or Management of Conflicts of Interest

### A. GENERAL

- 2.1 MISHK will not forbear or refrain from taking a Credit Rating Action, or from initiating or concluding a review of a Credit Rating, based on the potential effect (economic, political, or otherwise) of the action on MIS, an Issuer, an investor or other market participant.
- 2.2 MISHK and its Analysts will use care and professional judgment to maintain both the substance and appearance of independence and objectivity. The determination of a Credit Rating must be influenced only by factors relevant to the credit assessment.
- 2.3 The determination of a Credit Rating will be influenced only by factors relevant to the credit assessment.
- 2.4 The Credit Rating MISHK assigns to an Issuer or obligation will not be affected by the existence of, or potential for, a business relationship between MISHK (or its affiliates) and the Issuer (or its affiliates), or any other party, or the non-existence of any such relationship.
- 2.5 MISHK will separate, operationally and legally, its Rating Services and Analysts from any other business that may present a conflict of interest. MISHK or its affiliate will disclose on moodys.com any Ancillary Services and Other Permissible Services it offers. If MISHK intends to offer new Other Permissible Services or Ancillary Services, MISHK will first consult with the Compliance or Legal Departments. For Ancillary Services and Other Permissible Services that do not necessarily present conflicts of interest with MISHK's Credit Rating Services, MISHK will have in place procedures and mechanisms designed to minimize the likelihood that conflicts of interest will arise, or to appropriately manage those conflicts that may arise.
  - 2.5A MISHK will not enter into any contingency fee arrangement for Providing Credit Rating Services.

## B. PROCEDURES AND POLICIES

2.6 MISHK will adopt written internal procedures and mechanisms to:

- a. identify; and
- b. eliminate, or manage and disclose, as appropriate, actual or potential conflicts of interest that may influence the opinions and analyses MISHK makes or the judgment and analyses of Employees and Licensed Persons who have an influence on Credit Ratings decisions.

MISHK has adopted this MISHK Code, and has other policies and procedures in place to ensure that conflicts of interest are appropriately managed.

2.7 MISHK's disclosures of known actual and potential conflicts of interest will be complete, timely, clear, concise, specific, and prominent. MISHK will also disclose Ancillary and Permissible Services that it conducts, on a periodic basis. Such disclosures will be made through moodys.com.

2.8 MISHK will disclose the general nature of its compensation arrangements with Rated Entities.

- a. MISHK does not provide consulting services. MISHK does not receive from rated Issuers compensation unrelated to its Rating Services. If MISHK or its affiliate were to receive from a rated Issuer compensation unrelated to its Rating Services, MISHK or its affiliate would disclose the proportion such fees constitute against the total fees MISHK and its affiliate receives from the Issuer for Rating Services.
- b. MISHK will disclose if it receives 5 percent or more of its annual net billings, or it in combination with an MIS affiliate(s) receives 5 percent or more of their combined annual net billings, from a single Issuer, originator, arranger or subscriber (including any affiliates of the Issuer, originator, arranger, or subscriber).

2.9 In accordance with the *Securities Trading Policy*, MISHK and its Employees and Licensed Persons will not engage in any Securities (including derivatives) trading that presents conflicts of interest with MISHK's or its Employees' and Licensed Persons' rating activities.

2.10 In instances where Rated Entities (e.g., governments) have, or are simultaneously pursuing, affiliated oversight functions related to MISHK, MISHK will use different Employees and/or Licensed Persons to conduct its Credit Rating evaluations for such Rated Entities than those Employees and Licensed Persons involved in its oversight issues.

## C. ANALYST AND EMPLOYEE INDEPENDENCE

2.11 Reporting lines for Employees and Licensed Persons and their compensation arrangements will be organized to eliminate or effectively manage actual and potential conflicts of interest.

- a. Analysts will not be compensated or evaluated on the basis of the amount of revenue that MISHK derives from Issuers that the Analyst rates or with which the Analyst regularly interacts.
- b. MISHK, or its affiliates, will conduct formal and periodic reviews of compensation policies and practices for Employees and Licensed Persons who participate in, or who might otherwise have an effect on, the Credit Rating process to ensure that these policies and practices do not compromise the objectivity of the Credit Rating process.

2.12 MISHK has implemented a separation of its rating and commercial activities. MISHK Employees and Licensed Persons who approve or participate in determining or monitoring Credit Ratings, or who are involved in the development or approval of models or methodologies used in providing Rating Services, will not participate in discussions regarding fees or payments with any rated entity. Employees and Licensed Persons in the MISHK Commercial Group will not participate in the determination or monitoring of Credit Ratings or in the development or approval of models or methodologies used in providing Rating Services.

- 2.13 As described in more detail in various policies and procedures, Employees and Licensed Persons will not approve, participate in or otherwise influence the determination of the Credit Rating of any particular entity or obligation if the Employee or Licensed Person, or any Family Member of the Employee or Licensed Person:
- a. owns Securities (including derivatives of Securities) of the rated entity;
  - b. owns Securities (including derivatives of Securities) of any entity related to a rated entity, the ownership of which either constitutes a conflict of interest or creates the impression of a conflict of interest that MISHK deems to be unacceptable;
  - c. has had a recent employment or other significant business relationship with the rated entity that either constitutes a conflict of interest or creates the impression of a conflict of interest that MISHK deems to be unacceptable;
  - d. has an immediate relation (i.e., a spouse, partner, parent, child, or sibling) who works for the rated entity in circumstances where this employment relationship either constitutes a conflict of interest or creates the impression of a conflict of interest that MISHK deems to be unacceptable; or
  - e. has, or had, any other relationship with the rated entity or any related entity thereof that either constitutes a conflict of interest or creates the impression of a conflict of interest that MISHK deems to be unacceptable.
- 2.14 In accordance with the *Securities Trading Policy*, Employees and Licensed Persons who are involved in the rating process and their Family Members are prohibited from buying, selling or engaging in any transaction in any Security (including a derivative of any Security) issued, guaranteed, or otherwise supported by any entity within such Employee's or Licensed Person's primary area of analytical responsibility.
- 2.15 MISHK maintains prohibitions on soliciting or accepting money, gifts, favors, services or entertainment from any customer (i.e. any third party with whom MIS has a business relationship that relates to Credit Rating activities). All MISHK personnel are required to obey these prohibitions and those in the MCO Code.
- 2.16 Any Analyst or Manager who becomes involved in any personal relationship that creates the potential for any real or apparent conflict of interest (including, for example, any personal relationship with an Employee or Licensed Person of a rated entity or agent of such rated entity within his or her area of analytic responsibility), will be required, subject to applicable law, to disclose such relationship to his or her immediate supervisor, his or her department head, and/or a member of the Compliance, Human Resources or Legal Departments, or an RO, as required by applicable policies and procedures. Based on the assessment of this information, MISHK will take appropriate steps to mitigate the real or apparent conflict.
- 2.17 Where an Analyst or any other Employee or Licensed Person who participates in determining or monitoring Credit Ratings leaves the employ of MISHK and becomes an employee of an Issuer, underwriter, or sponsor of obligations the Analyst or other Employee or Licensed Person was involved in rating or of a financial firm with which he or she had dealings as part of his or her duties at MISHK, MISHK will conduct a look back review of such Analyst's, Employee's, or Licensed Person's work in accordance with applicable law. Where required by law, MISHK will report to the regulatory authorities those instances where MISHK becomes aware, within the time period specified by the relevant regulatory authority, that a former MISHK Employee or Licensed Person obtains employment with the type of entity referred to in the preceding sentence in the circumstances described therein after his or her employment with MISHK.

### 3. Responsibilities to the Investing Public and Issuers

#### A. TRANSPARENCY AND TIMELINESS OF RATINGS DISCLOSURE

- 3.1 In accordance with MIS's *Core Principles for the Conduct of Rating Committees*, MISHK or its affiliate will distribute as soon as practicable its Credit Rating Actions regarding the Issuers, debt and debt-like obligations it rates.
- 3.2 MISHK will make Credit Rating Actions on public debt securities or public debt Issuers available to the public without cost. Such Credit Rating Actions will be posted on MIS's public website. The public will be able to obtain a current public Credit Rating and any relevant Credit Rating Announcement for any Issuer, debt or debt-like obligation without cost, subject to the following exception. Where the relevant Credit Rating Announcement relating to a debt or debt-like obligation of a United States public finance issuer is combined with a "new issue report" in a single publication, then:
  - a. the public will be able to obtain the relevant, current public Credit Rating for the debt or debt-like obligation without cost; and
  - b. MISHK may elect to make the Credit Rating Announcement available to the public without cost for a limited period of time but for not less than seven consecutive calendar days.
- 3.3 MISHK will encourage structured finance Issuers and originators of structured finance products to publicly disclose all relevant information regarding these products. MISHK will disclose in Credit Rating Announcements for structured finance Credit Ratings whether (1) the issuer or originator has informed MISHK that all relevant information regarding the underlying issue has been publicly disclosed, (2) such information has not been disclosed, or (3) the issuer or originator has not informed MISHK whether such public disclosure had been made,
- 3.4 Upon the request of an Issuer, and at MISHK's sole discretion, MISHK may agree to keep a Credit Rating confidential. However, if an Issuer or security — including a tranche of a structured finance security — already carries a public Credit Rating from MISHK, all subsequent decisions to change or discontinue such Credit Rating will be made available to the public without cost.
- 3.5 MISHK or its affiliates will publicly disclose its policies, or summaries of policies, for distributing Credit Ratings, Credit Rating Actions, reports, and updates and will keep current such policies and summaries.
- 3.6 In each of its Credit Rating Announcements, MISHK will include certain information consistent with the law in [the jurisdiction in which an MIS credit rating affiliate issuing a rating operates], including but not limited to:
  - a. a reference to the date of the last associated Credit Rating Announcement, if any (by referencing moodys.com);
  - b. a summary of the key elements of the rationale underlying the Credit Rating to be included in the Ratings Rationale section;
  - c. a summary of the key rating assumptions/factors and sensitivity analysis of the relevant key rating assumptions/factors;
  - d. language to indicate which substantially material sources of information, including the Issuer and, where appropriate, a related party of the Issuer, were used to prepare the Credit Rating;
  - e. a description of the attributes and limitations of the Credit Rating so as to indicate whether MISHK considers satisfactory the quality of information available on the rated entity;
  - f. a reference to the principal methodology(ies) and model(s) used to determine the Credit Rating. MISHK will explain if a Credit Rating is based on more than one principal methodology and if a review of only one methodology might cause financial market professionals to overlook other

- important aspects of the Credit Rating. MISHK will indicate where different methodologies and other important aspects factored into Credit Ratings can be found on moodys.com;
- g. a clear prominent disclosure of the name and title of the lead analyst and person primarily responsible for approving the Credit Rating; and
  - h. an indication if the debt security is being newly issued, or MISHK is providing a credit rating on the debt security for the first time.
- 3.7 MISHK will publish sufficient and easily comprehensible information about its rating committee process, procedures, methodologies, and any assumptions about the published financial statements that deviate materially from information contained in the Issuer's published financial statements so that financial market professionals can understand how a Credit Rating assessment was made.
- a. MISHK will publish sufficient information about its loss expectations and cash flow analysis relating to a structured finance Credit Rating so that a financial market professional can understand the basis for the Credit Rating. To the extent practical, MISHK will disclose the degree to which it analyzes how sensitive a structured finance Credit Rating is to changes in MISHK's underlying Credit Rating assumptions.
  - b. MISHK will insert "(sf)" into all of its new and existing Credit Ratings of structured finance instruments. The insertion of "(sf)" will appear following the Credit Rating in all of MISHK's Credit Rating Announcements and research reports -- e.g., "Aa3(sf)" when referring to a specific Credit Rating.
  - c. MISHK will clearly indicate the attributes and limitations of Credit Ratings and generally the extent to which MISHK obtains verification of information provided to it by the Issuer or originator of a rated security. This information should assist investors in developing a greater understanding of what a Credit Rating is.
  - d. MISHK will disclose, on a timely and ongoing basis, information concerning all structured finance products submitted to it for its initial review or for a preliminary rating. Such disclosure should be made irrespective of whether the issuer of such a product engages MISHK to provide a final rating.
  - e. MISHK will state the level of assessment it has performed concerning the due diligence processes conducted in relation to the underlying finance products, or other assets, of structured finance products. MISHK will disclose whether it has undertaken any assessment of such due diligence processes or whether it has relied on a third-party assessment, indicating how the outcome of such assessment influences the credit rating.
  - f. MISHK will indicate whether the Credit Rating has been disclosed to the Issuer or to its related party and, following such disclosure, whether the Credit Rating has been amended before being issued.
- 3.8 In accordance with MIS's *Core Principles for the Conduct of Rating Committees*, where feasible and appropriate, prior to issuing or revising a Credit Rating, MISHK will inform the Issuer of the critical information and principal considerations upon which the Credit Rating is based and afford the Issuer an opportunity to submit additional factual information not previously available to the Issuer, or to clarify any likely factual misperceptions or other matters in order to produce a well-informed Credit Rating. MISHK will duly evaluate the Issuer's response. Where in particular circumstances MISHK has not informed the Issuer prior to issuing or revising a Credit Rating, MISHK will inform the Issuer as soon as practicable thereafter and, generally, will explain the reason for the delay.
- 3.8A MISHK will disclose to what extent it has examined the quality of information used in the rating process and whether it is satisfied with the quality of information it bases its rating on.
- 3.9 Where not precluded by specific circumstances, MISHK will allow the Issuer a brief period of time, which may vary depending on the circumstances, to notify MISHK of the Issuer's desire to appeal the

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Credit Rating decision. Appeals must be based on information not previously available to the Issuer or MISHK.

- 3.10 In order to promote transparency and to enable the market to best judge the aggregate performance of Credit Ratings on debt instruments, where possible, MISHK will publish sufficient information about its historical default rates by rating category, the transitions between rating categories, and periodic performance metrics so that financial market professionals can understand the historical performance of securities assigned to different rating categories, as well as whether rating categories have changed and, if so, how. Where feasible, this information will include verifiable, quantifiable historical information about the performance of its rating opinions, organized and structured and, where possible, standardized in such a way to assist financial market professionals in drawing performance comparisons between credit rating agencies.

Upon request, MISHK will provide Credit Ratings data to regulatory authorities to allow those authorities to conduct their own evaluation of Credit Ratings performance.

- 3.11 In order to promote transparency regarding the nature of MISHK's interactions with Issuers, and in accordance with MIS's Policy on Designating Issuers That Do Not Participate in the Rating Process, MISHK or its affiliate will publicly designate and disclose the names of Issuers that decline to participate in the rating process. MISHK will also disclose an issuer's lack of participation on each credit rating announcement related to that issuance.

Upon request, MIS must provide ratings data feeds to regulatory authorities to allow those authorities to conduct their own evaluation of Credit Ratings performance.

- 3.12 As a publisher of opinions about credit, MISHK reserves the right at any time to issue Unsolicited Credit Ratings if MISHK believes: (i) there is a meaningful credit market or investor interest served by the publication of such a rating; and (ii) it has sufficient information to support adequate analysis and, if applicable, ongoing monitoring. In accordance with MIS's policies on designating unsolicited credit ratings,<sup>6</sup> when a Credit Rating is an Unsolicited Credit Rating, MISHK will not seek or accept remuneration for its analytical services from the Issuer for at least one year after the publication of such Credit Rating.

If MISHK publishes an Unsolicited Credit Rating, the Credit Rating Announcement will disclose whether access to accounts or other internal documents of the Issuer or its related party was available in the process.

- 3.13 MISHK or its affiliate will publicly disclose via press release and posting on moodys.com any material modifications to its rating methodologies and related significant practices, procedures, and processes. Where feasible and appropriate, disclosure of such material modifications will be made subject to a "request for comment" from market participants prior to their implementation. MISHK will carefully consider the various uses of Credit Ratings before modifying its rating methodologies, practices, procedures, and processes.
- 3.14 As a publisher of credit research related to its Credit Ratings, MISHK will seek to provide clear, accurate, transparent, and high quality research about rated Issuers and issues. Research sales shall be separated from the research and rating process in ways that help protect the latter activities from improper conflicts of interest. As provided elsewhere in this section, Confidential Information and non-public information about MISHK's future Credit Rating Actions may not be selectively disclosed to research subscribers or others.

## B. TREATMENT OF CONFIDENTIAL INFORMATION

- 3.15 MISHK and its Employees and Licensed Persons will:

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<sup>6</sup> These policies, or summaries of them, are publicly available on moodys.com.

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- 3.15.1 Preserve the confidentiality of Confidential Information communicated to them by an Issuer or its agent; and
- 3.15.2 Unless they have received permission from the Issuer, refrain from publicly disclosing Confidential Information in Credit Rating Announcements, or through research, conferences, or conversations with investors, other Issuers, or any other persons.
- 3.15.3 Notwithstanding the foregoing, MISHK and its affiliates shall not be restricted from:
- a. publishing any Credit Rating or other opinion regarding a particular security or transaction which incorporates Confidential Information, as long as: (i) the Confidential Information is not specifically disclosed, and (ii) the disclosure is made publicly so that the opinion is available to investors generally;
  - b. using third party contractors or agents bound by appropriate confidentiality obligations to assist in any aspect of the ratings process or related business activities;
  - c. disclosing information as required by any applicable law, rule, or regulation, or at the request of any governmental agency or authority; or
  - d. disclosing information to third parties with an independent legal right to receive it.
- 3.16 MISHK will use Confidential Information only for purposes related to its Rating Services.
- 3.17 Employees and Licensed Persons will take all reasonable measures to protect all property and records belonging to or in possession of MISHK from fraud, theft, and misuse.
- 3.18 In accordance with the *Securities Trading Policy*, Employees and Licensed Persons will be prohibited from engaging in transactions in Securities (including derivatives) when they possess material, non-public information or Confidential Information concerning the Issuer of such Securities.
- 3.19 Employees and Licensed Persons will familiarize themselves with the Securities Trading Policy, and periodically certify their compliance as required by such policy.
- 3.20 Employees and Licensed Persons will not disclose any non-public information about Credit Ratings or possible future Credit Rating Actions of MISHK, except to the relevant Issuer or its designated agents.
- 3.21 Employees and Licensed Persons will not share Confidential Information entrusted to MISHK with employees of any affiliated entities except to the extent such employees are acting as agents or contractors of MISHK with respect to the relevant Rating Service and are bound by appropriate confidentiality obligations. Employees and Licensed Persons will not share Confidential Information within MISHK except on a “need-to-know” basis.
- 3.22 Employees and Licensed Persons will not use or share Confidential Information for the purpose of trading Securities (including derivatives) or for any other purpose except as described in Provision 3.15 of this Code.
- 3.23 Except as required under any applicable law, rule, regulation, or at the proper request of any governmental agency or authority, MISHK’s internal deliberations and the identities of persons who participated in a rating committee will be kept strictly confidential and will not be disclosed to persons outside of MIS except on a “need- to-know” basis and where such persons are bound by appropriate confidentiality provisions.

#### C. REFERRING TIPS TO LAW ENFORCEMENT OR REGULATORY AUTHORITIES

- 3.24 MISHK may be required to refer to appropriate law enforcement or regulatory authorities any information that MISHK has received from a third party and finds credible that alleges that an Issuer of securities rated by MISHK has committed or is committing a violation of law that has not been

adjudicated by the relevant court. MISHK is not required to verify the accuracy of the information alleging the material violation of law.

#### 4. Enforcement and Disclosure of the MISHK Code and Communication with Market Participants

- 4.1 Management will be responsible for the implementation and the enforcement of the MISHK Code. The Compliance Department will annually review and assess the efficacy of such implementation and enforcement.
- 4.2 The provisions of this MISHK Code are derived primarily from the MIS Code and the SFC Code, both of which are derived primarily from IOSCO Principles and the IOSCO Code. However, MIS has made certain modifications to more closely align this Code with MIS's business mode and practices, as well as the laws adopted by various regulators globally. Such modifications will be specifically identified and explained in a report that MIS will publish annually outlining compliance with the MIS Code and explaining any deviations that may exist between the MIS Code and the IOSCO Code. MISHK will provide a description on how this MISHK Code will be implemented and enforced.
- 4.3 With respect to the subjective standards that are incorporated in this Code, MISHK will use its good faith efforts in implementing such standards.
- 4.4 MISHK or its affiliate will publish in a prominent position on moodys.com links to (1) the MIS Code; (2) a general description of the methodologies MIS uses in assigning Credit Ratings; and (3) information about MIS's historic Credit Rating(s) performance.
- 4.5 The MISHK Compliance Department will be responsible for assessing adherence to the various procedural provisions of this Code. The reporting line of the Compliance Department will be independent of MISHK's Credit Rating activities. Neither MISHK's DCO, nor any other Employee within the MISHK Compliance Department, may: (1) perform Credit Ratings; (2) participate in the development of ratings methodologies or models; (3) perform marketing or sales functions; or (4) participate in establishing compensation levels, other than for MISHK Compliance Department Employees. In addition, all Employees in the MISHK Compliance Department will be required to receive training on compliance with these requirements upon the beginning of their employment in that department and annually thereafter. The DCO is responsible for implementation and enforcement of these requirements within the MISHK Compliance Department. An Employee or Licensed Person who becomes aware of a breach of this policy will be required to report such breach to MIS's Legal Department.
  - 4.5.1 MISHK will require the DCO to review annually MISHK's compliance during the prior calendar year with MISHK's policies and procedures that relate to ratings-related activities, including any material changes to the MIS Code, the MISHK Code, the [MCO Code](#) and MIS's conflict of interest policies, and prepare a confidential, annual compliance report. Where required by law or as the DCO deems appropriate, such annual compliance report also will address MISHK's compliance with relevant securities laws
- 4.6 MIS will require, on an annual basis, an appropriate review of MIS's policies and procedures that relate to ratings-related activities and conflicts of interest, its internal control systems for such policies and procedures, and its compensation and promotion policies and practices, report to the Chairman of MIS's Board of Directors (or head of the relevant subcommittee of the Board) on MIS's compliance with the policies, procedures, systems and practices referred to in this provision, and recommend any changes that are necessary.
- 4.7 MISHK will maintain functions that will communicate with the market participants and the public regarding questions, concerns, and complaints that it has received.
- 4.8 MISHK will publish information regarding the following on an annual basis:

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- a. Internal control mechanisms designed to ensure the quality of credit rating activities;
  - b. Record-keeping policy; and
  - c. Management and rating analyst rotation policy.

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