

Moody's Investors Service Disclosure

General Nature of Moody's Investors Service's Fee Arrangements

In 2006, Moody's Investors Service ("MIS") derived approximately 86% of its revenue from issuer payments for credit ratings. Most issuers of debt securities rated by MIS have, prior to assignment of any rating, agreed to pay MIS for rating services rendered by it. MIS's fee structures and ranges are summarized in fee schedules that are provided to issuers. The fee for any particular rating is based on a variety of factors, such as the type of rating being assigned, the complexity of the analysis being performed, and the principal amount of the issuance. Depending on such factors, fees for MIS's rating services may range from \$1,500 to \$2,400,000. A small number of the ratings assigned and updated by MIS are not paid for by issuers. Such ratings are subject to the same analytic standards and the same rating committee process as ratings that are paid for by issuers.

Nearly all of the remaining 14% of MIS's revenue in 2006 was derived from fees paid by institutional investors and issuers for the sales of our credit research and data products.

In addition, MIS received a nominal portion (less than .5% in 2005 and 2006) of its total revenue from Ancillary Services (see below for definition).

Independence, Objectivity and Management of Conflicts of Interest in the Rating Process

Moody's Corporation ("MCO"), the listed parent company of MIS, and MIS maintain policies and procedures to address the independence, objectivity and integrity of MIS's ratings and rating processes.

1) Moody's Corporation

- **Disclosure of affiliations of Moody's Corporation directors and shareholders with rated entities.** To avoid the appearance of inappropriate influence over or involvement with the credit rating process, it is the policy of MCO that MIS personnel shall not disclose potential or pending rating actions or market sensitive rating policies with external parties, including non-employee shareholders and non-employee members of MCO's board of directors, unless and until that information has been publicly disclosed. In accordance with MCO's [Director and Shareholder Affiliation Policy](#), MCO discloses on moodys.com the affiliations of its directors with issuers and discloses all holders of 5% or more of its outstanding common stock who also hold credit ratings from MIS.
- **Investment policies.** MCO invests excess cash in various high quality investment grade securities, including money market mutual funds and high-grade commercial paper, which may include debt of rated issuers. MCO limits the amount it can invest in any one issuer. In addition, MCO has short-term investments that primarily consist of high quality investment grade auction rate securities. MCO limits the amount it can invest with any one issuer. In addition, MCO has debt outstanding held by various institutional investors, which may include rated issuers. These investment policies are managed at the MCO level; MIS does not invest in securities for its own or others' accounts or have any outstanding debt.
- **Firewalls with Moody's Analytics.** In addition to MIS, MCO currently owns two other operating subsidiaries, Moody's KMV ("MKMV"), and Moody's Economy.com ("MEDC"). MKMV provides financial software, credit training, and credit risks assessment models to clients such as banks and asset managers. MEDC is an economic research company, which offers economic research and economic forecasting services, as well as other related products and services. Firewall policies have been implemented to prevent confidential information received from MKMV or MEDC clients from being

shared with MIS employees, and to prevent confidential client information received by MIS, as well as unpublished rating actions and research of MIS, from being accessed by MKMV or MEDC employees. On August 7, 2007 MCO announced a new organizational structure which will go into effect in early 2008. The new structure will reinforce the separation of the rating agency from other commercial activities of the corporation. We will update this Disclosure as the various changes are implemented.

2) Moody's Investors Service

- **Compliance oversight.** The Office of Compliance, led by the MCO Executive Vice President for Global Regulatory Affairs and Compliance, oversees compliance with MIS's [Code of Professional Conduct](#). The Legal Department, led by the MCO General Counsel, oversees compliance by all MCO employees, including those employed by MIS, with the MCO's [Code of Business Conduct](#) and other applicable laws and regulations. Office of Compliance personnel and Legal Department personnel do not participate in the rating process.
- **Ancillary businesses.** While MIS does not provide any Non-Rating Services such as investment products, consulting or advisory services to issuers, it does provide certain limited Ancillary Services, which are those services or products that are related to, but not necessarily derived from, the Credit Rating process. Pursuant to MIS's [Policy with Respect to Ancillary and Non-Rating Services](#), MIS separates its credit rating and research business and analytical personnel from Ancillary Services that may present a conflict of interest.
- **Maintaining the integrity of the credit rating process.** MIS arrives at its credit ratings through the rating committee process. Rating committees are held in accordance with MIS's [Core Principles on the Conduct of Rating Committees](#), which is one of MIS's most important control mechanisms in managing potential conflicts of interest and protecting the integrity of the rating process.

MIS takes a number of steps to identify and either eliminate or manage potential conflicts of interest at the analyst level. MIS will not have Analysts who are directly involved in the rating process initiate, or participate in, discussions regarding fees or payments with any entity they rate. Analysts also are prohibited from selling research or data products, although they may be called upon from time to time to explain certain aspects of these products to MIS research customers. Finally, Analysts are neither evaluated on nor compensated for the revenue associated with the companies they rate.

- **Securities trading.** MIS maintains a securities trading policy that prohibits:
 - employees and their family members from owning or trade in securities of an issuer rated by any member of the employee's rating team; and
 - employees from participating in any rating action if they or their family members own any security that could be affected by that rating action.

All MIS employees are required to certify annually to their compliance with the securities trading policy. Compliance with the policy is further monitored by company review of employee holdings and transactions.

Policies on Disclosure of MIS Credit Ratings, Reports and Updates

1) Credit Rating Announcements

- **Information included in credit rating announcements.** Each of MIS's credit rating announcements includes the current rating action, the rationale for the current rating action, and a reference to the last associated rating.

MIS only assigns a credit rating when it believes it has sufficient information to form a useful conclusion. As a result, MIS believes that all of its credit ratings provide equal informational value. MIS recognizes, however, that market participants have shown an interest in knowing which ratings lack the issuer's participation. Therefore, pursuant to MIS's [Policy on Designating Issuers That Do Not Participate in the Rating Process](#), MIS identifies those issuers that have not participated in the rating process for the past 12 months and have declined MIS's offer to participate in the rating process going forward. MIS discloses all such non-participating issuers both in the text of the related credit rating announcements and in a separate list that is maintained on the [Credit Policy](#) site on moodys.com.

Further, while MIS has not in the recent past assigned unsolicited credit ratings, pursuant to MIS's [Policy on Designating Unsolicited Ratings](#), should MIS choose to assign an unsolicited credit rating in the future, it will indicate in the initial credit rating announcement that the credit rating was initiated by MIS and not requested by the issuer.

- **Dissemination of credit rating announcements.** MIS's credit rating announcements for publicly disclosed ratings are disseminated broadly and free of charge via publication on [moodys.com](#) and distributed to major financial newswires. The credit rating announcements are available to the public on [moodys.com](#) for at least seven days. After that, the rating announcements are archived and the first few lines of the announcements, as well as the related credit rating history, continue to be available to the public on [moodys.com](#) free of charge. Thereafter, the full text of archived rating announcements may be accessed by subscribers.

2) Credit Rating Updates

Once a credit rating has been published, MIS will monitor the credit quality of that outstanding debt issuance and will modify the credit rating should any change occur to the issuance's fundamental creditworthiness. MIS will not forbear or refrain from taking a credit rating action based on the potential effect (economic, political, or otherwise) of the action on MIS, an issuer or any other market participant.

3) Credit Research and Reports

In addition to its rating announcements, MIS publishes methodological approaches to rating analysis, which are available to the public free of charge on the [Credit Policy](#) page of moodys.com. MIS also publishes credit research that is associated with its credit ratings, including but not limited to: Special Comments, Industry Outlooks and Statistical Supplements. These types of reports are available to MIS subscribers.