

Moody's

INVESTORS SERVICE

Announcement: MOODY'S PLACES Aaa RATINGS OF 177 U.S. PUBLIC FINANCE ISSUERS ON REVIEW FOR POSSIBLE DOWNGRADE DUE TO REVIEW OF U.S. GOVERNMENT'S Aaa RATING

Global Credit Research - 28 Jul 2011

162 LOCAL GOVERNMENTS, 14 HOUSING FINANCE PROGRAMS, AND ONE UNIVERSITY WITH COMBINED \$69 BILLION OF DEBT AFFECTED

New York, July 28, 2011 -- Moody's Investors Service has placed under review for possible downgrade the Aaa ratings of 177 public finance credits, affecting a combined \$69 billion of outstanding debt. The credits include 162 local governments in 31 states, 14 housing finance programs and one university. A complete list of affected securities and additional analysis is available at www.moody's.com/USRatingActions.

These actions relate to Moody's July 13 decision to place the Aaa government bond rating of the United States under review for downgrade, and reflect the rating agency's assessment that some Aaa public finance ratings would likely be indirectly affected by potential credit deterioration of the sovereign.

In the event the U.S. government's Aaa rating is downgraded, Moody's will determine the outcome of each review by evaluating the strength of the sovereign linkages to each affected credit, including direct and indirect reliance on federal spending, sensitivity to deteriorating macroeconomic conditions and vulnerability to disruptions in the financial markets. Moody's will also consider positive credit attributes of each issuer such as financial position, operating flexibility and management responsiveness.

In a previous action on July 19, Moody's placed the ratings of five Aaa U.S. state governments under review for possible downgrade, affecting approximately \$24 billion of general obligation and related debt. Those states are Maryland, New Mexico, South Carolina and Tennessee and the Commonwealth of Virginia.

Some 400 other Aaa-rated public finance credits have not been placed on review for possible downgrade. At this time, Moody's considers their ratings to be resilient to a one-notch downgrade of the U.S. government's bond rating. Should the sovereign rating be downgraded by more than one notch, Moody's would likely assess whether these remaining Aaa ratings should also be placed on review for downgrade.

LOCAL GOVERNMENTS

The review for possible downgrade affects 162 Aaa-rated local governments and \$63 billion of debt. Factors weighing on specific credits include high federal employment and exposure to capital markets disruptions.

The 162 local governments include 66 cities, 53 counties, 29 school districts and 14 special tax districts. The local governments are located in 31 states, with the heaviest concentrations in Virginia (15 credits) and Massachusetts (14 credits).

"The ratings of these local governments, particularly those with a high economic dependence on federal activity, would be vulnerable to a downgrade of the U.S. government" said Moody's Senior Vice President Matt Jones, a team leader covering local government ratings. In addition to the risk of federal job reductions, Moody's review following a U.S. government downgrade would focus on a local government's reliance on capital markets, its dependence on federal revenues, its sensitivity to macroeconomic cycles, and its available financial resources to offset these risks.

HOUSING FINANCE PROGRAMS

Today's action affects 14 Aaa-rated housing finance programs and \$4.3 billion of debt. Factors weighing on specific credits include high levels of government mortgage insurance, and high delinquency and foreclosure rates.

The programs are:

- * The Colorado Housing and Finance Authority's Single Family Mortgage Bonds and the Single Family Program Bonds, 2009 Class I;
- * Idaho Housing and Finance Association's Single Family Mortgage Senior Bonds, Series 1996B, Series 1996C, Series 1998D, Series 1999F, Series 1999-I*, Series 2000A, Series 2000C, and Series 2000D;
- * Kentucky Housing Corporation's Housing Revenue Bonds; and
- * Utah Housing Corporation's Single Family Mortgage Senior Bonds, Series 1998G, Series 2000A and NIBP.

"These 14 state HFA programs have above-average exposure to sovereign risk factors, including high levels of loans more than 90 days delinquent or in foreclosure, or high levels of government mortgage insurance breakdown relative to their program asset to debt ratio (PADR)," said Moody's Senior Vice President Florence Zeman, team leader of the housing rating team. Following a U.S. government downgrade, Moody's would conduct a stress test of each program in light of potentially higher loan losses, reduced liquidity and the diminished credit quality of government mortgage insurance.

* Idaho Housing and Finance Association's Series 1999-I is already on review for possible downgrade due to potential loan losses arising from delinquencies and foreclosures and the resulting decline in PADR. Moody's will now also consider the program's exposure to the U.S. government.

HIGHER EDUCATION AND NOT-FOR-PROFITS

The University of Washington (UW), with \$1.3 billion of debt affected, is the only Aaa-rated university that Moody's placed on review for possible downgrade. This action primarily reflects UW's unusually large share of revenues derived from federal research grants and Medicare and

Medicaid reimbursements.

"Our review in the event of a U.S. government downgrade would focus on UW's ability to maintain balance sheet reserves and operating cash flow while reducing expenses or increasing revenues in response to potentially significant federal funding cuts," said John Nelson, Managing Director for healthcare, higher education and not-for-profits.

Additionally, Moody's placed the Aaa rating of the Smithsonian Institution (\$108 million debt affected) on review for possible downgrade on July 13 due to its high dependence on federal operating appropriations. The linkage of the Smithsonian rating to the sovereign U.S. rating, however, has been changed from direct to indirect, which means it will not automatically change if the U.S. government's rating changes.

Moody's outlined its approach to determining each sector's exposure to sovereign risk was outlined in a July 13 special comment, "Implications of a U.S. Rating Action for Aaa-rated Municipal Credits."

For a complete list of affected securities and additional analysis, please visit www.moodys.com/USRatingActions.

REGULATORY DISCLOSURES

Please see the rating methodologies tab on the Credit Policy page on moodys.com for the relevant methodology for each action.

Please see the ratings tab on the issuer / entity page on moodys.com for the last Credit Rating Action and the rating history.

New York
Anne Van Praagh
Vice President - Senior Analyst
Public Finance Group
Moody's Investors Service, Inc.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Naomi Richman
MD - Public Finance
Public Finance Group
Moody's Investors Service, Inc.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

MOODY'S
INVESTORS SERVICE

© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS 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. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

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. 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. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, 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 MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. 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 under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. 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.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". 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.

This credit rating is an opinion as to the creditworthiness or 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. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

