

Client Advisory | April 2010

Fitch Ratings Recalibration of States and State-related Credits

On April 5, 2010, Fitch, Inc. (Fitch) recalibrated its US public finance ratings on states and certain other credits related to states, including state guaranteed credits. Any ratings changes that have resulted from the recalibration are likely material events that should be reported promptly to the Municipal Securities Rulemaking Bureau via its Electronic Municipal Market Access (EMMA) system with respect to any affected bonds.

It should be noted, however, that Fitch issued a press release regarding its recalibration process, which states that “the recalibration of certain public finance ratings should not be interpreted as an improvement in the credit quality

of those securities.” Any material event notice filed in connection to the recalibration should note that the change does not necessarily reflect any improvement in the credit quality of the securities described in such notice. An example of material event notice language is attached hereto as [Exhibit A](#).

Fitch also announced that it would similarly adjust investment-grade local general obligation bonds, special tax-backed bonds, water/sewer and public power distribution bonds and public higher education bonds in the near future. Ratings in the sectors listed above that are below investment grade will be considered for recalibration on a case-by-case

basis. No material event disclosure is required for such securities at this time, but will be necessary when such ratings are actually changed.

A full copy of the press release by Fitch and additional information about the global rating recalibration process and current Fitch ratings on outstanding securities can be obtained from Fitch on its website at www.fitchratings.com. The public finance professionals at Edwards Angell Palmer & Dodge LLP are available to assist you in determining whether securities issued by your organization or governmental entity are affected, and can help prepare and file any necessary notices to comply with disclosure obligations.

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Walter J. St. Onge, III, Partner

617.239.0389

wstonge@eapdlaw.com

Jennifer Frauson Sullivan, Associate

617.239.0589

jsullivan@eapdlaw.com

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[For States and other credits related to States]

NOTICE OF RATING CHANGE [AND INSTRUCTION TO TRUSTEE, IF ANY]

The [Issuer Name] (the “[Issuer]”) hereby notifies the [Municipal Securities Rulemaking Board] [or [Trustee], as Trustee (the “Trustee”)], under the Continuing Disclosure [Certificate/Agreement] dated as of _____, of the [Issuer] with respect to the [Name of Bonds] (the “[Agreement/Certificate]”), of the following listed event described in _____ of the [Agreement/Certificate], with reference to the bonds listed in Exhibit A attached hereto as the “Bonds” [, and instructs the Trustee to report the occurrence of such event promptly to the Municipal Securities Rulemaking Board]. All capitalized terms used herein and not otherwise defined are used as defined in the [Agreement/Certificate].

“On April 5, 2010, Fitch, Inc. (“Fitch”) recalibrated its U.S. public finance ratings on states and certain other credits related to states, including [certain obligations of] the Issuer. Accordingly, the rating on the [state guaranteed] bonds of the [Issuer] listed in Exhibit A attached hereto (the “Bonds”) were changed from ‘____’ to ‘____’. This rating change was the result of a recalibration of U.S. public finance ratings by Fitch and, as noted by Fitch in its press release regarding the recalibration, should not be interpreted as an improvement in the credit quality of the Bonds.”

Dated: April __, 2010