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Moody's and Fitch Recalibrate Municipal Ratings

On May 10, 2010, Moody's Investors Service ("Moody's") concluded its process of recalibrating its long-term U.S. municipal ratings to the global rating scale used to rate obligations of non-municipal sectors, including corporate obligations. Fitch Ratings ("Fitch") conducted a recalibration of certain of its U.S. municipal ratings, concluding that process on April 30. Each rating agency no longer rates the recalibrated municipal obligations according to a separate municipal rating scale. The purpose of the recalibrations is to enhance comparability of credit ratings among obligations issued by various entities, including municipal and corporate issuers.

As a result of the recalibrations, on average, issuers of state and local general, water/sewer and public power (distribution only) obligations have experienced increases in the ratings on such obligations of approximately two notches. Sales tax, special tax and public higher education obligations were raised by approximately one notch. Ratings on healthcare, private higher education, housing, public power (generation) and other municipal enterprise sector obligations were not recalibrated by Fitch and were largely left unchanged by Moody's.

Moody's May Make Future Adjustments to Ratings on Certain Pooled Financings

As part of the recalibration process, Moody's recalibrated ratings on U.S. municipal pooled financings to the global rating scale, effective May 10, 2010. Ratings on enhanced pooled financings generally experienced increases of one to three notches.

On May 6, 2010, Moody's announced that it is considering refinements to its rating approach for unenhanced pooled financings, which will place more emphasis on the probability of default associated with the weakest borrower within the pool. Moody's has moved ratings on unenhanced pooled financings to the global rating scale, however, it did not change the ratings. In the coming weeks Moody's plans to publish an updated rating methodology and, at such time, will evaluate the impact of the updated rating methodology on unenhanced pooled financings and adjust their ratings as needed. Moody's stated that ratings on unenhanced pooled financings would likely be lower as a result of the change to its rating approach for unenhanced pooled financings, although such effect may be offset by the higher, post-recalibration ratings of individual pool borrowers.

Recalibrated Ratings Do Not Constitute Rating Upgrades

Moody's and Fitch have indicated that upward shifts caused by the recalibration do not constitute a change in the rating agencies' opinions of the credit quality of the obligations. The upward shifts reflect

the comparative credit risk levels currently associated with the municipal obligations and obligations already rated according to the global rating scales. Generally, municipal issuers are perceived to possess lower credit risk than the corporate and other entities already rated according to the global rating scales.

Material Event Notice Disclosure

Securities and Exchange Commission Rule 15c2-12 (the “Rule”) currently requires disclosure to EMMA of a rating change if the issuer determines such change to be “material.” While the SEC has not stated whether it considers the ratings recalibrations to be “material” ratings changes, the amendments to the Rule proposed in July 2009 would make any rating change, regardless of the issuer’s determination of “materiality,” a material event subject to mandatory disclosure, possibly indicating the SEC’s view that any rating change is “material.” The MSRB has stated it considers ratings generally to be “material information.” Consequently, it may be appropriate for an issuer to file a material event notice in accordance with its continuing disclosure undertaking if its rating has changed as a result of the recalibrations. Don’t hesitate to contact your regular Chapman and Cutler LLP attorney if you have questions regarding whether or how to file a material event notice in connection with the ratings changes.

Recalibrated ratings and further information concerning the recalibration may be found at www.moody.com and www.fitchratings.com.

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