



April 2010

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Moody's and Fitch Ratings to Recalibrate Municipal Ratings to Global Scale – What Should That Mean to You?

Last month both Moody's Investors Service and Fitch Ratings Ltd. announced the implementation of their respective recalibration programs for municipal ratings and released reports outlining the respective schedules for recalibration.

Fitch has already this month released 38,000 rating recalibrations for state level issuers, with several thousand more recalibrations (for tax supported ratings and the water/sewer, public power (distribution only), and public higher education ratings) due out on April 30.

Moody's released its first phase of recalibrations on April 19 and will roll out the remainder over the following three week period beginning on a sector by sector basis. With respect to local governments, Moody's will recalibrate those ratings on a state by state basis. Moody's current schedule, according to information on the [Moody's website](#), is set forth below.

Tentative Date for

Recalibration

Market Sector to Be Recalibrated

April 19, 2010

All State Governments and Other
Select Governmental Ratings
Local Governments in CA, IL, MN, NY,
TN, WI

April 26, 2010

Local Governments in FL, IA, KY, MA,

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Contacts:

[Roger K. \(J.R.\) Clark](#)
+1.202.626.6884

[Todd L. Cooper](#)
+1.513.361.1239

[Albert A. del Castillo](#)
+1.305.577.7758

[Ernie K. Demanelis](#)
+1.216.479.8677

[Robert J. Eidnier](#)
+1.216.479.8676

[D. Bruce Gabriel](#)
+1.216.479.8746

[L. Todd Gibson](#)
+1.216.479.8449

[David S. Goodman](#)
+1.216.479.8649

[Charles E. James, Jr.](#)
+1.602.528.4061

[F. Barry Keefe](#)
+1.216.479.8535

	MI, NJ, OH, PA, TX, WA
May 3, 2010	Local Governments in AK, AL, AR, AZ, CO, CT, DE, GA, HI, ID, IN, KS, LA, MD, ME, MO, MS, MT, NC, ND, NE, NH, NM, NV, OK, OR, RI, SC, SD, UT, VA, VT, WV, WY
May 10, 2010	Health Care Higher Education Housing & State Revolving Funds Pooled Ratings Public Infrastructure Including Airports, Toll Roads & Public Power

Is the Recalibration a Change in the Rating?

According to press reports and the respective rating agencies, the recalibrations do not reflect a change in the credit quality of the securities being recalibrated. Specifically, Moody's states in its Rating Methodology that the recalibration should not be viewed as a rating upgrade and it "does not reflect an improvement in credit quality or a change in our credit opinion for rated municipal debt issuers." Fitch's press release regarding its recalibration states that "[t]he recalibration of certain public finance ratings should not be interpreted as an improvement in the credit quality of those securities."

What Should You Do?

Issuers and conduit borrowers whose ratings are or may be affected by the recalibration program should analyze their transactions for the following concerns:

- Material Events Notice.** Both rating agencies have stated that the recalibration is not an indication of a change in the credit quality of the securities and should not be viewed as a rating upgrade by investors. Nonetheless, some may view this recalibration as a "change," in its simplest form, that may require a material event notice to be filed. If your securities are affected by the recalibration, you should consider filing a material events notice through the [MSRB's EMMA filing protocol](#).
- Primary Offering Documents.** If you are in the process of preparing an offering of municipal securities to the public, you should consider whether your offering document (Preliminary and Final Official Statement) should mention the recalibration efforts of Moody's and Fitch if either or both of such rating agencies will be rating your bonds and your ratings are expected to be recalibrated.

[T. Bennett Little](#)
+1.614.365.2760

[Alexandra M. MacLennan](#)
+1.813.202.1353

[Robert H. Olson](#)
+1.415.393.9819

[Christopher J. Reitzel](#)
+1.212.872.9874

[Paul F. Sefcovic](#)
+1.614.365.2738

[Edward S. Sinick](#)
+1.212.872.9835

[Harriet M. Welch](#)
+1.213.689.5158

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- **Monitoring of Rating Agencies Websites.**

Neither rating agency intends to notify individual issuers about the recalibration. Current ratings, however, can be obtained on the respective rating agency website. Municipal issuers interested in obtaining information about the recalibrated ratings should check the [Fitch](#) and [Moody's](#) websites shortly after the date(s) each rating agency has indicated the recalibration is expected to occur and then periodically thereafter.

For further information on the recalibrated ratings, please contact one of the lawyers listed in this Alert or your primary Squire Sanders lawyer.

The contents of this update are not intended to serve as legal advice related to individual situations or as legal opinions concerning such situations. Counsel should be consulted for legal planning and advice.

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2010

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One Tampa City Center, 201 N. Franklin Street, Suite 2100, Tampa, FL 33602, USA

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