

## SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (hereinafter the “Agreement”) is made and entered into as of this 14th day of October, 2011 (the “Effective Date”), by and among the State of Connecticut, including each of its departments and agencies (the “State”), the Office of the Attorney General of the State of Connecticut (the “Attorney General”), and Moody’s Corporation (“MCO”) and Moody’s Investors Service, Inc. (“MIS”), including their present and former affiliates, subsidiaries, predecessors, successors and assigns (referred to collectively as “Moody’s”). The State, Attorney General, MIS and MCO may hereinafter be referred to collectively as the “Parties” and individually as a “Party”.

### WITNESSETH:

WHEREAS, in 2007 the Attorney General began an investigation under Connecticut’s antitrust laws into the practices of certain credit rating agencies, including MIS, with respect to credit ratings assigned to bonds issued by the State of Connecticut and by cities, towns, school districts, sewer and water districts, and other public entities in the State of Connecticut (the “Investigation”). Ultimately, the Investigation focused on whether MIS misrepresented the meaning of its credit ratings for public finance bonds and unfairly gave lower credit ratings to bonds issued by states, municipalities, and other public entities as compared to corporate and other forms of debt with similar rates of default; and,

WHEREAS, on July 30, 2008, the State filed a civil action against MCO, captioned *State of Connecticut v. Moody’s Corporation*, Docket No. X04-HHD-CV-08-4038928-S, in Connecticut Superior Court for the Judicial District of Hartford (the “Action”) alleging violations of the Connecticut Unfair Trade Practices Act (“CUTPA”), Conn. Gen. Stat. § 42-110a *et seq.* Specifically, the State alleged that Moody’s violated CUTPA by misrepresenting the meaning of

its credit ratings for public finance bonds and unfairly giving lower credit ratings to bonds issued by states, municipalities, and other public entities as compared to corporate and other forms of debt with similar rates of default; and,

WHEREAS, in 2008, MIS undertook a ratings recalibration initiative for U.S. municipal finance, which it announced in a published report entitled “*Moody’s to Recalibrate its US Municipal Bond Ratings to the Company’s Global Ratings Scale*,” dated September 2, 2008. That process was temporarily suspended on October 7, 2008; and,

WHEREAS, in the spring of 2010, MIS completed the recalibration that it began in 2008, with the objective of ensuring a greater degree of comparability across MIS’s global portfolio of credit ratings. On March 16, 2010, MIS announced that it would “recalibrate its ratings of U.S. municipal bond issues and issuers to its global rating scale beginning in mid-April [of 2010],” and that the “purpose of the recalibration is to enhance the comparability of credit ratings across Moody’s-rated universe.” Various of the Connecticut public bonds at issue in the Action were included as part of this 2010 recalibration; and,

WHEREAS, on June 22, 2010, the State filed a Second Amended Complaint, citing in by consent MIS as an additional defendant to the Action; and,

WHEREAS, on July 21, 2010, the Dodd / Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) was signed into law and included provisions relating to the core allegations of the Action, that is, the law now requires nationally recognized statistical rating organizations to clearly define the meaning of their rating symbols and to consistently apply such rating symbols across all asset classes for which the rating symbols are used, including but not limited to public finance bonds; and,

WHEREAS, Section 938 of the Dodd-Frank Act, entitled Universal Rating Symbols, provides that the United States Securities and Exchange Commission (“SEC”) shall “require, by rule” that each nationally recognized statistical rating organization, such as MIS, “establish, maintain, and enforce written policies and procedures” that (1) “assess the probability that an issuer of a security or money market instrument will default, fail to make timely payments, or otherwise not make payments to investors in accordance with the terms of the security or money market instrument”; (2) “clearly define and disclose the meaning of any symbol used by the nationally recognized statistical rating organization to denote a credit rating” and (3) “apply any [such] symbol . . . in a manner that is consistent for all types of securities and money market instruments for which the symbol is used.” 15 U.S.C. § 78o-8; and,

WHEREAS, Moody’s is required to comply with Section 938 of the Dodd-Frank Act and any rules and regulations promulgated by the SEC pertaining to Section 938 of the Dodd-Frank Act. Nothing herein, however, is intended to limit or to restrict the Parties’ ability to comment on proposed rules and regulations or to challenge the validity of any rules and regulations promulgated under Section 938 of the Dodd-Frank Act; and,

WHEREAS, Moody’s denies that it has violated CUTPA, or any other state or federal laws or regulations; and,

WHEREAS, the Parties wish to resolve any and all issues, allegations, or claims based upon the acts, practices or courses of conduct of Moody’s that are the subject of the Action or the Investigation; and,

WHEREAS, Moody's by entering into this Agreement does not admit liability under any applicable laws or regulations, and agrees to enter into this Agreement to avoid the uncertainty and expense of protracted litigation; and

NOW THEREFORE, intending to be legally bound and in consideration of the mutual promises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. This Agreement is entered into by and between Moody's and the Attorney General, on behalf of itself, and the State.
2. In consideration of the costs to the Attorney General for conducting the Investigation, MIS agrees to provide the State with a credit, equivalent to the amount that the State paid to MIS between January 1, 2010 and December 31, 2010 for credit ratings of new debt issuances for which the State was the obligor, to be used to offset the costs to the State of obtaining additional ratings from MIS for public bonds issued by the State of Connecticut. This credit for rating services provided by MIS for bonds issued by the State of Connecticut shall be valid for five (5) years commencing on the Effective Date, shall be treated as a declining balance, and can be used by the State at any time and in any increment during this 5 year period.
3. Within one (1) year following the Effective Date of this Agreement, MIS shall make a presentation at a regularly scheduled meeting of the Connecticut Conference of Municipalities, or a similar organization approved by the Attorney General, explaining MIS's recalibrated rating scale and the factors that MIS looks to when rating public finance bonds in Connecticut. This presentation shall be made by MIS at no charge and shall be made

available to municipal finance directors, their staff, and designated representatives of the Treasurer's Office of the State of Connecticut.

4. In consideration of the covenants undertaken by Moody's herein and in order to effectuate the Releases set forth below, the parties agree that, within five (5) business days of execution of this Agreement, the State shall withdraw the Action against Moody's with prejudice.

5. The State hereby releases Moody's and each of its parents, subsidiaries, and affiliates, predecessors, successors and assigns, or current or former directors, officers, employees or agents (collectively, the "Releases") from each and every claim the State has made or could have made as of the Effective Date of this Agreement relating to the acts, practices or course of conduct that were the subject of the Action or the Investigation; provided, however, that nothing herein shall relate to or have any effect on the civil action filed by the State against Moody's in Connecticut Superior Court for the Judicial District of Hartford on March 10, 2010, captioned *State of Connecticut v. Moody's Corporation and Moody's Investors Service, Inc.*, Docket No. X04-HHD-CV-10-6008836-S.

6. Moody's hereby releases the State and the Attorney General and each of their departments, agencies, officers, employees or agents from each and every claim Moody's has made or could have made relating to the acts, practices or course of conduct that were the subject of the Action.

7. The Attorney General shall terminate all investigations and inquiries against Moody's based upon the acts, practices or courses of conduct that were the subject of the Investigation or the Action.

8. Nothing contained herein shall be deemed to constitute an admission by Moody's of any wrongdoing in connection with any matter, or a waiver of the attorney-client privilege, work product protection or any other applicable rights and protections. Nor shall this Agreement or any negotiations, transactions, or proceedings connected in any way with this Agreement be offered or received in evidence in any proceeding to prove any liability, any wrongdoing, or an admission on the part of any Party hereto, by any individual or entity not a Party hereto; provided, however, nothing herein shall prevent this Agreement from being used, offered or received in evidence in any proceeding between the Parties to this Agreement to enforce any or all of the terms of this Agreement.

9. If any provision of this Agreement is found to violate a specific provision of federal law or regulation, such provision will be fully severable.

10. This Agreement shall not confer any rights upon any persons or entities besides the Attorney General, the State and Moody's.

11. This Agreement contains the entire agreement between the Parties with regard to the matters set forth herein.

12. This Agreement may not be modified, changed, cancelled, amended, or varied, nor may any or all of its terms be waived, except by a writing signed by the Parties.

13. Each of the Parties represents and warrants that the person executing this Agreement on its behalf has the legal authority to bind that Party to the terms of this Agreement.

14. This Agreement shall not be construed against any Party preparing it, but shall be construed as if all Parties jointly prepared the Agreement and any uncertainty or ambiguity shall not be interpreted against any one Party.

15. This Agreement shall be governed by the laws of the State of Connecticut, and the

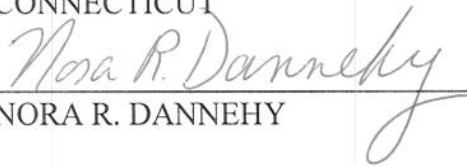
Parties consent to the jurisdiction of the Connecticut Superior Court in any proceeding to enforce this Agreement.

16. This Agreement may be executed in duplicate counterparts, each of which shall constitute an original and all of which together shall be deemed a single document.

IN WITNESS THEREOF, the Parties, by their duly authorized representatives, affix their signatures hereto:

Dated: October 14, 2011

DEPUTY ATTORNEY GENERAL OF THE STATE OF  
CONNECTICUT

  
NORA R. DANNEHY

MOODY'S CORPORATION

By: \_\_\_\_\_

Name: John J. Goggins

Title: Executive Vice President & General Counsel

MOODY'S INVESTORS SERVICE, INC.

By: \_\_\_\_\_

Name: John J. Goggins

Title: Executive Vice President & General Counsel

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