

MOODY'S

INVESTORS SERVICE

Rating Update: Moody's maintains Aa3 on Chelan County Public Util. Dist 1, WA's revenues bonds. Outlook is stable.

Global Credit Research - 05 Feb 2015

Approximately \$725 million of debt securities outstanding

CHELAN COUNTY PUBLIC UTILITY DISTRICT 1, WA
Electric Distribution and Generation
WA

NEW YORK, February 05, 2015 --Moody's Investors Service is maintaining its Aa3 rating on Chelan County Public Util. Dist 1, WA (Chelan PUD) revenue bonds consisting of the Consolidated System, Chelan Hydro Consolidated, Rock Island, and Rocky Reach revenue bonds. The rating outlook is stable.

SUMMARY RATING RATIONALE

Chelan PUD's Aa3 rating is supported by district's highly competitive hydro generation, strong liquidity position, low retail rates, and long-term contracts for more than 50% of Rocky Reach and Rock Island's output. Additionally, Chelan PUD's ratings are supported by the district's targeted debt reduction to less than \$400 million by 2019, forecasted maintenance of strong internal liquidity of 400 to 500 days cash on hand, expected debt service coverage ratios (DSCR) around 2.0 times or higher on average, and the district's continuation of strong risk management since 2010.

The rating also considers the district's considerable long-term exposure to wholesale power prices and hydrology risk, the district's reliance on non-retail revenue to subsidize its retail business, and counterparty concentration with significantly lower rated entities.

Outlook

The stable outlook considers the district's forecast of high liquidity, an expected debt service ratio around 2.0x or higher on average, significant deleveraging over time, and the continuation of its risk management policies including hedging.

What Could Change the Rating - UP

Factors that could improve the district's rating including achievement of substantial debt reduction, maintenance of high liquidity, execution of long term contracts with highly rated counterparties, greater diversification of counterparty credit risk, and increase in DSCR comfortably above 3x on a sustained basis.

What Could Change the Rating - DOWN

Chelan PUD's rating could be downgraded if the district is unable to maintain high liquidity levels and sustain debt service coverage around 2.0x on average. The district's rating could also be negatively affected if the district weakens its risk management approach, incurs major operational problems or is unable to reduce leverage according to expectations.

DETAILED CREDIT DISCUSSION

Chelan PUD operates a utility system that primarily generates and delivers electricity to approximately 48,900 retail customers in Chelan county (not rated), which is located in the central part of Washington state. The district also provides wholesale fiber-optic services, water services, waste water services and generates electricity for sale under either long-term contracts or on a wholesale basis. The district's 2,994 square mile service area is primarily rural and has a population of approximately 74,000 (2013). The major economic activities in the Chelan/Douglas county area are agriculture, agriculture related industries, healthcare, education and manufacturing. The local economy has improved with unemployment averaging 6.3% (preliminary) for 2014 that was an improvement over 7.3% for 2013.

Chelan PUD benefits from ownership of three hydroelectric plants totaling 1,988 MW of capacity. The largest hydro plant is the 1,300 MW Rocky Reach facility followed by the 629 MW Rock Island plant and lastly the 59 MW Lake Chelan plant. The district sells approximately 51% of the combined output of the Rocky Reach and Rock Island plants to Puget Sound Energy, Inc. (PSE: Baa1, stable) and Alcoa Inc (Alcoa: Ba1, stable) under long-term

contracts that have take or pay type features. Douglas County Public Utility District 1, WA (Douglas PUD: Aa3, stable) also takes 5.54% of Rocky Reach's output under long-term contract.

The district's governing body is comprised of a five member independent board of commissioners who are elected under staggered four and six year terms. The next election is in 2016 for two commissioner positions.

LEGAL SECURITY:

The Chelan Hydro Consolidated (CHC) System bonds are secured by a senior lien on the net revenues of the CHC system that includes the net revenues of the Electric Distribution System, Lake Chelan Hydro project, Water System and Waste Water System. The CHC system bonds also benefit from a pledge of payments of interest and principal on affiliate debt loaned to Rock Island and Rocky Reach. The rate covenant requires 1.0 times coverage based on CHC's net revenues and 1.15 times coverage including other available funds. Each bond series has its own segregated reserve size to maximum annual interest. CHC lien is now closed and the last of these bonds are expected to be paid off in 2015.

The Consolidated System System (Consolidated System) revenue bonds are secured by a second lien on the net revenues of the Consolidated System, which consists of the same net revenues sources as the CHC system plus the Fiber Optic system. The Consolidated System revenue bonds are subordinate to the senior lien of the CHC System revenue bonds and represent Chelan PUD's primary debt issuing lien. The rate covenant and additional bonds test is 1.00 times based net revenue and 1.25 times including other available funds, respectively. The Consolidated System revenue bonds have a cash funded debt service reserve equal to maximum annual interest.

The Rock Island revenue bonds are secured by a pledge of Rock Island net system revenues. The 2009A series are subordinate to the prior Rock Island bonds, which are closed to new debt issuances but represent nearly all of the debt. The revenue from the sale of output from Rock Island can be commingled with the output from the other electric utility systems of the district. The rate covenant requires 1.0 times coverage and there is no additional bonds test. The debt service reserve requirement is sized to maximum annual interest and is cash funded.

The Rocky Reach System revenue bonds are secured by a pledge of revenues. Pledged revenues include all revenues, rates and charges from the district's operation of the Rocky Reach system; the rate covenant requires a 1.0 times coverage test and each bond series has a cash funded debt service reserve requirement sized to maximum annual interest.

An unusual provision in the 2008 Rock Island and Rocky Reach master resolutions for the 2009 bond series require the Distribution System to pay for its share of the costs only if Rock Island or Rocky Reach provides power. Moody's views this as a weakness though it does not have an impact at this time given the large amount of subordinated affiliate debt and the relatively small amount of debt affected totaling only \$14 million at Rocky Reach's debt as of year-end 2014.

INTEREST RATE DERIVATIVES:

None. The district terminated its last three interest rate swaps in 2013 and paid a \$15.9 million termination fee.

RATING FACTORS

LOW COST HYDRO SYSTEM LEADS TO VERY LOW RETAIL RATES

A key fundamental credit support factor for the district is Chelan PUD's 1,988 MW low cost hydro system, which reached commercial operations from 1920 to 1970 depending on the unit. The plants have operated well in most years although in March 2013, Chelan PUD discovered a turbine problem at the 1,300 MW Rocky Reach plant that affects four turbines. The district has made interim repairs that allowed the turbines to resume operations in April 2014 and Chelan PUD expects to start permanent repairs in 2015 on a staggered basis. We view the total estimated cost to repair at around \$45 million as being manageable before potential insurance recovery and cost sharing with the long term offtakers.

Even with these unexpected outages, the district's overall cost of power remains extremely low at a weighted average cost around \$16.4/MWh in 2013 and contributes to very low retail rates that are less than half of the

Washington state average. The low rates have led to increased inquiries by large load customers consisting primarily of data centers resulting in the district placing a temporary moratorium on new large load customers starting in December 2014. We currently incorporate the assumption that Chelan PUD will develop a new policy on large new load customers that will fit with its recently approved financial targets.

In addition to price competitiveness, the district's hydro facilities enjoy environmental benefits since they do not emit greenhouse gases or other major emissions. Thus, the district is likely to benefit over time from more stringent emissions regulations. That said, the district remains exposed to environmental regulations affecting threatened and endangered fish similar to other hydro generator owners in the region. Chelan PUD has a comprehensive Habitat Conservation Plan (HCP) to manage its environmental exposures at both Rocky Reach and Rock Island. The district has already spent substantial capital on a fish by-pass system and continues to expend ongoing funds on fish related environmental costs including the fish hatcheries and fish monitoring.

LONG TERM TAKE OR PAY TYPE CONTRACTS COVER ROUGHLY HALF OF HYDRO SYSTEM'S OUTPUT

Chelan PUD sells 51% of the power output from the combined Rocky Reach and Rock Island plants under long-term, take or pay 'plus' contracts to PSE (25% of allocated capacity) and Alcoa (26% of allocated capacity). The district also sells 5.54% of Rocky Reach's output to Douglas PUD. PSE and Alcoa's contracts mature in 2031 and 2028 while Douglas PUD's contract matures in 2021 with four 10-year extension options. Under the PSE and Alcoa contracts, the off-takers are responsible for its proportionate share of operation and maintenance, assumed debt service payments, and other costs. Chelan PUD can also implement credit, administrative, debt reduction, and capital recovery charges. The latter two charges can be used to reduce debt or pay for capital expenditures. Chelan PUD has decided to charge the maximum debt reduction and capital recovery charge allowed under the contract, which we view as credit supportive. That said, the Alcoa and PSE's payments related to their share of debt service at Rocky Reach and Rock Island follow an assumed debt amortization schedule, which can be different than the actual debt amortization at the two hydro plants. An additional consideration is the reliance on cash flows and revenues from Alcoa (nearly 20% of consolidated revenues) whose rating is below investment grade. Partially offsetting this risk are Chelan PUD's very competitive prices charged for the capacity and energy and posted collateral totaling around \$93.8 million as of December 2014.

The remaining 48% of the output is retained by the district and Chelan PUD sells a substantial amount of power into the wholesale energy market.

THE DISTRICT HAS SIGNIFICANT RELIANCE ON PROFITS FROM VOLATILE WHOLESALE MARKET REVENUES

Chelan PUD's share of three hydroelectric projects are sufficient for the district to meet its electric system load requirements under almost all conditions, including the 2000-2001 energy crisis. That said, Chelan PUD has substantial excess power sales and the district significantly relies on wholesale energy sales to mainly subsidize the district's electric distribution system. Chelan PUD's share of the hydro plant's output is a net 48% and under average hydrology, Chelan PUD expects to sell approximately 332 aMW of surplus power in 2015 compared to roughly 193 aMW sold to its retail customers. Wholesale power sales represent over 45% of total operating revenues in 2013 and we consider the district's large wholesale revenue exposure as a credit weakness especially given the high hydro and power price volatility. For example, the power prices fell steeply to below \$20/MWh in 2012 compared to nearly \$60/MWh in 2007 while regional hydrology has ranged from around 60% to 130% of average since 2000.

Since 2009, Chelan PUD developed and implemented a robust risk management plan to manage wholesale and hydrology exposure described below.

STRONG RISK MANAGEMENT AND FINANCIAL POLICIES REDUCE WHOLESALE REVENUE VOLATILITY AND CONTRIBUTES TO IMPROVED FINANCIAL PERFORMANCE

Chelan PUD's strong risk management program and financial policies implemented since 2009 have resulted in lower revenue volatility and improved financial performance. The district's power hedges consist of firm energy sales and 'slice' auctions of the district's hydro system output on a rolling forward basis. The district's seeks to have less than 5% of the total hydro output completely exposed to price and hydro volatility in the prompt year. While firm energy sales only transfers price risk, 'slice' sales transfer operational, hydrology and price risk to the counterparty resulting in greater cash flow certainty. The district has generally exceeded its minimum hedging objectives and Moody's expects Chelan PUD will continue to hedge through a combination of block and slice products on a rolling basis to ensure greater revenue stability. The extensive hedging has resulted in some

counterparty concentration although we derive some comfort from Chelan PUD's monitoring and counterparty collateral posting requirements.

The district's policies and actions also have resulted in continued strong liquidity position, improved consolidated debt service coverage (DSCR) and leverage. Over the last three years, Chelan PUD has typically maintained over 500 days cash on hand and looking forward, we expect 400-500 days cash on hand, which is supported by Chelan's PUD's policy of maintaining minimum \$175 million of liquidity of which \$150 million consists of unrestricted cash and investments. In addition to liquidity, Chelan PUD's DSCR improved to around 1.90x and 2.2x in 2012 and 2013, respectively compared to around 1.0x in 2010. We estimate 2014's DSCR at over 2.0x excluding bullet maturities and around 1.3x including the bullet maturities. Looking forward, we expect an average DSCR around 2.0 times or higher excluding further optional debt repayments by the district and Chelan PUD's strong cash flow generation should allow the district to internally fund capital expenditures and reduce debt. Chelan PUD has already reduced debt to \$725 million at year-end 2014 compared to almost \$1.1 billion in 2009. Looking forward, the district expects debt to further reduce to \$382 million outstanding by 2019. The overall expected improvement in the financial profile is one of the key factors that supports the district's Aa3 rating compared to the indicated A2 rating under the public power with generation ownership methodology.

HISTORICAL WILLINGNESS TO RAISE RATES IS VIEWED AS WEAKER THAN PEERS

While the district's rate process is not regulated by the state regulatory board, Chelan PUD has showed a limited willingness to use its authority to raise retail rates to maintain its financial condition in the past. In April 2009, Chelan PUD elected commissioners approved a temporary 12-month increase in rates by only 9% compared to the 18% rate increase recommended by management and the 38% increase necessary to ensure 'pay as you go' for the retail electric business. The rate increase was necessitated by lower than expected wholesale revenue and lower than expected interest income. Since April 2009, the district has taken extensive efforts to improve communications with its customers and the district's commissioners leading to smoother subsequent rate actions. For example, the 9% rate surcharge was extended through 2011 while the district implemented 5% to 9% rate increase for its water, wastewater, and fiber systems from 2010 through 2014 albeit no net increase for the electric system.

KEY STATISTICS:

Total Restricted and Unrestricted Cash and Investments, 2013: \$421 million

Total net MWh produced, 2013: 9.5 million

Aggregate Hydro Capacity (Nameplate): 1,988 MW

Chelan Senior Consolidated System 2013 Debt Service Coverage (per resolution without available funds): 56 times

Subordinate Consolidated System 2013 Debt Service Coverage (per resolution without available funds): 2.9 times

Rock Island System 2013 Debt Service Coverage (per resolution): 1.95 times

Rocky Reach System 2013 Debt Service Coverage (per resolution): 7.16 times

Consolidated Debt Service Coverage Ratio, 2013 (Moody's): 2.2 times

Debt Ratio, 2013: 60%

Days Cash on Hand, 2013: 543

Average Retail Rate, 2013: 3.2 cents/kwh

DEBT STATEMENT AS OF December 31, 2013

Rock Island System Revenue Bonds \$252 million

Rocky Reach System Revenue Bonds: \$16 million

Chelan Hydro Consolidated System Revenue Bonds: \$25 million

Consolidated System Revenue Bonds: \$484 million

Consolidated System Revenue Notes: \$29 million

OTHER CONSIDERATIONS

Moody's evaluates Chelan PUD under the US Public Power Electric Utilities with Generation Ownership Exposure methodology, and, as depicted below, the grid indicated rating is A2, which is two notches lower than the its Aa3 rating. Chelan PUD's high liquidity position, strong risk management, and expected improvement in financial profile over time are factors that support the Aa3 assigned rating.

The grid is a reference tool that can be used to approximate credit profiles for public power with generation ownership in most cases. However, the grid is a summary that does not include every rating consideration. Please see US Public Power Electric Utilities with Generation Ownership Exposure for more information about the limitations inherent to grids.

Public Power Rating Methodology Factors

- 1 Cost Recovery Framework (25% weight): (A)
2. Willingness to Recover Costs and Maintain Sound Financial Metrics (25% weight): (A)
3. Management of Generation Risk (10% weight): (A)
4. Rate Competitiveness (10% weight): (Aaa)
5. Financial Strength:
 - Sub factor a) Adjusted Days Liquidity on Hand (10% weight): (564 3-yr avg) (Aaa)
 - Sub factor b) Debt Ratio (10% weight): (65% 3-yr avg) (A)
 - Sub factor c) Adjusted Debt Service Coverage (10% weight): (1.86x 3-yr avg) (A)

Grid Indicated Rating: A2

Notching:

Merchant Exposure: -0.5

Scorecard Indicated Rating: A2

The principal methodology used in this rating was U.S. Public Power Electric Utilities with Generation Ownership Exposure published in November 2011. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

REGULATORY DISCLOSURES

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moody's.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see Moody's Ratings Symbols and Definitions on the Rating Process page on www.moody's.com for further information on the time horizon in which a credit rating action may be after a review or outlook action took place.

Please see ratings tab on the issuer page on www.moody's.com for the last rating action and the history of the rating. The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moody's.com/disclosures for further information.

Please see the ratings disclosure page on www.moody's.com/disclosures for disclosures on significant Moody's shareholders and on certain relationships between Moody's, its shareholders and/or rated issuers.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Clifford J Kim
Lead Analyst
Public Finance Group
Moody's Investors Service

Chee Mee Hu
MANAGING_DIRECTOR
Public Finance Group
Moody's Investors Service

A.J. Sabatelle
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA



© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S 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 AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR

ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

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 or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

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.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). 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. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.