

**SENATE FISCAL AGENCY
MEMORANDUM**



DATE: February 20, 2007
TO: Members of the Senate Appropriations Committee
FROM: Jay Wortley, Senior Economist
RE: Michigan's Bond Rating and Related Information

At the Senate Appropriations Committee Meeting on February 14, 2007, a request was made for information on Michigan's bond rating and state government bond ratings in general. In response to this request, this memo describes the bond ratings that are issued by the bond rating agencies, presents a comparison of the current bond ratings among the 50 states, and discusses the recent lowering of Michigan's bond rating and its fiscal implications.

Bond Ratings and Their Definitions

There are three businesses that rate state government long-term bonds: Moody's, Standard & Poor's, and Fitch. Each of these businesses specializes in conducting independent credit ratings, risk evaluation, and investment research. Table 1 lists the various bond ratings that these rating agencies use to rate the financial health and credit risks of the states. Standard & Poor's and Fitch use the same rating system, and while Moody's rating symbols are different, their overall rating system is very similar to that used by Standard & Poor's and Fitch. The major bond rating classifications are described below.

AAA (Standard & Poor's and Fitch) and Aaa (Moody's). This is the highest bond rating category and includes only those states judged to have the highest quality credit and the lowest credit risk. States falling in this category have an exceptionally strong capacity for payment of all financial commitments and there is nothing on the horizon that is likely to change this situation.

AA (Standard & Poor's and Fitch) and Aa (Moody's). This second bond rating category includes states that are in a high quality financial position that is down by only a small degree from those states in the top rating group. States ranked in this second level have a credit risk that is very low and have a very strong capacity for payment of all financial commitments. The situation in these states is not significantly vulnerable to foreseeable events. States in this group, together with states in the first group, are considered to have high-grade bonds.

A (Standard & Poor's, Fitch, and Moody's). States are placed in this third category if they have high credit quality, but their financial situation is somewhat more negatively affected by economic situations or other conditions. The risk associated with these bonds is low and the capacity of these states to meet their financial commitments is considered strong; however, their situation is considered more vulnerable to changes in economic conditions or other circumstance than is the case for states ranked in the first two categories.

The ratings in these second and third categories are also subdivided with a "+" or "-" under the Standard & Poor's and Fitch rating system and a "1", "2", or "3" under Moody's system. These subclassifications indicate whether a state is near the top, middle, or bottom of these groups.

BBB to D (Standard & Poor's and Fitch) and Baa to C (Moody's). Bonds falling in these groups range from medium-grade bonds with moderate risk to bonds that are speculative with significant risk. No state has a general long-term bond rating in any of these categories.

Table 1

Long-Term Bond Ratings			
Moody's	S&P	Fitch	Definitions
Aaa	AAA	AAA	Prime. Maximum Safety
Aa1	AA+	AA+	High Grade High Quality
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper Medium Grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower Medium Grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non Investment Grade
Ba2	BB	BB	Speculative
Ba3	BB-	BB-	
B1	B+	B+	Highly Speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Substantial Risk
Caa2	CCC	---	In Poor Standing
Caa3	CCC-	---	
Ca	---	---	Extremely Speculative
C	---	---	May be in Default
---	---	DDD	Default
---	---	DD	
---	D	D	
---	---	---	
---	---	---	

State Bond Ratings

At the present time, all states have a bond rating on their general long-term bonds in the top three bond rating categories. A listing of the bond ratings among the states, by each of the rating agencies and broken down by these top three rating categories, is presented in Table 2. Nine states currently have the highest possible bond rating of AAA under Standard & Poor's and Fitch and Aaa under Moody's. The majority of states (38) fall in the second rating group with ratings that range from AA+ to AA- under Standard & Poor's and Fitch, and Aa1 to Aa3 under Moody's. Three states currently have a bond rating in the third rating group. Also attached for your information is a detailed listing of the current bond rating situation in each of the states that has been compiled by UBS Securities LLC.

Table 2
State Bond Ratings
(Standard & Poor's, Fitch, Moody's)

AAA or Aaa (Prime, Maximum Safety)		AA or Aa (High Grade, High Quality)		A (Upper Medium Grade)	
Delaware	AAA, AAA, Aaa	Alabama	AA, AA, Aa2	California	A+, A+, A1
Georgia	AAA, AAA, Aaa	Alaska	AA, AA, Aa2	Louisiana	A, A, A2
Maryland	AAA, AAA, Aaa	Arizona	AA, --- , Aa3	South Dakota	AA, A+, A1
Minnesota	AAA, AAA, Aa1	Arkansas	AA, --- , Aa2		
Missouri	AAA, AAA, Aaa	Colorado	AA-, --- , Aa3		
North Carolina	AAA, AAA, Aaa	Connecticut	AA, AA, Aa3		
South Carolina	AA+, AAA, Aaa	Florida	AAA, AA+, Aa1		
Utah	AAA, AAA, Aaa	Hawaii	AA, AA, Aa2		
Virginia	AAA, AAA, Aaa	Idaho	AA-, A+, Aa2		
		Illinois	AA, AA, Aa3		
		Indiana	AA+, AA, Aa1		
		Iowa	AA+, AA+, Aa1		
		Kansas	AA+, --- , Aa1		
		Kentucky	AA-, AA-, Aa2		
		Maine	AA-, AA, Aa3		
		Massachusetts	AA, AA, Aa2		
		Michigan	AA, AA-, Aa2		
		Mississippi	AA, AA, Aa3		
		Montana	AA-, AA-, Aa2		
		Nebraska	AA+, --- , Aa3		
		Nevada	AA+, AA+, Aa1		
		New Hampshire	AA, AA, Aa2		
		New Jersey	AA, AA-, Aa3		
		New Mexico	AA+, --- , Aa1		
		New York	AA, AA-, Aa3		
		North Dakota	AA, --- , Aa2		
		Ohio	AA+, AA+, Aa1		
		Oklahoma	AA, AA, Aa3		
		Oregon	AA-, AA-, Aa3		
		Pennsylvania	AA, AA, Aa2		
		Rhode Island	AA, AA, Aa3		
		Tennessee	AA+, AA+, Aa2		
		Texas	AA, AA+, Aa1		
		Vermont	AA+, AA+, Aaa		
		Washington	AA, AA, Aa1		
		West Virginia	AA-, AA-, Aa3		
		Wisconsin	AA-, AA-, Aa3		
		Wyoming	AA, --- , ---		

Source: UBS Securities LLC and compiled by Senate Fiscal Agency

Michigan's Bond Rating

At the present time, Michigan's bond rating is in the second ratings group. Standard & Poor's rates Michigan's bonds AA and Moody's rates them Aa2, both of which would place Michigan in the middle of this high quality bond group. Fitch recently lowered Michigan's bond rating from an AA to an AA-.

Fitch's lowering of Michigan's bond rating followed the January 2007 Consensus Revenue Estimating Conference, at which time revenue estimates were lowered significantly, signaling a budget shortfall for the current fiscal year of \$800 million to \$900 million. At about the same time, Ford Motor Company announced that it experienced its largest operating loss in its history during 2006 and Pfizer announced it would cut 2,400 jobs in Michigan. Fitch stated the reasons for lowering Michigan's bond rating were its continuing economic decline and the deterioration of its financial condition.

While Standard & Poor's and Moody's have not lowered Michigan's bond rating, they both have placed their rating on something called a "negative outlook", meaning Michigan's bond rating could be lowered if the situation continues to deteriorate. Analysts from these rating agencies said they were refraining from downgrading Michigan's rating at this time to see how the State manages the current budget shortfall. They also stated that a long-term solution to the State's structural deficit is a key factor to the State's future bond rating.

Financial Impact of a Lower Bond Rating

While Michigan's bond rating was recently downgraded, the financial repercussions of this downgrade are not expected to be significant. According to the Department of Treasury, moving down from an AA bond rating to an AA- bond rating would increase the debt service on a \$100.0 million 20-year bond issue by less than \$1.0 million over the life of the bonds.

I hope this information is helpful to you. If you have any questions, please let me know.

/kjh

Attachment

c: Gary S. Olson, Director
Ellen Jeffries, Deputy Director

Municipal Securities Credit Analysis & Strategy

Sector Update

Brad Gewehr
brad.gewehr@ubs.com
212-713-3267

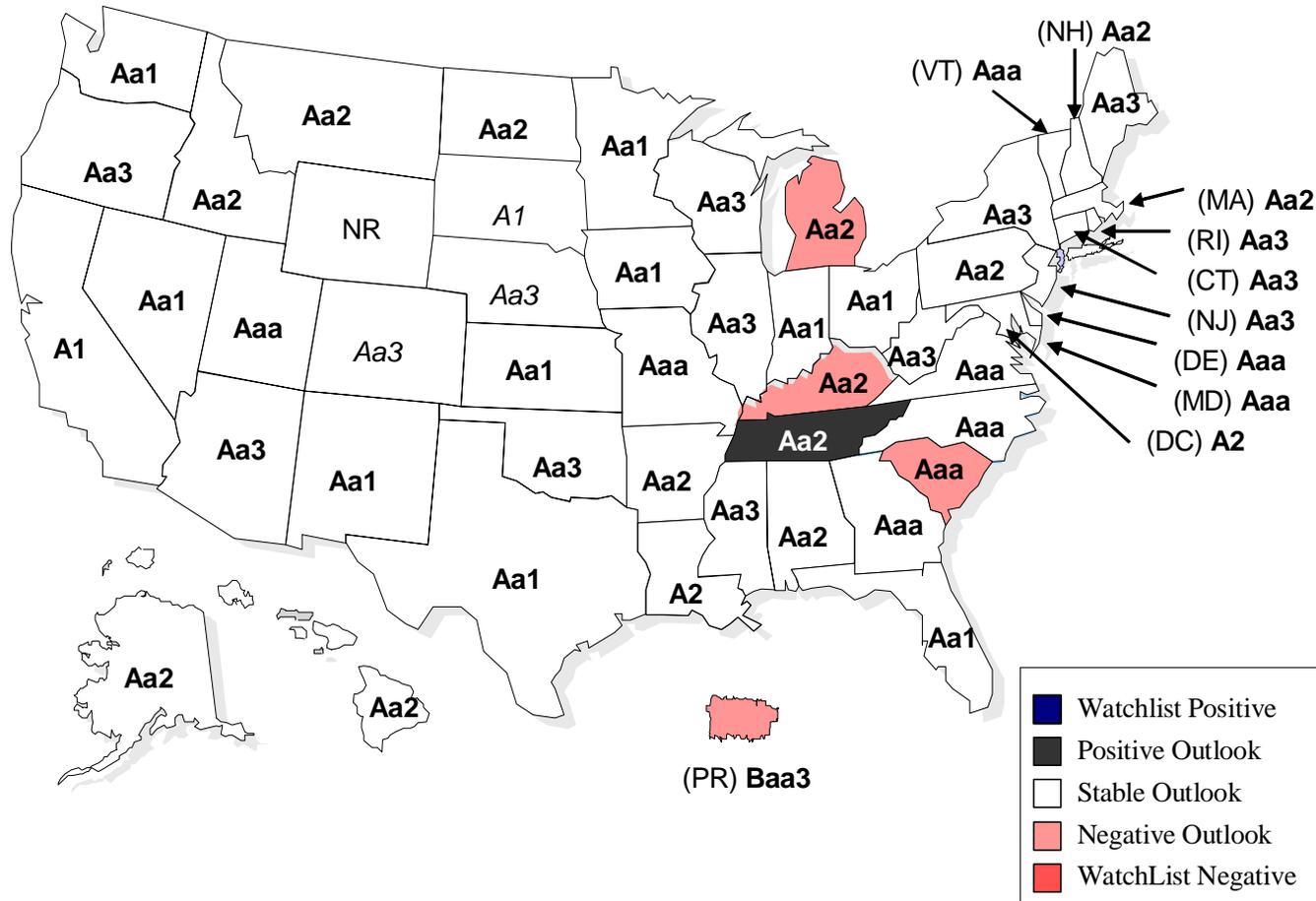
State Ratings Update

This is a summary of current state ratings and outlooks by Moody's, S&P, and Fitch. The maps below display the rating agencies' general obligation or equivalent ratings for each state (lease ratings are shown for some states where there is no GO or equivalent). States are also shaded by rating outlook. The tables which follow list the ratings and note changes in ratings and outlooks since the beginning of 2001.

- ◆ The maps and tables have been updated to reflect the following action:
 - **Moody's upgraded its GO rating on the State of Vermont to Aaa from Aa1 and revised the Outlook to Stable from Positive on February 2, 2007.** Moody's stated that the upgrade reflects "Vermont's strong history of financial management, evident in the state's maintenance of healthy reserve levels through the recent recession; manageable debt profile that reflects the state's focused efforts to reduce its debt ratios and maintain well-funded pension systems; and a stable, diversifying economy that lacks the kind of volatility that can make revenues swing dramatically up or down and increase financial uncertainty.."
- ◆ Moody's has a negative outlook on the ratings of Kentucky, Michigan, South Carolina and the Commonwealth of Puerto Rico and a positive outlook on the ratings of Tennessee and the District of Columbia.
- ◆ S&P has a positive outlook on the GO ratings of Kentucky, Washington and Wisconsin and negative outlook on the Commonwealth of Puerto Rico
- ◆ Fitch has a positive outlook on its GO ratings for District of Columbia and a negative outlook on the ratings of Illinois.

Moody's State Ratings and Outlooks

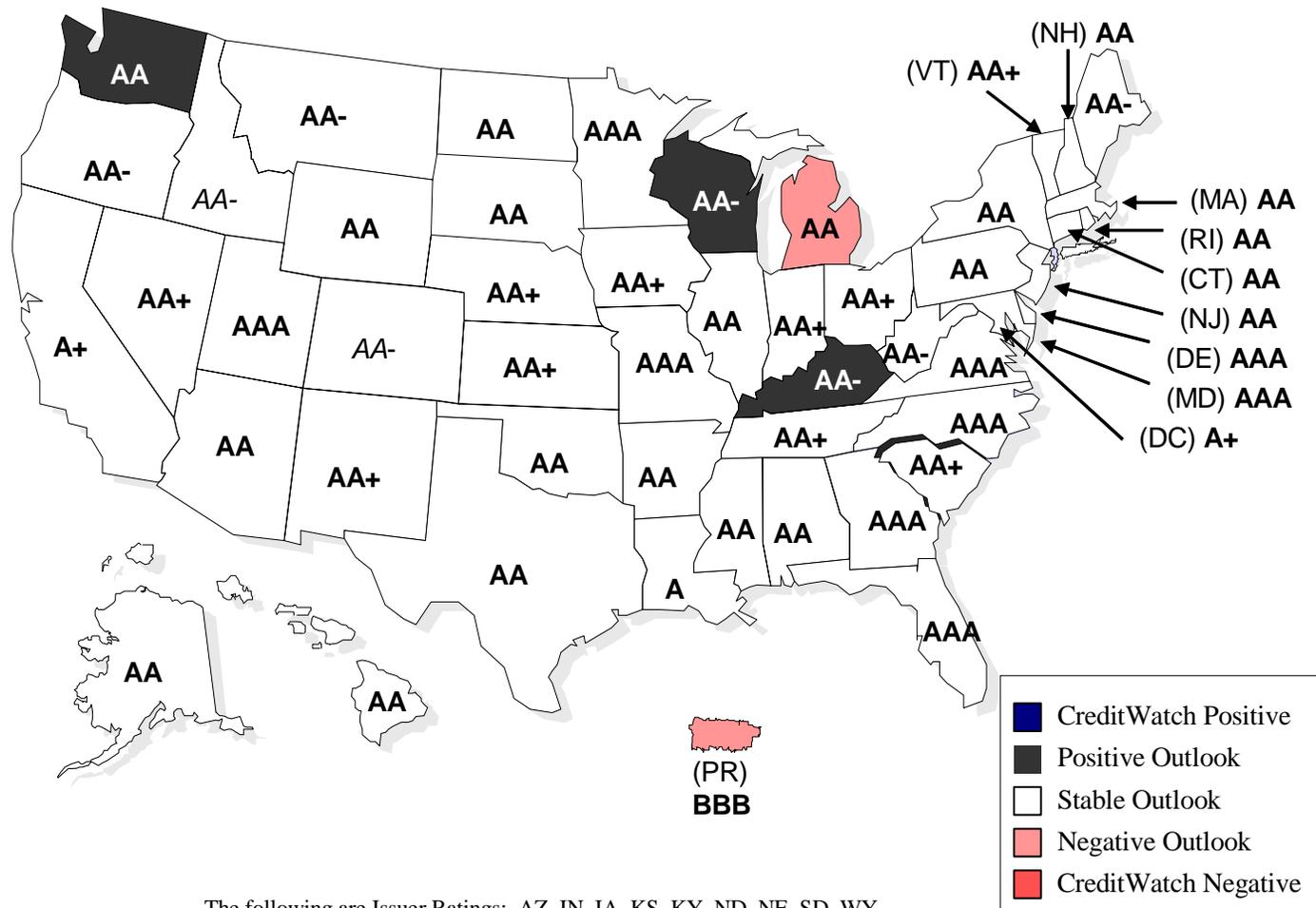
As of February 5, 2007



The following are Issuer Ratings: AZ, IN, IA, ID, KS, KY, ND
 The following are Lease Ratings: CO, NE, SD

S&P State Ratings and Outlooks

As of February 5, 2007



The following are Issuer Ratings: AZ, IN, IA, KS, KY, ND, NE, SD, WY
 The following are Lease Ratings: CO, ID

Updated 2/5/07	Moody's		S&P		Fitch Ratings		Recent Actions
State	Rating	Outlook	Rating	Outlook	Rating	Rating Watch	(since 1/1/01)
Alabama	Aa2	Stable	AA	Stable	AA	Stable	Moody's upgraded to Aa2 from Aa3, removed from Watchlist Positive and assigned Stable outlook on 8/26/05; placed rating on Watchlist Positive for possible upgrade; S&P revised outlook to Stable from Negative on 10/7/04; revised outlook to Negative from Stable on 11/19/03; Fitch revised outlook to Stable on 4/13/06
Alaska	Aa2	Stable	AA	Stable	AA	Stable	Moody's revised outlook to Stable from Negative on 11/19/04; revised outlook to Negative from Stable on 8/27/02; Fitch revised outlook to Stable on 4/13/06
Arizona	Aa3	Stable	AA	Stable	-	-	Moody's assigned an issuer rating of Aa3 and a Stable outlook on 3/15/05; revised outlook to Stable from Negative on 2/18/04; revised outlook to Negative from Stable on 11/25/02. S&P assigned a AA ICR and revised the outlook to Stable from Negative on 8/24/04; revised outlook to Negative from Stable on 6/19/02
Arkansas	Aa2	Stable	AA	Stable	-	-	-
California	A1	Stable	A+	Stable	A+	Stable	Moody's upgraded to A1 from A2 and revised outlook to Stable from Positive on 5/22/06; upgraded rating to A2 from A3 on 7/11/05; upgraded rating to A3 and assigned a positive outlook on 5/21/04, revised outlook to stable from negative on 3/3/04; downgraded to Baa1 from A3 on 12/9/03; revised outlook to Negative from WatchList Negative on 09/18/03; downgraded to A3 from A2 on 8/4/03; revised outlook to WatchList Negative from Negative on 7/3/03; revised outlook to Negative from Stable on 6/16/03; downgraded to A2 from A1 on 2/10/03; downgraded to A1 from Aa3 on 11/20/01; revised outlook to WatchList Negative from Negative on 10/5/01; downgraded to Aa3 from Aa2 on 5/15/01; revised outlook to Negative from Stable on 4/6/01; S&P upgraded to A+ from A on 5/17/06; upgraded to A and assigned a Stable outlook on August 24; revised outlook to CreditWatch Positive from Stable on 3/3/04; downgraded to BBB from A on 7/24/03; revised outlook to CreditWatch Negative from Stable on 7/2/03; downgraded to A from A+ on 12/19/02; revised outlook to Negative from CreditWatch Negative on 6/28/01; downgraded to A+ from AA on 4/24/01; revised outlook to CreditWatch Negative from Stable on 1/19/01; Fitch upgraded to A+ from A, revised outlook to Stable from Positive on 6/9/06; revised outlook to Positive on 4/13/06; upgraded to A from A- on 7/14/05; upgraded to A- from BBB on 9/7/04; downgraded to BBB from A on 12/19/03, downgraded to A from AA on 12/20/02; revised outlook to Rating Watch Negative on 4/18/01
Colorado	Aa3*	Stable	AA-*	Stable	-	-	Moody's assigned a lease rating of Aa3 and a Stable outlook on 2/6/06; S&P revised outlook to Stable from Negative on 1/9/04; revised outlook to Negative from Stable on 11/6/02; downgraded to AA- from AA on 6/26/02; revised outlook to CreditWatch Negative from Stable on 1/4/02
Connecticut	Aa3	Stable	AA	Stable	AA	Stable	Moody's downgraded to Aa3 from Aa2 on 7/2/03; revised outlook to WatchList Negative from Negative on 2/5/03; revised outlook to Negative from Stable on 8/14/02; upgraded to Aa2 from Aa3 (Positive) on 2/16/01; S&P revised outlook to Stable from Negative on 9/26/03; revised outlook to Negative from Stable on 8/16/02; Fitch revised outlook to Stable on 4/13/06
Delaware	Aaa	Stable	AAA	Stable	AAA	Stable	Fitch revised outlook to Stable on 4/13/06
Dist. of Columbia	A2	Positive	A+	Stable	A	Positive	Moody's revised outlook to Positive from Stable on 11/21/05; upgraded to A2 from Baa1 on 4/7/04; revised outlook to Positive from Stable on 3/19/03; upgraded to Baa1 from Baa3 (Positive) on 3/5/01; S&P upgraded to A+ from A on 11/23/05; upgraded to A from A- on 11/16/04; upgraded to A- from BBB+ (Stable) on 6/23/03; Fitch upgraded to A from A- on 6/22/05; revised outlook to Positive on 12/3/04; upgraded to A- from BBB+ (no outlook) on 6/20/03

Updated 2/5/07	Moody's		S&P		Fitch Ratings		Recent Actions
State	Rating	Outlook	Rating	Outlook	Rating	Rating Watch	(since 1/1/01)
Florida	Aa1	Stable	AAA	Stable	AA+	Stable	Moody's upgraded to Aa1 from Aa2 on 1/12/05; placed rating on WatchList Positive for possible upgrade on 11/22/04; revised outlook to Stable from Negative on 7/18/02; revised outlook to Negative from Stable on 12/19/01; S&P upgraded to AAA from AA+ on 2/25/05; Fitch revised outlook to Stable on 4/13/06; upgraded to AA+ from AA on 3/3/05
Georgia	Aaa	Stable	AAA	Stable	AAA	Stable	Fitch revised outlook to Stable on 4/13/06
Hawaii	Aa2	Stable	AA	Stable	AA	Stable	Moody's upgraded to Aa2 from Aa3 on 5/12/04; revised outlook to Positive from Stable on 10/15/04; revised outlook to Stable from Negative on 8/27/02; revised outlook to Negative from Stable on 12/19/01. S&P upgraded to AA from AA- and revised outlook to Stable from Positive on 1/29/07; revised outlook to Positive from Stable on 5/13/05; revised outlook to Stable from CreditWatch Negative on 2/5/02; placed on CreditWatch Negative from Stable on 10/3/01; upgraded to AA- from A+ on 7/17/01; revised outlook to Positive from Stable on 1/10/01. Fitch revised outlook to Stable on 4/13/06; upgraded to AA from AA- on 2/16/06
Idaho	Aa2	Stable	AA-*	Stable	A+*	-	Moody's upgraded to Aa2 from Aa3 on 12/22/04
Illinois	Aa3	Stable	AA	Stable	AA	Negative	Moody's downgraded to Aa3 from Aa2 on 5/13/03; placed on WatchList Negative on 4/17/03; revised outlook to Negative from Stable on 12/2/02; S&P revised outlook to Stable from Negative on 8/16/05; revised outlook to Negative from Stable on 5/13/03; revised outlook to Stable from Positive 1/29/02; Fitch revised outlook to Stable on 4/13/06; downgraded to AA from AA+ on 5/23/03; placed on Rating Watch Negative on 5/13/03
Indiana	Aa1	Stable	AA+	Stable	AA*	-	Moody's revised outlook to Stable from Negative on 8/14/06; revised outlook to Negative from Stable on 12/19/01; S&P upgraded to AA+ from AA and revised outlook to Stable from Positive on 1/23/06; revised outlook to Positive from Stable on 6/30/05; downgraded to AA from AA+ on 1/20/04; revised outlook to Negative from Stable on 1/18/02
Iowa	Aa1	Stable	AA+	Stable	AA+	Stable	Fitch upgraded to AA+ from AA on 11/22/06; revised outlook to Stable on 4/13/06
Kansas	Aa1	Stable	AA+	Stable	-	-	Moody's revised outlook to Stable from Negative on 10/2/06; revised outlook to Negative from Stable on 6/25/03; S&P revised outlook to Stable from Negative on 7/20/05; revised outlook to Negative from Stable on 8/7/02
Kentucky	Aa2	Negative	AA-	Positive	AA-*	-	Moody's removed rating from WatchList Negative on 10/15/04; placed rating on WatchList Negative on 5/24/04; revised outlook to Negative from WatchList Negative on 8/6/02; placed on WatchList Negative from Stable on 06/10/02; S&P revised outlook to Positive from Stable on 1/18/07; downgraded to AA- from AA on 10/9/02; placed on CreditWatch Negative from Negative on 6/7/02; revised outlook to Negative from Stable on 10/26/01
Louisiana	A2	Stable	A	Stable	A	Stable	Moody's revised outlook to Stable from Negative on 6/23/06; downgraded to A2 from A1 and assigned a negative outlook on 12/2/05; placed rating on WatchList Negative on 9/8/05; upgraded to A1 from A2 on 7/18/03; placed on WatchList Positive on 2/21/03; S&P revised outlook to Stable from Negative on 8/24/06; downgraded to A from A+ and assigned a negative outlook on 11/30/05; placed ratings on CreditWatch Negative on 8/30/05; upgraded to A+ from A (Stable) on 4/29/03; upgrade to A+ from A (no outlook) on 4/29/03; Fitch revised outlook to Stable from Negative on 8/10/06; revised outlook to Negative; removed rating from Rating Watch Negative on 4/13/06; downgraded to A from A+ on 12/1/05; placed ratings on Watch Negative on 9/12/05
Maine	Aa3	Stable	AA-	Stable	AA	Stable	Moody's downgraded to Aa3 from Aa2 and revised outlook to Stable on 5/24/05; placed rating on Watchlist Negative on 2/4/05; revised outlook to Stable from Positive on 12/19/01; revised outlook to Positive from Stable on 6/5/01; S&P downgraded rating to AA- from AA on 6/1/05; downgraded rating to AA on 5/27/04; revised outlook to Negative from Stable on 11/13/02; Fitch revised outlook to Stable on 4/13/06; downgraded to AA from AA+ on 5/27/05

Updated 2/5/07	Moody's		S&P		Fitch Ratings		Recent Actions
State	Rating	Outlook	Rating	Outlook	Rating	Rating Watch	(since 1/1/01)
Maryland	Aaa	Stable	AAA	Stable	AAA	Stable	Fitch revised outlook to Stable on 4/13/06
Massachusetts	Aa2	Stable	AA	Stable	AA	Stable	Moody's revised outlook to Stable from Negative on 12/6/04; revised outlook to Negative from Stable on 12/19/01; S&P upgraded to AA from AA- on 3/15/05; revised outlook to Stable from Positive on 10/23/01; Fitch revised outlook to Stable on 4/13/06; upgraded to AA from AA- on 7/8/05
Michigan	Aa2	Negative	AA	Negative	AA-	Stable	Moody's revised outlook to Negative from Stable on 1/26/07; downgraded to Aa2 from Aa1 on 1/20/05; downgraded to Aa1 from Aaa on 11/14/03; revised outlook to Negative from WatchList Negative on 7/18/03; revised outlook to WatchList Negative from Negative on 3/27/03; revised outlook to Negative from Stable on 12/19/01; S&P revised outlook to Negative from Stable on 8/9/06; downgraded to AA from AA+ on March 30, 2005; downgraded to AA+ from AAA on 12/30/03; revised outlook to CreditWatch Negative from Negative on 11/3/03; revised outlook to Negative from Stable on 3/17/03; Fitch downgraded to AA- from AA and revised outlook to Stable from Negative on 1/26/07; revised outlook to Negative on 4/13/06; downgraded to AA from AA+ on 12/14/04
Minnesota	Aa1	Stable	AAA	Stable	AAA	Stable	Moody's downgraded to Aa1 from Aaa on 6/16/03; revised outlook to WatchList Negative from Negative on 2/7/03; revised outlook to Negative from Stable on 6/14/02; Fitch revised outlook to Stable on 4/13/06
Mississippi	Aa3	Stable	AA	Stable	AA	Stable	Moody's removed from WatchList Negative and assigned Stable outlook on 11/21/05; placed rating on WatchList Negative on 9/8/05; S&P removed rating from CreditWatch Negative and assigned Stable outlook on 12/1/05; placed ratings on CreditWatch Negative on 8/30/05; Fitch revised outlook to Stable on 4/13/06; removed rating from Rating Watch Negative on 12/2/05; placed ratings on Rating Watch Negative on 9/12/05
Missouri	Aaa	Stable	AAA	Stable	AAA	Stable	Fitch revised outlook to Stable on 4/13/06
Montana	Aa2	Stable	AA-	Stable	AA-	Stable	Moody's upgraded to Aa2 from Aa3 and revised outlook to Stable from Positive on 1/22/07; revised outlook to Positive from Stable on 5/17/06; Fitch assigned a AA- rating and a Stable outlook on 5/17/06
Nebraska	Aa3*	Stable	AA+	Stable	-	-	S&P assigned a AA+ ICR from AA lease rating, outlook is Stable on 10/11/06
Nevada	Aa1	Stable	AA+	Stable	AA+	Stable	Moody's upgraded to Aa1 from Aa2 on 8/16/05; revised outlook to Stable from Negative on 6/17/02; revised outlook to Negative from Stable on 12/19/01; S&P upgraded to AA+ from AA and revised outlook to Stable from Positive on 6/23/06; revised outlook to Positive from Stable on 3/10/05; Fitch revised outlook to Stable on 4/13/06
New Hampshire	Aa2	Stable	AA	Stable	AA	Stable	Moody's revised outlook to Stable from Negative on 6/28/01; S&P downgraded to AA from AA+ on 12/4/03; Fitch revised outlook to Stable on 4/13/06; downgraded to AA from AA+ on 12/4/03; removed Rating Watch Negative outlook on 11/1/01
New Jersey	Aa3	Stable	AA	Stable	AA-	Stable	Moody's downgraded to Aa3 from Aa2 on 7/28/04; placed on WatchList Negative on 3/11/04; revised outlook to Negative from Stable on 3/10/03; downgraded to Aa2 from Aa1 on 3/04/02; revised outlook to Negative from Stable on 12/18/01; S&P upgraded to AA from AA- on 7/19/05; downgraded to AA- on 7/27/04; downgraded to AA from AA+ on 6/4/02; placed on CreditWatch Negative on 1/11/02; Fitch revised outlook to Stable on 4/13/06; downgraded to AA- on 7/27/04; removed from Rating Watch Negative on 11/13/03; placed on Rating Watch Negative on 3/10/03; downgraded to AA from AA+ (no outlook) on 4/25/02
New Mexico	Aa1	Stable	AA+	Stable	-	-	-

Updated 2/5/07	Moody's		S&P		Fitch Ratings		Recent Actions
State	Rating	Outlook	Rating	Outlook	Rating	Rating Watch	(since 1/1/01)
New York	Aa3	Stable	AA	Stable	AA-	Stable	Moody's upgraded to Aa3 from A1 and revised outlook to Stable from Positive on 12/14/05; upgraded to A1 from A2 on 11/9/04; placed rating on WatchList for possible upgrade on 9/9/04; revised outlook to Stable from Positive on 12/6/02; S&P revised outlook to Stable from Negative on 9/21/04, revised outlook to Negative from Stable on 5/16/03; Fitch revised outlook to Stable on 4/13/06; downgraded to AA- from AA on 6/5/03; placed on Rating Watch Negative on 2/10/03; upgraded to AA from A+ (no outlook) on 2/20/01
North Carolina	Aaa	Stable	AAA	Stable	AAA	Stable	Moody's upgraded to Aaa from Aa1 and revised outlook to Stable from Positive on 1/12/07; revised outlook to Positive from Stable on 9/10/04; downgraded to Aa1 from Aaa on 8/19/02; revised outlook to Negative from Stable on 7/13/01; Fitch revised outlook to Stable on 4/13/06
North Dakota	Aa2	Stable	AA	Stable	-	-	Moody's raised rating to Aa2 from Aa3 on 11/22/04; S&P raised rating to AA from AA- on 9/16/05
Ohio	Aa1	Stable	AA+	Stable	AA+	Stable	Moody's revised outlook to Stable from Negative on 11/9/04; revised outlook to Negative from Stable on 12/19/01; S&P revised outlook to Stable from Negative on 7/9/03; revised outlook to Negative from Stable on 12/19/01; Fitch revised outlook to Stable on 4/13/06
Oklahoma	Aa3	Stable	AA	Stable	AA	Stable	Fitch revised outlook to Stable on 4/13/06
Oregon	Aa3	Stable	AA-	Stable	AA-	Stable	Moody's downgraded to Aa3 from Aa2 on 3/10/03; revised outlook to Negative from Stable on 8/27/02; S&P downgraded to AA- from AA on 10/8/03; revised outlook to Negative from Stable on 9/30/02; Fitch revised outlook to Stable on 4/13/06; upgraded to AA- from A+ on 4/11/05; downgraded to A+ from AA (no outlook) on 3/6/03
Pennsylvania	Aa2	Stable	AA	Stable	AA	Stable	Fitch revised outlook to Stable on 4/13/06
Puerto Rico	Baa3	Negative	BBB	Negative	-	-	Moody's removed rating from WatchList Negative and assigned a Negative outlook on 7/21/06; downgraded to Baa3 from Baa2 on 5/8/06; placed on WatchList Negative on 2/24/06; downgraded to Baa2 from Baa1 and maintained a Negative outlook on 5/19/05; revised outlook to Negative from Stable on 9/21/04, revised outlook to Stable from Positive on 4/10/01; S&P removed rating from CreditWatch Negative and assigned a Negative outlook on 7/20/06; placed on CreditWatch Negative on 3/22/06; downgraded to BBB from A- on 5/24/05; revised outlook to Negative from CreditWatch Negative on 4/14/03; revised outlook to CreditWatch Negative from Stable on 12/11/02; downgraded to A- from A on 5/30/02; revised outlook to CreditWatch Negative from Stable on 7/12/01
Rhode Island	Aa3	Stable	AA	Stable	AA	Stable	S&P upgraded to AA from AA- on 11/2/05; revised outlook to Stable from Positive on 3/14/02; revised outlook to Positive from Stable on 7/10/01; Fitch revised outlook to Stable on 4/13/06
South Carolina	Aaa	Negative	AA+	Stable	AAA	Stable	Moody's revised outlook to Negative from Stable on 9/12/03; S&P downgraded to AA+ from AAA and assigned a Stable outlook on 7/11/05; placed rating on CreditWatch Negative on 2/22/05; Fitch revised outlook to Stable on 4/13/06
South Dakota	A1*	Stable	AA	Stable	A+*	-	S&P assigned an ICR of AA, Stable outlook, on 12/21/06
Tennessee	Aa2	Positive	AA+	Stable	AA+	Stable	Moody's revised outlook to Positive from Stable on 10/18/06; revised outlook to Stable from Negative on 8/3/04; revised outlook to Negative from Stable on 12/19/01; downgraded to Aa2 from Aa1 on 08/10/01; placed on WatchList Negative on 7/13/01; S&P upgraded to AA+ from AA on 10/12/06; revised outlook to Stable from Negative on 6/21/04; revised to outlook Negative from CreditWatch Negative on 7/11/02; revised to CreditWatch Negative from Negative outlook on 1/25/02; downgraded to AA from AA+ (Negative) on 7/12/01; Fitch upgraded to AA+ from AA on 10/17/06; revised outlook to Stable on 4/13/06; downgraded to AA from AAA (no outlook) on 8/9/01

Updated 2/5/07	Moody's		S&P		Fitch Ratings		Recent Actions
State	Rating	Outlook	Rating	Outlook	Rating	Rating Watch	(since 1/1/01)
Texas	Aa1	<i>Stable</i>	AA	<i>Stable</i>	AA+	<i>Stable</i>	Fitch revised outlook to Stable on 4/13/06
Utah	Aaa	<i>Stable</i>	AAA	<i>Stable</i>	AAA	<i>Stable</i>	Fitch revised outlook to Stable on 4/13/06
Vermont	Aaa	<i>Stable</i>	AA+	<i>Stable</i>	AA+	<i>Stable</i>	Moody's upgraded to Aaa from Aa1 and revised outlook to Stable from Positive on 2/2/07; revised outlook to Positive from Stable on 11/30/05; Fitch revised outlook to Stable on 4/13/06
Virginia	Aaa	<i>Stable</i>	AAA	<i>Stable</i>	AAA	<i>Stable</i>	Moody's removed rating from WatchList Negative on 5/27/04; revised outlook to WatchList Negative from Negative 9/4/03; revised outlook to Negative from Stable on 12/19/01; Fitch revised outlook to Stable on 4/13/06
Washington	Aa1	<i>Stable</i>	AA	<i>Positive</i>	AA	<i>Stable</i>	Moody's revised outlook to Stable from Negative on 11/22/05; revised outlook to Negative from Stable on 11/20/01; S&P revised outlook to Positive from Stable on 1/22/07; downgraded to AA from AA+ on 1/29/04; revised outlook to Negative and removed from CreditWatch Negative on 7/15/02; revised outlook to CreditWatch Negative from Stable on 3/19/02; Fitch revised outlook to Stable on 4/13/06
West Virginia	Aa3	<i>Stable</i>	AA-	<i>Stable</i>	AA-	<i>Stable</i>	Fitch revised outlook to Stable on 4/13/06
Wisconsin	Aa3	<i>Stable</i>	AA-	<i>Positive</i>	AA-	<i>Stable</i>	Moody's revised outlook to Stable from Negative on 3/29/05; revised outlook to Negative from Stable on 2/22/02; downgraded to Aa3 from Aa2 on 8/28/01; revised outlook to Negative from Stable on 3/20/01; S&P revised outlook to Positive from Stable on 11/9/05; downgraded to AA- from AA on 5/24/02; revised outlook to CreditWatch Negative from Negative on 1/23/02; revised outlook to Negative from Stable on 8/28/01; Fitch revised outlook to Stable on 4/13/06; downgraded to AA- from AA on 3/3/04; revised outlook to Rating Watch Negative on 3/26/03; downgraded to AA from AA+ (no outlook) on 09/04/01
Wyoming	–	–	AA	<i>Stable</i>	–	–	–

* denotes lease rating

Source: Moody's, S&P, and Fitch Ratings

**Chronology of Recent State Rating Actions**

date state	action	date state	action
1/10/01 Hawaii	S&P revised outlook to Positive from Stable	12/19/01 Ohio	Moody's revised outlook to Negative from Stable
1/19/01 California	S&P revised outlook to CreditWatch Negative from Stable	12/19/01 Ohio	S&P revised outlook to Negative from Stable
2/16/01 Connecticut	Moody's upgraded to Aa2 from Aa3 (Positive)	12/19/01 Tennessee	Moody's revised outlook to Negative from Stable
2/20/01 New York	Fitch upgraded to AA from A+	12/19/01 Virginia	Moody's revised outlook to Negative from Stable
3/5/01 Dist. of Columbia	Moody's upgraded to Baa1 from Baa3	1/4/02 Colorado	S&P revised outlook to CreditWatch Negative from Stable
3/20/01 Wisconsin	Moody's revised outlook to Negative from Stable	1/11/02 New Jersey	S&P revised outlook to CreditWatch Negative from Stable
4/6/01 California	Moody's revised outlook to Negative from Stable	1/18/02 Indiana	S&P revised outlook to Negative from Stable
4/10/01 Puerto Rico	Moody's revised outlook to Stable from Positive	1/23/02 Wisconsin	S&P revised outlook to CreditWatch Negative from Negative
4/18/01 California	Fitch revised outlook to Rating Watch Negative on 4/18/01	1/25/02 Tennessee	S&P revised outlook to CreditWatch Negative from Negative
4/24/01 California	S&P downgraded to A+ from AA	1/29/02 Illinois	S&P revised outlook to Stable from Positive
5/15/01 California	Moody's downgraded to Aa3 from Aa2	2/5/02 Hawaii	S&P revised outlook to Stable from CreditWatch Negative
6/5/01 Maine	Moody's revised outlook to Positive from Stable	2/22/02 Wisconsin	Moody's revised outlook to Negative from Stable
6/28/01 California	S&P revised outlook to Negative from CreditWatch Negative	3/4/02 New Jersey	Moody's downgraded to Aa2 from Aa1
6/28/01 New Hampshire	Moody's revised outlook to Stable from Negative	3/14/02 Rhode Island	S&P revised outlook to Stable from Positive
7/10/01 Rhode Island	S&P revised outlook to Positive from Stable	3/19/02 Washington	S&P revised outlook to CreditWatch Negative from Stable
7/12/01 Puerto Rico	S&P revised outlook to CreditWatch Negative from Stable	4/25/02 New Jersey	Fitch downgraded to AA from AA+
7/12/01 Tennessee	S&P downgraded to AA from AA+ (Negative)	5/24/02 Wisconsin	S&P downgraded to AA- from AA
7/13/01 North Carolina	Moody's revised outlook to Negative from Stable	5/30/02 Puerto Rico	S&P downgraded to A- from A
7/13/01 Tennessee	Moody's revised outlook to WatchList Negative from Stable	6/4/02 New Jersey	S&P downgraded to AA from AA+
7/17/01 Hawaii	S&P upgraded to AA- from A+	6/7/02 Kentucky	S&P revised outlook to CreditWatch Negative from Negative
8/9/01 Tennessee	Fitch downgraded to AA from AAA	6/10/02 Kentucky	Moody's revised outlook to WatchList Negative from Stable
8/10/01 Tennessee	Moody's downgraded to Aa2 from Aa1	6/14/02 Minnesota	Moody's revised outlook to Negative from Stable
8/28/01 Wisconsin	Moody's downgraded to Aa3 from Aa2	6/17/02 Nevada	Moody's revised outlook to Stable from Negative
8/28/01 Wisconsin	S&P revised outlook to Negative from Stable	6/19/02 Arizona	S&P revised outlook to Negative from Stable
9/4/01 Wisconsin	Fitch downgraded to AA from AA+	6/26/02 Colorado	S&P downgraded to AA- from AA
10/3/01 Hawaii	S&P revised outlook to CreditWatch Negative from Stable	7/11/02 Tennessee	S&P revised outlook to Negative from CreditWatch Negative
10/5/01 California	Moody's revised outlook to WatchList Negative from Negative	7/15/02 Washington	S&P revised outlook to Negative from CreditWatch Negative
10/23/01 Massachusetts	S&P revised outlook to Stable from Positive	7/18/02 Florida	Moody's revised outlook to Stable from Negative
10/26/01 Kentucky	S&P revised outlook to Negative from Stable	8/6/02 Kentucky	Moody's revised outlook to Negative from WatchList Negative
11/1/01 New Hampshire	Fitch removed Rating Watch Negative outlook	8/7/02 Kansas	S&P revised outlook to Negative from Stable
11/20/01 California	Moody's downgraded to A1 from Aa3	8/14/02 Connecticut	Moody's revised outlook to Negative from Stable
11/20/01 Washington	Moody's revised outlook to Negative from Stable	8/16/02 Connecticut	S&P revised outlook to Negative from Stable
12/18/01 New Jersey	Moody's revised outlook to Negative from Stable	8/19/02 North Carolina	Moody's downgrade to Aa1 from Aaa
12/19/01 Florida	Moody's revised outlook to Negative from Stable	8/27/02 Alaska	Moody's revised outlook to Negative from Stable
12/19/01 Hawaii	Moody's revised outlook to Negative from Stable	8/28/02 Hawaii	Moody's revised outlook to Stable from Negative
12/19/01 Indiana	Moody's revised outlook to Negative from Stable	8/29/02 Oregon	Moody's revised outlook to Negative from Stable
12/19/01 Maine	Moody's revised outlook to Stable from Positive	10/1/02 Oregon	S&P revised outlook to Negative from Stable
12/19/01 Massachusetts	Moody's revised outlook to Negative from Stable	10/9/02 Kentucky	S&P downgrade to AA- from AA
12/19/01 Michigan	Moody's revised outlook to Negative from Stable	11/6/02 Colorado	S&P revised outlook to Negative from Stable
12/19/01 Nevada	Moody's revised outlook to Negative from Stable	11/13/02 Maine	S&P revised outlook to Negative from Stable

Chronology of Recent State Rating Actions (continued)

date state	action	date state	action
11/25/02 Arizona	Moody's revised outlook to Negative from Stable	7/24/03 California	S&P downgrade to BBB from A
12/2/02 Illinois	Moody's revised outlook to Negative from Stable	8/4/03 California	Moody's downgraded to A3 from A2
12/6/02 New York	Moody's revised outlook to Stable from Positive	9/4/03 Virginia	Moody's revised outlook to WatchList Negative from Negative
12/11/02 Puerto Rico	S&P revised outlook to CreditWatch Negative from Negative	9/12/03 South Carolina	Moody's revised outlook to Negative from Stable
12/19/02 California	S&P downgraded to A from A+	9/18/03 California	Moody's revised outlook to Negative from WatchList Negative
12/20/02 California	Fitch downgrade to A from AA	9/26/03 Connecticut	S&P revised outlook to Stable from Negative
2/5/03 Connecticut	Moody's revised outlook to WatchList Negative from Negative	10/9/03 Oregon	S&P downgrade to AA- from AA
2/7/03 Minnesota	Moody's revised outlook to WatchList Negative from Negative	11/3/03 Michigan	S&P revised outlook to CreditWatch Negative from Negative
2/10/03 California	Moody's downgraded the rating to A2 from A1	11/13/03 New Jersey	Fitch removed Negative outlook
2/11/03 New York	Fitch revised outlook to Negative	11/14/03 Michigan	Moody's downgrade to Aa1 from Aaa
3/6/03 Oregon	Fitch downgrade to A+ from AA	11/19/03 Alabama	S&P revised outlook to Negative from Stable
3/10/03 New Jersey	Fitch revised outlook to Negative	12/4/03 New Hampshire	S&P downgrade to AA from AA+
3/10/03 New Jersey	Moody's revised outlook to Negative from Stable	12/5/03 New Hampshire	Fitch downgrade to AA from AA+
3/11/03 Oregon	Moody's downgrade to Aa3 from Aa2	12/9/03 California	Moody's downgrade to Baa1 from A3
3/17/03 Michigan	S&P revised outlook to Negative from Stable	12/19/03 California	Fitch downgrade to BBB from A
3/19/03 Dist. of Columbia	Moody's revised outlook to Positive from Stable	12/30/03 Michigan	S&P downgrade to AA+ from AAA
3/26/03 Wisconsin	Fitch revised outlook to Negative	1/9/04 Colorado	S&P revised outlook to Stable from Negative
3/27/03 Michigan	Moody's revised outlook to WatchList Negative from Negative	1/20/04 Indiana	S&P downgrade to AA from AA+
4/14/03 Puerto Rico	S&P revised outlook to Negative from CreditWatch Negative	1/29/04 Washington	S&P downgrade to AA from AA+
4/17/03 Illinois	Moody's revised outlook to WatchList Negative from Negative	2/18/04 Arizona	Moody's revised outlook to Stable from Negative
4/29/03 Louisiana	S&P upgrade to A+ from A (Stable)	3/20/04 Wisconsin	Fitch Downgrade to AA- from AA
4/30/03 Louisiana	Fitch upgrade to A+ from A	3/3/04 California	S&P revised outlook to CreditWatch Positive from Stable
5/6/03 Louisiana	Moody's revised outlook to WatchList Positive from Stable	3/3/04 California	Moody's revised outlook to Stable from Negative
5/13/03 Illinois	Moody's downgrade to Aa3 from Aa2	3/11/04 New Jersey	Moody's revised outlook to WatchList Negative from Negative
5/14/03 Illinois	S&P revised outlook to Negative from Stable	4/7/04 Dist. of Columbia	Moody's upgrades to A2 from Baa1
5/15/03 Illinois	Fitch revised outlook to Negative	5/21/04 California	Moody's upgrades to A3 from Baa1
5/16/03 New York	S&P revised outlook to Negative from Stable	5/24/04 Kentucky	Moody's placed Aa2 rating on WatchList Negative
5/23/03 Illinois	Fitch downgrade to AA from AA+	5/27/04 Virginia	Moody's confirmed Aaa rating, removed from WatchList
6/5/03 New York	Fitch downgrade to AA- from AA	5/27/04 Maine	S&P downgraded rating to AA
6/16/03 California	Moody's revised outlook to Negative from Stable	6/21/04 Tennessee	S&P revised outlook to Stable from Negative
6/17/03 Minnesota	Moody's downgrade to Aa1 from Aaa	7/27/04 New Jersey	S&P downgraded rating to AA- from AA
6/20/03 Dist. of Columbia	Fitch upgrade to A- from BBB+	7/27/04 New Jersey	Fitch downgraded rating to AA- from AA
6/23/03 Dist. of Columbia	S&P upgrade to A- from BBB+	7/28/04 New Jersey	Moody's downgraded rating to Aa3 from Aa2, removes from WatchList
6/25/03 Kansas	Moody's revised outlook to Negative from Stable	8/3/04 Tennessee	Moody's revised outlook to Stable from Negative
7/2/03 California	S&P revised outlook to CreditWatch Negative from Stable	8/9/04 California	Fitch removed rating from Rating Watch Negative
7/3/03 California	Moody's revised outlook to WatchList Negative from Negative	8/24/04 California	S&P upgrade rating to A from BBB, removes from CreditWatch
7/3/03 Connecticut	Moody's downgrade to Aa3 from Aa2	8/24/04 Arizona	S&P assigned an ICR of AA, revises outlook to Stable from Negative
7/10/03 Ohio	S&P revised outlook to Stable from Negative	9/7/04 California	Fitch upgrade rating to A- from BBB
7/18/03 Louisiana	Moody's upgrade to A1 from A2	9/9/04 New York	Moody's placed rating on WatchList for possible upgrade
7/19/03 Michigan	Moody's revised outlook to Negative from WatchList Negative	9/10/04 North Carolina	Moody's revised outlook to Positive from Stable

Chronology of Recent State Rating Actions (continued)

Date state	action	Date State	action
9/21/04 Puerto Rico	Moody's revised outlook to Negative from Stable	7/11/05 California	Moody's upgraded to A2 from A3
9/21/04 New York	S&P revised outlook to Stable from Negative	7/11/05 South Carolina	S&P downgraded to AA+ from AAA; removes from CreditWatch
10/7/04 Alabama	S&P revised outlook to Stable from Negative	7/14/05 California	Fitch upgraded to A from A-
10/15/04 Kentucky	Moody's removed rating from WatchList Negative, assigned Negative Outlook	7/19/05 New Jersey	S&P upgraded to AA from AA-
10/15/04 Hawaii	Moody's revised outlook to Positive from Stable	7/20/05 Kansas	S&P revised outlook to Stable from Negative
11/9/04 New York	Moody's upgrade to A1, Positive Outlook, from A2, WatchList Positive	8/16/05 Illinois	S&P revised outlook to Stable from Negative
11/9/04 Ohio	Moody's revised outlook to Stable from Negative	8/16/05 Nevada	Moody's upgraded to Aa1 from Aa2
11/16/04 Dist. Of Columbia	S&P upgrade to A from A-	8/26/05 Alabama	Moody's upgraded to Aa2, Stable Outlook, from Aa3, Watchlist Positive
11/19/04 Alaska	Moody's revised outlook to Stable from Negative	8/30/05 Louisiana	S&P placed rating on CreditWatch Negative
11/22/04 Florida	Moody's placed rating on WatchList Positive for possible upgrade	8/30/05 Mississippi	S&P placed rating on CreditWatch Negative
11/22/04 North Dakota	Moody's raised rating to Aa2 from Aa3	9/8/05 Louisiana	Moody's placed rating on WatchList Negative for possible Downgrade
12/3/04 Dist. of Columbia	Fitch revised outlook to Positive	9/8/05 Mississippi	Moody's placed rating on WatchList Negative for possible Downgrade
12/6/04 Massachusetts	Moody's revised outlook to Stable from Negative	9/12/05 Louisiana	Fitch placed rating on Watch Negative
12/14/04 Michigan	Fitch downgraded to AA from AA+	9/12/05 Mississippi	Fitch placed rating on Watch Negative
12/22/04 Idaho	Moody's upgrade to Aa2 from Aa3	9/16/05 North Dakota	S&P raised the rating to AA from AA-
1/12/05 Florida	Moody's upgrade to Aa1 from Aa2	11/2/05 Rhode Island	S&P upgraded to AA from AA-
1/20/05 Michigan	Moody's downgraded to Aa2 from Aa1	11/9/05 Wisconsin	S&P revised outlook to Positive from Stable
2/1/05 Alabama	Moody's placed rating on WatchList Positive for possible upgrade	11/21/05 Mississippi	Moody's revised outlook to Stable from WatchList Negative
2/4/05 Maine	Moody's placed rating on WatchList Negative for possible downgrade	11/21/05 Dist. of Columbia	Moody's revised outlook to Positive from Stable
2/22/05 South Carolina	S&P placed rating on Credit Watch Negative	11/22/05 Washington	Moody's revised outlook to Stable from Negative
2/25/05 Florida	S&P upgraded to AAA from AA+	11/23/05 Dist. of Columbia	S&P upgraded to A+ from A
3/3/05 Florida	Fitch upgraded to AA+ from AA	11/30/05 Vermont	Moody's revised outlook to Positive from Stable
3/10/05 Nevada	S&P revised outlook to Positive from Stable	11/30/05 Louisiana	S&P downgraded to A, Negative Outlook, from A+, CreditWatch Negative
3/15/05 Arizona	Moody's assigned a Aa3 rating and Stable outlook	12/1/05 Louisiana	Fitch downgraded to A from A+
3/15/05 Massachusetts	S&P upgraded to AA from AA-	12/1/05 Mississippi	S&P removed rating from CreditWatch, assigned a Stable Outlook
3/29/05 Wisconsin	Moody's revised outlook to Stable from Negative	12/2/05 Louisiana	Moody's downgraded to A2, Negative Outlook, from A1, WatchList Negative
3/30/05 Michigan	S&P downgraded to AA from AA+	12/2/05 Mississippi	Fitch removed rating from Rating Watch Negative
4/11/05 Oregon	Fitch upgraded to AA- from A+	12/14/05 New York	Moody's upgraded to Aa3 from A1, revised outlook to Stable from Positive
5/12/05 Hawaii	Moody's upgraded to Aa2 from Aa3	1/23/06 Indiana	S&P upgraded to AA+ from AA, revised outlook to Stable from Positive
5/13/05 Hawaii	S&P revised outlook to Positive from Stable	2/6/06 Colorado	Moody's assigned a Aa3 rating and Stable outlook
5/19/05 Puerto Rico	Moody's downgraded to Baa2 from Baa1	2/16/06 Hawaii	Fitch upgraded to AA from AA-
5/24/05 Puerto Rico	S&P downgraded to BBB from A-	2/24/06 Puerto Rico	Moody's placed rating on WatchList Negative for possible Downgrade
5/24/05 Maine	Moody's downgraded to Aa3 from Aa2; outlook to Stable from Negative	3/22/06 Puerto Rico	S&P placed rating on CreditWatch Negative
5/27/05 Maine	Fitch downgraded to AA from AA+	4/13/06 Louisiana	Fitch removed rating from Rating Watch Negative, assigned a Negative Outlook
6/1/05 Maine	S&P downgraded to AA- from AA	4/13/06 California	Fitch assigned a Positive Outlook
6/22/05 Dist. of Columbia	Fitch upgraded to A from A-	4/13/06 Michigan	Fitch assigned a Negative Outlook
6/30/05 Indiana	S&P revised outlook to Positive from Stable	4/13/06 Illinois	Fitch assigned a Negative Outlook
7/8/05 Massachusetts	Fitch upgraded to AA from AA-	5/8/06 Puerto Rico	Moody's downgraded to Baa3 from Baa2

**Chronology of Recent State Rating Actions (continued)**

Date state	action	Date State	action
5/17/06 California	S&P upgraded to A+ from A		
5/17/06 Montana	Fitch assigned a AA- rating and a Stable Outlook		
5/17/06 Montana	Moody's revised outlook to Positive from Stable		
5/22/06 California	Moody's upgraded to A1 from A2, revised outlook to Stable from Positive		
6/9/06 California	Fitch upgraded to A+ from A, revised outlook to Stable from Positive		
6/23/06 Louisiana	Moody's revised outlook to Stable from Negative		
6/23/06 Nevada	S&P upgraded to AA+ from AA, revised outlook to Stable from Positive		
7/20/06 Puerto Rico	S&P removed rating from CreditWatch Negative, assigned Negative Outlook		
7/21/06 Puerto Rico	Moody's removed rating from WatchList Negative, assigned Negative Outlook		
8/9/06 Michigan	S&P revised outlook to Negative from Stable		
8/10/06 Louisiana	Fitch revised outlook to Stable from Negative		
8/14/06 Indiana	Moody's revised outlook to Stable from Negative		
8/24/06 Louisiana	S&P revised outlook to Stable from Negative		
10/2/06 Kansas	Moody's revised outlook to Stable from Negative		
10/11/06 Nebraska	S&P assigned a AA+ ICR, outlook is Stable		
10/12/06 Tennessee	S&P upgraded to AA+ from AA		
10/17/06 Tennessee	Fitch upgraded to AA+ from AA		
10/18/06 Tennessee	Moody's revised its outlook to Positive from Stable		
11/22/06 Iowa	Fitch upgraded to AA+ from AA		
12/21/06 South Dakota	S&P assigned a AA ICR, outlook is Stable		
1/12/07 North Carolina	Moody's upgraded to Aaa from Aa1, revised outlook to Stable from Positive		
1/18/07 Kentucky	S&P revised its outlook to Positive from Stable		
1/22/07 Montana	Moody's upgraded to Aa2 from Aa3, revised outlook to Stable from Positive		
1/22/07 Washington	S&P revised its outlook to Positive from Stable		
1/26/07 Michigan	Fitch downgraded to AA- from AA, revised outlook to Stable from Negative		
1/26/07 Michigan	Moody's revised its outlook to Negative from Stable		
1/29/07 Hawaii	S&P upgraded to AA from AA-, revised outlook to Stable from Positive		
2/2/07 Vermont	Moody's upgraded to Aaa from Aa1, revised outlook to Stable from Positive		

This update has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This update is based on information obtained from sources believed to be reliable but no independent verification has been made, nor is its accuracy or completeness guaranteed. This update is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Opinions expressed herein are subject to change without notice and the division, group, subsidiary or affiliate of UBS AG ("UBS") which produced this update is under no obligation to update or keep the information current. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. UBS and/or its directors, officers and employees may take positions in, and may make purchases and/or sales as principal or agent or UBS may act as market-maker in the securities or related financial instruments discussed herein. UBS may provide corporate finance and other services to and/or serve as directors of the companies referred to in this report. UBS accepts no liability for any loss or damage of any kind arising out of the use of this update. US: This update is being distributed to US persons by UBS Securities LLC, a subsidiary of UBS AG, or by a division, group or affiliate of UBS AG, that is not registered as a US broker-dealer (a "non-US affiliate"), to major US institutional investors only. UBS Securities LLC accepts responsibility for the content of a report prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC.

© 2006 All rights reserved. This report may not be reproduced or distributed in any manner without the permission of UBS.