



DENISE L. NAPPIER
TREASURER

State of Connecticut
Office of the Treasurer

HOWARD G. RIFKIN
DEPUTY TREASURER

September 4, 2008

Mr. Robert Grossman
Fitch Ratings
One State Street Plaza
New York, NY 10004

Dear Mr. Grossman:

Thank you for this opportunity to provide feedback on your recent exposure draft regarding reassessment of your municipal ratings framework. The draft demonstrates that Fitch Ratings is taking a thoughtful approach to this very important initiative. As you may already be aware, I strongly support the use of a single rating scale for debt across all sectors. I am very pleased that Fitch is proposing to recalibrate its municipal rating scale to make accessing the capital markets more equitable for all issuers of debt. The following summarizes my thoughts on some of the specifics of your proposal.

Procedure for Implementing the Rating Recalibration

Fitch is proposing to systematically recalibrate most tax-backed and water and sewer revenue ratings based on a comparison of default rates to the corporate sector. Based on your analysis of historical default rates, you are generally proposing that bonds rated BBB to A be upgraded two notches, and bonds rated A+ to AA be upgraded one notch. The difference in the magnitude of the rating upgrade is based on your determination that higher quality municipal bonds and higher quality corporate bonds are not significantly different in their default experience. What is not clear from your report is how you determined that the appropriate level of increase was one to two notches. Your report acknowledges that your initial inclination was to increase the ratings by a greater amount, but the potential for upgrades was tempered by your concern for the current economic and fiscal climate for many governmental issuers. In my view, ratings should consider the ability of management to respond effectively to economic downturns, so that the ratings are not subject to modification with each business cycle. However, I believe that issuers of corporate debt are subject to some of the same economic pressures currently facing state and local governments. With that in mind, your proposal appears to provide inadequate justification for the amount of the recalibration. I would, therefore, urge that additional consideration be given to rating adjustments of greater magnitude.

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I understand the need to develop a systematic approach to the rating recalibration, given the number of ratings affected. From an issuer perspective, it is most critical that new issues be evaluated and rated based on the new framework on a timely basis. Your proposal appears to address this concern.

Plan to Consider Recalibration of Other Municipal Sectors at a Later Date

I support your plan to recalibrate other municipal sectors and urge you to complete your analysis as soon as possible, so that issuers of these types of debt are not at a market disadvantage.

Thank you again for this opportunity to comment on your proposal. I look forward to the conclusion of this process and the implementation of a recalibration.

Sincerely,

A handwritten signature in black ink, appearing to read "Denise L. Nappier". The signature is written in a cursive style with a large, sweeping initial "D" that loops back over the rest of the name.

Denise L. Nappier
Treasurer